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September 18, 2019

Board of Commissioners
Warsaw Housing Authority
109 West Catherine Street
Milford, IN 46542

We have reviewed the audit report of the Warsaw Housing Authority, which was opined on by Audit Solutions, LLC, for the period October 1, 2017 to September 30, 2018. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Warsaw Housing Authority as of September 30, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on pages 27-29. Please see the Schedule of Findings and Questioned Costs as listed in the table of contents for complete details related to the findings. The Agency's planned corrective action is included on page 30.

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 WARSAW
MILFORD, INDIANA**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Warsaw
Milford, Indiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Warsaw (Authority), Indiana, as of and for the year ended September 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vi 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying PHA's Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying Financial Data Schedule 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 my opinion, the accompanying Financial Data Schedule 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*, I have also issued my report dated August 21, 2019, on my consideration of the Authority's internal control over financial reporting and on my 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 my 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.

Audit Solutions, LLC

Chesterfield, Missouri

August 21, 2019

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2018

This section of the Warsaw Housing Authority, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net position" refers to the difference between assets and liabilities. The Authority's total net position as of September 30, 2018 was \$183,792. The net position increased by \$56,333, an increase of 44.2% over the prior year.
- Revenues for the Authority were \$2,255,143 for the year ended September 30, 2018. This was an increase of \$256,269 or 12.8% over the prior year.
- Expenses for the Authority were \$2,198,810 for the year ended September 30, 2018. This was an increase of \$211,055 or 10.6% over the prior year.
- Governmental grants and subsidy for the Authority was \$2,180,161 for the year ended September 30, 2018, an increase of \$219,483 or 11.2% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS – (CONTINUED)

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

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

Notes to the Financial Statements

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

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2018 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$183,792 at the close of the year ended September 30, 2018 up from \$127,459 in fiscal year 2017. The increase in net position of \$56,333 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Current assets increased \$38,707 primarily due to a \$33,790 increase in cash and investments, \$4,702 increase in receivables, and a \$215 increase in prepaid expenses.
- Capital assets decreased \$1,495 because current year depreciation expense exceeded current year capital asset additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities decreased \$17,445 or 48.5% mostly due to a \$15,512 decrease in accounts payable and other current liabilities. The Authority also had a \$1,555 decrease in current portion of accrued compensated absences.
- Noncurrent liabilities decreased \$1,676 or 2.7% from FY 2017.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net position was \$133,232 as of September 30, 2018. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for six months, excluding housing assistance payments. The restricted net position was \$43,082 as of September 30, 2018. This amount may only be used for Section 8 Voucher housing assistance payments. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 255,447	\$ 216,740	\$ 38,707	17.9%
Capital assets	<u>7,478</u>	<u>8,973</u>	<u>(1,495)</u>	-16.7%
Total Assets	<u>262,925</u>	<u>225,713</u>	<u>37,212</u>	16.5%
Current liabilities	18,559	36,004	(17,445)	-48.5%
Noncurrent liabilities	<u>60,574</u>	<u>62,250</u>	<u>(1,676)</u>	-2.7%
Total Liabilities	<u>79,133</u>	<u>98,254</u>	<u>(19,121)</u>	-19.5%
Net Position				
Net investment in capital assets	7,478	8,973	(1,495)	-16.7%
Restricted	43,082	19,726	23,356	118.4%
Unrestricted	<u>133,232</u>	<u>98,760</u>	<u>34,472</u>	34.9%
Total Net Position	<u>\$ 183,792</u>	<u>\$ 127,459</u>	<u>\$ 56,333</u>	44.2%

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

As can be seen in the table on the following page, total revenues increased \$256,269 due to the reasons noted below.

- Governmental grants and subsidy increased \$219,483 due to a \$285,878 increase in HUD housing assistance for the Housing Choice Voucher program, which was partially offset by a \$66,395 decrease in other government grant revenue.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

FINANCIAL ANALYSIS (CONTINUED)

