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November 19, 2019

Board of Directors
Housing Authority of the City of New Albany
300 Erni Avenue
New Albany, Indiana 47151-0011

We have reviewed the audit report of the Housing Authority of the City of New Albany (Authority), which was opined upon by Hawkins Ash CPAs, Independent Public Accountants, for the period April 1, 2018 to March 31, 2019. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the Authority as of March 31, 2019, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

The 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 NEW ALBANY
New Albany, Indiana**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2019

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the City of New Albany
New Albany, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of New Albany (the "Authority"), as of and for the year ended March 31, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of March 31, 2019, and the respective changes in financial position, and where applicable, cash flows there of 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are 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 the Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The combining financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 combining statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 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, 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.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
November 7, 2019

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Housing Authority of the City of New Albany
Management's Discussion and Analysis (MD&A)
March 31, 2019**

The management of the Housing Authority of the City of New Albany (the "Authority") offers readers this discussion and analysis of the Authority's financial statements, including a narrative overview and discussion of the financial activities of the Authority for the fiscal year ended March 31, 2019.

The MD&A is specifically designed to: 1) assist the reader in focusing on significant financial issues; 2) provide a broad scope overview of the Authority's financial activities; 3) identify and explain changes in the Authority's financial position; and 4) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial statements in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the Authority's audited financial statements.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special purpose government agency engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components; (a) fund financial statements and (b) a series of notes to the financial statements. These provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by the Department of Housing and Urban Development ("HUD") have been completed.

The Authority is governed by a seven member Board of Commissioners who are appointed by the mayor of the City of New Albany. Under the oversight of that Board, the Authority functions independently from the City of New Albany government. All revenues, expenses, assets, and obligations of the Authority belong solely to the Authority, not the City of New Albany or any other entity.

Reporting on the Authority as a Whole

The Statement of Revenues, Expenses, and Changes in Net Position reports information about the Authority as a whole and about its activities in a format that helps the reader assess the results of operations for fiscal year 2019. Each statement is a condensed presentation of sources of funding and major activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$28,750,296 at March 31, 2019. Net Position is categorized as follows:
 - ✓ Unrestricted net position of \$8,311,491 may be used to meet the Authority's ongoing obligations to citizens and creditors.
 - ✓ Restricted net position of \$1,457,432 includes Section 8 Housing Choice Voucher (HCV) funds to be used for their designated purpose according to HUD regulations of \$40,239, unspent insurance reimbursement proceeds of \$284,793 to be used to replace the damaged assets in future years and \$1,132,400 held in replacement reserves for future capital needs.

Housing Authority of the City of New Albany
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March 31, 2019

- ✓ The remainder of \$18,981,373 represents the net (of depreciation) amount invested in land, buildings and improvements, and furniture and equipment, net of related debt.
- Total revenue increased 8.85% from the prior fiscal year. Public Housing revenue increased approximately \$22,000, Public Housing Capital Fund revenue increased approximately \$680,000, Section 8 Housing Choice Voucher funding increased approximately \$10,000, FSS Coordinator grant funding decreased approximately \$21,000, and ROSS grant income decreased approximately \$43,000.
- Total expenses increased by 8.02% or \$934,202 from the prior fiscal year. During fiscal year 2019, the Authority's blended component unit purchased a 59-unit apartment complex. Expenses related to this property exceeded \$600,000 during the fiscal year. In addition the Authority expended approximately \$90,000 more for maintenance costs at Valley View Court than in fiscal year 2018. Depreciation expense increased approximately \$118,000 due to the addition of over \$3,500,000 of depreciable capital assets. General expenses increased over \$100,000 due to an environmental site assessment at Riverview Tower and an engineering master plan for several properties.
- The Authority has debt related to its Energy Performance Contract. The Authority made regularly scheduled repayments of that debt during fiscal year 2019 totaling \$225,787. The remaining balance of the debt totaling \$98,063 was considered current at March 31, 2019. The balance on the debt was paid in full in May 2019.
- During fiscal year 2019, the Authority's blended component unit, Southern Indiana Community Housing Corporation (SICHC), purchased a 59-unit apartment complex for \$2,624,550. SICHC incurred debt totaling \$563,433 payable to the seller. The debt is due on demand and is therefore considered current. The loan does not accrue interest. In June 2019, a principal payment of \$400,000 was made on the debt.

Fund Financial Statements

All of the funds of the Authority are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Enterprises operated by state and local governments, such as the Authority, use fund accounting to ensure compliance with finance-related legal requirements.

The Authority's financial statements report its net position and changes in net position. The Authority's net position – the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources – is one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, also need to be considered, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Authority. Management of the Authority makes a concerted effort to be fiscally responsible and to operate at an operating cash flow level of breakeven or better each year.

**Housing Authority of the City of New Albany
Management's Discussion and Analysis (MD&A)
March 31, 2019**

Using This Annual Report

The Authority's annual report consists of financial statements that show combined information about the Authority's most significant programs, Public and Indian Housing, Housing Choice Voucher Program, Public Housing Capital Fund Program, Resident Opportunity and Supportive Services – Service Coordinators Program, Family Self-Sufficiency Program, Nonfederal, Business Activities and its blended component unit, Southern Indiana Community Housing Corporation.

The Authority's auditors provided assurance in their independent auditor's report, located immediately preceding the MD&A, that the financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States of America. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Authority's Most Significant Programs

The Authority's financial statements provide detailed information about the most significant programs. Some funds are required to be established by HUD. However, the Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other funds.

The Authority uses the following accounting approach for Proprietary funds. The focus of proprietary funds is on income measurement, which together with the maintenance of net position, is an important financial indicator. The basic financial statements include:

Statement of Net Position – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations, if any.

Statement of Revenues, Expenses and Changes in Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses.

Statement of Cash Flows – reports the Authority's net cash provided by or used for operating activities, investing activities, and capital and related financing activities.

The Authority maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the Authority provides for its residents:

Public and Indian Housing

The New Albany Housing Authority owns approximately 913 units in developments in the City of New Albany, Indiana. The 913 units owned by the Authority consist of elderly/disabled and family units. The Authority rents those units to individuals and families who meet HUD eligibility guidelines in order to provide them with decent, safe, and sanitary rental housing. The Authority is responsible for the management and maintenance of all units, sites and certain utilities. On an annual basis, the Authority submits a request for funding to HUD, known as the Calculation of Operating Subsidy.

**Housing Authority of the City of New Albany
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The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Operating Expense Level, Allowable Utilities Expenses Level, Allowable Add-ons and Audit Cost that becomes the Authority's Total Allowable Expenses. HUD will fund a portion of the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculations. Funding is subject to proration due to congressional appropriation and may not be sufficient to fund 100% of the full eligibility amount. Operating subsidy proration for calendar year 2019 is estimated at approximately 93% of the full eligibility amount. Proration was also approximately 93% for calendar year 2018.

Section 8 Housing Choice Vouchers Program

This grant program provides rental assistance to help extremely low and very low-income families afford decent, safe, and sanitary rental housing. Qualifying tenants have their income analyzed utilizing HUD's guidelines and their rental assistance is calculated accordingly. The Authority is awarded a fixed amount of Budget Authority from HUD on an annual basis to assist participants. The Authority had approval and funding for 408 tenant based vouchers and 165 project based vouchers at March 31, 2019. Similar to Public Housing operating funding, Section 8 administrative funding from HUD is subject to proration due to Congressional appropriation. Section 8 administrative funding was prorated to approximately 80% of the full eligibility amount for calendar year 2018 and is also expected to be approximately 80% for calendar year 2019.

Public Housing Capital Fund Program

HUD awards this grant program on an annual basis. The purpose of this funding is to maintain the physical aspects of the Authority's sites and the administrative management to ensure completion of site improvements in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

Resident Opportunity and Supportive Services – Service Coordinators and Family Self-Sufficiency

HUD awards these grant programs on a competitive basis. Award periods vary with some lasting as long as three years. The purpose of these grants is to provide services to tenants that will assist them in obtaining suitable employment, encourage aging in place, provide youth programming and improve the quality of life of those tenants.

Non-federal Funds

These are grants awarded to the Authority by sources other than HUD. These grants were researched and applied for by the Authority and funds are intended to provide services for residents that were not funded under the HUD programs.

Business Activities

Business Activities consist of 40 housing choice voucher project based units at Valley View, 24 housing choice voucher project based units at Crystal Court, 12 vacant lots, 1 leased commercial building and 1 vacant commercial building at Valley View Court.

**Housing Authority of the City of New Albany
Management’s Discussion and Analysis (MD&A)
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Central Office Cost Center

In addition to the programs noted above, the Authority maintains a Central Office Cost Center (“COCC”) as mandated by HUD. All salaries and costs related to administrative functions of the Authority and other costs which do not directly support the specific programs noted above, are charged to the COCC. Funding flows into the COCC from fees which are allowed to be charged to the Public and Indian Housing program, the Section 8 Housing Choice Voucher program and the RAD Project Based Voucher properties, as well as administrative funding provided through the Capital Fund program. Once funds flow through to the COCC they are deemed to be “defederalized” and can then be used by the Authority in any way needed in order to support the Authority’s mission.

