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July 18, 2019

Board of Commissioners  
Housing Authority of the City of Anderson  
528 W. 11<sup>th</sup> Street  
Anderson, IN 46016

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the Housing Authority of the City of Anderson. We have reviewed the audit report prepared by Barrale Renshaw Sailor Khan, LLC, Independent Public Accountants, for the period April 1, 2017 to March 31, 2018. Per the *Independent Auditor's Report*, due to inadequacy of accounting records for the period March 31, 2018, Barrale Renshaw Sailor Khan, LCC, was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements and each major federal program included in the report.

We call your attention to the findings in the report on pages 8-19. Please see the Schedule of Findings and Questioned Costs as listed in the table of contents for complete details related to the findings. The Authority's planned corrective action is included in the Opinion of Responsible Parties and Corrective Action Plan section of the findings.

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

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

Paul D. Joyce, CPA  
State Examiner

HOUSING AUTHORITY OF THE CITY OF ANDERSON  
ANDERSON, INDIANA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018  
AND  
REPORTS ON COMPLIANCE AND  
ON INTERNAL CONTROL

HOUSING AUTHORITY OF THE CITY OF ANDERSON  
Anderson, Indiana

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MARCH 31, 2018

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SECTION I  
AUDITOR'S REPORT  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of Anderson  
Anderson, Indiana

**Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Housing Authority of the City of Anderson, Indiana, (Authority), as of and for the year ended March 31, 2018, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component unit. These financial statements collectively comprise the Housing Authority of the City of Anderson's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of Anderson'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 of the City of Anderson'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.

**Basis for Disclaimer of Opinion**

During the course of our audit, we were unable to reconcile cash accounts. Furthermore, in the low rent other income account there exists a departure from general accepted accounting principles and the accounting system was non functional at the time of our audit. Due to these conditions the integrity of financial statements is not supported nor could they be verified through alternative methods. Because of this scope limitation, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as a whole.

**Disclaimer of Opinions**

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion on these financial statements.

**Other Matters**

*Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages iv through x 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 were unable to apply 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**

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Anderson’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Financial Data Schedule - HUD Prescribed Format are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the Housing Authority of the City of Anderson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of the City of Anderson's internal control over financial reporting and compliance.



Barrale Renshaw Sailor Khan, LLC  
St. Louis, Missouri  
December 12, 2018

**Anderson Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**March 31, 2018**

As management of Anderson Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2018.

This financial report is designed to provide a general overview of the authority's finances for all those with an interest.

We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

**Special Conditions and Economic Factors**

Management is not aware of any facts, decisions, or conditions that would have a significant effect on the future operation of the Authority.

**Contacting the Authority**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Executive Director, Anderson Housing Authority

**Overview of the Financial Statements**

The financial statements included in this annual audit report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

**The Statement of Net Position**

This statement reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Position", formerly known as Net Assets or equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".

**Net Position, Invested in Capital Assets, Net of Related Debt:**

This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted Net Position:**

This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position:

Consists of the portion of Net Position that does not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Position”.

Statement of Revenue, Expenses, and Change in Net Position

This statement reports the Authority’s operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions. It also includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

Statement of Cash Flows

Presents information on the effects changes in assets and liabilities have on cash during the course of the Fiscal Year.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

**Analysis of the Housing Authority**

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is “Is the Authority as a whole better or worse off as a result of the year’s activities?”

The attached analysis of entity wide net position, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority’s net assets and changes in them. One can think of the Authority’s net assets as the difference between what the Authority own’s (assets) to what the Authority owes (liabilities).

The change in net position analysis will assist the reader with measuring the health or financial position of the Authority. Over time, significant changes in the Authorities net position are an indicator of whether its financial health is improving or deteriorating.

To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. Following is a brief description of the programs and services that the Authority provides for the residents of Anderson.

### **Programs of the Housing Authority**

#### **Low Income Public Housing (LIPH)**

The Housing Authority has 132 units in its Public Housing inventory. The Authority is responsible for the management, maintenance, and utilities for all units.

The total rent charged to the tenants is based on a formula mandated by HUD and usually does not exceed 30% of qualified income. As a result, the Housing Authority can not generate enough tenant income to cover all of the necessary operating expenses. HUD provides operating subsidy to the Housing Authority to cover the gap between what is generated in rental income and what is needed to cover the actual operating expenses, including utilities.

On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has a Project Expense Level (PEL). The PEL is calculated by HUD in accordance with the results of the Harvard Cost Study which was performed for HUD. HUD funds the difference between allowable costs as incurred for all leased units and the actual tenant revenue generated. Funding is made by formula, in accordance with total funds appropriated by Congress.

#### **Section 8 Housing Choice Vouchers (HCV)**

HUD has contracted with the Housing Authority to manage the Housing Choice Voucher Program. The Authority pays a Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

#### **Capital Fund Program**

As stated above, rental income and operating subsidy are designed to cover only the operating costs and utility costs. This leaves little to no funding for capital expenditures, replacements, betterments, etc. To provide this needed capital funding, HUD provides modernization grants. These grant programs are award by HUD on an annual basis. The Authority requisitions funds from HUD as needed to meet funds the Authority expends funds.

#### **Business Activities**

In addition to the programs mentioned above, the Anderson Housing Authority also administers other business activities to serve the needs of low income individuals in Anderson.

## Condensed Comparative Financial Statements

### *Analysis of Entity Wide Net Assets (Statement of Net Assets)*

**Total Net Position** for FY 2018 was \$3,238,499 and for FY 2017 the amount was \$3,378,313. This represents an overall decrease of \$139,814, or 4.3%. Details are as follows:

**Cash, including short term investments**, increased to \$614,471 in FY 2018, from \$575,139 in FY 2017, or by \$39,332, or 6.4%. The change in the authority's cash balance is due primarily to an increase in HUD Operating Grants.

**Other Current Assets** increased to \$87,032 in FY 2018 from \$76,887 in FY 2017, or by \$10,145, or 11.7%. This change was primarily due to increases in unrestricted investments and inventories.

**Capital Assets** decreased to \$3,082,086 in FY 2018 from \$3,281,940 in FY 2017, or by \$199,854, or 6.05%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased to \$71,097 in FY 2018 from \$119,455 in FY 2017, or by \$48,358, or 68.0%. This change was caused by decreases to accrued liabilities, accounts payable <= 90 days and accrued compensated absences-current.

**Non-Current Liabilities** increased to \$656,164 in FY 2018 from \$639,325 in FY 2017, or by \$16,839, or 2.6%. This change was caused increases in Accrued Pension and OPEB liabilities and Accrued Compensated absences non-current.