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

	FY 2018	FY 2017	Dollar Change	Percent Change
Revenues				
Operating - non-operating - capital contributions:				
Governmental grants and subsidy	2,180,161	1,960,678	219,483	11.2%
Other revenue	74,758	38,534	36,224	94.0%
Investment income	224	182	42	23.1%
Gain (loss) on sale of fixed assets	-	(520)	520	100.0%
Total Revenues	2,255,143	1,998,874	256,269	12.8%
Expenses				
Administration	230,224	200,587	29,637	14.8%
Utilities	2,412	1,929	483	25.0%
Ordinary maintenance & operation	1,042	970	72	7.4%
Insurance	2,744	2,555	189	7.4%
General expense	23,977	37,162	(13,185)	-35.5%
Housing assistance payments	1,936,181	1,742,395	193,786	11.1%
Depreciation expense	2,230	2,157	73	3.4%
Total Expenses	2,198,810	1,987,755	211,055	10.6%
Changes in net position	56,333	11,119	45,214	
Net position, beginning of year	127,459	115,107	12,352	
Prior period adjustments	-	1,233	(1,233)	
Net position, end of year	\$ 183,792	\$ 127,459	\$ 56,333	

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

FINANCIAL ANALYSIS (CONTINUED)

- Other revenue increased \$36,224 or 94.0% from FY 2017 due to a \$16,954 increase in revenue from fraud recoveries and a \$19,270 increase in other revenue.
- Investment income increased \$42 from FY 2017.
- The Authority had a loss on disposal of equipment of \$520 in FY 2017.

Total expenses increased \$211,055 due to the reasons noted below.

- Administration increased \$29,678 or 14.8% from FY 2017 primarily due to an increase in administrative wages and benefits of \$23,391 or 16.5%. The Authority also had an increase in office and other administrative expenses of \$5,010 or 11.5%.
- Utilities increased \$483 or 25.0% from FY 2017.
- Ordinary maintenance and operation increased \$72 or 7.4% from FY 2017.
- Insurance increased \$189 or 7.4% from FY 2017.
- General expense decreased \$13,185 or 35.5% due to a \$14,874 decrease in other bad debt expense, which was partially offset by a \$1,513 increase in expense for compensated absences.
- Housing assistance payments increased \$193,786 or 11.1% due to increase in average housing assistance payment per unit of \$17.64 or 5.2% and a 5.7% increase in occupancy.
- The Authority had a \$72 or 3.3% increase in depreciation, which is the write-off of capital assets over their estimated useful life.

The Authority is authorized to assist 255 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease up rate for fiscal year ending September 30, 2018 was 83.9%, down from 95.0% in FY 2017.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2018

CAPITAL ASSETS

The Warsaw Housing Authority, Indiana’s investment in capital assets net of related debt, as of September 30, 2018 amounts to \$7,478 (net of accumulated depreciation). The investment in capital assets includes equipment.

The total decrease in the Authority’s capital assets for the current fiscal year was 16.7% in terms of net book value. Actual expenditures to purchase capital assets from revenues were \$735 for the year. Depreciation charges for the year totaled \$2,230. Additional information on the Authority’s capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Disposals	Ending
Capital assets	\$8,973	\$735	\$(2,230)	\$(0)	\$7,478

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The Authority is eligible to receive continuing budget authority during FY 2019 for assisting participants in the Housing Choice Voucher program. In addition to continuing budget authority, the Authority has \$43,082 in HAP Reserves to be used for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2019 and adjusted for pro-ration which is currently at 79.569%.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Pamela Kennedy, Executive Director, Warsaw Housing Authority, P.O. Box 387, Milford, Indiana 46542.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF NET POSITION
September 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 196,253
Cash - restricted	43,082
Investments	3,118
Receivables - net of allowances	11,492
Prepaid expenses	<u>1,502</u>

Total Current Assets 255,447

Non-current Assets:

Capital assets:

Land and construction in progress	-
Other capital assets, net of depreciation	<u>7,478</u>

Total capital assets - net 7,478

Total Non-current Assets 7,478

Total Assets and Deferred Outflow of Resources \$ 262,925

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF NET POSITION – (Continued)
For the Year Ended September 30, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$ 1,745
Accrued salaries and benefits	7,041
Accrued compensated absences	1,023
Unearned revenues	<u>8,750</u>

Total Current Liabilities 18,559

Non-current Liabilities:

Non-current liabilities - Other	<u>60,574</u>
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Total Non-current Liabilities 60,574

Total Liabilities 79,133

NET POSITION

Net investment in capital assets	7,478
Restricted	43,082
Unrestricted	<u>133,232</u>

