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July 31, 2019

Board of Directors
City of Richmond Housing Authority
58 South 15th Street
Richmond, IN 47374

We have reviewed the audit report prepared by Henderson & DeJohn, LLC, Independent Public Accountant, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the City of Richmond Housing Authority as of June 30, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the two findings disclosed in the report. Please see the Schedule of Findings and Questioned Costs on pages 28-30 for complete details related to the findings. The Authority's corrective action plan immediately follows page 37.

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 CITY OF RICHMOND

**FINANCIAL STATEMENTS
&
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2018

HOUSING AUTHORITY OF THE CITY OF RICHMOND
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HOUSING AUTHORITY OF THE CITY OF RICHMOND
MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2018

Management's discussion and analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position for the fiscal year ended June 30, 2018. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- Federal Operating Grants increased by \$95,833 or nearly 3.83 percent due to an increase in operating subsidy funding availability for Public Housing.
- The Authority made more capital improvements throughout the year, which resulted in an increase of \$40,744 and nearly 25.21 percent of Capital Grant revenue.
- Housing Assistance Payments increased by \$137,916 or nearly 13 percent due to an increase in vouchers being administered.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Authority's accounting records are structured as an enterprise fund with revenues recognized when earned, rather than when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and depreciated over their estimated useful lives. The accounting for enterprise funds is similar to the accounting used by businesses. See the note to the financial statements for a summary of the Authority's significant accounting policies.

Following the MD&A are the basic financial statements of the Authority together with notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The **Statement of Net Position** presents information similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources of the Authority. The statement is presented in the format where assets, minus liabilities, equal net position. Assets and liabilities are presented in order of liquidity, and are classified as current and non-current.

Net position is reported in three broad categories:

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

Restricted Net Position: This component consists of assets that are constrained by limitations placed on their use by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of net position that is not restricted and does not meet the definition of Investment in Capital Assets.

The **Statement of Revenues, Expenses, and Changes in Fund Net Position** presents information showing how the Authority's net position changed during the year. This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, and maintenance, and non-operating revenue and expenses, such as grant revenue, investment income, interest expense, and gains or losses from the sale or disposition of capital assets. The focus of the statement is the change in net position, which is similar to net income or loss for a business entity.

The **Statement of Cash Flows** reports net cash provided by or used by operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the information included in the financial statements.

In addition to the basic financial statements and accompanying notes, this report includes two types of supplementary information: required supplementary information and other supplementary information. Required supplementary information must be included to conform with generally accepted accounting principles. Management's discussion and analysis is the required supplementary information.

Other supplementary information is not required by generally accepted accounting principles but is presented for additional analysis purposes or to meet other requirements. The financial data schedule is required by the U.S. Department of Housing and Urban Development (HUD). The schedule of expenditures of federal awards is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Program Information

Low Income Public Housing: The Authority owns 303 units in Richmond, Indiana. Under the low income public housing program, the Authority rents units that it owns to low-income households. The program is operated under an annual contributions contract with HUD, and HUD provides operating subsidy and capital funding to enable the Authority to provide housing at a rent that is based on a percentage of household income. The conventional public housing program includes the capital fund program, which is the primary funding source for physical improvements to the Authority's properties. The purpose of the capital fund program is to maintain the physical improvements of the Authority's sites. The Authority requisitions fund from HUD as the Authority expense funds.

Section 8 Housing Choice Vouchers: The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family. The objective of the program is to assist in making tenant-based rental assistance more successful by helping increase housing choices for low-income families and assisting them in obtaining affordable housing. The Authority administers 273 vouchers under their ACC agreement.

The Neighborhood Stabilization Program (NSP): The NSP consists of 10 houses that the City of Richmond, IN has given to the Housing Authority of the City of Richmond for affordable housing. These houses are rented at market rate and are not federally funded.

The Homeownership Opportunity Program (HOOP): The HOOP assists tenants in funding a down payment through set asides rents, when approved for a mortgage. There are currently 3 homes which are rented out with the option to own through the program.

Financial Position and Analysis

Table 1 compares the Authority's financial position for the fiscal years ended June 30, 2018 and 2017:

Table 1 – Entity Wide Balance Sheet Comparison

	2018	2017	Increase (Decrease)	Percent Variance
<u>Assets</u>				
Cash & Cash Equivalents	\$ 1,144,256	\$ 1,187,305	\$ (43,049)	-3.63%
Other Current Assets	120,238	139,089	(18,851)	-13.55%
Noncurrent Assets	4,638,560	4,791,109	(152,549)	-3.18%
Total Assets	5,903,054	6,117,503	(214,449)	-3.51%
<u>Liabilities</u>				
Current Liabilities	120,639	102,179	18,460	18.07%
Noncurrent Liabilities	80,726	83,380	(2,654)	-3.18%
Total Liabilities	201,365	185,559	15,806	8.52%
<u>Net Position</u>				
Net Investment in Capital Assets	4,638,560	4,791,109	(152,549)	-3.18%
Restricted Net Position	550,140	680,470	(130,330)	-19.15%
Unrestricted Net Position	512,989	460,365	52,624	11.43%
Total Net Position	\$ 5,701,689	\$ 5,931,944	\$ (230,255)	-3.88%

Cash & Cash Equivalents decreased by \$43,049 or 3.63 percent. This decrease mainly driven by salaries increase and expenses.

Other Current Assets decreased by \$18,851 or 13.55 percent. This decrease is primarily due to a reclassification of investments into other current assets.

Noncurrent Assets decreased by \$152,549 or 3.18%. This decrease is due to depreciation expense exceeding capital asset additions. This category includes net investment in capital assets.

Current Liabilities increased \$18,460 or 18.07 percent. This increase is primarily due to larger amount of accounts payable then prior year.

