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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

July 16, 2020

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

We have reviewed the audit report of the Housing Authority of the City of Anderson, which was opined upon by Goldie Roberts, CPA, Independent Public Accountant, for the period April 1, 2018 to March 31, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Anderson, 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.

We call your attention to the two findings in the report on pages 44-45. Please see the Schedule of Findings and Questioned Costs for more detail. Management's Corrective Action Plan immediately follows page 46.

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

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

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF ANDERSON

AUDITED FINANCIAL STATEMENTS

Anderson, Indiana

March 31, 2019

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
812-472-3527

HOUSING AUTHORITY OF THE
CITY OF ANDERSON

Anderson, Indiana
March 31, 2019

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Anderson
528 W 11th Street
Anderson, Indiana 46016

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Anderson ("the Authority") which comprise the Statement of Net Position as of March 31, 2019, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the City of Anderson's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Anderson as of March 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vii and Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions on pages 23 through 24 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, 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 other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2019 on my consideration of the Housing Authority of the City of Anderson's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Housing Authority of the City of Anderson's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
December 10, 2019

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2019

The Anderson Housing Authority management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net position increased during 2019. Net Position was \$2,300,558 and \$2,998,866 for 2018 and 2019 respectively.
- Revenues increased by \$677,668 during 2019 and were \$8,257,684 and \$8,941,066 for 2018 and 2019 respectively.
- The total expenses of all Authority programs increased by \$813,665. Total operating expenses were \$9,138,519 and \$8,324,854 for 2019 and 2018 respectively.

USING THIS ANNUAL REPORT

The report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information".

The primary focus of the Authority's financial statements is on the Authority as a whole (Authority-wide).

AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

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

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2019

(continued)

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

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense. The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

FUND FINANCIAL STATEMENTS

The Authority is accounted for as an Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

THE AUTHORITY'S PROGRAMS

Conventional Public Housing – The Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. Under the Conventional Public Housing Program, the Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. Also, the Authority administers a Home Ownership Program. The programs are administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2019

(continued)

COMPARATIVE STATEMENT OF NET POSITION
AUTHORITY-WIDE STATEMENTS

The following report reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

	2019	2018	Net Change	Percent Variance
Cash and Equivalents	\$849,628	\$518,938	\$330,690	38.9%
Other Assets	32,622	59,832	-27,210	-83.4%
Capital Assets	3,740,115	2,306,432	1,433,683	38.3%
Deferred Outflow of Resources	68,709	182,171	-113,462	-165.1%
Total Assets	4,691,074	3,067,373	1,737,163	37.0%
Current Liabilities	175,283	68,472	106,811	60.9%
Non Current Liabilities	1,403,213	656,164	747,049	53.2%
Deferred Inflow of Resources	113,712	42,179	71,533	62.9%
Total Liabilities	1,692,208	766,815	853,860	50.5%
Tot Liab & Inflow of Resources	1,692,208	766,815	853,860	50.5%
Net Investment in Capital Assets	2,650,036	2,306,432	343,604	13.0%
Restricted Net Position	308,376	227,713	80,663	26.2%
Unrestricted Net Position	40,454	-233,587	274,041	677.4%
Total Net Position	2,998,866	2,300,558	698,308	30.4%
Total Liabilities & Net Position	\$4,691,074	\$3,067,373	\$1,623,701	34.6%

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2019

(continued)

Major Factors Affecting the Statement of Net Position

The change in cash is primarily due to net increases in funding from Federal sources and increased tenant revenues. In addition the Westwood LP program was added to the financial reports this year under Component units

The change in Capital Assets is due to a net increase in buildings partially offset by the annual increase in accumulated depreciation.

Overall assets increased by \$1,737,163, liabilities were increased by \$853,860.

The results of income from operations for the year was -\$197,453, however there was a prior period adjustment made in the amount of \$895,761 from the previous year. This was to reflect the addition of the Westwood LP program added to these financial reports, this year, under the Component units. As a result, there was an adjusted increase to Net Position in the amount of \$698,308. This reflects an increase of 30%.

The following report presents details on the change in Net Position.

CHANGE OF NET POSITION

Net Position 03/31/2018		\$ 2,300,558
Results of Operations		-197,453
Prior Period Adjustment		<u>895,761</u>
Net Position 03/31/2019		<u>\$ 2,998,866</u>
Variance	03/31/2018-03/31/2019	698,308
% Change	03/31/2018-03/31/2019	30.8%

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2019

(continued)

