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July 31, 2019

Board of Commissioners
Housing Authority of the County of Delaware
2401 South Haddix Avenue
Muncie, IN 47302-7547

We have reviewed the audit report prepared by Barry W. Gaudette, CPA, Independent Public Accountant, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of the County of Delaware, as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Paul D. Joyce, CPA
State Examiner

**HOUSING AUTHORITY OF THE COUNTY OF DELAWARE
MUNCIE, INDIANA
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

HOUSING AUTHORITY OF THE COUNTY OF DELAWARE
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DECEMBER 31, 2017

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INTRODUCTION

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Auditor's Report

Board of Commissioners
Housing Authority of the County of Delaware
Muncie, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Delaware, Indiana 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the County of Delaware, Indiana as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Park Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule shown on pages 41 to 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Information (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2018, on our consideration of the Housing Authority of the County of Delaware, Indiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of Delaware, Indiana's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

July 20, 2018

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Unaudited)**

As management of the Housing Authority of the County of Delaware we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the County of Delaware's financial activities for the fiscal year ended December 31, 2017. This discussion and analysis letter of the Housing Authority of the County of Delaware's financial performance should be read in conjunction with the auditor's opinion letter and the following financial statements.

The combined financial statements reflect all of the Housing Authority's federally funded programs and activities in one place. The Housing Authority reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net position" refers to the difference between assets and liabilities. The Housing Authority's total net position as of December 31, 2017 was \$1,437,317. The net position decreased by \$270,622, a decrease of 15.8% from the prior year.

Revenues and contributions for the Housing Authority were \$2,135,237 for the year ended December 31, 2017. This was an increase of \$288,230 or 15.6% over the prior year.

Expenses for the Housing Authority were \$2,405,859 for the year ended December 31, 2017. This was an increase of \$366,714 or 17.9% over the prior year.

HUD operating grants were \$1,649,762 for the year ended December 31, 2017. This was an increase of \$259,988 or 18.7% over the prior year. All of the capital grants were classified in operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Housing Authority's financial statements are presented as fund financial statements because the Housing Authority only has proprietary funds.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

The *Statement of Net Position* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Housing Authority's operations in more detail. The Housing Authority reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Continued)**

FUND STATEMENTS (Continued)

Low Rent Public Housing Program: Under this program, the Housing Authority rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Authority to lease these units at a rate that is based on 30% of monthly adjusted income, or 10% of monthly income, or a \$50.00 monthly minimum rent, or a flat rent.

Capital Fund Program: Under this program, the Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Authority is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Authority administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Authority. The Housing Authority subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Authority to enable the Housing Authority to set the rental rates at 30% to 40% of a participant's income.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$1,437,317 at the close of the year ended December 31, 2017 a decrease from \$1,707,939 in 2016.

The unrestricted net position was \$(65,626) as of December 31, 2017. If the amount was positive, it could be used to meet the Housing Authority's ongoing obligations. The Housing Authority had a net position classified as restricted in the amount of \$7,792 that are subject to external restrictions on how they may be used. The restricted assets consist of excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Housing Authority is able to report positive balances in all categories of net position except for the low rent program.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Continued)**

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Dollar Change</u>
Current and other assets	\$ 289,582	\$ 416,815	\$ (127,233)
Capital assets, net	1,495,151	1,674,260	(179,109)
Deferred outflow of resources	<u>72,659</u>	<u>94,767</u>	<u>(22,108)</u>
Total Assets	<u>1,857,392</u>	<u>2,185,842</u>	<u>(328,450)</u>
Current liabilities	89,586	78,570	11,016
Noncurrent liabilities	<u>305,898</u>	<u>309,519</u>	<u>(3,621)</u>
Total Liabilities	<u>395,484</u>	<u>388,089</u>	<u>7,395</u>
Deferred inflow of resources	<u>24,591</u>	<u>89,814</u>	<u>(65,223)</u>
Equity:			
Net Investment in capital assets	1,495,151	1,674,260	(179,109)
Restricted net position	7,792	1,634	6,158
Unrestricted net position	<u>(65,626)</u>	<u>32,045</u>	<u>(97,671)</u>
Total Equity – net assets/position	<u>\$ 1,437,317</u>	<u>\$ 1,707,939</u>	<u>\$ (270,622)</u>

Total current assets decrease of \$(127,233) was due, in large part to a decrease in cash flows of \$(109,261).

Current liabilities increased by \$11,016, in large part, due to accounts payable increasing by \$9,976 over the prior year.

The noncurrent liabilities decreased by \$3,621, due in large part, to a decrease in the accrued pension liability by \$18,891 offset by an increase in accrued compensated absences of \$15,270.

The largest portion of the Housing Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Housing Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Continued)**

FINANCIAL ANALYSIS (Continued)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant Revenue	\$ 459,425	\$ 427,819	\$ 31,606
Non dwelling rent	20,137	25,042	(4,905)
Total PHA generated Revenue	<u>479,562</u>	<u>452,861</u>	26,701
HUD operating grants	1,649,762	1,389,774	259,988
Other income	967	0	967
Interest income	372	384	(12)
Fraud recovery	4,574	3,894	680
Gain on sale of capital assets	0	94	(94)
Total Revenues and Contributions	<u>2,135,237</u>	<u>1,847,007</u>	<u>288,230</u>
 Expenses			
Personnel services	595,581	551,157	44,424
Tenant services	374	1,148	(774)
Utilities	173,672	164,652	9,020
Maintenance	267,613	130,773	136,840
Protective services	7,511	4,901	2,610
Insurance	68,206	65,508	2,698
Other supplies and expenses	135,259	98,614	36,645
Housing Assistance Payments	894,537	736,488	158,049
Depreciation	263,106	285,904	(22,798)
Total Expenses	<u>2,405,859</u>	<u>2,039,145</u>	<u>366,714</u>
 Change in net position	(270,622)	(192,138)	(78,484)
Prior period adjustment	0	(69,338)	69,338
Beginning equity	<u>1,707,939</u>	<u>1,969,415</u>	<u>(261,476)</u>
Ending equity	<u>\$ 1,437,317</u>	<u>\$ 1,707,939</u>	<u>\$ (270,622)</u>