Table 2 focuses on the changes in Net Position:

Table 2 – Entity Wide Income Statement Comparison

	2018	2017	Increase (Decrease)	Percent Variance
<u>Operating Revenue & Expense</u>				
Operating Revenue	\$ 3,278,981	\$ 3,147,764	\$ 131,217	4.17%
Operating Expenses	1,876,156	1,716,013	160,143	9.33%
Total Operating Income (Loss)	<u>1,402,825</u>	<u>1,431,751</u>	<u>(28,926)</u>	<u>-2.02%</u>
Non-Operating Revenues & Expenses, Net	(1,633,080)	(1,556,861)	(76,219)	4.90%
Income (Loss) in Net Position	<u>(230,255)</u>	<u>(125,110)</u>	<u>(105,145)</u>	<u>84.04%</u>
Prior Period Adjustment	-	(24,000)	24,000	100.00%
Net Position, Beginning of year	<u>5,931,944</u>	<u>6,081,054</u>	<u>(149,110)</u>	<u>-2.45%</u>
Net Position, End of year	<u>\$ 5,701,689</u>	<u>\$ 5,931,944</u>	<u>\$ (230,255)</u>	<u>-3.88%</u>

Table 3 presents a summary of the Authority's revenue by source:

Table 3 – Entity Wide Revenue Comparison

	2018	2017	Increase (Decrease)	Percent Variance
<u>Operating Revenue (Loss)</u>				
Tenant Revenue	\$ 427,659	\$ 390,268	\$ 37,391	9.58%
Government Operating Grants	2,595,940	2,500,107	95,833	3.83%
Government Capital Grants	202,362	161,618	40,744	25.21%
Other Income	53,020	95,771	(42,751)	-44.64%
Total Operating Income (Loss)	<u>3,278,981</u>	<u>3,147,764</u>	<u>131,217</u>	<u>4.17%</u>
Total Revenue (Loss)	<u>\$ 3,278,981</u>	<u>\$ 3,147,764</u>	<u>\$ 131,217</u>	<u>4.17%</u>

Public Housing Operating Grants increased by \$95,833 or 3.83 percent due to an increase in operating subsidy funding availability for Public Housing as well as Housing Choice Voucher.

Public Housing Capital Fund increased by \$40,744 or 25.21 percent due to an increase in capital expenditures during fiscal year 2018.

Other Income decreased by \$42,751 or 44.64 percent mainly due to Housing Choice Voucher portability-in administrative fees and HAP payments to landlords for tenants who transferred their vouchers to the Authority.

Table 4 presents a summary of the Authority's operating expenses:

Table 4 – Entity Wide Expense Comparison

	2018	2017	Increase (Decrease)	Percent Variance
Administrative	\$ 609,103	\$ 608,982	\$ 121	0.02%
Tenant Services	7,509	13,980	(6,471)	-46.29%
Utilities	313,764	290,502	23,262	8.01%
Maintenance	751,371	603,149	148,222	24.57%
Insurance	104,427	98,152	6,275	6.39%
General Expense	89,982	101,248	(11,266)	-11.13%
Total Operating Expenses	\$ 1,876,156	\$ 1,716,013	160,143	9.33%
Depreciation Expense	399,535	457,892	(58,357)	-12.74%
Housing Assistance Payments	1,234,895	1,096,979	137,916	12.57%
Other (Revenue)/Expense	(1,350)	1,990	(3,340)	100.00%
Total Non-Operating Expenses	\$ 1,633,080	\$ 1,556,861	76,219	4.90%
Total Expenses	\$ 3,509,236	\$ 3,272,874	\$ 236,362	7.22%

Tenant Services decreased by \$6,471 or 46.29 percent primarily due to a decrease in tenant related recreation expenses incurred during the year.

Maintenance increased by \$148,222 or 24.57 percent due to an increase in materials purchased and maintenance contracts since many improvements were made.

General Expense decreased by \$11,266 or 11.13 percent due to a reduction of tenant related bad debt expense and compensated absences expense.

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing and Housing Choice Voucher are adopted on the basis of accounting described by HUD, which differs in some respects from generally accepted accounting principles.

Low-Income Public Housing Budgetary Highlights

Table 5 - Low Income Public Housing Program - Actual vs. Budget

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable</u>	<u>Percent Variance Favorable</u>
<u>Operating Revenue</u>				
Rental income	\$ 335,286	\$ 354,665	\$ 19,379	5.78%
Operating subsidy	1,039,056	1,252,901	213,845	20.58%
Capital Grant	111,048	202,362	91,314	82.23%
Other income	58,775	8,602	(50,173)	-85.36%
Total Revenue	1,544,165	1,818,530	274,365	17.77%
<u>Expenses</u>				
Administrative	445,289	450,801	5,512	1.24%
Tenant Services	6,000	2,544	(3,456)	-57.60%
Utilities	291,068	295,705	4,637	1.59%
Maintenance	605,624	725,541	119,917	19.80%
Protective Services	139,494	-	(139,494)	-100.00%
Insurance	57,800	96,947	39,147	67.73%
General Expenses	-	75,590	75,590	-
Total Expenses	1,545,275	1,647,128	(101,853)	-6.59%
Income (Over) Under Expenses	\$ (1,110)	\$ 171,402	\$ 172,512	100.00%

Operating Subsidy was greater than budget by \$213,845 or 20.58 percent. The cause of this was primarily due to an increase in funding levels from HUD and Capital Fund Grants for administration costs.

Capital Grants was greater than budget by \$91,314 or 82.23 percent. This is due to an increase in spending for capital improvements.

Tenant Services were less than budget by \$3,456 or 57.60 percent due to a decrease in resident related expenses.

Maintenance was greater than budget by \$119,917 or 19.80 percent. The cause of this is primarily due to an increase in labor, materials, and other misc. contracts.

Insurance exceeded the budget by \$39,147 or 67.73 percent due to an increase in insurance premiums and elimination of COCC.

Capital Assets

Table 6 summarizes the Authority’s investment in capital assets:

Table 6 – Summary of Entity Wide of Capital Asset Activity

	2018	2017	Increase (Decrease)	Percent Variance
Land	\$ 1,368,386	\$ 1,368,387	\$ (1)	0.00%
Buildings	16,015,002	15,976,604	38,398	0.24%
Furniture and Equipment - Dwellings	303,456	303,455	1	0.00%
Furniture and Equipment - Administration	602,065	595,843	6,222	1.04%
Construction in progress	844,042	641,679	202,363	31.54%
	<u>19,132,951</u>	<u>18,885,968</u>	<u>246,983</u>	<u>1.31%</u>
Less: accumulated depreciation	<u>(14,494,391)</u>	<u>(14,094,859)</u>	<u>(399,532)</u>	<u>2.83%</u>
Capital Assets, Net	<u>\$ 4,638,560</u>	<u>\$ 4,791,109</u>	<u>\$ (152,549)</u>	<u>-3.18%</u>

Acquisitions are capitalized at cost and depreciated using the straight-line method of depreciation. Additional information and details can be found in the Notes to the Financial Statements.

Capital funding available for 2018 is as follows:

Table 7 – Summary of Capital Fund Grants

	Grant	Total Budget	Expended through 6/30/2018	Budget Remaining at 6/30/2018
Capital Fund Program 2015	501-15	415,387	394,970	20,417
Capital Fund Program 2016	501-16	430,250	246,930	183,320
Capital Fund Program 2017	501-17	445,208	165,681	279,527
				<u>\$ 483,264</u>

Significant Economic Factors Affecting the Authority

- The Department of Housing and Urban Development (HUD) has historically been underfunded to meet the subsidy needs of Public Housing Authorities (PHAs). We do not expect this trend to change.
- Even if HUD were fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, increased funding for the Departments of Defense and Homeland Security may result in reduced appropriations for all other domestic program spending.
- Rising cost of utility rates, supplies, and other costs may impact our budgets in future years.