Total Net Position 183,792

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 262,925

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2018

OPERATING REVENUES	
Governmental grants and subsidy	\$ 2,180,161
Miscellaneous	<u>74,758</u>
Total operating revenue	<u>2,254,919</u>
OPERATING EXPENSES	
Administrative	230,224
Utilities	2,412
Ordinary maintenance and operations	1,042
Insurance	2,744
General	23,977
Housing assistance payment	1,936,181
Depreciation expense	<u>2,230</u>
Total operating expenses	<u>2,198,810</u>
Operating income (loss)	<u>56,109</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>224</u>
Net non-operating revenues (expenses)	<u>224</u>
Income (loss) before contributions and transfers	<u>56,333</u>
Change in net position	56,333
Total net position - beginning of year	<u>127,459</u>
Total net position - end of year	<u>\$ <u>183,792</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Received from governmental grants and subsidy	\$ 2,176,978
Received from other operating activities	74,489
Payments for goods and services	(105,014)
Payments to employees	(174,295)
Payment for housing assistance	<u>(1,936,181)</u>

Net cash provided by (used in) operating activities 35,977

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(735)
Receipts (payments) from deferred credits and escrow deposits	<u>(1,676)</u>

Net cash provided by (used in) capital and related financing activities (2,411)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	(42)
Receipts of interest and dividends	<u>224</u>

Net cash provided by (used in) investing activities 182

Net increase (decrease) in cash and cash equivalents 33,748
Cash and cash equivalents at beginning of year 205,587

Cash and cash equivalents at end of year \$ 239,335

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

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

Operating income (loss)	\$	56,109
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		2,230
Change in assets and liabilities:		
Receivables, net		(4,702)
Prepaid expenses		(215)
Accounts and other payables		(18,228)
Unearned revenues		1,250
Compensated absences		(1,555)
Accrued expenses		<u>1,088</u>
Net cash provided by (used) by operating activities	\$	<u><u>35,977</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Warsaw (Authority) is a public body and a body corporate and politic organized under the laws of the State of Indiana that is legally separate, fiscally independent and governed by a Board of Commissioners. The Authority administers the Housing Choice Voucher program which provides housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD). The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

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

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority's financial statements.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1B. Basis of Presentation – (Continued)

The Authority operates the following program in the enterprise fund:

Housing Choice Vouchers - The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

Business Activities - The Authority is a subcontractor with the Indiana Housing & Community Development Authority (IHCDA) to administer portions of the HCV Program for them in Fulton, Marshall and Kosciusko Counties. The IHCDA reimburses the Authority for the rental supplements paid to private landlords and the agency earns an administrative fee for the costs of managing the program.

1C. Measurement Focus and Basis of Accounting

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

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

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

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for the operating program which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

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

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1F. Assets, Liabilities, and Equity

Cash

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

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD and fraud recovery receivable.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15 years
Furniture, equipment and machinery - administrative	3-7 years

Compensated Absences

The Authority’s policies regarding vacation time does not permit employees to carry forward unused vacation leave at December 31st. As such, all liability is considered short term at year-end September 30th.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1F. Assets, Liabilities, and Equity – (Continued)

Equity Classifications

2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.

3) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted are available, the Authority’s policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

2A. Program Accounting Requirements

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

<u>Program</u>	<u>Required By</u>
Housing Choice Voucher	U.S. Department of Housing and Urban Development
Business Activities	Housing Authority

2B. Deposits and Investments Laws and Regulations

It is the Authority’s policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. As reflected in Note 3A, all deposits were fully insured or collateralized.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

2B. Deposits and Investments Laws and Regulations – (Continued)

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Housing Assistance Payment Grant	For HAP purposes only

For the year ended September 30, 2018, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of September 30, 2018, the Authority had the following cash deposits:

Cash deposits	\$ 239,335
Certificate of deposit	<u>3,118</u>
Total	<u>\$ 242,453</u>

Following is a reconciliation of the Authority's deposit balances as of September 30, 2018:

Cash and cash equivalents	\$ 196,253
Restricted assets	43,082
Investments	<u>3,118</u>
Total	<u>\$ 242,453</u>

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash and Investments – (Continued)

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At September 30, 2018, the Authority's bank balances of \$254,730 were entirely covered by FDIC insurance or by the Public Deposit Insurance Fund (PDIF) which was created in 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions in the state of Indiana. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by federal deposit insurance. The fund is administered by the Indiana Board for Depositories.