Revenues:

As can be seen in the above table total revenues and contributions increased by \$288,230, in large part, due to federal grants increasing by \$259,988, because of an increase in Housing Choice Vouchers being issued compared to the prior year.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Continued)**

FINANCIAL ANALYSIS (Continued)

Housing Authority of the County of Delaware's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. The Housing Authority classified 100% of the Capital Grants as soft costs for this year. For the year ending December 31, 2017, revenue generated by the Housing Authority accounted for \$479,562 (or 22% of total revenue), while HUD contributions accounted for \$1,649,762 (or 77% of total revenue).

Expenses:

Total expenses for the fiscal year ending December 31, 2017 were \$2,405,859 while for the year ending December 31, 2016 they were \$2,039,145. This represents a 17.9% increase in our operating costs. The expenses increased, in large part, because of an increase in maintenance contracts costs of \$96,801 and an increase in Housing Assistance Payments of \$158,049 compared to the prior year.

The following represents changes in Federal Assistance received:

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 407,863	\$ 445,610	\$ (37,747)
Capital Fund Program	259,359	180,740	78,619
Section 8 Housing Choice Voucher Program	982,540	763,424	219,116
Total	<u>\$ 1,649,762</u>	<u>\$ 1,389,774</u>	<u>\$ 259,988</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing decreased mainly due HUD decreasing slightly its funding formula amount for the Housing Authority. The Housing Choice Voucher Program increased due to more units being leased. The increase in the Capital Fund Program was due to the CFP grant expended this year was larger than the prior year.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending December 31, 2017 was presented to and approved by the Board of Commissioners. Actual results were in line with the budgeted amounts.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Continued)**

OPERATIONAL HIGHLIGHTS

The Housing Authority of the County of Delaware provided the following housing for low-income individuals and families:

	12/31/17	12/31/16
Low Rent Public Housing Program	162	162
Section 8 Housing Choice Voucher Program	180	165

The Housing Authority had a lease up rate of 98.4% in the Low Rent program for the year. The Voucher program had 180 vouchers under lease (HAP Contract) as of December 31, 2017.

CAPITAL ASSETS

The Housing Authority of the County of Delaware's investment in capital assets, as of December 31, 2017 amounts to \$1,495,151 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
December 31,**

	2017	2016	Dollar Change
Land	\$ 26,384	\$ 26,384	\$ 0
Buildings	8,611,132	8,611,132	0
Furniture, equipment and machinery - dwellings	216,502	219,194	(2,692)
Furniture, equipment and machinery - administration	353,064	353,064	0
Building improvements	1,854,196	1,774,497	79,699
	11,061,278	10,984,271	77,007
Accumulated depreciation	(9,566,127)	(9,310,011)	(256,116)
Total	\$ 1,495,151	\$ 1,674,260	\$ (179,109)

Capital assets decreased by \$(179,109) because of depreciation of \$(263,106), an accumulated depreciation adjustment of \$6,990, and capital outlays of \$77,007.

During the fiscal year ending December 31, 2017, our Capital Fund Program was used for operational purposes.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2017
(Continued)**

CAPITAL ASSETS (CONTINUED)

Capital projects planned for the next year include the following:

The planned capital expenditures for the next year will be used for operational purposes and to turn the now owned natural gas lines for the units built in 1939, over to Vectren Energy. Vectren will be replacing all natural gas lines and installing new meters. This will relieve the Housing Authority of the responsibility and the liability of maintaining the gas distribution system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Authority is affected more by the Federal Budget than by local economic conditions. Due to inadequate funding of programs, the Housing Authority is engaging in outreach activities within its local community to seek other federal and non-federal sources of income to offset operational expenses and keep the Housing Authority financially and operationally in order to continue to provide safe, sanitary, and decent housing to our residents.

Although the Housing Authority remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Nome Marienau, Executive Director
Housing Authority of the County of Delaware
2401 South Haddix Avenue
Muncie, Indiana 47302,7547

FINANCIAL STATEMENTS

Housing Authority of the County of Delaware
Statement of Net Position
December 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 255,441
Accounts receivable-tenants, net	3,683
Investments	5
Prepaid expenses	27,641
Inventories, net	2,812
Total Current Assets	289,582

Capital Assets:

Land	26,384
Buildings	8,611,132
Equipment	569,566
Building improvements	1,854,196
	11,061,278
Less: accumulated depreciation	(9,566,127)
Net Capital Assets	1,495,151

Deferred outflow of resources	72,659
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Total Assets	\$ 1,857,392
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LIABILITIES and EQUITY

Current Liabilities:

Accounts payable	\$ 28,534
Accrued expenses	14,213
Tenant security deposit liability	44,826
Unearned revenue	2,013
Total Current Liabilities	89,586

Non-Current Liabilities:

Accrued compensated absences	26,159
Accrued pension liability	279,739
	305,898

Total Non-Current Liabilities	305,898
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Total Liabilities	395,484
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Deferred inflow of resources	24,591
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Equity:

Net investment in capital assets	1,495,151
Restricted net position	7,792
Unrestricted net position	(65,626)
Total Equity – Net Assets/Position	1,437,317

Total Liabilities and Equity – Net Assets/Position	\$ 1,857,392
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See notes to financial statements

Housing Authority of the County of Delaware
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended December 31, 2017

OPERATING REVENUES:

Dwelling rent	\$	459,425
Non dwelling rent		20,137
Operating grants		<u>1,649,762</u>
Total operating revenues		<u>2,129,324</u>

OPERATING EXPENSES:

Administrative		456,357
Tenant services		374
Utilities		173,672
Maintenance		473,636
Protective services		7,511
Insurance		68,206
General expenses		36,288
Extraordinary maintenance		32,172
Housing assistance payments		894,537
Depreciation		<u>263,106</u>
Total operating expenses		<u>2,405,859</u>
Operating income (loss)		<u>(276,535)</u>

NONOPERATING REVENUES:

Investment interest income		372
Fraud recovery		4,574
Other revenue		<u>967</u>
Total non operating revenues		<u>5,913</u>

CAPITAL CONTRIBUTIONS

		<u>0</u>
Change in net position		(270,622)
Equity, beginning		<u>1,707,939</u>
Equity, ending	\$	<u><u>1,437,317</u></u>

See notes to financial statements

Housing Authority of the County of Delaware
Statement of Cash Flows
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$ 488,615
Cash received from operating grants	1,643,772
Cash payments to other suppliers of goods and services	(1,512,596)
Cash payments to employees for services	(640,437)
Cash payments for payments in lieu of taxes	<u>(14,364)</u>
Net cash (used) by operating activities	<u>(35,010)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Fraud recovery	4,574
Tenant security deposits	<u>3,833</u>
Net cash provided by noncapital financing activities	<u>8,407</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING

Payments for capital acquisitions	<u>(83,997)</u>
Net cash (used) by capital and related financing activities	<u>(83,997)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Other revenue	967
Receipts of interest income	<u>372</u>
Net cash provided by investing activities	<u>1,339</u>

Net increase (decrease) in cash	(109,261)
Cash and cash equivalents, beginning	<u>364,702</u>
Cash and cash equivalents, ending	<u>\$ 255,441</u>

See notes to financial statements

Housing Authority of the County of Delaware
Statement of Cash Flows (Continued)
Year Ended December 31, 2017

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$	(276,535)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		263,106
Allowance for doubtful accounts		10,659
Allowance for obsolete accounts		(8)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		(2,923)
Inventories		164
Prepaid expenses		10,080
Deferred outflow of resources		22,108
Increase (decrease) in liabilities:		
Accounts payable-trade		9,976
Accrued wages/payroll taxes payable		183
Accrued compensated absences		16,967
Accrued pension liability		(18,891)
Unearned revenue		(4,673)
Deferred inflow of resources		(65,223)
		(65,223)
Net cash (used) by operating activities	\$	(35,010)

See notes to financial statements

Housing Authority of the County of Delaware
Notes to Financial Statements
December 31, 2017

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the County of Delaware (“HACD” or “Housing Authority”) is an independent municipal entity created by the County of Delaware in 1939 pursuant to Indiana state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the County of Delaware in several respects, the Housing Authority is not a component unit of the County, as defined by the Governmental Accounting Standards Board, since the County is not financially accountable for the operations of the Housing Authority, and has no responsibility to fund its deficits or receive its surpluses. The Housing Authority operates under a Board of Commissioner form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of five members, all County of Delaware residents, appointed by the County Board. The Board appoints an Executive Director who acts as the Secretary of the Housing Authority.

1. Reporting Entity

The Housing Authority’s financial statements include the accounts of all of the Housing Authority’s operations. The Housing Authority maintains its accounting records by program and operates the following programs:

Low Income Public Housing

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Authority receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 162 federal public housing units through this program.

Public Housing Capital Fund

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Authority under the Low Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Authority’s Low Income Public Housing Program.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Reporting Entity (Continued)

Section 8 Housing Choice Vouchers

HUD provides grants to the Housing Authority to subsidize rents paid by low income families and issued vouchers affording them choices in renting from private landlords. The Housing Authority subsidizes the landlord for the differences between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard. This program provided rental assistance to approximately 180 families and individuals this year.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

The Housing Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

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

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Basis of Accounting

If/when, both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The Housing 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 U.S. Department of Housing and Urban Development for their approval, if required.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts. The cash equivalents are recorded at cost, which approximates market.

8. Tenant Accounts Receivable and Allowance for Bad Debts

Tenant accounts receivable are stated at net rent amounts. Tenant accounts generally are collectible as long as the tenant is occupying the unit; thus, no allowance for bad debts has been established by management. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit and after procedures have been followed to recover outstanding amounts, is charged as a reduction of rental revenue.

9. Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

10. Compensated Absences

Housing Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days according to contract or personnel policies. In the event of termination by retirement or death, an employee is paid for accumulated sick days according to contract or personnel policies.

11. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended December 31, 2017, there were no inter-program receivables and payables due from the Housing Choice Voucher Program to the Low Rent Program, and there was \$259,359 in operating transfers.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$1,500 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

11. Buildings and Equipment (Continued)

Buildings	10	-	40 years
Building improvements	7	-	20 years
Site improvements	5	-	20 years
Equipment and furnishings	5	-	15 years

Land and land improvements include approximately \$26,384 of capitalized land that is not subject to depreciation.

12. Income Taxes

The Housing Authority is a quasi-governmental entity. The Housing Authority is not subject to Federal or State income taxes.

13. Use of Estimates

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

14. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows or resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Housing Authority has an item that qualifies for reporting in these categories. This item represents the amount that has been advanced to the Housing Authority for Federal operating grants in the Housing Choice Voucher Program for future use.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Unearned Revenue

The Housing Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

16. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

17. Net Position

Net positions are comprised of three categories (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Housing Authority's positive value of unrestricted net position in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Housing Authority's policy is to first apply restricted resources. Each component of net position is reported separately on the statement of net position.

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of the Housing Authority and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

18. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including July 20, 2018, which is the date the financial statements were available to be issued.