The table below illustrates our analysis:

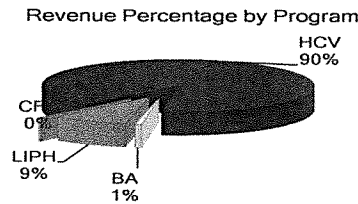
	2018	2017	Net Change	Percent Variance
Cash and Investments	614,471	575,139	39,332	6.4%
Other Current Assets	87,032	76,887	10,145	11.7%
Capital Assets, Net of Depreciation	3,082,086	3,281,940	-199,854	-6.5%
Deferred Outflow of Resources	182,171	203,127	-20,956	-11.5%
<b>Total Assets</b>	<b>3,965,760</b>	<b>4,137,093</b>	<b>-171,333</b>	<b>-4.3%</b>
Current Liabilities	71,097	119,455	-48,358	-68.0%
Non Current Liabilities	656,164	639,325	16,839	2.6%
<b>Total Liabilities</b>	<b>727,261</b>	<b>758,780</b>	<b>-31,519</b>	<b>-4.3%</b>
Net Assets in Capital Assets	3,082,086	3,281,940	-199,854	-6.5%
Restricted Net Assets	227,713	71,176	156,537	68.7%
Unrestricted Net Assets	-113,479	-37,087	-76,392	67.3%
Deferred Inflow of Resources	42,179	62,284	-20,105	-47.7%
<b>Total Net Position</b>	<b>3,238,499</b>	<b>3,378,313</b>	<b>-139,814</b>	<b>-4.3%</b>
<b>Total Liabilities &amp; Net Position</b>	<b>3,965,760</b>	<b>4,137,093</b>	<b>-171,333</b>	<b>-4.3%</b>

**Analysis of Entity Wide Revenues (Statement of Activities)**

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year 2018 were as follows:

Low Income Public Housing (LIPH)	\$733,442
HUD Capital Fund Grant	\$18,000
Section 8 Housing Choice Vouchers (HCV)	7,525,600
Business Activities (BA)	65,350
<b>Total Revenue</b>	<b><u>\$8,342,392</u></b>

The diagram below illustrates the percentage of revenues generated by the programs as presented on the previous page for Fiscal Year Ending March 31, 2018:



Total revenues for FY 2018 were \$8,342,392, as compared to \$7,657,210 of total revenues for FY 2017. Comparatively, FY 2018 revenues exceeded FY 2017 revenues by \$685,182, or 8.9%. Primarily, this change in total revenues is reflective of increases in HUD Operating Grants and Other Revenue.

	2018	2017	Net Change	Percentage Change
Total Tenant Revenue	121,907	137,462	-15,555	-11.3%
HUD Operating Grants	7,984,540	7,282,175	702,365	9.6%
HUD Capital Grants	18,000	0	18,000	100.0%
Other Government Grants	0	40,000	-40,000	-100.0%
Other Revenue	217,945	197,573	20,372	10.3%
<b>Total Revenue</b>	<b><u>8,342,392</u></b>	<b><u>7,657,210</u></b>	<b><u>685,182</u></b>	<b><u>8.9%</u></b>

### *Analysis of Entity Wide Expenditures*

**Total Expenditures** for FY 2018 were \$8,462,101, as compared to the \$8,042,588 for FY 2017. This reflects an increase of \$419,513, or 5.2%.

**Administrative** expenditures for FY 2018 were \$928,140 as compared to \$924,663 in FY 2017. This represents an increase of \$3,477, or 0.4%. This net change is primarily due to increases in administrative salaries and benefits, and other administrative expenses.

**Utilities** expenditures for FY 2018 were \$112,361 as compared to \$117,482 in FY 2017. This represents a decrease of \$5,121, or 4.4%. The major cause for this change is due to the decreases in water costs, electric costs, and natural gas costs.

**Maintenance** expenditures for FY 2018 were \$288,202 as compared to \$425,141 in FY 2017. This represents a decrease of \$136,939, or 32.2%. The main cause for this change was due to a decrease in maintenance benefits, and non-routine maintenance costs.

**General** expenditures for FY 2018 were \$208,551 as compared to \$143,104 in FY 2017. This represents an increase of \$65,447, or 45.7%. The main reason for this change is due to a large increase in Bad Debts-Tenant Rents.

The table below illustrates our analysis:

	2018	2017	Net Change	Percent Variances
Administrative	928,140	924,663	3,477	0.4%
Tenant Services	0	218	-218	-100.0%
Utilities	112,361	117,482	-5,121	-4.4%
Maintenance incl non routine	288,202	425,141	-136,939	-32.2%
Protective Services	1,100	644	456	70.8%
General Expense incl int exp	208,551	143,104	65,447	45.7%
Housing Assistance Payments	6,675,586	6,177,043	498,543	8.1%
Depreciation Expense	248,161	254,293	-6,132	-2.4%
<b>Total Operating Expenses</b>	<b>\$8,462,101</b>	<b>\$8,042,588</b>	<b>419,513</b>	<b>5.2%</b>

### ANALYSIS OF CAPITAL ASSET ACTIVITY

The table below illustrates the changes in Capital Assets through out the fiscal year:

	2018	2017	Net Change	Percent Variance
Land	343,077	343,077	0	0.0%
Buildings	7,182,690	7,182,690	0	0.0%
Furniture, Equip., & Machinery	383,608	382,658	950	0.2%
Leasehold Improvements	0	8,590	-8,590	-100.0%
construction in Progress	18,000	0	18,000	100.0%
<b>Total Fixed Assets</b>	<u>7,927,375</u>	<u>7,917,015</u>	<u>10,360</u>	<u>0.1%</u>
Accumulated Depreciation	4,845,289	4,635,075	210,214	4.5%
<b>Net Fixed Assets</b>	<u><u>3,082,086</u></u>	<u><u>3,281,940</u></u>	<u><u>-199,854</u></u>	<u><u>-6.1%</u></u>

During FY 2018, Total Capital Assets increased by \$10,360, or by 0.1%. This change reflects a reclassification of the previously reported (2017) Leasehold Improvements.

After applying the depreciation charge for the year in the amount of \$210,214, a decrease in fixed assets of \$ 199,854, or 6.1% was realized.

As mentioned earlier, work completed under the Capital Fund Program is temporarily charged to construction in process. When all of the funds allocated to a specific grant have been fully expended, approved by HUD, and audited, the work items are moved from construction in process and placed into the Capital Assets. Depreciation normally begins at this point however, it may commence earlier.

SECTION II  
FINANCIAL STATEMENTS  
AND  
NOTES TO FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

STATEMENT OF NET POSITION

March 31, 2018

**ASSETS**

Current Assets:

Cash and cash equivalents	\$	228,344
Investments		27,000
Receivable - net of allowances:		
Accounts		21,574
Inventory - net of allowances		2,281
Prepaid expenses		35,977
Restricted cash and cash equivalents		<u>263,594</u>

Total Current Assets 578,770

Capital assets:

Land, improvements, and construction in progress	334,777
Other capital assets, net of depreciation	<u>1,971,655</u>

Total capital assets- net 2,306,432

Deferred Outflow of Resources 182,171

Total Assets 3,067,373

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

STATEMENT OF NET POSITION (CONTINUED)

March 31, 2018

**LIABILITIES**

Current Liabilities:

Accounts Payable	11,957
Accrued salaries, wages and benefits	28,872
Accrued compensated absences	9,900
Tenant security deposit liability	17,036
Unearned revenues	<u>707</u>

Total Current Liabilities 68,472

Noncurrent Liabilities:

Accrued compensated absences	89,102
Accrued Pension and OPEB liability	<u>567,062</u>

Total Noncurrent Liabilities 656,164

Deferred Inflow of Resources 42,179

Total Liabilities 766,815

**NET POSITION**

Net investment in capital assets	2,306,432
Restricted for:	
HAP	227,713
Unrestricted	<u>(233,587)</u>