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At September 30, 2018, the Authority's investment balance of \$3,118 was entirely covered by FDIC or PDIF insurance.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At September 30, 2018, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ <u>3,118</u>	5/5/2019

3B. Accounts Receivable

Receivables at September 30, 2018 consist of the following:

HUD other projects	\$	\$	4,650
Tenants – Fraud recovery		44,542	
Less: Allowance for doubtful account		<u>(37,700)</u>	
Tenants – Fraud recovery – net of allowance			<u>6,842</u>
Total receivable – net of allowances			<u>\$ 11,492</u>

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS – (Continued)

3C. Capital Assets

A summary of capital asset activity for the year ended September 30, 2018 is as follows:

	Balance October 1, 2017	Additions	(Retirement)	Balance September 30, 2018
Depreciable assets:				
Building	\$ 5,665	\$ -	\$ -	\$ 5,665
Equipment - administration	26,737	735	-	27,472
Total depreciable assets	32,402	735	-	33,137
Accumulated depreciation	(23,429)	(2,230)	-	(25,659)
Total depreciable assets, net	8,973	(1,495)	-	7,478
Capital assets, net	\$ 8,973	\$ (1,495)	\$ -	\$ 7,478

Depreciation expense is charged to programs as follows:

	Business-type Activities
Housing Choice Vouchers	\$ 408
Business Activities	1,822
Total depreciation expense	\$ 2,230

3D. Accounts Payable

Accounts payable at September 30, 2018 consist of the following:

Vendors	\$ 1,543
Accrued utilities	202
Total Accounts Payable	\$ 1,745

3E. Non-current liabilities

Non-current liabilities at September 30, 2018 consist of the following:

Home of Your Own (HOYO) revolving account	\$ 60,574
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Changes in non-current liabilities

The following is the summary of changes in non-current liabilities:

Description	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018
HOYO revolving account	\$ 62,250	\$ ---	\$ 1,676	\$ 60,574

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority does not provide pension benefits to its employees. As such, no pension contributions were made in FY 2018.

4B. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense and Housing Assistance Payment (HAP) and includes investment income in operating activities, which differs from the presentation of basic financial statements.

4C. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Indiana Farmers Mutual Insurance Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Selective Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$500 deductibles.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4D. Contingencies

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

4E. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about 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 August 21, 2019 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2018

NOTE 4 – OTHER NOTES – (Continued)

4F. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2019 federal budget.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018

<u>Federal Grantor</u>	<u>Type</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Voucher Cluster:			
Section 8 Housing Choice Vouchers	A - Major	14.871	\$ 1,031,999
Section 8 Housing Choice Vouchers - IHADA (pass through)	A - Major	14.871	<u>1,148,162</u>
Total Expenditures of Federal Awards			\$ <u>2,180,161</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Warsaw (Authority) under programs of the federal government for the year ended September 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 of 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. 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 WARSAW
Milford, Indiana

FINANCIAL DATA SCHEDULE
Year Ended September 30, 2018

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$7,441	\$188,812	\$196,253	\$196,253
113 Cash - Other Restricted	\$43,082		\$43,082	\$43,082
100 Total Cash	\$50,523	\$188,812	\$239,335	\$239,335
122 Accounts Receivable - HUD Other Projects	\$4,650		\$4,650	\$4,650
128 Fraud Recovery	\$44,542		\$44,542	\$44,542
128.1 Allowance for Doubtful Accounts - Fraud	-\$37,700		-\$37,700	-\$37,700
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$11,492	\$0	\$11,492	\$11,492
131 Investments - Unrestricted		\$3,118	\$3,118	\$3,118
142 Prepaid Expenses and Other Assets	\$648	\$854	\$1,502	\$1,502
150 Total Current Assets	\$62,663	\$192,784	\$255,447	\$255,447
162 Buildings		\$5,665	\$5,665	\$5,665
164 Furniture, Equipment & Machinery - Administration	\$16,092	\$11,380	\$27,472	\$27,472
166 Accumulated Depreciation	-\$14,869	-\$10,790	-\$25,659	-\$25,659
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,223	\$6,255	\$7,478	\$7,478
180 Total Non-Current Assets	\$1,223	\$6,255	\$7,478	\$7,478
290 Total Assets and Deferred Outflow of Resources	\$63,886	\$199,039	\$262,925	\$262,925
312 Accounts Payable <= 90 Days		\$1,543	\$1,543	\$1,543
321 Accrued Wage/Payroll Taxes Payable	\$2,434	\$4,607	\$7,041	\$7,041
322 Accrued Compensated Absences - Current Portion	\$504	\$519	\$1,023	\$1,023
342 Unearned Revenue		\$8,750	\$8,750	\$8,750
346 Accrued Liabilities - Other		\$202	\$202	\$202
310 Total Current Liabilities	\$2,938	\$15,621	\$18,559	\$18,559
353 Non-current Liabilities - Other		\$60,574	\$60,574	\$60,574
350 Total Non-Current Liabilities	\$0	\$60,574	\$60,574	\$60,574
300 Total Liabilities	\$2,938	\$76,195	\$79,133	\$79,133
508.4 Net Investment in Capital Assets	\$1,223	\$6,255	\$7,478	\$7,478
511.4 Restricted Net Position	\$43,082		\$43,082	\$43,082
512.4 Unrestricted Net Position	\$16,643	\$116,589	\$133,232	\$133,232
513 Total Equity - Net Assets / Position	\$60,948	\$122,844	\$183,792	\$183,792
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$63,886	\$199,039	\$262,925	\$262,925