NOTE B: CASH AND CASH EQUIVALENTS

Indiana Code authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Indiana. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Indiana or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Indiana.

HACD has designated one bank and one credit union, for the deposit of its funds. HACD's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations	\$	255,436
Certificate of deposit		<u>5</u>
Total	\$	<u>255,441</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of December 31, 2017:

Bank deposits (checking accounts and a certificate of deposit)	\$	255,341
Petty cash		<u>100</u>
Total	\$	<u>255,441</u>

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, HACD's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. At year end, HACD had no bank deposits (checking accounts) that were uninsured and uncollateralized. HACD believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, HACD evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Balance 12/31/16</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/17</u>
Low Rent Program				
Land	\$ 26,384	\$ 0	\$ 0	\$ 26,384
Buildings	8,611,132	0	0	8,611,132
Furniture, equipment & machinery - dwellings	219,194	0	(2,692)	216,502
Furniture, equipment & machinery - administration	335,344	0	0	335,344
Building improvements	1,774,497	79,699	0	1,854,196
	<u>10,966,551</u>	<u>\$ 79,699</u>	<u>\$ (2,692)</u>	<u>11,043,558</u>
Less accumulated depreciation	<u>(9,292,291)</u>	<u>\$ (256,116)</u>	<u>\$ 0</u>	<u>(9,548,407)</u>
Total	<u>\$ 1,674,260</u>			<u>\$ 1,495,151</u>
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$ 17,720	\$ 0	\$ 0	\$ 17,720
	<u>17,720</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>17,720</u>
Less accumulated depreciation	<u>(17,720)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(17,720)</u>
Total	<u>\$ 0</u>			<u>\$ 0</u>
Combined Totals				<u>\$ 1,495,151</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	<u>\$ 263,106</u>

NOTE D: NON-CURRENT LIABILITIES

As of December 31, 2017, the non-current liabilities are comprised of the following:

Accrued compensated absences- noncurrent portion	\$ 26,159
Accrued pension	<u>279,739</u>
	<u>\$ 305,898</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2017:

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/17</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 10,889	\$ 15,270	\$ 0	\$ 26,159	\$ 2,907
Accrued pension	<u>298,630</u>	<u>0</u>	<u>(18,891)</u>	<u>279,739</u>	<u>0</u>
	<u>\$ 309,519</u>	<u>\$ 15,270</u>	<u>\$ (18,891)</u>	<u>\$ 305,898</u>	<u>\$ 2,907</u>

NOTE E: RETIREMENT PLAN

Description of Pension Plan

The Housing Authority of the County of Delaware participates in a cost-sharing multiple-employer Pension Plan, as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Indiana Employees' Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. PERF was established to provide retirement, disability and survivor benefits to full-time employees of the State of Indiana and those political subdivisions that elect to participate.

INPRS provides benefit provisions to the following statewide pension groups under one plan, as provided by Indiana Law:

Public employees, which includes:	Legislators Retirement:
State employees	Defined Benefit
Local employees	Defined Contributions
TRF	
Police and Firemen	
Judges	
Prosecuting Attorneys	

Substantially all public employees in Indiana are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected. Those employees participating in the Pension Plan for the Housing Authority are included in the Local employees group. INPRS issues a stand-alone comprehensive annual financial report, which is available on the INPRS website at www.in.gov/inprs.

NOTE E: RETIREMENT PLAN (CONTINUED)

INPRS Basis of Accounting

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations.

INPRS Deposit and Investment Policies and Provisions

Oversight of INPRS' assets is the responsibility of the INPRS Board of Trustees. Indiana law requires the Board to establish investment guidelines and limits on all types of investments and take other actions necessary to fulfill its duty as a fiduciary for all assets under its control. The INPRS Board of Trustees is required to diversify investments in accordance with the prudent investor standards.

At June 30, 2017, cash and investments of the funds were held by banks or trust companies under custodial agreements with INPRS. The INPRS Board of Trustees contracts with investment counsel, trust companies or banks to assist INPRS in its investment program. The Investment Policy Statement adopted by the INPRS Board of Trustees including the asset allocation approved by the Board of Trustees contains target allocations and allowable ranges that are expected to meet target rates of return over a long period of time while minimizing risk.

There were no investment policy changes during the fiscal year. During the fiscal year, INPRS conducted an asset liability study. The board approved effective for fiscal year ended June 30, 2017, as asset allocation that will incorporate only slight changes to the prior asset allocation targets. Investment purchases and sale of securities are recorded as of their trade date.

INPRS Method Used to Value Investments

The pooled and non-pooled investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in forced or liquidation sale.

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.

NOTE E: RETIREMENT PLAN (CONTINUED)

INPRS Method Used to Value Investments (Continued)

Alternative investments include limited partnership interests in private equity, absolute return, private real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Moreover, holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business. Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Monthly retirement benefits are based on a statutory formula that includes age, years of service, final average salary based on 20 quarters and a multiplier of 1.1%. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by Indiana Law.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Indiana Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Indiana, for all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by Indiana Law.

Contributions

The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During fiscal year 2017, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.03 percent was required from employers during the period of July 1 – December, 31, 2014, and an average contribution rate of 11.19 percent was required for the period of January 1 – June

NOTE E: RETIREMENT PLAN (CONTINUED)

Contributions (Continued)

30, 2016. For the ASA Only Plan, the State was also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10, 3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for fiscal year 2017 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective 7/1/2014 the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Employer Allocations

Although INPRS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan.

Public employees, which includes:

State employees

Local employees

TRF

Police and Firemen

Judges

Prosecuting Attorneys

Legislators Retirement:

Defined Benefit

Defined Contributions

To facilitate the separate (sub) actuarial valuations, INPRS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and non-employer allocations are applied to amounts presented in the schedules of pension amounts by employer and non-employer.