Total Net Position \$ 2,300,558

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For Year Ended March 31, 2018

<b>Operating Revenues:</b>	
Rental revenue	\$ 56,573
Operating subsidies- HUD grants	7,984,540
Operating subsidies- other grants	40,000
Other revenues	<u>176,571</u>
Total operating revenues	<u>8,257,684</u>
<b>Operating Expenses:</b>	
Personal services	882,088
Utilities	112,008
Operations and maintenance	150,254
Non routine maintenance	4,458
Insurance	71,597
Other supplies and expenses	223,107
Housing assistance payments	6,675,586
Depreciation	<u>210,214</u>
Total operating expenses	<u>8,329,312</u>
Operating income (loss)	<u>(71,628)</u>
<b>Non-operating revenues (expenses):</b>	
Interest and investment earnings	<u>1,358</u>
Net non-operating revenues (expenses)	<u>1,358</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(70,270)
Capital contributions	<u>18,000</u>
Change in net position	(52,270)
Net position at beginning of year	<u>2,352,828</u>
Net position at end of year	<u>\$ 2,300,558</u>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**STATEMENT OF CASH FLOWS**

For Year Ended March 31, 2018

**Cash flows from operating activities:**

Cash received from tenants	\$ 48,669
Cash received from HUD grants- operating	7,977,344
Cash received from other grants	40,000
Cash received from other operating activities	178,829
Cash payments for goods and services	(7,267,859)
Cash payments to employees-salaries	(632,092)
Cash payments to employees-compensated absences	(24,387)
Cash payments for employee benefit contributions	<u>(244,488)</u>

Net cash provided (used) by operating activities 76,016

**Cash flows from capital and related financing activities:**

Capital contributions	18,000
Payments for capital assets	<u>(18,950)</u>

Net cash (used) for capital and related financing activities (950)

**Cash flows from investing activities:**

Proceeds from sale of (payments) for investments	(22,924)
Interest and dividends	1,358
Receipts (payments) from tenant security deposits	<u>(2,087)</u>

Net cash provided (used) from investing activities (23,653)

Net increase (decrease) in cash and cash equivalents 51,413

Cash and cash equivalents at beginning of year 418,963

Cash and cash equivalents at end of year \$ 470,376

Cash and cash equivalents \$ 228,344

Restricted cash and cash equivalents 263,594

Total cash and cash equivalents at end of year \$ 491,938

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**STATEMENT OF CASH FLOWS (CONTINUED)**

For Year Ended March 31, 2018

**Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:**

Operating income (loss)	\$	(71,628)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		210,214
Allowance for doubtful accounts		3,707
Allowance for inventory		(174)
Changes in assets and liabilities:		
Receivables		(6,050)
Inventory		1,742
Prepaid expenses		3,019
Accounts and other payables		(42,473)
Unearned revenues		(36)
Compensated absences		(24,387)
Accrued expenses		<u>5,508</u>
Net cash provided (used) by operating activities	\$	<u><u>79,442</u></u>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2018

**NOTE 1 - Summary of Significant Accounting Policies**

The Housing Authority of the City of Anderson (Authority) is a Special Purpose Government entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1a. Financial Reporting Entity**

The Housing Authority's financial reporting entity comprises the following:

Primary Government:	Housing Authority
Component Units:	Westwood Estates. L.P.

In determining the financial reporting entity, the Housing Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and GASB No. 61, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Authority appointed a voting majority of the units' board; the Housing Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists.

We were not engaged to audit the financial statements of the Westwood Estate, L.P., component units. Westwood Estates L.P. was formed in 1996 for the purpose of constructing 49 housing units in a specified area of the City of Anderson, Indiana. The units are rented to low-income individuals and as a result, federal income tax credits are available to investors. Westwood Estates, L.P. will terminate on December 41, 2045 unless otherwise dissolved according to the partnership agreement.

The general partner is Westwood Estates, Inc., a wholly owned subsidiary of Anderson Housing, Inc. (AHI). AHI also served as the partnership's initial limited partner until December, 1997 when Housing Investments Midwest Corporate Tax Credit Fund II, L.P. became a permanent investor limited partner. The special limited partner is Housing Investments Credit Associates, LLC.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2018

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1b. GASB Implementation**

The Housing Authority has implemented the Governmental Accounting Standards Board (GASB) Statements number 62, 63 and 65 for those audits with financial statements for periods beginning after December 15, 2011.

Governmental Accounting Standards Board (GASB) Statements 68 was implemented effective for fiscal years beginning June 15, 2014 and there after.

The Housing Authority has no deferred outflows of resources or deferred inflows of resources.

**1c. Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, net position, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

Following is a description of the Authority's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

March 31, 2018

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the financial statements, the “economic resources” measurement focus is used as follows:

- ▶ The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1e. Assets, Liabilities, and Equity**

**Cash and Investments**

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accounts receivable-PHA project, accounts receivable-miscellaneous and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

March 31, 2018

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1e. Assets, Liabilities, and Equity (Continued)**

**Inventories**

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

**Budgets and Budgetary Accounting**

The Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

**Estimates and Assumptions**

The Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

**Capital Assets**

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

**Restricted Assets**

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Housing Choice Vouchers which is a HUD program.

**1f. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2018

**NOTE 2 - Stewardship, Compliance, and Accountability**

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

**2a. Program Accounting Requirements**

The Authority complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

**2b. Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Authority must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Authority are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**2c. Revenue Restrictions**

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended March 31, 2018, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

March 31, 2018

**NOTE 3 - Detail Notes on Transaction Classes/Accounts**

There was insufficient documentation to be able to access the reliability of the information presented in the financial statements. We were unable to verify through alternative methods the accuracy of those figures. Therefore, we are unable to give details regarding the amounts shown on the financial statements. The statements are presented as given to the auditor, without any verification of those amounts.

**NOTE 4 - Other Notes**

**4a. Economic Dependency**

The Housing Authority of the City of Anderson receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Authority receives could be reduced significantly and have an adverse impact on its operations.

**4b. Contingencies**

The Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended March 31, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
<b><u>U.S. Department of HUD</u></b>			
<b>Public and Indian Housing <u>Nonmajor - Direct Program</u></b>			
2018	Low Rent Program	14.850a	\$ <u>538,558</u>
<b>Low Income Public Housing <u>Major - Direct Program</u></b>			
2018	Housing Choice Vouchers	14.871	\$ <u>7,386,507</u>
<b>Public and Indian Housing <u>Nonmajor - Direct Program</u></b>			
2018	Capital Fund program	14.872	\$ <u>77,475</u>
<b>Total</b>			\$ <u>8,002,540</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1 - Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

EXHIBIT A  
FINANCIAL DATA SCHEDULE

Housing Authority of the City of Anderson (IN006)