Request for Information

This financial report is designed to provide a general overview of the Authority’s accountability for those interested. If you should have additional questions regarding the financial information, you can contact our offices by writing to the following address:

Housing Authority of the City of Richmond
 Attn: Derek White
 Executive Director
 58 South 15th Street
 Richmond, IN 47374



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Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Richmond

Report on the Financial Statements

We have audited the financial statements of the Housing Authority of the City of Richmond (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1-7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Authority's basic financial statements. The accompanying supplemental data including the financial data schedule, the statement and certification of actual modernization costs, the statement of net position – by program, and the statement of revenues, expenses, and changes in fund net position – by program are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedule, the statement and certification of actual modernization costs, the statement of net position – by program, the statement of revenues, expenses, and changes in fund net position – by program, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule, the statement and certification of actual modernization costs, the statement of net position – by program, the statement of revenues, expenses, and changes in fund net position – by program, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Henderson & DeJohn, LLC

Birmingham, AL
March 18, 2019



HENDERSON & DEJOHN, LLC

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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*

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Richmond

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Housing Authority of the City of Richmond (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 18, 2019.

Internal Control over Financial Reporting

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

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

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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Henderson & DeJohn, LLC

Birmingham, AL
March 18, 2019



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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

To the Board of Commissioners
Housing Authority of the City of Richmond

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Richmond's (the "Authority") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to above that are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a significant deficiency.

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

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.

Henderson & DeJohn, LLC

Birmingham, AL
March 18, 2019

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2018

ASSETS

Current assets:

Unrestricted cash and cash equivalents	\$ 464,743
Restricted cash and cash equivalents	279,008
Unrestricted investments	78,951
Restricted Investments	321,554
Due from HUD	1,306
Tenants receivable, net	11,057
Fraud recovery receivable, net	4,126
Prepaid expenses and other assets	77,566
Inventories, net	<u>26,183</u>
Total current assets	<u>1,264,494</u>

Noncurrent assets:

Capital assets:

Land and construction in progress	2,212,428
Buildings and equipment, net of depreciation	<u>2,426,132</u>
Total capital assets	<u>4,638,560</u>

Total assets	<u>5,903,054</u>
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LIABILITIES

Current liabilities:

Accounts payable	56,673
Tenant security deposits	50,422
Unearned revenue	11,279
Compensated absences	<u>2,265</u>
Total current liabilities	<u>120,639</u>

Noncurrent liabilities:

Compensated absences, net of current portion	20,378
Noncurrent liabilities - other	<u>60,348</u>
Total noncurrent liabilities	<u>80,726</u>

Total liabilities	<u>201,365</u>
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NET POSITION

Net investment in capital assets	4,638,560
Restricted	550,140
Unrestricted	<u>512,989</u>

Total net position	<u>\$ 5,701,689</u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Rental income	\$ 427,659
Federal grants	2,595,940
Other	<u>53,020</u>
Total operating revenues	<u>3,076,619</u>
OPERATING EXPENSES	
Administration	609,103
Tenant services	7,509
Utilities	313,764
Maintenance	751,371
General	194,409
Housing assistance payments	1,234,895
Depreciation	<u>399,535</u>
Total operating expenses	<u>3,510,586</u>
Operating income (loss)	(433,967)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	<u>1,350</u>
Income (loss) before contributions	(432,617)
Capital contributions	<u>202,362</u>
Change in net position	(230,255)
Total net position - beginning of the year	<u>5,931,944</u>
Total net position - end of the year	<u><u>\$ 5,701,689</u></u>

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

HOUSING AUTHORITY OF THE CITY OF RICHMOND
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants	\$ 401,083
Federal grants	2,594,634
Other receipts	52,022
Payments to suppliers and Section 8 landlords	(2,279,885)
Payments to or on behalf of employees	(767,631)
	223
Net cash provided (used) by operating activities	223

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(246,984)
Capital contributions	202,362
	(44,622)
Net cash provided (used) by capital financing activities	(44,622)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	1,350
Proceeds from the sale of investments	145,004
	146,354
Net cash provided (used) by investing activities	146,354

Net increase (decrease) in cash and cash equivalents	101,955
Balances - beginning of the year	641,796
Balances - end of the year	\$ 743,751

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

Operating income (loss)	\$ (433,967)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	399,535
Change in assets and liabilities:	
Receivables, net	15,860
Inventories, net	10,467
Prepays and other assets	(7,476)
Accounts payable	19,034
Unearned revenue	7,664
Compensated absences	(2,949)
Tenant security deposits	(7,945)
	223
Net cash provided (used) by operating activities	\$ 223

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

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority of the City of Richmond (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Fund Net Position
 - Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the “enterprise fund” in the basic financial statements. Significant Authority policies are described below.

A. The Reporting Entity

The Housing Authority of the City of Richmond was established by the City of Richmond pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Authority is a special-purpose governmental unit as an entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in Wayne County, Indiana. The governing body of the Authority is composed of a 5 member appointed Board of Commissioners (the “Board”). The Mayor appoints the Board, who in turn hires the Executive Director. The Authority is governed by its charter and by-laws, state and local laws and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority’s management. The Authority has no component units.

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

The Authority’s financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with a proprietary fund’s activities are included on the Statement of Net Position. Proprietary fund net position is segregated into Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. Revenues are recognized when they are earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses, and Changes in Fund Net Position after income before contributions and before changes in net position.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component on net position.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

D. Receivables

All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible.

E. Restricted Assets and Liabilities

Debt covenants, HUD regulations, and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

F. Inventories

Inventories are accounted for under the consumption method and recorded at the lower of cost or market, net of an allowance for obsolete inventories. Materials and supplies are recorded as inventories when purchased and as expenditures when used. Allowances are reported when materials and supplies are deemed obsolete.

G. Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit future periods.