The allocation percentages for the Housing Authority's share of the collective pension amounts as of June 30, 2017 and 2016 was based on the ratio of its contributions to the total of the employer and non-employer contributions of the group for the fiscal years ended June 30, 2017 and 2016, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the Housing Authority's proportion was 0.0000627% and related wage were reported as \$310,963.

NOTE E: RETIREMENT PLAN (CONTINUED)

Net Pension Liability

At December 31, 2017, the Housing Authority reported a liability of \$279,739. The proportionate share of the liability as of December 31, 2016 was \$298,630.

Actuarial Assumptions

- Measurement Date June 30, 2017
- Valuation Date
 - Assets: June 30, 2017
 - Liabilities: June 30, 2016 – Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. The valuation results from June 30, 2016 were rolled forward to June 30, 2017 to reflect benefit accruals during the year less benefits paid.
- Investment rate of return 6.75%
- Inflation 2.25%
- COLA 1.0%
- Future Salary Increases 2.50 – 4.25%
- Cost-of-Living Increases 1.0% compounded annually on employer funded pension, beginning January 1, 2020. Retired members were provided a 13th check by October 1, 2017, and will be provided a 13th check by October 1, 2018, which is reflected in the valuation.
- Mortality Assumption (Healthy) RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables with future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
- Mortality Assumption (Disabled) RP-2014 (with MP-2014 improvement removed) Disability Mortality Tables with future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
- Experience Study The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

NOTE E: RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- **Discount Rate**

The discount rate used to measure the total pension liability was 6.75% as of June 30, 2017, and is equal to the long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of: 1) the current contribution rate of 11.2%, or 2) the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations. The assumptions and methods selected by the Board for the June 30, 2017 actuarial valuation include a 6.75% expected return on assets assumption, a 20-year level dollar closed method for amortizing future layers of unfunded actuarial accrued liability (30 years for amortization layers established prior to June 30, 2016), and a 5-year smoothing method for recognizing investment gains and losses in the actuarial value of assets. Therefore, if the Board continues to follow its current funding policy, which it has done for the past several years, the employer contribution rates established will be sufficient to fully fund the plan within 20 to 30 years. Furthermore, we note that a deterministic projection assuming no future gains or losses shows that the actuarially determined contribution rate is expected to reach a peak of 10.9%. As a result, a detailed projection of plan assets and cash flows was not separately prepared to demonstrate that plan assets will be sufficient to pay all future benefit payments for current members.

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	<u>Target Allocation</u>
Public equity	22.0%
Private markets	14.0%
Fixed income – ex inflation linked	20.0%
Fixed income – inflation-linked	7.0%
Commodities	8.0%
Real estate	7.0%
Absolute return	10.0%
Risk parity	12.0%

NOTE E: RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Total pension liability for the Plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate was assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates compared in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, the Plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the Plan.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

<u>1% Decrease (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
\$ 407,988	\$ 279,739	\$ 173,128

Pension Expense

For the year ended December 31, 2017, the Housing Authority recognized pension expense of \$52,693, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Investment Valuation and Benefit Payment Policies

The pooled and non-pooled investments are report at fair value by INPRS.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' annuity savings accounts. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

NOTE E: RETIREMENT PLAN (CONTINUED)

Funding Policy

The State is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risk and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2017, most participating employers were required to contribute 11.2 percent of covered payroll for members, however, the INPRS Board of Trustees limited the maximum increase in the contribution rate to 1.5 percent, and the Authority's 2014 rate was 9.5 percent. The Authority was therefore required to contribute a rate of 11 percent of covered payroll for members during the period of January 1-December 31, 2017. For the PERF ASA Only plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.7 percent for the fiscal year ended June 30, 2017, and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective July 1, 2014, the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA.

Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Deferred Outflows of Resources-Debit</u>	<u>Deferred Inflows of Resources-Credit</u>
Differences between actual and expected experience	\$ 5,313	\$ 217
Net difference between projected and actual investment earnings on pension plan investments	44,250	14,025
Change of assumptions	4,491	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,148	10,349
Total	<u>\$ 58,202</u>	<u>\$ 24,591</u>

NOTE E: RETIREMENT PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the NPL in 2017:

**AMORTIZATION OF NET DEFERRED
OUTFLOWS/(INFLOWS) OF RESOURCES
DEBIT/(CREDIT)**

2018	\$	13,640
2019		15,548
2020		5,928
2021		(1,505)
2022		0
Thereafter		0
Total	\$	<u>33,611</u>

The information presented above has not been audited.

NOTE F: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At December 31, 2017, the Housing Authority had the following capital fund grants:

	<u>IN36P004501-16</u>	<u>IN36P004501-17</u>
Funds Approved	\$ 180,991	\$ 181,035
Funds Expended	(80,991)	0
Excess of Funds Approved	<u>\$ 100,000</u>	<u>\$ 181,035</u>
Funds Advanced (HUD Grants)	\$ 80,991	\$ 0
Funds Expended	(80,991)	0
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>

Contingencies

The Housing Commission 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 Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

NOTE G: RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

Housing Authority of the County of Delaware
Combining Statement of Net Position by Program
December 31, 2017

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 229,247	\$ 26,194	\$ 255,441
Accounts receivable-tenants, net	3,683	0	3,683
Investments-unrestricted	5	0	5
Prepaid expenses	26,997	644	27,641
Inventories, net	2,812	0	2,812
Total current assets	<u>262,744</u>	<u>26,838</u>	<u>289,582</u>
Noncurrent assets:			
Capital assets:			
Land	26,384	0	26,384
Buildings	8,611,132	0	8,611,132
Equipment	551,846	17,720	569,566
Building improvements	1,854,196	0	1,854,196
	<u>11,043,558</u>	<u>17,720</u>	<u>11,061,278</u>
Less accumulated depreciation	<u>(9,548,407)</u>	<u>(17,720)</u>	<u>(9,566,127)</u>
Net capital assets	<u>1,495,151</u>	<u>0</u>	<u>1,495,151</u>
Deferred outflow of resources	<u>72,659</u>	<u>0</u>	<u>72,659</u>
Total Assets	<u>\$ 1,830,554</u>	<u>\$ 26,838</u>	<u>\$ 1,857,392</u>