Blended Component Unit

The Authority has one blended component unit, Southern Indiana Community Housing Corporation (SICHC), a nonprofit organization. The mission of the organization is to support and expand the works and activities of the Authority within Floyd County and the greater southern Indiana community as a whole by increasing the supply of affordable housing in southern Indiana. SICHC consists of 101 housing choice voucher project based units at Mark Elrod Tower and a 59-unit subsidized apartment complex at Whispering Creek.

Authority-Wide Condensed Financial Statements

Statement of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current & Other Assets			
Cash and investments	\$ 10,677,066	\$ 13,686,829	\$ (3,009,763)
Other Current Assets	693,800	956,000	(262,200)
Capital Assets (Net)	<u>19,642,869</u>	<u>16,053,343</u>	<u>3,589,526</u>
Total Assets	<u>\$ 31,013,735</u>	<u>\$ 30,696,172</u>	<u>\$ 317,563</u>
Liabilities			
Accounts Payable	\$ 573,555	\$ 568,142	\$ 5,413
Other Current Liabilities	1,629,992	1,107,984	522,008
Long Term Debt, noncurrent portion	-	107,566	(107,566)
Non-current Liabilities	<u>59,892</u>	<u>56,863</u>	<u>3,029</u>
Total Liabilities	<u>\$ 2,263,439</u>	<u>\$ 1,840,555</u>	<u>\$ 422,884</u>
Net Position			
Net Investment in Capital Assets	\$ 18,981,373	\$ 15,729,493	\$ 3,251,880
Restricted	1,457,432	1,010,745	446,687
Unrestricted	<u>8,311,491</u>	<u>12,115,379</u>	<u>(3,803,888)</u>
Total Net Position	<u>\$ 28,750,296</u>	<u>\$ 28,855,617</u>	<u>\$ (105,321)</u>

**Housing Authority of the City of New Albany
Management's Discussion and Analysis (MD&A)
March 31, 2019**

Major Factors Affecting the Statement of Net Position

Total assets increased by \$317,563 from March 31, 2018 to March 31, 2019.

Cash and investments decreased by approximately \$3,010,000. The decrease in cash was primarily due to the purchase of capital assets totaling \$5,119,101. Capital Fund grants were used to pay for \$1,041,812 of these additions and approximately \$563,000 was funded through debt.

Included in other current assets of \$693,800 is net inventory of \$172,794, prepaid expenses of \$266,876 and net accounts receivable totaling \$254,130. Accounts receivable includes reimbursements due the Authority from HUD for Capital Fund expenditures of \$150,647, ROSS expenditures of \$14,928, FSS Coordinator grant expenditures of \$24,871, Housing Choice Voucher administrative fees of \$18,121.

Capital Assets (Net) are a major component of total assets, and are determined by taking the March 31, 2018 net capital assets balance and adding new capital assets purchased during the year ended March 31, 2019, subtracting capital assets disposed of during the year ended March 31, 2019 (less the related accumulated depreciation), and subtracting fiscal year 2019 depreciation expense. Accumulated depreciation reflects total depreciation expense (\$1,457,777 for the fiscal year ended March 31, 2019) which is recorded to recover the cost of capital assets over a specified period of time. Depreciation reduces the carrying value of the underlying asset but does not affect the cash flow of operations. The Statement of Capital Assets, included later, provides a detail of capital assets and accumulated depreciation.

Accounts payable at March 31, 2019 was approximately \$5,000 higher than prior year. A decrease in payables from fiscal year 2018 related to outstanding Capital Fund projects was largely offset by a payable to HUD totaling \$302,328 in fiscal year 2019. In fiscal year 2019, the Authority was awarded Tenant Protection Voucher funding. At March 31, 2019 none of these vouchers had been issued. Subsequent to March 31, 2019, the Board of Commissioners of the Authority made the decision to rescind its Section 18 application and to not use the Tenant Protection Vouchers. All Tenant Protection Voucher funding received, a total of \$302,328 as of March 31, 2019, was determined to be payable to HUD.

Other current liabilities is a combination of several accounts including liabilities for utilities, payroll, prepaid tenant rent, tenant security deposits, a portion of FSS escrow accounts, the current portion of long-term debt, a short-term loan and an accrued contingency liability. Other current liabilities increased largely due the addition of a short-term loan totaling \$563,433. During fiscal year 2019, the Authority's blended component unit, SICHC, purchased a 59-unit apartment complex for \$2,624,550. SICHC incurred debt totaling \$563,433 payable to the seller. The debt is due on demand and is therefore considered current. In addition, at March 31, 2019, the remaining balance of the Energy Performance Contract debt, \$98,063, is also considered current. The balance of the Energy Performance Contract debt was paid in full in May 2019.

The Authority has classified \$59,892 of its FSS escrow dollars as a non-current liability because the anticipated payouts do not meet the criteria for a current liability.

Net Position is presented in conformity with GASB 34. Total Net Position decreased by \$105,321 from March 31, 2018 to March 31, 2019. Revenue increased by 8.45% or \$1,014,123, however, expenses also increased by 8.02% or \$934,202. The Authority had a decrease in cash flow of \$3,009,763 for the year ended March 31, 2019.

**Housing Authority of the City of New Albany
Management’s Discussion and Analysis (MD&A)
March 31, 2019**

The component Unrestricted Net Position decreased by \$3,803,888 during the fiscal year. This component represents funds that can be used to meet future obligations.

Restricted Net Position increased by \$446,687 during the fiscal year. Restricted Net Position of \$1,457,432 consists of \$40,239 of funds restricted to provide housing assistance payments (“HAP”) for HCV participants in future years, \$284,793 of prior year insurance proceeds that remain unspent and \$1,132,400 in replacement reserves to meet the future needs of the Valley View, Crystal Court and Mark Elrod Tower RAD programs. Funds restricted for future HAP payments decreased by \$44,632, which indicates that current year HAP expense exceeded current year HAP revenue. As part of HUD’s cash management restrictions, HUD holds undisbursed budget authority on behalf of the Authority as “Program Reserves” which will be disbursed to the Authority if HAP expenses exceed HAP income in future periods. Although HUD is holding those funds on the Authority’s behalf, they have mandated that such Program Reserves cannot be shown within the Authority’s Net Position. The balance of the Authority’s HUD-held program reserves at March 31, 2019 was \$135,441. Restrictions related to unspent insurance proceeds resulted from damages at two of the Authority’s developments. At one development, a storm damaged several air conditioning units in a prior year. Several of the units are still in use and are replaced as the need arises by using these designated dollars. Restricted funds totaling \$62,837 were used during the year ending March 31, 2019. In addition, the Authority also had a water leak and an electrical fire at another location that resulted in the need for significant repairs. At March 31, 2019, the Authority had unspent insurance proceeds related to this damage totaling \$108,376. The Authority continues to have expenses related to the repairs that will be offset against these remaining insurance proceeds.

Statement of Revenues

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Source			
Tenant Revenue	\$ 2,528,817	\$ 2,494,787	\$ 34,030
Operating Grants	8,251,177	7,317,175	934,002
Capital Grants	1,041,812	1,177,950	(136,138)
Other Income	<u>651,592</u>	<u>469,364</u>	<u>182,228</u>
Total Revenues	<u>\$ 12,473,398</u>	<u>\$ 11,459,276</u>	<u>\$ 1,014,122</u>

Major Factors Affecting the Statement of Revenues

Overall Operating Grant revenue for the year ended March 31, 2019 increased from prior year amounts by \$934,002. Public Housing operating subsidy revenue increased by \$21,697, ROSS-Service Coordinator grant revenue decreased by \$43,431, FSS Program Coordinator grant revenue decreased by \$21,037, and Section 8 grant revenue increased by \$9,874. Capital Fund operating grant revenue increased by \$816,270. In addition, the Authority also began receiving non-federal rent subsidy related to the 59-unit apartment complex purchased during fiscal year 2019. This subsidy totaled \$150,629 for fiscal year 2019.

**Housing Authority of the City of New Albany
Management's Discussion and Analysis (MD&A)
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Operating grants are as follows:

- Public Housing subsidy \$3,731,211 (increased .58%);
- Section 8 grants \$3,070,124 (increased .32%);
- ROSS grant \$96,381 (decreased 31.06%);
- FSS Program Coordinator grant \$151,473 (decreased 12.19%);
- Capital Fund soft costs \$1,051,359 (increased 347.22%).
- Non-federal rent subsidy \$150,629 (began receiving in fiscal year 2019)

Public Housing operating subsidy was comparable to prior year, increasing by approximately .58% or \$22,000. Calendar year 2018 and 2019 proration is approximately 93%. In December 2018, the Authority converted 101 units at Mark Elrod Tower to project based vouchers through RAD. The Authority expects to convert 120 more public housing units to project based vouchers during fiscal year 2020.

In fiscal year 2019, soft costs expenses and revenue totaled \$1,051,359 and hard cost capital expenditures and revenue totaled \$1,041,812. Capital Fund soft costs consist primarily of draws related to the conversion of 101 units to project based vouchers through the Rental Demonstration program and for Capital Fund management fees paid to the COCC. The hard cost expenditures are assets which have been capitalized and will be depreciated over their useful lives. Capitalized dollars were utilized for improvements at Mark Elrod Tower, Riverview Tower, Parkview Tower, Parkview Terrace and Beechwood. Improvements included the installation of security cameras, removal of an underground fuel storage tank, re-paving basketball courts, renovation of a security center, and elevator upgrades. In fiscal year 2018, soft costs expenses and revenue totaled \$235,089 and hard cost capital expenditures and revenue totaled \$1,177,950. Capitalized dollars were utilized for improvements at Mark Elrod Towers, Riverview Towers, Parkview Towers and Parkview Terrace. Improvements included milling and paving of streets and parking lots, hardware and accessibility upgrades, an above ground fuel storage tank, elevator upgrades, an upgraded fire alarm system and a hot water heater and storage tank.