H. Capital Assets

Capital assets include property, furniture, equipment, and machinery. Capital assets with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Furniture, equipment, and machinery	5-10

I. Compensated Absences

Full-time employees are allowed to accrue annual leave and sick leave on the last day of each month. The Authority's policy allows each employee to accumulate up to 160 vacation hours per year and any unused vacation can be paid for upon separation. Time accrued beyond these amounts is forfeited unless exception is granted by the Board. Sick leave is accumulated at a rate of one day per month or twelve days per year to a maximum of 80 hours. Sick leave accumulated is not paid upon separation. The majority of employees utilize their annual accrual of vacation during the year accrued. The Authority records compensated absences in the period they are earned and use a 10 percent short-term and 90 percent long-term allocation process to allocate between short-term and long-term liability classification.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Unearned Revenue

The Authority recognizes revenues as earned. An amount received in advance of the period in which it is earned is recorded as a liability under unearned revenue.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Recent Accounting Pronouncements

The Authority has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The adoption of GASB Statement No. 75 had no material effect on the Authority's June 30, 2018 financial statements.

The Authority has adopted GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement apply to state and local governments. The adoption of GASB Statement No. 85 had no material effect on the Authority's June 30, 2018 financial statements.

The Authority has adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of GASB Statement No. 86 had no material effect on the Authority's June 30, 2018 financial statements.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash and investments may be invested in the following HUD and the State of Indiana IC 36-7-18-19 approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At June 30, 2018, cash was in bank deposits or money market accounts that were insured or collateralized with securities held by the Authority or by its agent through the State of Indiana's collateralization program. Cash and investment balances at June 30, 2018 totaled \$743,751 and \$400,505, respectively.

Interest Rate Risk – The Authority's formal investment policy does not specifically address the exposure to this risk.

Credit Risk – The Authority's formal investment policy does not specifically address credit risk, other than the limitations of Indiana state law and/or HUD regulations. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

Custodial Credit Risk – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Concentration of Credit Risk – The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 3 – CAPITAL ASSETS

A. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	\$ 1,368,386	\$ -	\$ -	\$ -	\$ 1,368,386
Construction in process	641,680	202,362	-	-	844,042
Total capital assets not being depreciated	<u>2,010,066</u>	<u>202,362</u>	<u>-</u>	<u>-</u>	<u>2,212,428</u>
Capital assets being depreciated					
Buildings and improvements	15,976,602	38,400	-	-	16,015,002
Equipment	899,299	6,222	-	-	905,521
Total capital assets being depreciated	<u>16,875,901</u>	<u>44,622</u>	<u>-</u>	<u>-</u>	<u>16,920,523</u>
Less accumulated depreciation for:					
Buildings and improvements	(13,367,700)	(367,725)	-	-	(13,735,425)
Equipment	(727,156)	(31,810)	-	-	(758,966)
Total accumulated depreciation	<u>(14,094,856)</u>	<u>(399,535)</u>	<u>-</u>	<u>-</u>	<u>(14,494,391)</u>
Capital assets, net	<u>\$ 4,791,111</u>	<u>\$ (152,551)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,638,560</u>

B. Capital Contributions

The Authority receives capital grants from HUD. The Authority recognized \$202,362 in capital contributions for the fiscal year ended June 30, 2018.

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2018 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued compensated absences	\$ 25,592	\$ 45,521	48,470	\$ 22,643	\$ 2,265
Noncurrent liabilities - other	60,348	-	-	60,348	-
Total long-term liabilities	<u>\$ 85,940</u>	<u>\$ 45,521</u>	<u>\$ 48,470</u>	<u>\$ 82,991</u>	<u>\$ 2,265</u>

NOTE 5 – DEFINED CONTRIBUTION PENSION PLAN

The Authority provides benefits for all of its full-time employees through a defined contribution plan, which is administered by Edward Jones. The plan was adopted by the Board of Commissioners in 1998. Only the Board has the authority to approve any amendments to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Authority contributes an amount equal to 14.5% of each employee's base salary each month to the plan. As determined by the plan provisions, employees are not required to, nor did they, make contributions to the plan. During the year ended June 30, 2018, the Authority's contributions were \$59,833.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 6 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

NOTE 7 – CONCENTRATION OF RISK

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 9 – RELATED PARTY TRANSACTIONS

There was one related party transaction during the year between the Authority and a related party of an Authority employee. The Authority contracted for vendor services with the brother of an Authority maintenance employee; during the year the Authority paid \$32,239 to the vendor. The contractor is approved and hired by the Board of Commissioners and the Executive Director, not the maintenance employee.

NOTE 10 – RESTRICTED NET POSITION

Restricted cash and net position consist of cash maintained in Authority accounts totaling \$550,140 as of June 30, 2018. The Authority received proceeds from the sale of Turnkey III Homeownership properties in a prior year. The use of these funds is restricted to those listed in the Administrative Use Agreement. Total restricted net position related proceeds on sale of Turnkey III properties was \$545,807 as of the end of the fiscal year.

Restricted cash and net position also consist of excess Housing Assistance Payment (HAP) funds available to the Authority under the Section 8 Housing Choice Vouchers program. These funds are to be used only for HAP expenditures for the program. These funds are also known as restricted net position since there is no offsetting liability. Total restricted net position related to this excess was \$4,333 as of the end of the fiscal year.

NOTE 11 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through March 18, 2019 (the date the financial statements were available to be issued) and concluded that except as noted below, there were no other subsequent events that would require recognition in the financial statements or disclosure in the notes to the financial statements.

During May 8-10th 2018, HUD performed a Public Housing Recovery & Sustainability (PHARS) assessment. The final report was issued on or around June 30, 2018. The results of this review noted 12 findings and 14 concerns regarding various project and programs within the Authority. The Authority entered into a Memorandum of Agreement with HUD to address these findings and concerns some time in November 2018, after fiscal year end. The Authority intends to meet or exceed the deadlines established by HUD for the corrective action items and in some instances, even though the plan is for the timeframe from January 2019 through December 2019, the Authority has already implemented the corrective action and is ahead of schedule.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

NOTE 12 – FINANCIAL DATA SCHEDULE

The Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense from operating activities and includes investment revenue and capital grant revenue in operating activities, which differs from the presentation of the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
 YEAR ENDED JUNE 30, 2018

	<u>IN36P009501-11</u>	<u>IN36P009501-12</u>	<u>IN36P009501-13</u>
Funds Approved	\$ 437,041	\$ 396,278	\$ 378,341
Funds Expended	<u>437,041</u>	<u>396,278</u>	<u>378,341</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced (HUD Grants)	\$ 437,041	\$ 396,278	\$ 378,341
Funds Expended	<u>437,041</u>	<u>396,278</u>	<u>378,341</u>
Excess of Funds Advanced	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

1. The Distribution of costs by project as shown on the Final Statement of Modernization Cost all dated January 31, 2018 accompany the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.
2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 SUPPLEMENTARY INFORMATION – STATEMENT OF NET POSITION – BY PROGRAM
 JUNE 30, 2018