Housing Authority of the County of Delaware
Combining Statement of Net Position by Program
(Continued)
December 31, 2017

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	Totals
LIABILITIES and EQUITY			
Current liabilities:			
Accounts payable	\$ 27,738	\$ 796	\$ 28,534
Accrued expenses	13,018	1,195	14,213
Tenant security deposit liability	44,826	0	44,826
Unearned revenue	2,013	0	2,013
Total current liabilities	<u>87,595</u>	<u>1,991</u>	<u>89,586</u>
Non-current liabilities:			
Accrued compensated absences	23,315	2,844	26,159
Accrued pension liability	279,739	0	279,739
Total non-current liabilities	<u>303,054</u>	<u>2,844</u>	<u>305,898</u>
Total liabilities	<u>390,649</u>	<u>4,835</u>	<u>395,484</u>
Deferred inflow of resources	<u>24,591</u>	<u>0</u>	<u>24,591</u>
Equity:			
Net investment in capital assets	1,495,151	0	1,495,151
Restricted net position	0	7,792	7,792
Unrestricted net position	(79,837)	14,211	(65,626)
Total equity – net assets/position	<u>1,415,314</u>	<u>22,003</u>	<u>1,437,317</u>
Total Liabilities and Equity – Net Assets/Position	<u>\$ 1,830,554</u>	<u>\$ 26,838</u>	<u>\$ 1,857,392</u>

Housing Authority of the County of Delaware
Combining Statement of Revenues, Expenses, and
Changes in Net Position by Program
Year Ended December 31, 2017

	Low Rent Program	Housing Choice Vouchers	Capital Fund Program
OPERATING REVENUES:			
Dwelling rent	\$ 459,425	\$ 0	\$ 0
Tenant revenue-other	20,137	0	0
Operating grants	407,863	982,540	259,359
Total operating revenues	<u>887,425</u>	<u>982,540</u>	<u>259,359</u>
OPERATING EXPENSES:			
Administrative	379,349	77,008	0
Tenant services	374	0	0
Utilities	173,672	0	0
Maintenance	473,636	0	0
Protective services	7,511	0	0
Insurance	68,206	0	0
General expenses	36,050	238	0
Extraordinary maintenance	32,172	0	0
Housing assistance payments	0	894,537	0
Depreciation	263,106	0	0
Total operating expenses	<u>1,434,076</u>	<u>971,783</u>	<u>0</u>
Operating income (loss)	<u>(546,651)</u>	<u>10,757</u>	<u>259,359</u>
NONOPERATING REVENUES:			
Investment interest income	368	4	0
Fraud recovery	0	4,574	0
Other revenue	967	0	0
Transfers in (out)	259,359	0	(259,359)
Total non operating revenues	<u>260,694</u>	<u>4,578</u>	<u>(259,359)</u>
Change in net position	(285,957)	15,335	0
Equity, beginning	<u>1,701,271</u>	<u>6,668</u>	<u>0</u>
Equity, ending	<u>\$ 1,415,314</u>	<u>\$ 22,003</u>	<u>\$ 0</u>

Totals

\$ 459,425
20,137
1,649,762
2,129,324

456,357
374
173,672
473,636
7,511
68,206
36,288
32,172
894,537
263,106
2,405,859

(276,535)

372
4,574
967
0

5,913

(270,622)

1,707,939

\$ 1,437,317

**Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
Year Ended December 31, 2017**

	Low Rent Program 14,850	Housing Choice Vouchers 14,871	Capital Fund Program 14,872
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from dwelling and non dwelling rents	\$ 488,615	\$ 0	\$ 0
Cash received from operating grants	407,863	976,550	259,359
Cash payments to other suppliers of goods and services	(609,224)	(903,372)	0
Cash payments to employees for services	(509,956)	(130,481)	0
Cash payments for payments in lieu of taxes	(14,364)	0	0
Net cash provided (used) by operating activities	<u>(237,066)</u>	<u>(57,303)</u>	<u>259,359</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Fraud recovery	0	4,574	0
Tenant security deposits	3,833	0	0
Transfers in (out)	259,359	0	(259,359)
Net cash provided (used) by noncapital financing activities	<u>263,192</u>	<u>4,574</u>	<u>(259,359)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments for capital acquisitions	(83,997)	0	0
Net cash (used) by capital and related financing activities	<u>(83,997)</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Other revenue	967	0	0
Receipts of interest income	368	4	0
Net cash provided by investing activities	<u>1,335</u>	<u>4</u>	<u>0</u>
Net increase (decrease) in cash	(56,536)	(52,725)	0
Cash and cash equivalents, beginning	285,783	78,919	0
Cash and cash equivalents, ending	<u>\$ 229,247</u>	<u>\$ 26,194</u>	<u>\$ 0</u>

Totals

\$ 488,615
1,643,772

(1,512,596)
(640,437)
(14,364)

(35,010)

4,574
3,833
0

8,407

(83,997)

(83,997)

967
372
1,339

(109,261)

364,702

\$ 255,441

Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
(Continued)
Year Ended December 31, 2017