Section 8 HAP funding, the Budget Authority, is based on historical information provided by the Authority through the Voucher Management System (VMS). This is a self-reporting of expenses required on a monthly basis which HUD uses to monitor program utilization and cost. The Authority's Budget Authority is determined by Congressional mandate and has been reduced to slightly less than 100% of the standard amount in recent years (approximately 99.5% for calendar year 2019 and 99.745% for calendar year 2018). Section 8 Administrative funding is provided separately by HUD, and is based upon voucher utilization rates and other information which is also provided by the Authority through VMS. Section 8 Administrative funding has been subject to significant Congressional budget cuts in recent years and was funded at approximately 80% of the full eligibility amount for calendar year 2018 and approximately 77% of the full eligibility amount for calendar year 2017. Calendar year 2019 funding is projected to be approximately 80%. Section 8 administrative fees earned increased by \$30,722 from the prior fiscal year due to an increase in unit months leased and an increase in proration.

Revenue from Section 8 Housing Choice Voucher funding increased from the prior year by \$9,874. Tenant-based voucher and project-based voucher unit months leased increased by 195 units from fiscal year 2018 as a result of the conversion of 101 public housing units to Housing Choice Voucher Program project-based vouchers on December 1, 2018. Funding for the additional project based vouchers was provided through Public Housing Operating Subsidy and Capital Fund grants through December 31, 2018. On January 1, 2019, the Authority began receiving funding for these units through Section 8 Housing Choice Voucher funding.

**Housing Authority of the City of New Albany
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ROSS grant income decreased from fiscal year 2018 due to the overall funding level of the grant. In fiscal year 2019, the Authority received a 3-year grant totaling \$246,000, which runs through fiscal year 2021. The previous 3-year grant which ended in fiscal year 2018 totaled \$492,000.

For fiscal year 2019, total Capital Funds grants of \$2,093,171 were drawn down as funding was obligated and expended for approved expenses outlined in the annual formula Capital Fund grant budget. HUD considers the Capital Fund program an expenditure driven grant program.

Other income increased by \$182,229 from the prior year amount. Accounts included are interest, fraud recovery and miscellaneous income. Interest income increased \$64,074 over prior year due to increasing interest rates. Other income also increased due to the receipt of donated land totaling \$90,470.

Statement of Expenses

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Administrative	\$ 2,229,377	\$ 2,332,168	\$ (102,791)
Tenant Services	471,380	385,497	85,883
Utilities	1,433,668	1,408,863	24,805
Maintenance	3,049,598	2,387,654	661,944
Housing Assistance Payments	2,451,930	2,438,036	13,894
Depreciation	1,457,777	1,339,205	118,572
Protective Services	148,497	159,130	(10,633)
General Expenses	1,392,660	1,104,955	287,705
Interest Expense	10,422	21,253	(10,831)
Extraordinary maintenance and casualty loss	(87,936)	67,331	(155,267)
Loss on disposition of capital assets	21,346	425	20,921
	<u>\$ 12,578,719</u>	<u>\$ 11,644,517</u>	<u>\$ 934,202</u>

Major Factors Affecting the Statement of Expenses

Total expenses increased by approximately 8% from fiscal year 2018. All expense categories increased over fiscal year 2018 except for administrative, protective services, interest expense and extraordinary maintenance and casualty loss.

Administrative expense in fiscal year 2018 included a one-time addition of \$313,015 of salaries and benefits related to an accrued contingent liability. The decrease in fiscal year 2019 of this one-time expense, however, was offset partially by an increase in administrative costs due to the purchase a 59-unit apartment complex and legal fees related to land donated to the Authority. Administrative expenses related to these projects totaled approximately \$111,000.

Maintenance expense increased by 28% from the prior year. During fiscal year 2019, the Authority purchased a 59-unit apartment complex. The property required significant repairs and maintenance. Expenses related to this property exceeded \$600,000 during the fiscal year. In addition the Authority expended approximately \$90,000 more for maintenance and rehabilitation costs at Valley View Court than in fiscal year 2018.

**Housing Authority of the City of New Albany
Management’s Discussion and Analysis (MD&A)
March 31, 2019**

Utility costs can fluctuate year to year depending on factors such as weather and utility rates. Costs remained comparable to prior year, increasing less than 2% from fiscal year 2018.

Tenant services increased primarily due to increased salary expense and additional funds spent on resident activities.

Protective services remained comparable to the prior fiscal year, decreasing by approximately \$10,600.

HAP expense within the Section 8 program is the direct expense of providing housing assistance payments on behalf of program participants and utility assistance payments to program participants. HAP expense remained comparable to fiscal year 2018, increasing less than 1%.

Depreciation expense increased from prior year due to the increase in depreciable capital assets.

General expenses increased significantly due to environmental site assessment at Riverview Tower and an engineering master plan for several properties.

During fiscal year 2019, the Authority had a water leak and an electrical fire at one of its high-rises that resulted in the need for significant repairs. At March 31, 2019, the Authority had unspent insurance proceeds related to this damage totaling \$108,376, which is included in extraordinary maintenance and casualty loss. The Authority continues to have expenses related to the repairs that will be offset against these remaining insurance proceeds.

Statement of Capital Assets

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 1,873,688	\$ 771,979	\$ 1,101,709
Buildings and improvements	48,021,042	44,791,869	3,229,173
Land improvements	6,685,836	6,641,326	44,510
Equipment-Administration	1,952,310	1,712,414	239,896
Accumulated Depreciation	(39,710,102)	(38,404,444)	(1,305,658)
Construction in Progress	<u>820,095</u>	<u>540,199</u>	<u>279,896</u>
Total	<u>\$ 19,642,869</u>	<u>\$ 16,053,343</u>	<u>\$ 3,589,526</u>

Major Factors Affecting the Statement of Capital Assets

Capital assets increased by \$4,895,182 before considering the effect of accumulated depreciation. In fiscal year 2019, assets totaling \$223,916 were sold, scrapped due to obsolescence or written off. After considering accumulated depreciation and proceeds from sales, the dispositions resulted in a net loss on disposal of assets of \$21,346 during fiscal year 2019. There was loss on disposal of assets of \$425 during fiscal year 2018.

During fiscal year 2019, the Authority invested approximately \$2,987,000 in buildings and improvements, of which \$317,745 was funded through Capital Fund grants. Transfers to building and improvements from prior year construction in process totaled \$242,194.

**Housing Authority of the City of New Albany
Management's Discussion and Analysis (MD&A)
March 31, 2019**

The Authority expended \$44,510 for land improvements, of which \$8,150 was funded through Capital Fund grants.

Equipment-Administration purchases totaled approximately \$420,000. In addition, \$5,100 was transferred from prior year construction in process. Purchases included 8 new vehicles, security cameras, a generator for one of the Authority's high-rises and a bed-bug treatment system. Capital fund grants of \$150,826 were used to fund these additions. The Authority also disposed of equipment with an original cost of approximately \$185,000.

At March 31, 2019, additions to construction in progress totaled \$565,090 which were funded through Capital Fund grants. Additions were for \$521,009 of upgrades to the elevators at the Authority's high-rises and \$44,081 for the renovation of a security center.

Accumulated depreciation increased by an amount equal to current year depreciation expense, less accumulated depreciation associated with assets that were sold or written off.

Note 4 to the Authority's financial statements provides additional detail regarding the changes in capital assets during the year ended March 31, 2019.

Debt

The Authority has debt associated with its Energy Performance Contract ("EPC") that was completed in fiscal year 2011. Old National Bank services the debt. The EPC is a municipal lease and as such, is not a secured debt. Debt service is an add-on calculation to the annual Public Housing subsidy request so the Authority anticipates no out of pocket expense for the energy improvements put in place. The balance of the loan at March 31, 2019 was \$98,063. The Authority made principal payments of \$225,787 during fiscal year 2019. At March 31, 2019, the total outstanding balance of the loan was classified as current. In May 2019, the Authority paid off the balance of the debt.

During fiscal year 2019, the Authority also incurred unsecured debt totaling \$563,433 to purchase a 59-unit apartment complex through its blended component unit, Southern Indiana Community Housing Corporation. The loan does not bear interest and is payable to the seller of the apartment complex. The loan is due on demand and is, therefore, considered current. In June 2019, the Authority made a \$400,000 principal payment on the debt. The Authority has applied for tax credits in order to renovate the property.

Notes 5 and 6 to the Authority's financial statements provides additional detail regarding the changes in debt during the year ended March 31, 2019.

Currently Known Facts, Decisions, or Conditions Expected to Affect Future Financial Position or Results of Operations

The Authority is primarily dependent upon HUD for funding (approximately 73% of fiscal year 2019 revenue came from HUD grants); therefore, the Authority is generally affected more by the federal budget than by local economic conditions.