ANDERSON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
111 Cash - Unrestricted	\$14,799	\$195,177	\$119,908	\$329,884	
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$35,174	\$227,713		\$262,887	
114 Cash - Tenant Security Deposits	\$18,368		\$1,900	\$20,268	
115 Cash - Restricted for Payment of Current Liabilities	\$707		\$725	\$1,432	
100 Total Cash	\$69,048	\$422,890	\$122,533	\$614,471	\$0
121 Accounts Receivable - PHA Projects		\$1,713		\$1,713	
122 Accounts Receivable - HUD Other Projects	\$7,160			\$7,160	
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$1,575			\$1,575	
126 Accounts Receivable - Tenants	\$8,807	\$10,219	\$200	\$19,226	
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,861	-\$3,039	\$0	-\$7,900	
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	
127 Notes, Loans, & Mortgages Receivable - Current			\$0	\$0	
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$12,681	\$8,893	\$200	\$21,774	\$0
131 Investments - Unrestricted	\$27,000			\$27,000	
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$22,133	\$13,844		\$35,977	
143 Inventories	\$2,535			\$2,535	

Housing Authority of the City of Anderson (IN006)  
**ANDERSON, IN**  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
143.1 Allowance for Obsolete Inventories	-\$254			-\$254	
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$133,143	\$445,627	\$122,733	\$701,503	\$0
161 Land	\$316,777		\$26,300	\$343,077	
162 Buildings	\$6,243,767		\$938,923	\$7,182,690	
163 Furniture, Equipment & Machinery - Dwellings	\$144,740			\$144,740	
164 Furniture, Equipment & Machinery - Administration	\$168,536	\$48,541	\$21,791	\$238,868	
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$4,586,243	-\$47,686	-\$211,360	-\$4,845,289	
167 Construction in Progress	\$18,000			\$18,000	
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,305,577	\$855	\$775,654	\$3,082,086	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$2,305,577	\$855	\$775,654	\$3,082,086	\$0
200 Deferred Outflow of Resources	\$83,077	\$99,094		\$182,171	
290 Total Assets and Deferred Outflow of Resources	\$2,521,797	\$545,576	\$898,387	\$3,965,760	\$0

Housing Authority of the City of Anderson (IN006)  
**ANDERSON, IN**  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$11,947	\$10		\$11,957	
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$6,426	\$22,446		\$28,872	
322 Accrued Compensated Absences - Current Portion	\$4,548	\$5,352		\$9,900	
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$17,036		\$1,900	\$18,936	
342 Unearned Revenue	\$707		\$725	\$1,432	
343 Current Portion of Long-term Debt - Capital					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$40,664	\$27,808	\$2,625	\$71,097	\$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$40,933	\$48,169		\$89,102	
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
357 Accrued Pension and OPEB Liabilities	\$258,603	\$308,459		\$567,062	
350 Total Non-Current Liabilities	\$299,536	\$356,628	\$0	\$656,164	\$0
300 Total Liabilities	\$340,200	\$384,436	\$2,625	\$727,261	\$0
400 Deferred inflow of Resources	\$19,235	\$22,944		\$42,179	
508.4 Net Investment in Capital Assets	\$2,305,577	\$855	\$775,654	\$3,082,086	
511.4 Restricted Net Position		\$227,713		\$227,713	
512.4 Unrestricted Net Position	-\$143,215	-\$90,372	\$120,108	-\$113,479	
513 Total Equity - Net Assets / Position	\$2,162,362	\$138,196	\$895,762	\$3,196,320	\$0
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$2,521,797	\$545,576	\$898,387	\$3,965,760	\$0

Housing Authority of the City of Anderson (IN006)

ANDERSON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
111 Cash - Unrestricted	\$329,884
112 Cash - Restricted - Modernization and Development	
113 Cash - Other Restricted	\$262,887
114 Cash - Tenant Security Deposits	\$20,268
115 Cash - Restricted for Payment of Current Liabilities	\$1,432
100 Total Cash	\$614,471
121 Accounts Receivable - PHA Projects	\$1,713
122 Accounts Receivable - HUD Other Projects	\$7,160
124 Accounts Receivable - Other Government	
125 Accounts Receivable - Miscellaneous	\$1,575
126 Accounts Receivable - Tenants	\$19,226
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,900
126.2 Allowance for Doubtful Accounts - Other	\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0
128 Fraud Recovery	
128.1 Allowance for Doubtful Accounts - Fraud	
129 Accrued Interest Receivable	
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$21,774
131 Investments - Unrestricted	\$27,000
132 Investments - Restricted	
135 Investments - Restricted for Payment of Current Liability	
142 Prepaid Expenses and Other Assets	\$35,977
143 Inventories	\$2,535
143.1 Allowance for Obsolete Inventories	-\$254

Housing Authority of the City of Anderson (IN006)

ANDERSON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
144 Inter Program Due From	
145 Assets Held for Sale	
150 Total Current Assets	\$701,503
161 Land	\$343,077
162 Buildings	\$7,182,690
163 Furniture, Equipment & Machinery - Dwellings	\$144,740
164 Furniture, Equipment & Machinery - Administration	\$238,868
165 Leasehold Improvements	
166 Accumulated Depreciation	-\$4,845,289
167 Construction in Progress	\$18,000
168 Infrastructure	
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,082,086
171 Notes, Loans and Mortgages Receivable - Non-Current	
172 Notes, Loans, & Mortgages Receivable - Non Current - Past	
173 Grants Receivable - Non Current	
174 Other Assets	
176 Investments in Joint Ventures	
180 Total Non-Current Assets	\$3,082,086
200 Deferred Outflow of Resources	\$182,171
290 Total Assets and Deferred Outflow of Resources	\$3,965,760
311 Bank Overdraft	

Housing Authority of the City of Anderson (IN006)

ANDERSON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
312 Accounts Payable <= 90 Days	\$11,957
313 Accounts Payable >90 Days Past Due	
321 Accrued Wage/Payroll Taxes Payable	\$28,872
322 Accrued Compensated Absences - Current Portion	\$9,900
324 Accrued Contingency Liability	
325 Accrued Interest Payable	
331 Accounts Payable - HUD PHA Programs	
332 Account Payable - PHA Projects	
333 Accounts Payable - Other Government	
341 Tenant Security Deposits	\$18,936
342 Unearned Revenue	\$1,432
343 Current Portion of Long-term Debt - Capital	
344 Current Portion of Long-term Debt - Operating Borrowings	
345 Other Current Liabilities	
346 Accrued Liabilities - Other	
347 Inter Program - Due To	
348 Loan Liability - Current	
310 Total Current Liabilities	\$71,097
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	
352 Long-term Debt, Net of Current - Operating Borrowings	
353 Non-current Liabilities - Other	
354 Accrued Compensated Absences - Non Current	\$89,102
355 Loan Liability - Non Current	
356 FASB 5 Liabilities	
357 Accrued Pension and OPEB Liabilities	\$567,062

Housing Authority of the City of Anderson (IN006)  
 ANDERSON, IN  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
350 Total Non-Current Liabilities	\$656,164
300 Total Liabilities	\$727,261
400 Deferred Inflow of Resources	\$42,179
508.4 Net Investment in Capital Assets	\$3,082,086
511.4 Restricted Net Position	\$227,713
512.4 Unrestricted Net Position	-\$113,479
513 Total Equity - Net Assets / Position	\$3,196,320
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$3,965,760