	PUBLIC HOUSING	SECTION 8	NSP	HOOP	TOTAL
ASSETS					
Current assets:					
Unrestricted cash and cash equivalents	\$ 121,566	\$ 170,576	\$ 155,970	\$ 16,631	\$ 464,743
Restricted cash and cash equivalents	269,319	4,333	5,356	-	279,008
Investments	-	-	-	78,951	78,951
Restricted investments	321,554	-	-	-	321,554
Due from HUD	1,306	-	-	-	1,306
Tenants receivable, net	11,057	-	-	-	11,057
Fraud recovery receivable, net	2,834	1,292	-	-	4,126
Prepaid expenses and other assets	72,841	4,004	721	-	77,566
Inventories, net	26,183	-	-	-	26,183
Total current assets	<u>826,660</u>	<u>180,205</u>	<u>162,047</u>	<u>95,582</u>	<u>1,264,494</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	1,737,466	-	32,000	442,962	2,212,428
Buildings and equipment, net of depreciation	1,984,066	22,257	225,496	194,313	2,426,132
Total capital assets	<u>3,721,532</u>	<u>22,257</u>	<u>257,496</u>	<u>637,275</u>	<u>4,638,560</u>
Total assets	<u>4,548,192</u>	<u>202,462</u>	<u>419,543</u>	<u>732,857</u>	<u>5,903,054</u>
LIABILITIES					
Current liabilities:					
Accounts payable	54,034	814	-	1,825	56,673
Tenant security deposits	45,066	-	5,356	-	50,422
Unearned revenue	11,279	-	-	-	11,279
Compensated absences	1,576	689	-	-	2,265
Total current liabilities	<u>111,955</u>	<u>1,503</u>	<u>5,356</u>	<u>1,825</u>	<u>120,639</u>
Noncurrent liabilities:					
Compensated absences, net of current portion	14,177	6,201	-	-	20,378
Noncurrent liabilities - other	-	-	-	60,348	60,348
Total noncurrent liabilities	<u>14,177</u>	<u>6,201</u>	<u>-</u>	<u>60,348</u>	<u>80,726</u>
Total liabilities	<u>126,132</u>	<u>7,704</u>	<u>5,356</u>	<u>62,173</u>	<u>201,365</u>
NET POSITION					
Net investment in capital assets	3,721,532	22,257	257,496	637,275	4,638,560
Restricted	545,807	4,333	-	-	550,140
Unrestricted	154,721	168,168	156,691	33,409	512,989
Total net position	<u>\$ 4,422,060</u>	<u>\$ 194,758</u>	<u>\$ 414,187</u>	<u>\$ 670,684</u>	<u>\$ 5,701,689</u>

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 SUPPLEMENTARY INFORMATION – STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
 NET POSITION – BY PROGRAM
 YEAR ENDED JUNE 30, 2018

	PUBLIC HOUSING	SECTION 8	NSP	HOOP	TOTAL
OPERATING REVENUES					
Rental income	\$ 354,665	\$ -	\$ 61,508	\$ 11,486	\$ 427,659
Federal grants	1,252,901	1,343,039	-	-	2,595,940
Other	<u>8,135</u>	<u>44,885</u>	<u>-</u>	<u>-</u>	<u>53,020</u>
Total operating revenues	<u>1,615,701</u>	<u>1,387,924</u>	<u>61,508</u>	<u>11,486</u>	<u>3,076,619</u>
OPERATING EXPENSES					
Administration	450,801	142,397	11,188	4,717	609,103
Tenant services	2,544	-	-	4,965	7,509
Utilities	295,705	607	304	17,148	313,764
Maintenance	725,541	8,067	9,011	8,752	751,371
General	172,537	18,755	3,117	-	194,409
Housing assistance payments	-	1,234,895	-	-	1,234,895
Depreciation	<u>379,897</u>	<u>2,984</u>	<u>6,889</u>	<u>9,765</u>	<u>399,535</u>
Total operating expenses	<u>2,027,025</u>	<u>1,407,705</u>	<u>30,509</u>	<u>45,347</u>	<u>3,510,586</u>
Operating income (loss)	(411,324)	(19,781)	30,999	(33,861)	(433,967)
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	<u>467</u>	<u>146</u>	<u>101</u>	<u>636</u>	<u>1,350</u>
Income (loss) before contributions	(410,857)	(19,635)	31,100	(33,225)	(432,617)
Capital contributions	<u>202,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,362</u>
Change in net position	(208,495)	(19,635)	31,100	(33,225)	(230,255)
Total net position - beginning of the year	<u>4,736,521</u>	<u>168,975</u>	<u>379,908</u>	<u>646,540</u>	<u>5,931,944</u>
Total net position - end of the year	<u>\$ 4,528,026</u>	<u>\$ 149,340</u>	<u>\$ 411,008</u>	<u>\$ 613,315</u>	<u>\$ 5,701,689</u>

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts to Subrecipients</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Public and Indian Housing Program	14.850	1,093,956	-
Section 8 Housing Choice Voucher Program	14.871	1,383,589	-
Public Housing Capital Fund Program	14.872	<u>361,307</u>	<u>-</u>
Total Federal Awards Expended		<u>\$ 2,838,852</u>	<u>\$ -</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified? Yes x No

Are any significant deficiencies identified? Yes x None Reported

Is any noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major federal programs:

Are any material weaknesses identified? Yes x No

Are any significant deficiencies identified? x Yes None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs and clusters:

CFDA #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? x Yes No

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings

See page 29-30

HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

2018-001 Eligibility – CFDA#14.871 – Housing Choice Vouchers Program

Criteria and Condition:

In accordance with HUD requirements, the Authority is required to maintain compliance with various HCV program compliance requirements identified in the Uniform Guidance. The applicable compliance provisions include Tenant Eligibility and Rent Reasonableness as well as PIH notices 2017-12 and 2018-18 regarding EIV use and retention requirements.

During our audit, it was determined that internal control deficiencies over compliance existed in the Authority's HCV eligibility process. The Authority's internal controls over their eligibility process are deficient, as the Authority's staff failed to adequately apply the controls that have been implemented over family income examinations and reexaminations.

Amount of Questioned Costs:

None.