**Housing Authority of the City of New Albany
Management's Discussion and Analysis (MD&A)
March 31, 2019**

The amount that the Authority is eligible to receive to cover the gap between public housing rent revenues and operating costs is set by a federal formula. If Congress has failed to provide sufficient funding cover the full subsidies that the Authority is eligible to receive under the formula, the Authority must find a way to raise revenue, cut costs, or tap other resources to make up for the shortfall. As noted previously, Congress funded the operating subsidy revenue at approximately 93% of the full eligibility amount for calendar year 2018. Current projections from HUD show they also plan to fund the operating subsidy at approximately 93% of full eligibility for calendar year 2019.

Similar to Public Housing operating subsidy funding, HUD also utilizes a formula to determine the amount of Section 8 administrative funding they provide to the Authority. In recent years cuts to that funding have been even more extreme than the proration applied to Public Housing operating subsidy. For calendar year 2017 congress funded Section 8 administrative awards at approximately 77% of full eligibility. Proration levels for calendar year 2018 were approximately 80% and are also expected to be approximately 80% for calendar year 2019 based upon current projections from HUD.

The Authority's management strives to operate at a breakeven or better cash flow from operations each year. Annual funding proration levels, however, remain uncertain and there is always potential for further reduced federal funding. We will continue to work to maintain a fiscally responsible approach regardless of the federal funding situation in order to ensure the Authority is able to continue to serve low income families and individuals to the greatest extent possible for both the near-term and long-term future.

The Authority has submitted a phased-in portfolio application through HUD's Rental Assistance Demonstration ("RAD") to convert all Public Housing units in the Authority's stock to Project-Based Section 8 units. This conversion would change the HUD funding provided for those units from Public Housing Operating Subsidy and Public Housing Capital Funding to Project-Based Voucher Assistance. The Authority converted two properties totaling 64 units on July 1, 2016 and another 101 unit property on December 1, 2018. The current plan is for the complete conversion to be completed over the next several years. Another property with 120 units is expected to convert to RAD during fiscal year 2020. The Authority has also applied for 4% tax credits on some units in order to rehab or demolish and reconstruct those units as part of the RAD conversion. This process will create significant changes to the federal funding stream, federal compliance requirements, organizational structure, and many other items for those units. Management has made the decision to apply for conversion of those units through RAD after detailed analysis which showed that was the best way to obtain more stable funding from HUD. Management believes this will be the best way for the Authority to continue to provide quality affordable housing to low income families and individuals for the long-term.

Contacting the Housing Authority's Financial Management

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

David C. Duggins, Jr.
Executive Director
New Albany Housing Authority
P.O. Box 11
New Albany, Indiana 47151-0011

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana**

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
STATEMENT OF NET POSITION
MARCH 31, 2019

ASSETS

CURRENT ASSETS

Cash and investments	\$ 8,517,633
Cash and investments - restricted	2,159,433
Receivables	
Tenants, net of allowance for doubtful accounts	20,680
Other, net of allowance for doubtful accounts	24,883
Accounts receivable - HUD, net of allowance	208,567
Inventory	172,794
Prepaid expenses	266,876
TOTAL CURRENT ASSETS	<u>11,370,866</u>

NONCURRENT ASSETS

Land	1,873,688
Land improvements	6,685,836
Buildings and improvements	48,021,042
Equipment	1,952,310
Construction work in progress	820,095
Less accumulated depreciation	<u>(39,710,102)</u>
TOTAL NONCURRENT ASSETS	<u>19,642,869</u>

TOTAL ASSETS

\$31,013,735

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 271,044
Accounts payable - HUD	302,511
Accrued payroll liabilities	94,645
Compensated absences	66,470
Unearned revenue	44,536
Due to other governments	150,273
Tenants' security deposits	218,073
Contingent liability	313,015
Other current liabilities	81,484
Short-term loan	563,433
Current portion of capital lease payable	98,063
TOTAL CURRENT LIABILITIES	<u>2,203,547</u>

NONCURRENT LIABILITIES

Tenants' FSS escrow	<u>59,892</u>
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TOTAL LIABILITIES

2,263,439

NET POSITION

Net investment in capital assets	18,981,373
Restricted	1,457,432
Unrestricted	8,311,491
TOTAL NET POSITION	<u>28,750,296</u>

TOTAL LIABILITIES AND NET POSITION

\$31,013,735

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

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2019

OPERATING REVENUE	
Dwelling rental	\$ 2,528,817
Operating grants	8,251,177
Other operating revenue	499,517
TOTAL OPERATING REVENUE	<u>11,279,511</u>
OPERATING EXPENSES	
Administration	2,229,377
Tenant services	471,380
Utilities	1,433,668
Maintenance and operations	3,049,598
General expenses	1,392,660
Protective services	148,497
Housing assistance payments	2,451,930
Depreciation	1,457,777
TOTAL OPERATING EXPENSES	<u>12,634,887</u>
OPERATING (LOSS)	<u>(1,355,376)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest income	152,075
(Loss) on disposition of fixed assets	(21,346)
Interest expense	(10,422)
Extraordinary maintenance and insurance proceeds, net	87,936
NET NONOPERATING REVENUE	<u>208,243</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(1,147,133)
CAPITAL GRANTS	<u>1,041,812</u>
CHANGE IN NET POSITION	(105,321)
NET POSITION AT BEGINNING OF YEAR	<u>28,855,617</u>
NET POSITION AT END OF YEAR	<u>\$ 28,750,296</u>

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

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants/participants	\$ 2,406,171
Cash received from operating grants	8,827,354
Other income received	483,729
Cash payments to vendors	(6,013,834)
Cash payments to employees	(2,801,653)
Cash payments for housing assistance	<u>(2,451,930)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>449,837</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	1,041,812
Proceeds from sale of capital assets	50,454
Acquisition of capital assets	(4,555,668)
Principal payments	(225,787)
Interest paid	<u>(10,422)</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,699,611)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Extraordinary maintenance and insurance proceeds, net	<u>87,936</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>152,075</u>
NET (DECREASE) IN CASH AND CASH INVESTMENTS	(3,009,763)
CASH AND CASH INVESTMENTS AT BEGINNING OF YEAR	<u>13,686,829</u>
CASH AND CASH INVESTMENTS AT END OF YEAR	<u>\$ 10,677,066</u>

(Continued on page 20)

Supplemental Disclosure for Noncash Investing and Financing Activities: During the year ended March 31, 2019, the Authority purchased a 59-unit apartment complex for \$2,624,550, of which \$563,433 was acquired through a loan from the seller.

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

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
STATEMENT OF CASH FLOWS - Continued
YEAR ENDED MARCH 31, 2019

RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF CASH FLOWS
TO THE STATEMENT OF NET POSITION

Cash and investments	\$ 8,517,633
Cash and investments - restricted	2,159,433
CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 10,677,066</u>

RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY
OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating (loss)	\$ (1,355,376)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	1,457,777
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(23,392)
Accounts receivable - HUD	273,666
Inventory	(455)
Prepaid expenses	8,967
(Decrease) increase in liabilities	
Accounts payable	(293,686)
Accounts payable - HUD	302,511
Accrued expenses	49,701
Unearned revenue	(1,347)
Due to other governments	41,680
Tenants' FSS escrow, non-current portion	3,029
Tenants' security deposits	(13,238)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 449,837</u>

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

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - Nature of the Organization and Operations

The Housing Authority of the City of New Albany (the "Authority"), is organized under the laws of the State of Indiana for the purpose of engaging in the development and administration of low-rent housing programs. The Authority owns and operates 913 public housing units, 165 project based voucher units, and administers 408 Section 8 vouchers under Annual Contributions contract C-912 with the Department of Housing and Urban Development ("HUD"). The Authority is located in New Albany, Indiana.

In evaluating the Authority as a reporting entity, the City of New Albany (the "City") does not bear responsibility for the Authority's operations. The Mayor of the City appoints an independent Board of Commissioners to oversee the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget; is not entitled to any surplus funds generated by the Authority's operations; and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with the Governmental Accounting Standards Board ("GASB"), management has concluded that the Authority is a separate reporting entity.

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

- a. The Authority is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority.
- b. The Authority may be financially accountable if an organization is fiscally dependent on the Authority regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Based upon the application of these criteria, this report includes the following component unit:

Southern Indiana Community Housing Corporation (SICHC) was established in 2014 to support and expand the works and activities of the Authority within Floyd County and the Greater Southern Indiana Community as a whole by contributing support through increasing the supply of affordable housing in Southern Indiana. The Board of Commissioners of the Authority appoints the governing body of SICHC. SICHC is shown as a blended component unit in the financial statements of the Authority. SICHC does not have separately issued financial statements.

NOTE 2 - Summary of Significant Accounting Policies

1. **Basis of Presentation:**

All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by pledge of the net revenue from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenue; or (c) that the pricing policies of the activity establish fees and charges designated to recover its costs.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2019

NOTE 2 - Summary of Significant Accounting Policies - Continued

In accordance with GASB requirements, the Authority's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, except those that conflict with or contradict a GASB pronouncement.

2. Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting.

3. Use of Estimates

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

4. Cash Equivalents

The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents.

5. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at gross amount, less an allowance for doubtful accounts. The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the current status of existing receivables. The allowance for doubtful accounts was \$61,774 for accounts receivable - tenants. The allowance for doubtful accounts was \$33,112 for accounts receivable - fraud recovery. The allowance for doubtful accounts was \$40,680 for accounts receivable - HUD. Those allowances have been deducted against the related accounts receivable balances to properly reflect the estimated realizable value at March 31, 2019. Management believes all other accounts receivable as of March 31, 2019, were collectible and no allowance was necessary.