	Low Rent Program <u>14,850</u>	Housing Choice Vouchers <u>14,871</u>	Capital Fund Program <u>14,872</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (546,651)	\$ 10,757	\$ 259,359
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	263,106	0	0
Allowance for doubtful accounts	10,659	0	0
Allowance for obsolete accounts	(8)	0	0
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable-tenants	(2,923)	0	0
Inventories	164	0	0
Prepaid expenses	9,257	823	0
Deferred outflow of resources	22,108	0	0
Increase (decrease) in liabilities:			
Accounts payable-trade	9,180	796	0
Accrued wages/payroll taxes payable	182	1	0
Accrued compensated absences	15,243	1,724	0
Accrued pension liability	(18,891)	0	0
Unearned revenue	1,317	(5,990)	0
Deferred inflow of resources	<u>191</u>	<u>(65,414)</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ (237,066)</u>	<u>\$ (57,303)</u>	<u>\$ 259,359</u>

Totals

\$ (276,535)

263,106
10,659
(8)

(2,923)
164
10,080
22,108

9,976
183
16,967
(18,891)
(4,673)
(65,223)

\$ (35,010)

**Housing Authority of the County of Delaware
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended December 31, 2017**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor	Type	Federal CFDA #	Expenditures
<u>U.S. Department of HUD</u>			
Public and Indian Housing:			
Public Housing Program	B – Nonmajor	14.850	\$ 407,863
Public Housing Capital Fund	B – Nonmajor	14.872	259,359
Section 8 Housing Choice Vouchers	A – Major	14.871	982,540
			<hr/>
Total Federal Financial Awards			<u>\$ 1,649,762</u>
Threshold for Type A/Type B Program			<u>\$ 750,000</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Basis of Accounting - - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended December 31, 2017. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Because the Schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the Housing Authority.

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Accountant's Report on Applying Agree-Upon Procedure

To the Board of Commissioners
Housing Authority of the County of Delaware

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the County of Delaware and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), on whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Administrative Requirements reporting package. The Housing Authority is responsible for the accuracy and completeness of the electronic submission. This sufficiency of the procedure is solely the responsibility of the Housing Authority of the County of Delaware and the U.S. Department of Housing and Urban Development, PIH-REAC specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the audit requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for the Authority as of and for the year ended December 31, 2017, and have issued our reports thereon dated July 20, 2018. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated July 20, 2018, was expressed in relation to the financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Uniform Administrative Requirements, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

Independent Accountant's Report on Applying Agreed-Upon Procedure
Page Two

This purpose of this report on applying the agreed-upon procedure is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Barry E. Gandette, CPA, PC

July 20, 2018

Attachment to Independent Accountant's Report on Applying Agreed-Upon Procedure

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Business Sheet, Revenue and Expense	Financial Data Schedule	X	
2	Footnotes	Footnotes to Audited Basic Financial Statements	X	
3	Type of Opinion on the Financial Statements and Auditor Reports	Auditor's Reports on the Financial Statements, Compliance, and Internal Control	X	
4	Type of Opinion on Financial Data Templates	Auditor's Supplemental Report on Financial Data Templates	X	
5	Audit Findings Narrative	Schedule of Findings and Questioned Costs	N/A	
6	General Information	Schedule of Findings and Questioned Costs and Federal Awards Data	N/A	

Housing Authority of the County of Delaware
Financial Data Schedule
Year Ended December 31, 2017

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Totals
	ASSETS			
	Current assets:			
111	Cash-unrestricted	\$ 184,421	\$ 18,402	\$ 202,823
113	Cash-other restricted	0	7,792	7,792
114	Cash-tenant security deposits	44,826	0	44,826
115	Cash-restricted for payment of current liabilities	0	0	0
100	Total cash	<u>229,247</u>	<u>26,194</u>	<u>255,441</u>
	Receivables:			
126	A/R-tenants-dwelling rents	16,374	0	16,374
126.1	Allowance for doubtful accounts	(12,691)	0	(12,691)
120	Total receivables, net	<u>3,683</u>	<u>0</u>	<u>3,683</u>
131	Investments-unrestricted	<u>5</u>	<u>0</u>	<u>5</u>
	Other Current Assets:			
142	Prepaid expenses	26,997	644	27,641
143	Inventories	2,960	0	2,960
143.1	Allowance for obsolete inventories	(148)	0	(148)
	Total other current assets	<u>29,809</u>	<u>644</u>	<u>30,453</u>
150	Total current assets	<u>262,744</u>	<u>26,838</u>	<u>289,582</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	26,384	0	26,384
162	Buildings	8,611,132	0	8,611,132
163	Furn, equip & mach-dwell	216,502	0	216,502
164	Furn, equip & mach-admin	335,344	17,720	353,064
165	Building improvements	1,854,196	0	1,854,196
166	Accumulated depreciation	(9,548,407)	(17,720)	(9,566,127)
160	Total fixed assets, net	<u>1,495,151</u>	<u>0</u>	<u>1,495,151</u>
180	Total non-current assets	<u>1,495,151</u>	<u>0</u>	<u>1,495,151</u>
200	Deferred outflow of resources	<u>72,659</u>	<u>0</u>	<u>72,659</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 1,830,554</u>	<u>\$ 26,838</u>	<u>\$ 1,857,392</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2017

FDS Line Item No.	Low Rent Program 14.850	Housing Choice Vouchers 14.871	Totals
LIABILITIES and EQUITY			
Current liabilities:			
312	\$ 27,738	\$ 796	\$ 28,534
321	10,427	879	11,306
322	2,591	316	2,907
341	44,826	0	44,826
342	2,013	0	2,013
	<u>87,595</u>	<u>1,991</u>	<u>89,586</u>
Non-current liabilities:			
354	23,315	2,844	26,159
357	279,739	0	279,739
350	<u>303,054</u>	<u>2,844</u>	<u>305,898</u>
300	<u>390,649</u>	<u>4,835</u>	<u>395,484</u>
400	<u>24,591</u>	<u>0</u>	<u>24,591</u>
Equity:			
508.4	1,495,151	0	1,495,151
511.4	0	7,792	7,792
512.4	<u>(79,837)</u>	<u>14,211</u>	<u>(65,626)</u>
513	<u>1,415,314</u>	<u>22,003</u>	<u>1,437,317</u>
600	<u>\$ 1,830,554</u>	<u>\$ 26,838</u>	<u>\$ 1,857,392</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2017