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
70300 Net Tenant Rental Revenue	\$37,885		\$64,228	\$102,113	
70400 Tenant Revenue - Other	\$18,688		\$1,106	\$19,794	
70500 Total Tenant Revenue	\$56,573	\$0	\$65,334	\$121,907	\$0
70600 HUD PHA Operating Grants	\$598,033	\$7,386,507		\$7,984,540	
70610 Capital Grants	\$18,000			\$18,000	
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue				\$0	\$0
70800 Other Government Grants	\$40,000			\$40,000	
71100 Investment Income - Unrestricted	\$226	\$1,132	\$16	\$1,374	
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$2,077		\$2,077	
71500 Other Revenue	\$38,610	\$135,884	\$0	\$174,494	
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$751,442	\$7,525,600	\$65,350	\$8,342,392	\$0
91100 Administrative Salaries	\$119,403	\$393,680		\$513,083	

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
91200 Auditing Fees	\$2,500	\$3,921	\$6,042	\$12,463	
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$1,457	\$648	\$3,542	\$5,647	
91500 Employee Benefit contributions - Administrative	\$30,537	\$213,951		\$244,488	
91600 Office Expenses	\$25,878	\$27,373	\$940	\$54,191	
91700 Legal Expense	\$31,738	\$1,979	\$130	\$33,847	
91800 Travel	\$3,227	\$1,926		\$5,153	
91810 Allocated Overhead					
91900 Other	\$26,055	\$16,573	\$16,639	\$59,267	
91000 Total Operating - Administrative	\$240,795	\$660,051	\$27,293	\$928,139	\$0
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other					
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0
93100 Water	\$47,932	\$591	\$353	\$48,876	
93200 Electricity	\$41,094	\$4,007		\$45,101	
93300 Gas	\$17,525	\$859		\$18,384	
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					

Housing Authority of the City of Anderson (IN006)

ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
93800 Other Utilities Expense					
93000 Total Utilities	\$106,551	\$5,457	\$353	\$112,361	\$0
94100 Ordinary Maintenance and Operations - Labor	\$124,517		\$645	\$125,162	
94200 Ordinary Maintenance and Operations - Materials and	\$39,333	\$896	\$10,039	\$50,268	
94300 Ordinary Maintenance and Operations Contracts	\$95,304	\$13,621	-\$611	\$108,314	
94500 Employee Benefit Contributions - Ordinary Maintenance					
94000 Total Maintenance	\$259,154	\$14,517	\$10,073	\$283,744	\$0
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs	\$1,100			\$1,100	
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$1,100	\$0	\$0	\$1,100	\$0
96110 Property Insurance	\$37,394	\$11	\$6,356	\$43,761	
96120 Liability Insurance	\$3,957	\$2,053		\$6,010	
96130 Workmen's Compensation	\$9,553	\$18,629		\$28,182	
96140 All Other Insurance			\$766	\$766	
96100 Total insurance Premiums	\$50,904	\$20,693	\$7,122	\$78,719	\$0
96200 Other General Expenses	\$56,005	\$23,159	\$50,000	\$129,164	
96210 Compensated Absences					
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents	\$668			\$668	
96500 Bad debt - Mortgages					

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$56,673	\$23,159	\$50,000	\$129,832	\$0
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$715,177	\$723,877	\$94,841	\$1,533,895	\$0
97000 Excess of Operating Revenue over Operating Expenses	\$36,265	\$6,801,723	-\$29,491	\$6,808,497	\$0
97100 Extraordinary Maintenance	\$4,458			\$4,458	
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$6,551,314		\$6,551,314	
97350 HAP Portability-In		\$124,272		\$124,272	
97400 Depreciation Expense	\$210,119	\$95	\$37,948	\$248,162	
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$929,754	\$7,399,558	\$132,789	\$8,462,101	\$0
10010 Operating Transfer In				\$0	-\$18,000
10020 Operating transfer Out				\$0	\$18,000

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$178,312	\$126,042	-\$67,439	-\$119,709	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	
11030 Beginning Equity	\$2,340,674	\$12,154	\$963,201	\$3,316,029	
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0			\$0	
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		-\$89,517		-\$89,517	
11180 Housing Assistance Payments Equity		\$227,713		\$227,713	

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM
11190 Unit Months Available	1522	14089	120	15731	
11210 Number of Unit Months Leased	915	14089	120	15124	
11270 Excess Cash	-\$21,750			-\$21,750	
11610 Land Purchases	\$0			\$0	
11620 Building Purchases	\$18,000			\$18,000	
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	
11650 Leasehold Improvements Purchases	\$0			\$0	
11660 Infrastructure Purchases	\$0			\$0	
13510 CFFP Debt Service Payments	\$0			\$0	
13901 Replacement Housing Factor Funds	\$0			\$0	

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
70300 Net Tenant Rental Revenue	\$102,113
70400 Tenant Revenue - Other	\$19,794
70500 Total Tenant Revenue	\$121,907
70600 HUD PHA Operating Grants	\$7,984,540
70610 Capital Grants	\$18,000
70710 Management Fee	
70720 Asset Management Fee	
70730 Book Keeping Fee	
70740 Front Line Service Fee	
70750 Other Fees	
70700 Total Fee Revenue	\$0
70800 Other Government Grants	\$40,000
71100 Investment Income - Unrestricted	\$1,374
71200 Mortgage Interest Income	
71300 Proceeds from Disposition of Assets Held for Sale	
71310 Cost of Sale of Assets	
71400 Fraud Recovery	\$2,077
71500 Other Revenue	\$174,494
71600 Gain or Loss on Sale of Capital Assets	
72000 Investment Income - Restricted	
70000 Total Revenue	\$8,342,392
91100 Administrative Salaries	\$513,083
91200 Auditing Fees	\$12,463

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
91300 Management Fee	
91310 Book-keeping Fee	
91400 Advertising and Marketing	\$5,647
91500 Employee Benefit contributions - Administrative	\$244,488
91600 Office Expenses	\$54,191
91700 Legal Expense	\$33,847
91800 Travel	\$5,153
91810 Allocated Overhead	
91900 Other	\$59,267
91000 Total Operating - Administrative	\$928,139
92000 Asset Management Fee	
92100 Tenant Services - Salaries	
92200 Relocation Costs	
92300 Employee Benefit Contributions - Tenant Services	
92400 Tenant Services - Other	
92500 Total Tenant Services	\$0
93100 Water	\$48,876
93200 Electricity	\$45,101
93300 Gas	\$18,384
93400 Fuel	
93500 Labor	
93600 Sewer	
93700 Employee Benefit Contributions - Utilities	
93800 Other Utilities Expense	

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
93000 Total Utilities	\$112,361
94100 Ordinary Maintenance and Operations - Labor	\$125,162
94200 Ordinary Maintenance and Operations - Materials and	\$50,268
94300 Ordinary Maintenance and Operations Contracts	\$108,314
94500 Employee Benefit Contributions - Ordinary Maintenance	
94000 Total Maintenance	\$283,744
95100 Protective Services - Labor	
95200 Protective Services - Other Contract Costs	\$1,100
95300 Protective Services - Other	
95500 Employee Benefit Contributions - Protective Services	
95000 Total Protective Services	\$1,100
96110 Property Insurance	\$43,761
96120 Liability Insurance	\$6,010
96130 Workmen's Compensation	\$28,182
96140 All Other Insurance	\$766
96100 Total insurance Premiums	\$78,719
96200 Other General Expenses	\$129,164
96210 Compensated Absences	
96300 Payments in Lieu of Taxes	
96400 Bad debt - Tenant Rents	\$668
96500 Bad debt - Mortgages	
96600 Bad debt - Other	