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2018

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
70600 HUD PHA Operating Grants	\$1,031,999		\$1,031,999	\$1,031,999
70800 Other Government Grants		\$1,148,162	\$1,148,162	\$1,148,162
71100 Investment Income - Unrestricted	\$34	\$190	\$224	\$224
71400 Fraud Recovery	\$25,488		\$25,488	\$25,488
71500 Other Revenue	\$15,520	\$33,750	\$49,270	\$49,270
70000 Total Revenue	\$1,073,041	\$1,182,102	\$2,255,143	\$2,255,143
91100 Administrative Salaries	\$73,565	\$78,233	\$151,798	\$151,798
91200 Auditing Fees	\$1,810	\$3,620	\$5,430	\$5,430
91400 Advertising and Marketing	\$223		\$223	\$223
91500 Employee Benefit contributions - Administrative	\$5,918	\$7,480	\$13,398	\$13,398
91600 Office Expenses	\$13,963	\$9,988	\$23,951	\$23,951
91800 Travel	\$2,655	\$7,985	\$10,640	\$10,640
91900 Other	\$9,106	\$15,678	\$24,784	\$24,784
91000 Total Operating - Administrative	\$107,240	\$122,984	\$230,224	\$230,224
93800 Other Utilities Expense		\$2,412	\$2,412	\$2,412
93000 Total Utilities	\$0	\$2,412	\$2,412	\$2,412
94300 Ordinary Maintenance and Operations Contracts	\$467	\$575	\$1,042	\$1,042
94000 Total Maintenance	\$467	\$575	\$1,042	\$1,042
96120 Liability Insurance	\$933	\$1,811	\$2,744	\$2,744
96100 Total insurance Premiums	\$933	\$1,811	\$2,744	\$2,744
96200 Other General Expenses		\$15,520	\$15,520	\$15,520
96210 Compensated Absences	\$4,169	\$4,288	\$8,457	\$8,457
96000 Total Other General Expenses	\$4,169	\$19,808	\$23,977	\$23,977
96900 Total Operating Expenses	\$112,809	\$147,590	\$260,399	\$260,399
97000 Excess of Operating Revenue over Operating Expenses	\$960,232	\$1,034,512	\$1,994,744	\$1,994,744
97300 Housing Assistance Payments	\$916,362	\$1,019,819	\$1,936,181	\$1,936,181
97400 Depreciation Expense	\$408	\$1,822	\$2,230	\$2,230
90000 Total Expenses	\$1,029,579	\$1,169,231	\$2,198,810	\$2,198,810
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$43,462	\$12,871	\$56,333	\$56,333

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2018

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
11030 Beginning Equity	\$17,486	\$109,973	\$127,459	\$127,459
11170 Administrative Fee Equity	\$17,866		\$17,866	\$17,866
11180 Housing Assistance Payments Equity	\$43,082		\$43,082	\$43,082
11190 Unit Months Available	3060	4848	7908	7908
11210 Number of Unit Months Leased	2568	2824	5392	5392

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Housing Authority of the City of Warsaw
Milford, Indiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Warsaw (Authority), Indiana, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated August 21, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiency as finding #2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding #2018-001.

Authority's Response to Finding

The Authority's response to the finding identified in my 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 the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Audit Solutions, LLC

Chesterfield, Missouri

August 21, 2019

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Housing Authority of the City of Warsaw
Milford, Indiana

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Warsaw (Authority), Indiana’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended September 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of the Authority’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my 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 September 30, 2018.