Context:

H&D identified significant deficiencies during the review of 25 tenant files:

- 12 files had the incorrect utility allowance and/or payment standard, which directly affects the Authority's and tenant's contributions towards rent.
- 3 files were missing required forms for admission or continued occupancy, including lack of a citizenship form for a family member, lack of two forms of identification for a family member, and lack of a signed HUD Form 9886 for all family members over the age of 18.
- 3 files did not obtain third party verification for a source of income or deduction.
- 1 file did not have document to support our recalculation of rent and therefore we could not determine if rent was calculated correctly. how income was calculated.
- 1 file did not have the unit's annual reexamination within 12 months of the prior annual reexamination.
- 2 files did not contain documentation to support the tenant's rent was reasonable in comparison to units nearby.
- EIV - the Authority is not retaining the EIV reports after they are printed; therefore, we were unable to verify if they are adequately running them within 120 days of a tenant's move in date and ensuring the tenant is properly reporting income.

Cause:

The Authority's management and staff who are responsible for the HCV eligibility did not design or implement adequate internal controls.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Effect: Some of the Authority's tenants were not and/or are potentially not paying the correct amount of rent. In addition, our Firm was unable to determine if the Authority is utilizing the EIV system for new move-ins.

Auditor's Recommendation: We recommend the Authority review the internal controls over eligibility of the HCV program to maintain proper compliance with HUD's rules and regulations. The Authority needs to ensure that employees are fully and adequately trained in performing the procedures necessary to maintain proper compliance. The staff and management should continue to obtain training through related training seminars and classes and to monitor HUD news and notices for any new guidance or change to the public housing industry. The Authority should also strengthen their monitoring controls to improve the detection and correction of misstatements by ensuring that any errors, discrepancies, or instances of noncompliance are detected and corrected in a timely manner. We also recommend that someone other than the employee performing the family income examinations and reexaminations perform periodic internal audits of tenant files to ensure that all eligibility and reexamination steps are being performed properly and in line with Federal regulations.

Grantee Response: The Executive Director acknowledges the finding and the Authority's management is currently implementing the necessary changes and training to remediate these noncompliance instances.



HENDERSON & DEJOHN, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Commissioners
Housing Authority of the City of Richmond

Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure enumerated in the second paragraph, which was agreed to by the Housing Authority of the City of Richmond (the Housing Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with related hard copy documents included within the Single Audit reporting package. The Housing Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of those parties 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 chart below under "UFRS Rule Information" column with the corresponding printed documents listed in the chart under the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 the electronic submission of the items listed in the "UFRS Rule Information" column in the chart below. 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. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

We were engaged to perform an audit in accordance with 2 CFR 200 Subpart F, Audit Requirements, for the Housing Authority as of and for the year ended June 30, 2018, and have issued our reports thereon dated March 18, 2019. 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 Housing Authority's Financial Data Schedule (FDS) dated March 18, 2019, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB, 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.

This report is intended solely for the information and use of the Housing Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDA's, If applicable	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor's supplemental report on FDS	X	
4	Audit findings narrative	Schedule of Findings and Questioned Costs	X	
5	General Information	OMB Data Collection Form	X	
6	Financial Statement report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
7	Federal program report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
8	Type of Compliance Requirement	OMB Data Collection Form	X	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

Henderson & DeJohn, LLC

Birmingham, AL
March 18, 2019

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 FINANCIAL DATA SCHEDULE – BALANCE SHEET
 JUNE 30, 2018

	Project Total	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$121,566	\$155,970	\$16,631	\$170,576	\$0	\$464,743		\$464,743
112 Cash - Restricted - Modernization and Development	\$0	\$0	\$0	\$0	\$0	\$0		\$0
113 Cash - Other Restricted	\$224,253	\$0	\$0	\$4,333	\$0	\$228,586		\$228,586
114 Cash - Tenant Security Deposits	\$45,066	\$5,356	\$0	\$0	\$0	\$50,422		\$50,422
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0		\$0
100 Total Cash	\$390,885	\$161,326	\$16,631	\$174,909	\$0	\$743,751	\$0	\$743,751
121 Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$1,306	\$0	\$0	\$0	\$0	\$1,306		\$1,306
124 Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0		\$0
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0		\$0
126 Accounts Receivable - Tenants	\$24,565	\$0	\$0	\$0	\$0	\$24,565		\$24,565
126.1 Allowance for Doubtful Accounts - Tenants	(\$13,508)	\$0	\$0	\$0	\$0	(\$13,508)		(\$13,508)
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0	\$0	\$0	\$0	\$0	\$0		\$0
128 Fraud Recovery	\$3,149	\$0	\$0	\$2,775	\$0	\$5,924		\$5,924
128.1 Allowance for Doubtful Accounts - Fraud	(\$315)	\$0	\$0	(\$1,483)	\$0	(\$1,798)		(\$1,798)
129 Accrued Interest Receivable	\$0	\$0	\$0	\$0	\$0	\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$15,197	\$0	\$0	\$1,292	\$0	\$16,489	\$0	\$16,489
131 Investments - Unrestricted	\$0	\$0	\$78,951	\$0	\$0	\$78,951		\$78,951
132 Investments - Restricted	\$321,554	\$0	\$0	\$0	\$0	\$321,554		\$321,554
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0	\$0	\$0	\$0		\$0
142 Prepaid Expenses and Other Assets	\$72,841	\$721	\$0	\$4,004	\$0	\$77,566		\$77,566
143 Inventories	\$26,183	\$0	\$0	\$0	\$0	\$26,183		\$26,183
143.1 Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0		\$0
144 Inter Program Due From	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
145 Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0		\$0
150 Total Current Assets	\$826,660	\$162,047	\$95,582	\$180,205	\$0	\$1,264,494	\$0	\$1,264,494
161 Land	\$893,424	\$32,000	\$442,962	\$0	\$0	\$1,368,386		\$1,368,386
162 Buildings	\$15,398,851	\$259,400	\$356,751	\$0	\$0	\$16,015,002		\$16,015,002
163 Furniture, Equipment & Machinery - Dwellings	\$296,007	\$3,287	\$4,162	\$0	\$0	\$303,456		\$303,456
164 Furniture, Equipment & Machinery - Administration	\$548,279	\$0	\$0	\$53,786	\$0	\$602,065		\$602,065
165 Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0		\$0
166 Accumulated Depreciation	(\$14,259,071)	(\$37,191)	(\$166,600)	(\$31,529)	\$0	(\$14,494,391)		(\$14,494,391)
167 Construction in Progress	\$844,042	\$0	\$0	\$0	\$0	\$844,042		\$844,042
168 Infrastructure	\$0	\$0	\$0	\$0	\$0	\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,721,532	\$257,496	\$637,275	\$22,257	\$0	\$4,638,560	\$0	\$4,638,560
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$0	\$0	\$0	\$0	\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0	\$0	\$0	\$0	\$0	\$0		\$0
173 Grants Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$0		\$0
174 Other Assets	\$0	\$0	\$0	\$0	\$0	\$0		\$0
176 Investments in Joint Ventures	\$0	\$0	\$0	\$0	\$0	\$0		\$0
180 Total Non-Current Assets	\$3,721,532	\$257,496	\$637,275	\$22,257	\$0	\$4,638,560	\$0	\$4,638,560