6. Inventories

Inventories, consisting of materials and supplies, are stated at the lower of cost (determined by the weighted average method) or market, reported on a first-in, first-out basis. Management has established an allowance for obsolete inventory which totaled \$43,199 at March 31, 2019, and is deducted against supplies inventory to properly reflect the lower of cost or market value.

7. Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred; renewals or betterments, which provide benefit for greater than one year and cost \$2,500 or more are capitalized. Gain or loss on retirements and disposition of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts. Donated capital assets are valued at their estimated fair value on the date donated.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2019

NOTE 2 - Summary of Significant Accounting Policies - Continued

Depreciation is provided on the basis of the estimated useful lives of the assets using the straight-line method. The estimated useful lives are 10 - 40 years for buildings and land improvements and 5-10 years for building equipment, furniture, maintenance equipment and miscellaneous assets.

8. Revenue and Expenses

Revenue from rentals is recorded as earned over the life of the lease, and expenses are charged against such revenue as incurred without regard to the date of receipt or payment of cash.

The Authority has entered into annual contribution contracts with HUD to develop, manage and own public housing projects and to administer the Federal Section 8 programs whereby, the Authority pays the owner a portion of the rent, a housing assistance payment ("HAP"), on behalf of the family. Such contributions are reflected as HUD operating grants to the accompanying financial statements.

9. Operating & Nonoperating Revenue & Expenses

A proprietary fund distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority are rents collected from tenants and operating grants. Operating expenses for proprietary funds include the cost of operating properties owned, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

10. Impairment of Long-Lived Assets:

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended March 31, 2019.

11. Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leave. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences for which the employee has earned the rights to the benefits. The Authority's policy allows employees to receive paid time off. A maximum of 80 hours of paid time off can be carried forward at the end of each calendar year. All accrued paid time off is paid to the employee upon termination of employment. Accordingly, at March 31, 2019, a liability of \$66,470 has been recorded for accrued compensation absences at that date.

12. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2019

NOTE 2 - Summary of Significant Accounting Policies - Continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Authority does not have any items that qualify for reporting in this category.

13. Net Position Classifications

Net position represents the difference between the total assets and the total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

14. Federal Aids

Federal aids for reimbursable programs are recognized as revenue in the year the related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenue.

15. Employee Retirement Plan

The Authority has a retirement plan covering substantially all of its eligible employees which is funded through contributions to Principal Financial Group.

16. Interprogram Transactions

Quasi-external transactions are accounted for as revenue or expenses. Transactions that constitute reimbursements to a program for expenses initially made from it that are properly applicable to another program, are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed.

17. Construction Projects

There are certain major construction projects in progress at March 31, 2019. These include modernizing rental units at many different projects. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

18. Application of Restricted Resources

The Authority will first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

19. Subsequent Events

The Authority has evaluated subsequent events through November 7, 2019, the date which the financial statements were available to be issued.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2019

NOTE 3 - Cash Deposits

In accordance with Section 401-(E) of the HUD/Public Authority Annual Contributions Contract, it is the policy of the Authority to invest its funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Authority, and comply with all federal, state, and local statutes or ordinances governing the investment of public funds.

1. Custodial Credit Risk:

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Authority may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. Statutes authorize the Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities. All cash and investments as of March 31, 2019, were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company or depository financial institutions. Deposits exceeding the insured or registered limits are collateralized (\$10,493,798) with securities held by the Authority's financial institution in the name of the Authority and are fully insured by the Indiana Public Deposit Insurance Fund.

2. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Authority's investment policy limits investments to provide the optimum return on the investment consistent with the cash management program of the Authority.

Investments are made based upon prevailing market conditions at the time of the transaction. The Authority reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flows needs. Investments will typically be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the Authority.

3. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments. The Authority's investment policy requires investment in instruments authorized by HUD Notice PIH 95-27.

4. Concentration of Credit Risk

The Authority's investment policy requires diversification of the overall portfolio to eliminate the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer and/or a specific class of securities.

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect fair value of an investment or a deposit. All of the Authority's deposits and investments are denominated in United States currency.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2019

NOTE 3 - Cash Deposits - Continued

The carrying value of cash at March 31, 2019 was \$10,677,066. The bank balance of cash at March 31, 2019 was \$10,848,336.

Restricted cash totaled \$2,159,433 at March 31, 2019, and was comprised of the following:

FSS program tenant escrow accounts	\$ 79,856
Tenant security deposits	218,073
HCV housing assistance payments	346,248
Replacement reserves	1,132,400
Unspent insurance proceeds	284,793
Payment of current liabilities (debt payment)	98,063
	<u>\$ 2,159,433</u>

A corresponding liability for the tenant escrow accounts has been shown partially as other current liabilities and partially as other noncurrent liabilities on the Statement of Net Position. See Note 6 for details on the restricted net position which correspond to the Housing Choice Voucher program housing assistance payment restricted cash, unspent insurance proceeds for Public Housing, and replacement reserves for the business activities.

NOTE 4 - Capital Assets

A summary of changes in capital assets is as follows:

	BALANCE 04/01/18	ADDITIONS	RETIREMENTS	TRANSFERS/ ADJUSTMENTS	BALANCE 03/31/19
<i>Capital assets not being depreciated:</i>					
Land	\$ 771,979	\$1,101,709	\$ -	\$ -	\$ 1,873,688
Construction in progress	540,199	565,890	-	(285,994)	820,095
Total capital assets not being depreciated	<u>1,312,178</u>	<u>1,667,599</u>	<u>-</u>	<u>(285,994)</u>	<u>2,693,783</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	44,791,869	2,986,979	-	242,194	48,021,042
Land improvements	6,641,326	44,510	-	-	6,685,836
Equipment	1,712,414	420,013	(185,217)	5,100	1,952,310
Total capital assets being depreciated	53,145,609	3,451,502	(185,217)	247,294	56,659,188
Less accumulated depreciation	(38,404,444)	(1,457,776)	152,118	-	(39,710,102)
Total capital assets being depreciated, net of accumulated depreciation	<u>14,741,165</u>	<u>1,993,726</u>	<u>(33,099)</u>	<u>247,294</u>	<u>16,949,086</u>
NET CAPITAL ASSETS	<u>\$ 16,053,343</u>	<u>\$3,661,325</u>	<u>\$ (33,099)</u>	<u>\$ (38,700)</u>	<u>\$ 19,642,869</u>

NOTE 5 - Long-Term Obligations

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

Summary of Long-Term Obligations

	BALANCE 04/01/18	ADDITIONS	REDUCTIONS	BALANCE 03/31/19	AMOUNT DUE WITHIN ONE YEAR
Tenants' FSS escrows	\$ 75,817	\$ 64,827	\$ 60,788	\$ 79,856	\$ 19,964
Note payable (capital lease)	323,850	-	225,787	98,063	98,063
TOTAL	<u>\$ 399,667</u>	<u>\$ 64,827</u>	<u>\$ 286,575</u>	<u>\$ 177,919</u>	<u>\$ 118,027</u>

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2019

NOTE 5 - Long-Term Obligations - Continued

At March 31, 2019, long-term debt for the Authority consists of:

Note payable to bank, due April 5, 2020, interest at 4.98 percent, monthly payments of \$17,488, includes interest.	\$ 98,063
Less current portion	<u>98,063</u>
LONG-TERM PORTION	<u>\$ -</u>

In 2009, the Authority entered into a lease agreement with Old National Bank as part of an energy performance contract. The assets constructed through the lease agreement are included in "Buildings" on the statement of net position and are amortized over their estimated useful lives. The capitalized cost of the assets under the capital lease totaled \$1,575,644 at March 31, 2019. Amortization of the capitalized cost of the assets is charged to depreciation expense. The accumulated amortization on the assets at March 31, 2019, was \$747,724. The lease is payable in monthly installments of \$17,488 through April 2020. The lease is a municipal unsecured lease with an interest rate of 4.98 percent. Each year, HUD funds additional subsidy to cover annual payments. The balance of the note payable was paid in full May 2019.

Future minimum payments under the capitalized lease obligations are due as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	<u>\$ 98,063</u>	<u>\$ 1,394</u>	<u>\$ 99,457</u>

NOTE 6 - Short-term Loan

During fiscal year 2019, the Authority's blended component unit, Southern Indiana Community Housing Corporation (SICHC), purchased a 59-unit apartment complex for \$2,624,550. SICHC incurred debt totaling \$563,433 payable to the seller. The debt is due on demand and is therefore considered current. The loan does not accrue interest. In June 2019, a principal payment of \$400,000 was made on the debt.

NOTE 7 - Restricted Net Position

In accordance with guidelines established by HUD, any housing assistance payment ("HAP") budget authority provided to an Authority in excess of actual program expenses for the same period must be maintained as restricted net position to be used only for HAP payments incurred in the running of the Housing Choice Voucher program. Accordingly, the Authority has recorded \$40,239 as restricted net position at March 31, 2019, in the Housing Choice Voucher Program. In addition, the Authority has restricted net position of \$284,793 in Public Housing related to unspent insurance proceeds and restricted net position of \$1,132,400 for replacement reserves in the business activities and in the blended component unit. Restricted net position totaled \$1,457,432 at March 31, 2019.