Other Matters

The results of my auditing procedures disclosed instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding #2018-002. My opinion on Major Federal program (Housing Choice Voucher) is not modified with respect to this matter.

The Authority’s response to the noncompliance finding identified in my 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, I express no opinion on the response.

Report on Internal Control Over Compliance

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiency as finding #2018-002.

The Authority's response to the internal control over compliance finding identified in my 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, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Audit Solutions, LLC

Chesterfield, Missouri

August 21, 2019

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
September 30, 2018

The prior audit report for the year ended September 30, 2017 contained the following audit findings:

Financial Statement Finding

2017-001	Finding:	Late FDS Submission
	Status:	Not implemented – see current finding # 2018-001.

Federal Award Finding

2017-002	Finding:	Late FDS Submission (same as Financial Statement finding #2017-001)
	Status:	Not implemented – see current finding # 2018-002.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
<u>Identification of Major programs:</u>	
➤ CFDA #14-871 Section 8 Housing Choice Vouchers	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
September 30, 2018

Section II - Financial Statement Findings

The current audit report for the year ended September 30, 2018 disclosed the following Financial Statement audit finding:

2018-001. Late FDS Submission

Criteria:

The Uniform Financial Reporting Standards (24 CFR section 5.801) require PHA's to submit timely GAAP-based unaudited and audited financial information electronically to HUD. The Authority must submit the unaudited and audited Financial Data Schedule (FDS) to HUD-REAC within 60 days and 9 months, respectively, after the end of its fiscal year.

Condition:

The Authority failed to submit the unaudited and audited FDS to HUD-REAC within 60 days and 9 months, respectively, after the end of its fiscal year.

Questioned Costs:

None noted.

Effect:

Late FDS submission to HUD-REAC.

Cause:

It appears that the Authority did not have the necessary internal control procedures to prepare the unaudited financial information necessary to submit within the HUD's time frame.

Recommendation:

I recommend that the Authority implement proper internal control procedures to ensure unaudited and audited FDS are submitted within the required deadline.

Management's Response:

We regret that our 2017-18 audit is late in being submitted. We had been pro- active and contracted with Audit Solutions, LLC last year to perform the audit around March 2019. We ended up postponing the audit due to unexpected audits.

We have been managing the Goshen Housing Authority since 2011. We were in the process of closing the Authority down and absorbing their HCV program. That finally occurred in July 2018. We were then contacted by HUD Quality Control Division, that they were to be coming in March to audit GHA financials for a 6-year period to ensure a proper closing of the agency. This took us time to get out and organize records for the auditors who were here for a week.

HOUSING AUTHORITY OF THE CITY OF WARSAW
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
September 30, 2018

Section II - Financial Statement Findings – (Continued)

2018-001. Late FDS Submission – (Continued)

Management's Response – (Continued):

In the same time period, our agency was contacted by IHCDA that they were coming to perform two audits on CDBG grants that had been closed out 5 and more years. These audits had been completed in the past, but due to the state having a new computer system, the audits were lost and had to be redone. We had to go through shred boxes and get the old records out and put back into order for their visit.

We are a small agency with a small staff. We couldn't undertake this many audits in this short period of time and maintain our voucher workload. Therefore, we held off our annual audit that we had contracted to have performed. We contacted Audit Solutions, LLC and we had to reschedule with their next available time. By this time, they had scheduled out with other HA's.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
September 30, 2018

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended September 30, 2018 disclosed the following Federal Awards audit findings and questioned costs:

2018-002. Late FDS Submission (same as financial finding #2018-001).

Federal Awards:

14.871 – Section 8 Housing Choice Voucher Program

Type:

Significant deficiency

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

CORRECTIVE ACTION PLAN
September 30, 2018

The following is the corrective action plan for FY 2018 findings:

Financial Statement Finding:

2018-001. Late FDS Submission

Corrective Action planned: To prevent this from happening again, we have contracted for our 2018-19 audit with Audit Solutions, LLC and have it scheduled for March 2020. We do not anticipate any extra ordinary situations to arise and disrupt our course of business in 2020.

Contact person: Pamela Kennedy, Executive Director.

Anticipated completion date: April 1, 2020.

Federal Award Finding:

2018-002. Late FDS Submission (same as financial finding # 2018-001).