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
96800 Severance Expense	
96000 Total Other General Expenses	\$129,832
96710 Interest of Mortgage (or Bonds) Payable	
96720 Interest on Notes Payable (Short and Long Term)	
96730 Amortization of Bond Issue Costs	
96700 Total Interest Expense and Amortization Cost	\$0
96900 Total Operating Expenses	\$1,533,895
97000 Excess of Operating Revenue over Operating Expenses	\$6,808,497
97100 Extraordinary Maintenance	\$4,458
97200 Casualty Losses - Non-capitalized	
97300 Housing Assistance Payments	\$6,551,314
97350 HAP Portability-In	\$124,272
97400 Depreciation Expense	\$248,162
97500 Fraud Losses	
97600 Capital Outlays - Governmental Funds	
97700 Debt Principal Payment - Governmental Funds	
97800 Dwelling Units Rent Expense	
90000 Total Expenses	\$8,462,101
10010 Operating Transfer In	-\$18,000
10020 Operating transfer Out	\$18,000
10030 Operating Transfers from/to Primary Government	

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
10040 Operating Transfers from/to Component Unit	
10050 Proceeds from Notes, Loans and Bonds	
10060 Proceeds from Property Sales	
10070 Extraordinary Items, Net Gain/Loss	
10080 Special Items (Net Gain/Loss)	
10091 Inter Project Excess Cash Transfer In	
10092 Inter Project Excess Cash Transfer Out	
10093 Transfers between Program and Project - In	
10094 Transfers between Project and Program - Out	
10100 Total Other financing Sources (Uses)	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$119,709
11020 Required Annual Debt Principal Payments	\$0
11030 Beginning Equity	\$3,316,029
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0
11050 Changes in Compensated Absence Balance	
11060 Changes in Contingent Liability Balance	
11070 Changes in Unrecognized Pension Transition Liability	
11080 Changes in Special Term/Severance Benefits Liability	
11090 Changes in Allowance for Doubtful Accounts - Dwelling	
11100 Changes in Allowance for Doubtful Accounts - Other	
11170 Administrative Fee Equity	-\$89,517
11180 Housing Assistance Payments Equity	\$227,713
11190 Unit Months Available	15731

Housing Authority of the City of Anderson (IN006)  
 ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Total
11210 Number of Unit Months Leased	15124
11270 Excess Cash	-\$21,750
11610 Land Purchases	\$0
11620 Building Purchases	\$18,000
11630 Furniture & Equipment - Dwelling Purchases	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0
11650 Leasehold Improvements Purchases	\$0
11660 Infrastructure Purchases	\$0
13510 CFFP Debt Service Payments	\$0
13901 Replacement Housing Factor Funds	\$0

SECTION III  
REPORTS ON COMPLIANCE  
AND  
ON INTERNAL CONTROL

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Board of Commissioners  
Housing Authority of the City of Anderson  
Anderson, Indiana

We were engaged to audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Anderson, Indiana, (Authority), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Anderson's basic financial statements, and have issued our report thereon dated December 12, 2018. Our report declaims an opinion on such financial statements because we were unable to reconcile cash accounts, the low rent other income account there exists a departure form generally accepted accounting principles and the accounting system was non functional at the time of our audit. We have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as a whole.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of the Housing Authority of the City of Anderson, Indiana, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of finding and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2018-004, described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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. We consider the deficiencies, 2018-001, 2018-002, 2018-003 and 2018-005, described in the accompanying schedule of finding and questioned coast to be significant deficiencies.

### **Compliance and Other Matters**

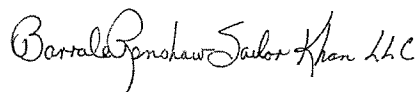
In connection with our engagement to audit the financial statements of the Housing Authority of the City of Anderson's, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-006. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

### **Housing Authority of the City of Anderson, Indiana's Response to Findings**

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

### **Purpose of this Report**

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



Barrale Renshaw Sailor Khan, LLC  
St. Louis, Missouri  
December 12, 2018

**Independent Auditor's Report on Compliance For Each Major Federal Program;  
Report on Internal Control over Compliance Required by Uniform Guidance**

Board of Commissioners  
Housing Authority of the City of Anderson  
Anderson, Indiana

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

We were engaged to audit the Housing Authority of the City of Anderson, Indiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Housing Authority of the City of Anderson's major federal programs for the year ended March 31, 2018. The Housing Authority of the City of Anderson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Anderson'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 *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Anderson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**Basis for Disclaimer of Opinion**

During the course of our audit, we were unable to reconcile cash accounts. Furthermore, in the low rent other income account there exists a departure from general accepted accounting principles and the accounting system was non functional at the time of our audit. Due to these conditions the integrity of financial statements is not supported nor could they be verified through alternative methods. Because of this scope limitation, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as a whole.

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

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-007 through 2018-012. We are disclaiming our opinion on each major federal program with respect to these matters.

The Housing Authority of the City of Anderson's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Anderson's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Housing Authority of the City of Anderson 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 of the City of Anderson’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Anderson’s internal control over compliance.

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 identified deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, listed starting on page 13, that we consider to be significant deficiencies.

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 requirements 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 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 2018-008, 2018-010, 2018-011 and 2018-012 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost as items 2018-006, 2018-007, 2018-010 and 2018-009 to be significant deficiencies.

The Housing Authority of the City of Anderson's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

We were engaged to audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Housing Authority of the City of Anderson, Indiana, (Authority), as of and for the year ended March 31, 2018, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely component units. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements.

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 our testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Barrale Renshaw Sailor Khan, LLC  
St. Louis, Missouri  
December 12, 2018

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS**

March 31, 2018

The prior audit report for the year ended March 31, 2017 contained one significant deficiency:

**Federal Award Finding:**

**Finding:** Procurement Policies Not Followed  
**Status:** Unsure if implemented - due to use of unauthorized vendors.

There was also a letter containing 6 areas of concern given to the Housing Authority for the fiscal year ended March 31, 2017.

**Area of Concern:** Internal Control Procedures  
**Status:** this area of concern has become a material finding, see finding 2018-008.

**Area of Concern:** Budget Overruns  
**Status:** we could not evaluate if this area of concern is an ongoing issue due to an inadequate Budget, see finding 2018-001.

**Area of Concern:** Cash Disbursement  
**Status:** this area is concern has become a material finding, see finding 2018-004

**Area of Concern:** Disallowed Federal Program Costs  
**Status:** we could not evaluate if this area of concern as an ongoing issue due to lack of documentation provided.

**Area of Concern:** Personnel Policy  
**Status:** this area of concern have become a material finding, see finding 2018-011

**Area of Concern:** Accurate and timely financial statements.  
**Status:** we could not evaluate if this area of concern is an ongoing issue due to lack of documentation provided.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

March 31, 2018

**SECTION I - SUMMARY OF AUDITOR RESULTS**

Financial Statement:

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
▶ Material weakness(es) identified?	Yes
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	Yes
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Disclaimer
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance</i> [2 CFR 20.516(a)]?	Yes

Identification of major programs:

<b>CFDA</b>	
<b>Number(s)</b>	<b>Name of Federal Program</b>
14-871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The current audit report for the year ended March 31, 2018 disclosed the following Financial Statement audit findings:

2018-001        Inadequate Budget

Criteria:

The Housing Authority must provide an adequate budget that foots accurately.