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
Revenues				
70300	Net tenant rental revenue	\$ 459,425	\$ 0	\$ 0
70400	Tenant revenue-other	20,137	0	0
70500	Total tenant revenue	479,562	0	0
70600	HUD PHA operating grants	407,863	982,540	259,359
71100	Investment income-unrestricted	368	4	0
71400	Fraud recovery	0	4,574	0
71500	Other revenue	967	0	0
70000	Total revenue	888,760	987,118	259,359
Expenses				
Administrative:				
91100	Administrative salaries	228,213	44,167	0
91200	Auditing fees	10,283	1,257	0
91400	Advertising and marketing	2,261	0	0
91500	Employee benefit contributions	94,553	22,625	0
91600	Office expenses	16,850	190	0
91700	Legal expense	5,460	1,000	0
91800	Travel	0	0	0
91900	Other	21,729	7,769	0
91000	Total operating-administrative	379,349	77,008	0
Tenant services:				
92400	Tenant services-other	374	0	0
92500	Total tenant services	374	0	0
Utilities:				
93100	Water	38,368	0	0
93200	Electricity	13,472	0	0
93300	Gas	55,445	0	0
93600	Sewer	66,387	0	0
93000	Total utilities	173,672	0	0
Ordinary maintenance and operations:				
94100	Labor	149,790	0	0
94200	Materials and other	97,583	0	0
94300	Contracts	170,030	0	0
94500	Employee benefit contributions	56,233	0	0
94000	Total maintenance	473,636	0	0

Totals

\$ 459,425
20,137
479,562
1,649,762
372
4,574
967
2,135,237

272,380
11,540
2,261
117,178
17,040
6,460
0
29,498
456,357

374
374

38,368
13,472
55,445
66,387
173,672

149,790
97,583
170,030
56,233
473,636

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2017

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
	Expenses (continued)			
	Protective services:			
95200	Other contract services	7,511	0	0
95000	Total protective services	<u>7,511</u>	<u>0</u>	<u>0</u>
	Insurance:			
96110	Property insurance	42,937	0	0
96120	Liability insurance	0	0	0
96130	Workmen's compensation	9,916	0	0
96140	All other insurance	15,353	0	0
96100	Total insurance premiums	<u>68,206</u>	<u>0</u>	<u>0</u>
	Other general expenses:			
96200	Other	0	238	0
96300	Payments in lieu of taxes	14,364	0	0
96400	Bad debt – tenant rents	21,686	0	0
96000	Total other general expenses	<u>36,050</u>	<u>238</u>	<u>0</u>
96900	Total operating expenses	<u>1,138,798</u>	<u>77,246</u>	<u>0</u>
97000	Excess revenue over operating expenses	<u>(250,038)</u>	<u>909,872</u>	<u>259,359</u>
	Other Expenses:			
97100	Extraordinary maintenance	32,172	0	0
97300	Housing assistance payments	0	894,537	0
97400	Depreciation expense	263,106	0	0
	Total other expense	<u>295,278</u>	<u>894,537</u>	<u>0</u>
90000	Total expenses	<u>1,434,076</u>	<u>971,783</u>	<u>0</u>
	Other Financing Sources (Uses):			
10010	Operating transfers in	259,359	0	0
10020	Operating transfers out	0	0	(259,359)
10100	Total other financing sources (uses)	<u>259,359</u>	<u>0</u>	<u>(259,359)</u>
10000	Excess(deficiency) of revenue over(under) expenses	(285,957)	15,335	0
11030	Beginning equity	1,701,271	6,668	0
	Ending equity	<u>\$ 1,415,314</u>	<u>\$ 22,003</u>	<u>\$ 0</u>
11190	Unit months available	1,944	2,166	
11210	Unit months leased	1,914	2,147	

<u>Totals</u>
7,511
<u>7,511</u>
42,937
0
9,916
<u>15,353</u>
<u>68,206</u>
238
14,364
<u>21,686</u>
<u>36,288</u>
<u>1,216,044</u>
<u>919,193</u>
32,172
894,537
<u>263,106</u>
<u>1,189,815</u>
<u>2,405,859</u>
259,359
<u>(259,359)</u>
<u>0</u>
(270,622)
<u>1,707,939</u>
<u>\$ 1,437,317</u>

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

**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***

To the Board of Housing Commissioners
Housing Authority of the County of Delaware
Muncie, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements. Which collectively comprise the Housing Authority of the County of Delaware, Indiana's basic financial statements, and have issued our report thereon dated July 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barry E. Gandette, CPA, PC

July 20, 2018

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Housing Commissioners
Housing Authority of the County of Delaware
Muncie, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Delaware, 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 County of Delaware, Indiana's major federal programs for the year ended June 30, 2017. The Housing Authority of the County of Delaware, Indiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Housing Authority of the County of Delaware, Indiana, 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 County of Delaware, Indiana'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 County of Delaware, Indiana's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barry E. Gandette, CPA, PC

July 20, 2018

**Housing Authority of the County of Delaware
Status of Prior Audit Findings
December 31, 2017**

There were no prior year findings.

**Housing Authority of the County of Delaware
Schedule of Findings and Questioned Costs
December 31, 2017**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

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

Any audit findings disclosed that are required to be reported in accordance with *Audit Requirements for Federal Awards (Uniform Guidance)*? No

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.871	Housing Choice Vouchers Program

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

Auditee qualified as low-risk auditee? Yes

Section II - Findings Related to the Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.