NOTE 8 - Retirement Plan

The Authority has a 457(b) deferred compensation plan through the Principal Financial Group and administered by the Authority. The Plan Administrator has complete control of the administration of the Plan, including complete discretions to interpret or construe the provisions of the Plan and under which contributions are established or may be amended. An employee shall first become an active participant on the earliest monthly date on which he/she is an eligible employee meeting the following requirements: 1) has been continuously employed by the Employer for one year, in which he/she has worked 1,000 hours of service, before his/her entry date; 2) is age 21 or older. For all eligible employees, the Authority will make a matching contribution equal to 50% of the employee's salary deferral contributions.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2019

NOTE 8 - Retirement Plan - Continued

Salary deferral contributions that are over 6% of the employee's compensation will not be matched. Matching contributions are 100% vested when made. For the year ended March 31, 2019, the Authority made matching contributions totaling \$21,362. In addition to matching contributions, the Authority may make a discretionary contribution. Discretionary contributions totaled \$123,212 for the year end March 31, 2019.

The Authority also has a non-contributory, defined contribution profit sharing plan through the Principal Financial Group, and administered by the Authority which covers substantially all employees who were employed prior to the adoption of the 457(b) plan. The Plan is approved by HUD. Employees hired prior to January 1, 2002, may be given a discretionary basic contribution each plan year by the Authority. Total expense under this Plan was \$144,574 for the year ended March 31, 2019.

Other than the above mentioned pension plans, the Authority does not participate in Other Post-Employment Benefits.

NOTE 9 - Income Taxes

The Authority has qualified with the Internal Revenue Service and the Indiana Department of Revenue as a tax-exempt organization for income tax purposes and, accordingly, there is no provision in the financial statements for federal or state income taxes.

NOTE 10 - Risk Management

The Authority is exposed to various risks of loss from torts, theft of, damages to, or destruction of assets, business interruption, errors or omissions, job-related illnesses or injuries to employees, and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure to such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductible 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 such uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Insurance settlements have not exceeded insurance coverage in any of the past three years.

NOTE 11 - Contingencies

The Authority may at times be party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority has booked a contingent liability related to termination of an employment agreement. Management estimates the accrued loss contingency to be \$313,015 as of March 31, 2019.

The Authority has received several federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon experience, management believes such disallowances, if any, will be immaterial.

NOTE 12 - Economic Dependency

The Authority received approximately 73 percent of its total revenue from the United States Department of Housing and Urban Development. This funding is subject to federal government budget appropriations and potential funding reductions.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF NET POSITION
MARCH 31, 2019

<u>ASSETS</u>	PUBLIC HOUSING			SECTION 8	ROSS	BUSINESS ACTIVITIES
	AMP 1	AMP 3	AMP 4			
CURRENT ASSETS						
Cash and investments	\$ 1,318,250	\$ 4,726,325	\$ 757,595	\$ -	\$ -	\$ 628,372
Cash and investments - restricted	82,719	353,409	172,315	363,170	-	788,311
Receivables						
Tenants, net of allowance for doubtful accounts	5,013	3,461	1,020	-	-	512
Other, net of allowance for doubtful accounts	3,117	8,698	3,779	1	-	3,414
Accounts receivable - HUD, net of allowance	4,934	34,511	111,202	18,121	39,799	-
Due from other programs	-	-	9	-	-	-
Inventory	23,666	86,265	44,901	-	-	-
Prepaid expenses	44,777	76,290	58,948	9,713	-	8,136
TOTAL CURRENT ASSETS	<u>1,482,476</u>	<u>5,288,959</u>	<u>1,149,769</u>	<u>391,005</u>	<u>39,799</u>	<u>1,428,745</u>
NONCURRENT ASSETS						
Land	295,883	-	-	-	-	804,643
Land improvements	1,713,245	3,415,832	591,333	-	-	112,072
Buildings and improvements	9,111,464	20,266,746	7,841,590	-	-	2,445,459
Equipment	229,798	895,032	352,830	61,825	-	73,166
Construction work in progress	-	44,081	749,634	-	-	26,380
Less accumulated depreciation	(8,805,017)	(17,673,590)	(6,624,835)	(45,016)	-	(1,029,453)
TOTAL NONCURRENT ASSETS	<u>2,545,373</u>	<u>6,948,101</u>	<u>2,910,552</u>	<u>16,809</u>	<u>-</u>	<u>2,432,267</u>
TOTAL ASSETS	<u>\$ 4,027,849</u>	<u>\$ 12,237,060</u>	<u>\$ 4,060,321</u>	<u>\$ 407,814</u>	<u>\$ 39,799</u>	<u>\$ 3,861,012</u>

(Continued on page 30)

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
MARCH 31, 2019

<u>ASSETS</u>	<u>NON-FEDERAL</u>	<u>COMPONENT UNIT</u>	<u>COCC</u>	<u>ELIMINATING ENTRY</u>	<u>TOTAL</u>
CURRENT ASSETS					
Cash and investments	\$ 1,477	\$ 772,666	\$ 312,948	\$ -	\$ 8,517,633
Cash and investments - restricted	-	399,509	-	-	2,159,433
Receivables					
Tenants, net of allowance for doubtful accounts	-	10,674	-	-	20,680
Other, net of allowance for doubtful accounts	-	3,700	5,588	(3,414)	24,883
Accounts receivable - HUD, net of allowance	-	-	-	-	208,567
Due from other programs	-	-	42,655	(42,664)	-
Inventory	-	17,962	-	-	172,794
Prepaid expenses	-	32,716	36,296	-	266,876
TOTAL CURRENT ASSETS	<u>1,477</u>	<u>1,237,227</u>	<u>397,487</u>	<u>(46,078)</u>	<u>11,370,866</u>
NONCURRENT ASSETS					
Land	-	773,162	-	-	1,873,688
Land improvements	-	853,354	-	-	6,685,836
Buildings and improvements	-	8,085,049	270,734	-	48,021,042
Equipment	-	54,854	284,805	-	1,952,310
Construction work in progress	-	-	-	-	820,095
Less accumulated depreciation	-	(5,251,242)	(280,949)	-	(39,710,102)
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>4,515,177</u>	<u>274,590</u>	<u>-</u>	<u>19,642,869</u>
TOTAL ASSETS	<u>\$ 1,477</u>	<u>\$ 5,752,404</u>	<u>\$ 672,077</u>	<u>\$ (46,078)</u>	<u>\$ 31,013,735</u>

(Continued on page 31)

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
MARCH 31, 2019

<u>LIABILITIES AND NET POSITION</u>	PUBLIC HOUSING			<u>SECTION 8</u>	<u>ROSS</u>	<u>BUSINESS ACTIVITIES</u>
	AMP 1	AMP 3	AMP 4			
CURRENT LIABILITIES						
Accounts payable	\$ 22,791	\$ 64,189	\$ 106,863	\$ 4,722	\$ 1,697	\$ 5,085
Accounts payable - HUD	-	-	-	302,511	-	-
Accrued payroll liabilities	12,296	31,826	10,197	6,586	7,280	1,455
Compensated absences	8,679	18,285	6,443	6,727	-	1,276
Unearned revenue	6,221	12,385	11,785	-	-	2,008
Due to other programs	-	-	-	11,833	30,822	9
Due to other governments	14,231	29,574	31,312	-	-	20,069
Tenants' security deposits	44,619	78,675	39,359	-	-	24,767
Contingent liability	-	-	-	-	-	-
Other accrued liabilities	10,646	38,090	11,782	4,230	-	1,252
Short-term loan	-	-	-	-	-	-
Current portion of long-term debt	26,153	47,330	24,580	-	-	-
TOTAL CURRENT LIABILITIES	145,636	320,354	242,321	336,609	39,799	55,921
NONCURRENT LIABILITIES						
Tenants' FSS escrow	8,960	38,240	-	12,692	-	-
TOTAL LIABILITIES	154,596	358,594	242,321	349,301	39,799	55,921
NET POSITION						
Net investment in capital assets	2,519,220	6,900,771	2,885,972	16,809	-	2,432,267
Restricted	-	176,417	108,376	40,239	-	763,544
Unrestricted	1,354,033	4,801,278	823,652	1,465	-	609,280
TOTAL NET POSITION	3,873,253	11,878,466	3,818,000	58,513	-	3,805,091
TOTAL LIABILITIES AND NET POSITION	\$ 4,027,849	\$ 12,237,060	\$ 4,060,321	\$ 407,814	\$ 39,799	\$ 3,861,012

(Continued on page 32)

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
MARCH 31, 2019

<u>LIABILITIES AND NET POSITION</u>	<u>NON-FEDERAL</u>	<u>COMPONENT UNIT</u>	<u>COCC</u>	<u>ELIMINATING ENTRY</u>	<u>TOTAL</u>
CURRENT LIABILITIES					
Accounts payable	\$ -	\$ 53,732	\$ 15,379	\$ (3,414)	\$ 271,044
Accounts payable - HUD	-	-	-	-	302,511
Accrued payroll liabilities	-	3,690	21,315	-	94,645
Compensated absences	-	2,347	22,713	-	66,470
Unearned revenue	-	11,203	934	-	44,536
Due to other programs	-	-	-	(42,664)	-
Due to other governments	-	55,087	-	-	150,273
Tenants' security deposits	-	30,653	-	-	218,073
Contingent liability	-	-	313,015	-	313,015
Other accrued liabilities	-	13,562	1,922	-	81,484
Short-term loan	-	563,433	-	-	563,433
Current portion of long-term debt	-	-	-	-	98,063
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>733,707</u>	<u>375,278</u>	<u>(46,078)</u>	<u>2,203,547</u>
NONCURRENT LIABILITIES					
Tenants' FSS escrow	-	-	-	-	59,892
TOTAL LIABILITIES	<u>-</u>	<u>733,707</u>	<u>375,278</u>	<u>(46,078)</u>	<u>2,263,439</u>
NET POSITION					
Net investment in capital assets	-	3,951,744	274,590	-	18,981,373
Restricted	-	368,856	-	-	1,457,432
Unrestricted	1,477	698,097	22,209	-	8,311,491
TOTAL NET POSITION	<u>1,477</u>	<u>5,018,697</u>	<u>296,799</u>	<u>-</u>	<u>28,750,296</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,477</u>	<u>\$ 5,752,404</u>	<u>\$ 672,077</u>	<u>\$ (46,078)</u>	<u>\$ 31,013,735</u>