Condition:

We noted that the Housing Authority's provided budget had mathematical errors in the document.

Questioned Costs:

None.

Effect:

We could not determine if the Housing Authority is within its operating budget due to the inadequateness of the budget caused by the mathematical errors.

Cause:

The Housing Authority did not ensure that the budget provided was adequate and cross footed.

Recommendation:

We recommend that the Housing Authority place greater emphasis on ensuring that provided documents are adequate for review. We were unable to determine if the Housing Authority operated inside of its budgeted means due to the inadequateness of the document provided for the budget.

Opinion of Responsible Parties and Corrective Action Plan:

Before FY end, the new ED along with Finance Director and Commissioners balanced the budget. A shortfall was evident upon new ED's arrival.

Corrective Action Plan- Anderson Housing Authority recognizes the needed for tighter internal controls and has already taken steps to assure that outcome. A finance committee by resolution was established earlier this year to assist with accuracy and governance for the agency budget. Responsible Parties- Executive Director, CFO, Fee Accountant, Finance Committee. Timeline- Ongoing.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2018-002      Bank Collateral

Criteria:

Federal funds must be secured with FDIC insurance or securities pledged to the Housing Authority at all times.

Condition:

The Housing Authority did not obtain collateralization for the balance exceeding the FDIC limit at Star Financial Bank.

Questioned Costs:

None.

Effect:

Federal funds were not fully collateralized at March 31, 2018.

Cause:

The Housing Authority did not monitor its balances closely enough to ensure that all funds were fully secured.

Recommendation:

We recommend that the Housing Authority takes the appropriate steps to ensure that the cash balances are fully secured at all times.

Opinion of Responsible Parties and Corrective Action Plan:

STAR Financial Bank issued a letter based on State Statute and their policy. The AHA has used this bank and same methods for numerous years.

Corrective Action Plan- Issue will be examined further by a private firm. Responsible Parties- AHA Legal Staff, ED, Commissioners, STAR Bank Executives. Timeline- Prior to FY end.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2018-003      Bank Reconciliation

Criteria:

The Housing Authority is responsible for establishing and maintaining controls in the bank reconciliation and reporting of cash balances.

Condition:

We noted that the bank reconciliations do not agree with the general ledger accounts. The total variance the bank reconciliation and the general ledger is \$96,721.00.

Questioned Costs:

None.

Effect:

The Authority's cash balance may be misstated.

Cause:

The Housing Authority's management failed to properly review their bank reconciliation and accompanying bank statements.

Recommendation:

We recommend that the Housing Authority take steps to establish a system of review and control over the PHA's bank reconciliation to ensure accurate reporting.

Opinion of Responsible Parties and Corrective Action Plan:

Agency is unsure which bank reconciliation is being stated. The agency along with their fee accountant prepare the bank reconciliations (starting in January 2018) and reconcile cash on a monthly basis. The cash was reconciled by FY year end 2018.

Corrective Action Plan- Agency has hired new finance team to and established a finance committee by resolution to ensure accuracy with budgets including reconciliation of statements, and reconciliation of cash. Responsible Parties- Executive Director, CFO, Fee Accountant, Finance Committee. Timeline- Ongoing.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2018-004      Check Authorization (Material)

Criteria:

Housing Authority policy requires that check disbursements have two signatures for authorized signees.

Condition:

We noted that numerous checks were signed by an unauthorized signee. This condition is a great concern because the Housing Authority had this brought to their attention by HUD and did not correct the matter.

Questioned Costs:

None.

Effect:

The Housing Authority had numerous checks that were allowed to be disbursed with the unauthorized signers signature.

Cause:

The Housing Authority's management did not adequately ensure all disbursement had the proper authorization.

Recommendation:

We recommend that the Housing Authority exercise diligence in ensuring all check disbursement have the proper authorization.

Opinion of Responsible Parties and Corrective Action Plan:

The former ED was in control of all IT functions and systems. Agency has since segregated duties and contracted with a new IT Specialist to oversee technological aspect of the agency. We have now been able to correct this problem in our system. We will also upgrade our internal controls to reflect method. Former ED did not remove former commissioners from automated check system.

Corrective Action Plan- Agency has acquired and placed in automated check system, the appropriate 2 signatures and reconciled with bank signature cards. Internal controls shall be amended to reflect process of which to follow when board changes are made. Responsible Parties- CFO, IT, Commissioners, Star Bank. Timeline- Ongoing.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2018-005      Excessive High Tenant Accounts Receivable.

Criteria:

Under the terms of the annual contributions contract, each project shall be developed and administered to promote efficiency, economy and stability.

Condition:

As of March 31, 2018 the PHA's tenant accounts receivable was \$8,807 with an allowance for uncollectible accounts established is \$4,861. Upon our review of the PHA's accounts receivable we noticed that they had high TAR accounts for the amount of \$4,027, this amount is 45.72% of tenant accounts receivable.

Questioned Costs:

None.

Effect:

The continuing growth in tenant accounts receivable with 3 individuals holding 45% is a threat to maintaining a financially solvent operation. Without adequate rent collection, current operation expenses cannot be paid.

Cause:

The Authority did not enforce its rent collection policy resulting in a high TAR amount of 45% of their tenant accounts receivables.

Recommendation:

We recommend that the Housing Authority enforce its rent collection and eviction policies.

Opinion of Responsible Parties and Corrective Action Plan:

The new ED formed a new team and process to collect outstanding balances from tenants. Due to staff turnover in public housing, this procedure lapsed at times but is on track to be more effective than ever. There are a few high accounts but the totality is not nearly as high as in the past.

Corrective Action Plan- Limit the time late payments are allowed to remain on books without action from the authority. Secure a collection agency to assist in collecting back rent. Enforce payment plans without an extended period of default. Send notices regularly followed up with phone calls if necessary. Responsible parties- Executive Assistant, Finance Clerk, Public Housing Manager. Timeline- Ongoing.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION III - FEDERAL AWARD FINDINGS**

The current audit report for the year ended March 31, 2018 disclosed the following Federal Awards audit findings:

2018-006          Minutes Not Signed

Criteria:

Minutes of meeting of the Board are incomplete unless they are signed by the Chairman and the Secretary.

Condition:

We noted that various minutes of meeting of the Board of Commissioners were not signed.

Questioned Costs:

None.

Effect:

Minutes of meeting are incomplete.

Cause:

The Housing Authority did not place emphasis on the completeness of the Board minutes.

Recommendation:

We recommend that the Housing Authority ensure that all minutes are adequately signed in order to ensure their completeness.

Opinion of Responsible Parties and Corrective Action Plan:

The Anderson Housing Authority Accepts this finding.

Corrective Action Plan- Agency has ensured all minutes will be signed at the end of each board meeting and only signed copies will go in the master file. Responsible Parties- Executive Assistant, Commissioners.  
Timeline- Procedure already in place.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

2018-007      Resolutions Not Signed

Criteria:

Board resolutions approved by the Board are incomplete unless they are signed by the Board members and secretary.