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 FINANCIAL DATA SCHEDULE – BALANCE SHEET
 JUNE 30, 2018

	Project Total	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
200 Deferred Outflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$4,548,192	\$419,543	\$732,857	\$202,462	\$0	\$5,903,054	\$0	\$5,903,054
311 Bank Overdraft	\$0	\$0	\$0	\$0	\$0	\$0		\$0
312 Accounts Payable <= 90 Days	\$54,034	\$0	\$1,825	\$814	\$0	\$56,673		\$56,673
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$0	\$0	\$0	\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$0	\$0		\$0
322 Accrued Compensated Absences - Current Portion	\$1,576	\$0	\$0	\$689	\$0	\$2,265		\$2,265
324 Accrued Contingency Liability	\$0	\$0	\$0	\$0	\$0	\$0		\$0
325 Accrued Interest Payable	\$0	\$0	\$0	\$0	\$0	\$0		\$0
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0	\$0		\$0
332 Account Payable - PHA Projects	\$0	\$0	\$0	\$0	\$0	\$0		\$0
333 Accounts Payable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0		\$0
341 Tenant Security Deposits	\$45,066	\$5,356	\$0	\$0	\$0	\$50,422		\$50,422
342 Unearned Revenue	\$11,279	\$0	\$0	\$0	\$0	\$11,279		\$11,279
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0	\$0	\$0	\$0	\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0	\$0	\$0	\$0	\$0		\$0
345 Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0		\$0
346 Accrued Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
347 Inter Program - Due To	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
348 Loan Liability - Current	\$0	\$0	\$0	\$0	\$0	\$0		\$0
310 Total Current Liabilities	\$111,955	\$5,356	\$1,825	\$1,503	\$0	\$120,639	\$0	\$120,639
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$0	\$0	\$0	\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0	\$0	\$0	\$0		\$0
353 Non-current Liabilities - Other	\$0	\$0	\$60,348	\$0	\$0	\$60,348		\$60,348
354 Accrued Compensated Absences - Non Current	\$14,177	\$0	\$0	\$6,201	\$0	\$20,378		\$20,378
355 Loan Liability - Non Current	\$0	\$0	\$0	\$0	\$0	\$0		\$0
356 FASB 5 Liabilities	\$0	\$0	\$0	\$0	\$0	\$0		\$0
357 Accrued Pension and OPEB Liabilities				\$0	\$0	\$0		\$0
350 Total Non-Current Liabilities	\$14,177	\$0	\$60,348	\$6,201	\$0	\$80,726	\$0	\$80,726
300 Total Liabilities	\$126,132	\$5,356	\$62,173	\$7,704	\$0	\$201,365	\$0	\$201,365
400 Deferred Inflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.4 Net Investment in Capital Assets	\$3,721,532	\$257,496	\$637,275	\$22,257	\$0	\$4,638,560		\$4,638,560
511.4 Restricted Net Position	\$545,807	\$0	\$0	\$4,333	\$0	\$550,140		\$550,140
512.4 Unrestricted Net Position	\$154,721	\$156,691	\$33,409	\$168,168	\$0	\$512,989		\$512,989
513 Total Equity - Net Assets / Position	\$4,422,060	\$414,187	\$670,684	\$194,758	\$0	\$5,701,689	\$0	\$5,701,689
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,548,192	\$419,543	\$732,857	\$202,462	\$0	\$5,903,054	\$0	\$5,903,054

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT
 YEAR ENDED JUNE 30, 2018

	Project Total	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$316,937	\$61,508	\$11,486	\$0	\$0	\$389,931		\$389,931
70400 Tenant Revenue - Other	\$37,728	\$0	\$0	\$0	\$0	\$37,728		\$37,728
70500 Total Tenant Revenue	\$354,665	\$61,508	\$11,486	\$0	\$0	\$427,659	\$0	\$427,659
70600 HUD PHA Operating Grants	\$1,252,901	\$0	\$0	\$1,343,039	\$0	\$2,595,940		\$2,595,940
70610 Capital Grants	\$202,362			\$0	\$0	\$202,362		\$202,362
70710 Management Fee					\$0	\$0	\$0	\$0
70720 Asset Management Fee					\$0	\$0		\$0
70730 Book Keeping Fee					\$0	\$0	\$0	\$0
70740 Front Line Service Fee					\$0	\$0		\$0
70750 Other Fees			\$0		\$0	\$0		\$0
70700 Total Fee Revenue					\$0	\$0	\$0	\$0
70800 Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0		\$0
71100 Investment Income - Unrestricted	\$467	\$101	\$636	\$146	\$0	\$1,350		\$1,350
71200 Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0		\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0		\$0
71400 Fraud Recovery	\$0	\$0	\$0	\$998	\$0	\$998		\$998
71500 Other Revenue	\$8,135	\$0	\$0	\$43,887	\$0	\$52,022		\$52,022
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0		\$0
72000 Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0		\$0
70000 Total Revenue	\$1,818,530	\$61,609	\$12,122	\$1,388,070	\$0	\$3,280,331	\$0	\$3,280,331
91100 Administrative Salaries	\$148,570	\$4,452	\$0	\$100,271	\$0	\$253,293		\$253,293
91200 Auditing Fees	\$25,261	\$0	\$0	\$3,300	\$0	\$28,561		\$28,561
91300 Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
91310 Book-keeping Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
91400 Advertising and Marketing	\$0	\$0	\$0	\$0	\$0	\$0		\$0
91500 Employee Benefit contributions - Administrative	\$93,727	\$1,018	\$0	\$30,368	\$0	\$125,113		\$125,113
91600 Office Expenses	\$128,023	\$37	\$23	\$7,995	\$0	\$136,078		\$136,078
91700 Legal Expense	\$2,354	\$0	\$3,348	\$0	\$0	\$5,702		\$5,702
91800 Travel	\$0	\$0	\$0	\$463	\$0	\$463		\$463
91810 Allocated Overhead	\$0	\$0	\$0	\$0	\$0	\$0		\$0
91900 Other	\$52,866	\$5,681	\$1,346	\$0	\$0	\$59,893		\$59,893
91000 Total Operating - Administrative	\$450,801	\$11,188	\$4,717	\$142,397	\$0	\$609,103	\$0	\$609,103
92000 Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0		\$0
92100 Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$0		\$0
92200 Relocation Costs	\$0	\$0	\$0	\$0	\$0	\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0		\$0
92400 Tenant Services - Other	\$2,544	\$0	\$4,965	\$0	\$0	\$7,509		\$7,509
92500 Total Tenant Services	\$2,544	\$0	\$4,965	\$0	\$0	\$7,509	\$0	\$7,509
93100 Water	\$78,310	\$32	\$1,380	\$37	\$0	\$79,759		\$79,759
93200 Electricity	\$136,933	\$52	\$7,648	\$383	\$0	\$145,016		\$145,016
93300 Gas	\$2,357	\$25	\$7,004	\$157	\$0	\$9,543		\$9,543