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2019

	PUBLIC HOUSING			SECTION 8	ROSS	BUSINESS ACTIVITIES
	AMP 1	AMP 3	AMP 4			
OPERATING REVENUE						
Dwelling rental	\$ 494,057	\$ 835,475	\$ 875,805	\$ -	\$ -	\$ 143,099
Operating grants	1,122,707	2,361,930	1,297,933	3,070,124	247,854	295,127
Other operating revenue	63,058	227,079	79,771	7,752	-	16,229
TOTAL OPERATING REVENUE	<u>1,679,822</u>	<u>3,424,484</u>	<u>2,253,509</u>	<u>3,077,876</u>	<u>247,854</u>	<u>454,455</u>
OPERATING EXPENSES						
Administration	490,046	971,085	595,303	350,177	1,715	101,890
Tenant services	63,050	122,640	38,850	36,231	198,960	6,542
Utilities	351,746	539,733	395,422	-	-	38,428
Maintenance and operations	584,423	1,159,430	661,468	-	-	215,858
General expenses	267,249	473,392	285,017	31,312	47,179	49,973
Protective services	23,537	40,234	59,037	-	-	2,829
Housing assistance payments	-	-	36,197	2,830,612	-	-
Depreciation	247,482	710,210	235,597	4,957	-	129,793
TOTAL OPERATING EXPENSES	<u>2,027,533</u>	<u>4,016,724</u>	<u>2,306,891</u>	<u>3,253,289</u>	<u>247,854</u>	<u>545,313</u>
OPERATING (LOSS)	<u>(347,711)</u>	<u>(592,240)</u>	<u>(53,382)</u>	<u>(175,413)</u>	<u>-</u>	<u>(90,858)</u>
NONOPERATING REVENUE (EXPENSES)						
Interest income	20,969	71,799	15,763	500	-	26,666
Gain (loss) on disposition of fixed assets	2,550	7,735	2,894	2,421	-	(23,130)
Operating transfers in	138,882	76,290	643,019	124,400	-	-
Operating transfers out	(138,882)	(76,290)	(463,197)	-	-	(2,299,935)
Interest expense	(2,532)	(4,584)	(3,306)	-	-	-
Special item RAD conversion	-	-	(2,698,846)	-	-	-
Extraordinary maintenance and insurance proceeds, net	(6,224)	(5,179)	101,476	(650)	-	(96)
NET NONOPERATING REVENUE (EXPENSES)	<u>14,763</u>	<u>69,771</u>	<u>(2,402,197)</u>	<u>126,671</u>	<u>-</u>	<u>(2,296,495)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	<u>(332,948)</u>	<u>(522,469)</u>	<u>(2,455,579)</u>	<u>(48,742)</u>	<u>-</u>	<u>(2,387,353)</u>
CAPITAL GRANTS	<u>3,200</u>	<u>49,031</u>	<u>989,581</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(329,748)</u>	<u>(473,438)</u>	<u>(1,465,998)</u>	<u>(48,742)</u>	<u>-</u>	<u>(2,387,353)</u>
NET POSITION AT BEGINNING OF YEAR	<u>4,203,001</u>	<u>12,351,904</u>	<u>5,283,998</u>	<u>107,255</u>	<u>-</u>	<u>6,192,444</u>
NET POSITION AT END OF YEAR	<u>\$ 3,873,253</u>	<u>\$ 11,878,466</u>	<u>\$ 3,818,000</u>	<u>\$ 58,513</u>	<u>\$ -</u>	<u>\$ 3,805,091</u>

(Continued on page 34)

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued
YEAR ENDED MARCH 31, 2019

	<u>NON-FEDERAL</u>	<u>COMPONENT UNIT</u>	<u>COCC</u>	<u>ELIMINATING ENTRY</u>	<u>TOTAL</u>
OPERATING REVENUE					
Dwelling rental	\$ -	\$ 180,381	\$ -	\$ -	\$ 2,528,817
Operating grants	-	270,381	-	(414,879)	8,251,177
Other operating revenue	15	128,478	1,434,395	(1,457,260)	499,517
TOTAL OPERATING REVENUE	<u>15</u>	<u>579,240</u>	<u>1,434,395</u>	<u>(1,872,139)</u>	<u>11,279,511</u>
OPERATING EXPENSES					
Administration	-	185,770	990,651	(1,457,260)	2,229,377
Tenant services	-	4,286	821	-	471,380
Utilities	-	108,339	-	-	1,433,668
Maintenance and operations	-	384,757	43,662	-	3,049,598
General expenses	-	129,711	108,827	-	1,392,660
Protective services	-	22,344	516	-	148,497
Housing assistance payments	-	-	-	(414,879)	2,451,930
Depreciation	-	84,208	45,530	-	1,457,777
TOTAL OPERATING EXPENSES	<u>-</u>	<u>919,415</u>	<u>1,190,007</u>	<u>(1,872,139)</u>	<u>12,634,887</u>
OPERATING INCOME (LOSS)	<u>15</u>	<u>(340,175)</u>	<u>244,388</u>	<u>-</u>	<u>(1,355,376)</u>
NONOPERATING REVENUE (EXPENSES)					
Interest income	-	2,973	13,405	-	152,075
Gain (loss) on disposition of fixed assets	-	-	(13,816)	-	(21,346)
Operating transfers in	-	2,646,935	-	-	3,629,526
Operating transfers out	(326,822)	-	(324,400)	-	(3,629,526)
Interest expense	-	-	-	-	(10,422)
Special item RAD conversion	-	2,698,846	-	-	-
Extraordinary maintenance and insurance proceeds, net	-	-	(1,391)	-	87,936
NET NONOPERATING (EXPENSES) REVENUE	<u>(326,822)</u>	<u>5,348,754</u>	<u>(326,202)</u>	<u>-</u>	<u>208,243</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	<u>(326,807)</u>	<u>5,008,579</u>	<u>(81,814)</u>	<u>-</u>	<u>(1,147,133)</u>
CAPITAL GRANTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,041,812</u>
CHANGE IN NET POSITION	<u>(326,807)</u>	<u>5,008,579</u>	<u>(81,814)</u>	<u>-</u>	<u>(105,321)</u>
NET POSITION AT BEGINNING OF YEAR	<u>328,284</u>	<u>10,118</u>	<u>378,613</u>	<u>-</u>	<u>28,855,617</u>
NET POSITION AT END OF YEAR	<u>\$ 1,477</u>	<u>\$ 5,018,697</u>	<u>\$ 296,799</u>	<u>\$ -</u>	<u>\$ 28,750,296</u>

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	PUBLIC HOUSING			SECTION 8	ROSS
	AMP 1	AMP 3	AMP 4		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from tenants/participants	\$ 458,248	\$ 774,066	\$ 829,104	\$ -	\$ -
Cash received from operating grants	1,118,506	2,562,713	1,392,129	3,354,514	248,863
Other income received	59,126	218,158	68,280	8,163	-
Cash (payments for) received from interfund services provided	-	-	(9)	10,080	(3,269)
Cash payments to vendors	(1,390,241)	(2,433,412)	(1,732,558)	(191,151)	(46,634)
Cash payments to employees	(352,932)	(967,803)	(453,075)	(213,787)	(198,960)
Cash payments for housing assistance	-	-	(36,197)	(2,830,612)	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(107,293)</u>	<u>153,722</u>	<u>67,674</u>	<u>137,207</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	3,200	49,031	989,581	-	-
Proceeds on sale of capital assets	2,550	7,735	3,779	2,421	-
Acquisition of capital assets	(66,717)	(179,684)	(1,051,651)	-	-
Principal payments	(49,304)	(89,271)	(87,212)	-	-
Interest paid	(2,532)	(4,584)	(3,306)	-	-
NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(112,803)</u>	<u>(216,773)</u>	<u>(148,809)</u>	<u>2,421</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Extraordinary maintenance and insurance proceeds, net	(6,224)	(5,179)	101,476	(650)	-
Special item RAD conversion	-	-	(1,048,419)	-	-
Operating transfers in	-	-	179,822	124,400	-
NET CASH (USED IN) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(6,224)</u>	<u>(5,179)</u>	<u>(767,121)</u>	<u>123,750</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	20,969	71,799	15,763	500	-
NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS	<u>(205,351)</u>	<u>3,569</u>	<u>(832,493)</u>	<u>263,878</u>	<u>-</u>
CASH AND CASH INVESTMENTS AT BEGINNING OF YEAR	<u>1,606,320</u>	<u>5,076,165</u>	<u>1,762,403</u>	<u>99,292</u>	<u>-</u>
CASH AND CASH INVESTMENTS AT END OF YEAR	<u>\$ 1,400,969</u>	<u>\$ 5,079,734</u>	<u>\$ 929,910</u>	<u>\$ 363,170</u>	<u>\$ -</u>