Condition:

We noted that various Board resolutions were not signed.

Questioned Costs:

None.

Effect:

Board resolutions are incomplete.

Cause:

The Housing Authority did not place emphasis on the completeness of the Board Resolutions.

Recommendation:

We recommend that the Housing Authority ensure that all Board Resolutions are adequately signed in order to ensure their completeness.

Opinion of Responsible Parties and Corrective Action Plan:

The Anderson Housing Authority Accepts this finding.

Corrective Action Plan- Agency has ensured all resolutions will be signed at the end of each board meeting and only signed copies will go in the master file. Responsible Parties- Executive Assistant, Commissioners, ED.  
Timeline- Procedure already in place.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

2018-008 Internal Control Policy (Material)

Criteria:

To ensure effectiveness of Internal Controls, there needs to be an adequate design of internal controls describing the separation of primary functions. Internal control designed must be considered to create effective segregation of primary duties and to strengthen the control environment.

Condition:

The Housing Authority did not provide an updated copy of the internal control policy. The policy was updated 10/24/17 per board minutes and the copy is from 9/16/15. In addition the positions for who performs controls does not match titles from the employee listing provided.

Questioned Costs:

None.

Effect:

With the adequate design of segregation of duties, there is the reduced risk of error and other international activities that could affect the integrity of the financial statements or physical custody of assets.

Cause:

The documentation of implemented internal control policies was missing.

Recommendation:

We recommend the Housing Authority's management and it's Board design a system of internal control that would address all of the features of an effective internal control system with due consideration of the limitations imposed on the systems.

Opinion of Responsible Parties and Corrective Action Plan:

The Anderson Housing Authority provided internal controls policy with a resolution of the amended policy. Agency had various titles given to one in question which was both Accounting Manager and Director of Finance. New ED has since renamed position to CFO. Agency is unsure what auditor meant by no documentation of implemented internal controls.

Corrective Action Plan- The agency realizes a strong need to update and strengthen internal controls and has employed new staff to separate duties and make significant upgrades to existing plan. Responsible Parties- CFP/Procurement Specialist, CFO, ED, Finance Committee. Timeline- Procedure already in place. New document ready for board review and approval.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

2018-009      Tenant Files

Criteria:

HUD guidelines on tenant files documentation and maintenance must be followed.

Conditions:

During our review of tenant files, we noted that not all files contained signed tenant/applicant certifications, copy of social security card, and numerous documents lacking the signature of the Housing Authority.

Questioned Costs:

None.

Effect:

Tenant files are incomplete.

Cause:

No supervisory review performed.

Recommendation:

We recommend that the Housing Authority ensure that all files contain the aforementioned forms and that all documents that require the Housing Authority's signature are signed.

Opinion of Responsible Parties and Corrective Action Plan:

BRSK did not provide specific tenant files that lacked sufficient documentation. Only stated files were from LIPH. The agency was placed on the troubled list due to poor management of LIPH. We believe some files were lacking in some information but unless we know which ones, we cannot make a valid response.

Corrective Action Plan- Agency has replaced PH manager and has employed a compliance specialist to audit all files. Responsible Parties- PH Manager, Intake Specialist, Compliance Specialist. Timeline- Ongoing.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

2018-010      Unlocated Information (Material)

Criteria:

Requested information should be readily available for audit examination.

Condition:

The Housing Authority could not provide us with certain documents that were requested to complete the audit of the Housing Authority of the City of Anderson.

Questioned Costs:

None.

Effect:

All financial information presented is questionable and can not be supported.

Cause:

It appears that the Housing Authority did not devote adequate attention toward maintaining proper supporting documentation and was unable to supply the auditor with documentation requested..

Recommendation:

We recommend that the Housing Authority place greater emphasis in the safe keeping it's records and ensure that all information is readily available for examination and transmitted to the auditor in a timely manner.

Opinion of Responsible Parties and Corrective Action Plan:

BRSK has not provided a summary of the "Unlocated Information" as requested by AHA. In addition, a discovery was made by BRSK of information that was emailed on November 26, 2018 of requested documentation. BRSK has acknowledged receipt of those documents and will amend audit accordingly. BRSK also stated they would remove the term "unwilling" from this opinion.

Corrective Action Plan- Agency has stronger controls on files and pertinent information. Responsible Parties- Executive Director, CFO, Case Managers, Executive Assistant, Compliance Specialist. Timeline- Process started earlier in 2018. Ongoing.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

2018-011      Unauthorized Compensated Absences Payout. (Material)

Criteria:

The Housing Authority should ensure payout of compensated absences is in accordance with personnel policy.

Condition:

During our audit, we noticed a compensated absences payout for the prior Executive Director. During a review of the personnel policy we noted that there are discrepancy in the amounts paid out as per the personnel policy. We also noted, we were not provided with the hourly rate of the prior Executive Director in order to calculate amount of payment per the personnel policy. It was also noted that the earning code used for this payout was charged to maintenance.

Questioned Costs:

\$34,889.75

Effect:

The Housing Authority may have overpaid to the prior Executive Director which can cause additional financial issues for the Housing Authority.

Cause:

The Housing Authority's management did not ensure that the personnel policy was followed for payout of compensated absences.

Recommendation:

We recommend that the Housing Authority's management ensures that the personnel policy is followed for payment of compensated absences.

Opinion of Responsible Parties and Corrective Action Plan:

The Board of Commissioners approved the payout amount of the former ED. The decision to offer severance is at the discretion of the commissioners working along with the finance department and agency legal staff. Employee salaries were provided to BRKS. Based on time accumulated over the career of the ED, the figure paid out was decided by all parties. This compensation package was reviewed by the commissioners and agency attorney.

Corrective Action Plan- AHA follows the personnel policy in all compensation matters governing accrued time. Responsible Parties- ED, CFO, Commissioners, Human Resource.

HOUSING AUTHORITY OF THE CITY OF ANDERSON

Anderson, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

March 31, 2018

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

2018-012      Unauthorized Vendors (Material)

Criteria:

The Housing Authority should only use vendors authorized by the U.S. Department of Housing and Urban Development.

Condition:

During our audit we noticed that HUD informed the Housing Authority of some unauthorized vendors. Upon review of the check register we noticed several payments to these unauthorized vendors after the date discussed with Board on June 28, 2017.

Questioned Costs:

\$4,720.00

Effect:

The Housing Authority can face financial hardship by paying unauthorized vendors.

Cause:

The Housing Authority did not ensure HUD approval for the use of the vendors or to correct the reasons for them being unauthorized.

Recommendation:

We recommend that the Housing Authority only use vendors that our HUD approved and maintain an update list of those vendors.

Opinion of Responsible Parties and Corrective Action Plan:

AHA is on zero threshold spending sanctions. AHA must submit a spreadsheet to U.S. HUD prior to paying invoices. The vendors are not unauthorized however, their specific invoices are unauthorized. As long as procurement took place, we can employ and pay these vendors but not the specified invoices.

Corrective Action Plan- AHA has taken major steps to follow and enforce procurement policy and comply with the "Zero Threshold" status placed upon them by HUD. Agency recently sent staff to procurement training and hired a new procurement manager. Responsible Parties- CFP Manager, CFO, COO and ED. Timeline- 2017-Current.