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT
 YEAR ENDED JUNE 30, 2018

	Project Total	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
93400 Fuel	\$0	\$0	\$0	\$0	\$0	\$0		\$0
93500 Labor	\$0	\$0	\$0	\$0	\$0	\$0		\$0
93600 Sewer	\$78,105	\$0	\$1,116	\$30	\$0	\$79,251		\$79,251
93700 Employee Benefit Contributions - Utilities	\$0	\$0	\$0	\$0	\$0	\$0		\$0
93800 Other Utilities Expense	\$0	\$195	\$0	\$0	\$0	\$195		\$195
93000 Total Utilities	\$295,705	\$304	\$17,148	\$607	\$0	\$313,764	\$0	\$313,764
94100 Ordinary Maintenance and Operations - Labor	\$195,386	\$0	\$1,316	\$0	\$0	\$196,702		\$196,702
94200 Ordinary Maintenance and Operations - Materials and Other	\$88,253	\$1,282	\$16	\$812	\$0	\$90,363		\$90,363
94300 Ordinary Maintenance and Operations Contracts	\$298,314	\$7,729	\$7,420	\$7,255	\$0	\$320,718		\$320,718
94500 Employee Benefit Contributions - Ordinary Maintenance	\$143,588	\$0	\$0	\$0	\$0	\$143,588		\$143,588
94000 Total Maintenance	\$725,541	\$9,011	\$8,752	\$8,067	\$0	\$751,371	\$0	\$751,371
95100 Protective Services - Labor	\$0	\$0	\$0	\$0	\$0	\$0		\$0
95200 Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$0	\$0		\$0
95300 Protective Services - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
95500 Employee Benefit Contributions - Protective Services	\$0	\$0	\$0	\$0	\$0	\$0		\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$49,976	\$3,117	\$0	\$0	\$0	\$53,093		\$53,093
96120 Liability Insurance	\$23,830	\$0	\$0	\$1,932	\$0	\$25,762		\$25,762
96130 Workmen's Compensation	\$7,710	\$0	\$0	\$833	\$0	\$8,543		\$8,543
96140 All Other Insurance	\$15,431	\$0	\$0	\$1,598	\$0	\$17,029		\$17,029
96100 Total insurance Premiums	\$96,947	\$3,117	\$0	\$4,363	\$0	\$104,427	\$0	\$104,427
96200 Other General Expenses	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96210 Compensated Absences	\$31,129	\$0	\$0	\$14,392	\$0	\$45,521		\$45,521
96300 Payments in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96400 Bad debt - Tenant Rents	\$44,461	\$0	\$0	\$0	\$0	\$44,461		\$44,461
96500 Bad debt - Mortgages	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96600 Bad debt - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96800 Severance Expense	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96000 Total Other General Expenses	\$75,590	\$0	\$0	\$14,392	\$0	\$89,982	\$0	\$89,982
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,647,128	\$23,620	\$35,582	\$169,826	\$0	\$1,876,156	\$0	\$1,876,156
97000 Excess of Operating Revenue over Operating Expenses	\$171,402	\$37,989	(\$23,460)	\$1,218,244	\$0	\$1,404,175	\$0	\$1,404,175
97100 Extraordinary Maintenance	\$0	\$0	\$0	\$0	\$0	\$0		\$0
97200 Casualty Losses - Non-capitalized	\$0	\$0	\$0	\$0	\$0	\$0		\$0
97300 Housing Assistance Payments	\$0	\$0	\$0	\$1,194,345	\$0	\$1,194,345		\$1,194,345
97350 HAP Portability-In	\$0	\$0	\$0	\$40,550	\$0	\$40,550		\$40,550

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT
 YEAR ENDED JUNE 30, 2018

	Project Total	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
97400 Depreciation Expense	\$379,897	\$6,889	\$9,765	\$2,984	\$0	\$399,535		\$399,535
97500 Fraud Losses	\$0	\$0	\$0	\$0	\$0	\$0		\$0
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense	\$0	\$0	\$0	\$0	\$0	\$0		\$0
90000 Total Expenses	\$2,027,025	\$30,509	\$45,347	\$1,407,705	\$0	\$3,510,586	\$0	\$3,510,586
10010 Operating Transfer In	\$101,671	\$0	\$0	\$0	\$0	\$101,671	(\$101,671)	\$0
10020 Operating transfer Out	(\$101,671)	\$0	\$0	\$0	\$0	(\$101,671)	\$101,671	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10040 Operating Transfers from/to Component Unit	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0					\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0					\$0		\$0
10093 Transfers between Program and Project - In	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10094 Transfers between Project and Program - Out	\$0	\$0	\$0	\$0	\$0	\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$208,495)	\$31,100	(\$33,225)	(\$19,635)	\$0	(\$230,255)	\$0	(\$230,255)
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$4,607,524	\$379,908	\$646,540	\$168,975	\$128,997	\$5,931,944		\$5,931,944
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$23,031	\$3,179	\$57,369	\$45,418	(\$128,997)	\$0		\$0
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity				\$190,425		\$190,425		\$190,425
11180 Housing Assistance Payments Equity				\$4,333		\$4,333		\$4,333
11190 Unit Months Available	3,624	120	36	3,276	0	7,056		7,056
11210 Number of Unit Months Leased	3,319	120	36	3,354	0	6,829		6,829
11270 Excess Cash	(\$61,561)					(\$61,561)		(\$61,561)
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$202,362				\$0	\$202,362		\$202,362
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$6,222				\$0	\$6,222		\$6,222
11650 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
11660 Infrastructure Purchases	\$0				\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0		\$0

HOUSING AUTHORITY OF THE CITY OF RICHMOND
ACTION PLAN
YEAR ENDED JUNE 30, 2018

2018-001 **Eligibility – CFDA#14.871 – Housing Choice Vouchers Program**

The Executive Director acknowledges the finding and is following the auditor's recommendation as listed in the Schedule of Findings and Questioned Costs.

Person Responsible for Correction of Finding:

Derek White, Executive Director

Projected Completion Date: June 30, 2019