(Continued on page 36)

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED MARCH 31, 2019

	BUSINESS ACTIVITIES	NON-FEDERAL	COMPONENT UNIT	COCC	ELIMINATING ENTRY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from tenants/participants	\$ 146,657	\$ -	\$ 198,096	\$ -	\$ -	\$ 2,406,171
Cash received from operating grants	295,127	-	270,381	-	(414,879)	8,827,354
Other income received	16,229	15	135,981	1,435,037	(1,457,260)	483,729
Cash received from (payments for) interfund services provided	7,996	(7,987)	-	(6,811)	-	-
Cash payments to vendors	(368,694)	(71)	(721,230)	(587,103)	1,457,260	(6,013,834)
Cash payments to employees	(34,645)	-	(33,973)	(546,478)	-	(2,801,653)
Cash payments for housing assistance	-	-	-	-	414,879	(2,451,930)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>62,670</u>	<u>(8,043)</u>	<u>(150,745)</u>	<u>294,645</u>	<u>-</u>	<u>449,837</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants	-	-	-	-	-	1,041,812
Proceeds on sale of capital assets	-	-	-	33,969	-	50,454
Acquisition of capital assets	(811,698)	-	(2,380,779)	(65,139)	-	(4,555,668)
Principal payments	-	-	-	-	-	(225,787)
Interest paid	-	-	-	-	-	(10,422)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(811,698)</u>	<u>-</u>	<u>(2,380,779)</u>	<u>(31,170)</u>	<u>-</u>	<u>(3,699,611)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Extraordinary maintenance and insurance proceeds, net	(96)	-	-	(1,391)	-	87,936
Special item RAD conversion	-	-	1,048,419	-	-	-
Operating transfers (out) in	<u>(2,295,189)</u>	<u>(326,822)</u>	<u>2,642,189</u>	<u>(324,400)</u>	<u>-</u>	<u>-</u>
NET CASH (USED IN) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,295,285)</u>	<u>(326,822)</u>	<u>3,690,608</u>	<u>(325,791)</u>	<u>-</u>	<u>87,936</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	<u>26,666</u>	<u>-</u>	<u>2,973</u>	<u>13,405</u>	<u>-</u>	<u>152,075</u>
NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS	(3,017,647)	(334,865)	1,162,057	(48,911)	-	(3,009,763)
CASH AND CASH INVESTMENTS AT BEGINNING OF YEAR	<u>4,434,330</u>	<u>336,342</u>	<u>10,118</u>	<u>361,859</u>	<u>-</u>	<u>13,686,829</u>
CASH AND CASH INVESTMENTS AT END OF YEAR	<u>\$ 1,416,683</u>	<u>\$ 1,477</u>	<u>\$ 1,172,175</u>	<u>\$ 312,948</u>	<u>\$ -</u>	<u>\$ 10,677,066</u>

(Continued on page 37)

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED MARCH 31, 2019

	PUBLIC HOUSING			SECTION 8	ROSS
	AMP 1	AMP 3	AMP 4		
<u>RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>					
Cash and investments	\$ 1,318,250	\$ 4,726,325	\$ 757,595	\$ -	\$ -
Cash and investments - restricted	<u>82,719</u>	<u>353,409</u>	<u>172,315</u>	<u>363,170</u>	<u>-</u>
CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 1,400,969</u>	<u>\$ 5,079,734</u>	<u>\$ 929,910</u>	<u>\$ 363,170</u>	<u>\$ -</u>
<u>RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</u>					
Operating (loss)	\$ (347,711)	\$ (592,240)	\$ (53,382)	\$ (175,413)	\$ -
Adjustments to reconcile operating (loss) to net cash (used in) provided by operating activities					
Depreciation	247,482	710,210	235,597	4,957	-
Changes in assets and liabilities					
(Increase) decrease in assets					
Accounts receivable	(4,418)	(6,061)	(278)	411	-
Accounts receivable - HUD	(4,201)	200,783	94,196	(18,121)	1,009
Due from other programs	-	-	(9)	-	-
Inventory	6,600	5,641	5,266	-	-
Prepaid expenses	(7,705)	13,119	27,135	2,388	-
Increase (decrease) in liabilities					
Accounts payable	1,613	(209,675)	(149,119)	4,363	1,697
Accounts payable - HUD	-	-	-	302,511	-
Accrued expenses	8,022	30,193	(16,138)	4,154	563
Contingent liability	-	-	-	-	-
Unearned revenue	(1,491)	(3,931)	(9,473)	-	-
Due to other programs	-	-	-	10,080	(3,269)
Due to other governments	(4,248)	7,571	(25,979)	-	-
Tenants' FSS escrow, non-current portion	1,019	133	-	1,877	-
Tenants' security deposits	<u>(2,255)</u>	<u>(2,021)</u>	<u>(40,142)</u>	<u>-</u>	<u>-</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (107,293)</u>	<u>\$ 153,722</u>	<u>\$ 67,674</u>	<u>\$ 137,207</u>	<u>\$ -</u>

(Continued on page 38)

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED MARCH 31, 2019

	<u>BUSINESS ACTIVITIES</u>	<u>NON-FEDERAL</u>	<u>COMPONENT UNIT</u>	<u>COCC</u>	<u>ELIMIMATING EMTRY</u>	<u>TOTAL</u>
<u>RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>						
Cash and investments	\$ 628,372	\$ 1,477	\$ 772,666	\$ 312,948	\$ -	\$ 8,517,633
Cash and investments - restricted	<u>788,311</u>	<u>-</u>	<u>399,509</u>	<u>-</u>	<u>-</u>	<u>2,159,433</u>
CASH AND INVESTMENTS PER STATEMENT OF NET POSITION	<u>\$ 1,416,683</u>	<u>\$ 1,477</u>	<u>\$ 1,172,175</u>	<u>\$ 312,948</u>	<u>\$ -</u>	<u>\$ 10,677,066</u>
<u>RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>						
Operating (loss) income	\$ (90,858)	\$ 15	\$ (340,175)	\$ 244,388	\$ -	\$ (1,355,376)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities						
Depreciation	129,793	-	84,208	45,530	-	1,457,777
Changes in assets and liabilities						
Decrease (increase) in assets						
Accounts receivable	1,613	-	(14,374)	(285)	-	(23,392)
Accounts receivable - HUD	-	-	-	-	-	273,666
Due from other programs	7,987	-	-	(6,811)	(1,167)	-
Inventory	-	-	(17,962)	-	-	(455)
Prepaid expenses	454	-	(32,716)	6,292	-	8,967
Increase (decrease) in liabilities						
Accounts payable	1,106	(71)	53,732	2,668	-	(293,686)
Accounts payable - HUD	-	-	-	-	-	302,511
Accrued expenses	1,372	-	19,599	1,936	-	49,701
Contingent liability	-	-	-	-	-	-
Unearned revenue	1,418	-	11,203	927	-	(1,347)
Due to other programs	9	(7,987)	-	-	1,167	-
Due to other governments	9,249	-	55,087	-	-	41,680
Tenants' FSS escrow, non-current portion	-	-	-	-	-	3,029
Tenants' security deposits	<u>527</u>	<u>-</u>	<u>30,653</u>	<u>-</u>	<u>-</u>	<u>(13,238)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 62,670</u>	<u>\$ (8,043)</u>	<u>\$ (150,745)</u>	<u>\$ 294,645</u>	<u>\$ -</u>	<u>\$ 449,837</u>

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2019

<u>GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PASS-THROUGH GRANT IDENTIFICATION NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs</u>				
Choice Voucher Cluster	14.871			
Housing Choice Vouchers		N/A	-	\$ 3,010,274
Other Public Housing Authorities		N/A	-	<u>59,850</u>
Total Choice Voucher Cluster				<u>3,070,124</u>
Public and Indian Housing	14.850	NA	-	3,731,211
Resident Opportunity & Support Services - Service Coordinator	14.870	N/A	-	96,381
Capital Funds Program	14.872	N/A		2,093,171
Family Self-Sufficiency Program	14.896	N/A	-	<u>151,473</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$9,142,360</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of New Albany and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Housing Authority of the City of New Albany has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 - Disclosure of Other Forms of Assistance

The Housing Authority of the City of New Albany received no federal awards of non-monetary assistance that are required to be disclosed for the fiscal year ended March 31, 2019.

The Housing Authority of the City of New Albany had no loans or loan guarantees required to be disclosed for the fiscal year ended March 31, 2019.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

OTHER REPORTS

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

To the Board of Commissioners
Housing Authority of the City of New Albany
New Albany, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of New Albany (the "Authority"), as of and for the year ended March 31, 2019, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report hereon dated November 7, 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
November 7, 2019

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

To the Board of Commissioners
Housing Authority of the City of New Albany
New Albany, Indiana

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the City of New Albany's (the "Authority") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2019. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 March 31, 2019.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
November 7, 2019

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2019

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

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

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

Identification of federal major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.872	Public Housing Capital Fund

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings - None

Section III - Federal and State Award Findings and Questioned Costs - None

Section IV - Status of Prior Year Findings - None