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

	2019	2018	Net Change	% variance
Operating Revenues				
Charges to tenants	\$318,439	\$56,573	\$261,866	462.9%
Fraud Recovery	2,531	2,077	454	21.9%
Federal Sources	7,999,139	7,984,540	14,599	0.2%
Other Revenues	615,243	214,494	400,749	186.8%
Total Operating Revenues	<u>8,935,352</u>	<u>8,257,684</u>	<u>677,668</u>	<u>8.2%</u>
Operating Expenses				
Administrative	1,067,354	900,846	166,508	18.5%
Utilities	110,059	112,008	-1,949	-1.7%
Maintenance	603,964	273,671	330,293	120.7%
General Expenses	339,875	152,529	187,346	122.8%
Housing Assistance Payments	6,655,117	6,675,586	-20,469	-0.3%
Depreciation Expense	362,150	210,214	151,936	72.3%
Total Operating Expenses	<u>\$9,138,519</u>	<u>\$8,324,854</u>	<u>813,665</u>	<u>9.8%</u>
Operating Income (Loss)	-203,167	-67,170	-135,997	202.5%
Non-Operating Expenses				
Investment Income	5,714	1,358	4,356	320.8%
Non Routine Maintenance	0	4,458	-4,458	-100.0%
Total nonoperating revenue (expenses)	<u>5,714</u>	<u>5,816</u>	<u>-102</u>	<u>-1.8%</u>
Income (loss) before contributions	-197,453	-61,354	-136,099	221.8%
Capital Grants	0	18,000	-18,000	-100.0%
Change in Net Position	-197,453	-43,355	-154,098	355.4%
Net Position-beginning	2,300,558	2,343,913	-43,355	-1.8%
Prior Period Adjustment	895,761	0	895,761	100.0%
Net Position-ending	<u>\$2,998,866</u>	<u>\$2,300,558</u>	<u>\$698,308</u>	<u>30.4%</u>

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

The increase in Revenue is primarily due to increases in Fraud Recovery, Federal Sources and Other Revenues.

Tenant revenue increased by 456.2%. Fraud recovery increased by 21.9%, and other revenues increased by 186.8%.

Total operating expenses increased by 9.8% mostly due to an increase in general expenses by 122.8%.

**HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**March 31, 2019
(continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of year-end, the Authority had \$3,740,115 invested in a variety of Capital Assets as reflected in the following report, which represents a net increase (additions, deductions and depreciation) of \$1,433,683 from the end of last year.

COMPARATIVE STATEMENT OF CAPITAL ASSETS

	2019	2018	\$ change
Land	\$355,234	\$316,777	\$38,457
Buildings	7,676,065	6,243,767	1,432,298
Dwelling Equipment	148,578	144,740	3,838
Administrative Equipment	316,336	217,077	99,259
Leasehold Improvements	450,936	0	450,936
Construction in Process	0	18,000	(18,000)
Accumulated Depreciation	(5,207,034)	(4,633,929)	(573,105)
Total Land Structures and Equipment	<u>\$3,740,115</u>	<u>\$2,306,432</u>	<u>\$1,433,683</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on the notes.

CHANGE IN CAPITAL ASSETS

Beginning Balance, April 1, 2018	\$ 2,306,432
Additions (Disposals)	2,006,788
Depreciation and Amortization	<u>(573,105)</u>
Ending Balance, March 31, 2019	\$ <u>3,740,115</u>
_ Variance—3/31/18 & 3/31/19	<u>1,433,683</u>

Debt Outstanding

At year-end, the Authority had \$1,090,079 in debt outstanding.

**HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana**

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2019

(continued)

BUDGETARY HIGHLIGHTS

For the Year Ended March 31, 2019, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. (Also, the Authority adopted a comprehensive annual budget for the General Fund). The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is the Executive Director of the Housing Authority of the City of Anderson, Indiana

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

STATEMENT OF NET POSITION
MARCH 31, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$	299,721
Restricted cash and cash equivalents		549,907
Accounts receivable, net		24,034
Prepaid expenses		6,307
Inventory, net		2,281
Current Assets		882,250

Capital Assets

Land and other nondepreciable assets		355,234
Depreciable capital assets, net		3,384,881
Total Capital Assets		3,740,115

Total Assets		4,622,365
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Deferred outflow of resources

Pension related		68,709
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Total Assets and Deferred Outflow of Resources		4,691,074
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LIABILITIES

Current liabilities

Accounts payable		13,145
Accrued liabilities		46,552
Payable from restricted cash and cash equivalents:		
Tenants security deposits		29,110
Current portion of long term debt		82,800
Unearned revenue		3,676
Total Current Liabilities		175,283

Noncurrent liabilities

Accrued compensated absences		27,355
Long term debt		1,007,279
Net Pension Liability		368,579
Noncurrent Liabilities		1,403,213

Total Liabilities		1,578,496
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Deferred inflow of resources

Pension related		113,712
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NET POSITION

Investment in capital assets		2,650,036
Restricted		308,376
Unrestricted		40,454
Total Net Position		\$ 2,998,866

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

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED MARCH 31, 2019

OPERATING REVENUES

Rental income	\$	514,388
Other income		316,400

TOTAL OPERATING REVENUE		830,788
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OPERATING EXPENSES

Administrative		1,067,352
Utilities		110,059
Ordinary maintenance and operation		607,654
Tenant services		2,186
General expense		333,999
Housing Assistance Payments		6,655,117
Depreciation expense		362,150

TOTAL OPERATING EXPENSES		9,138,517
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OPERATING INCOME (LOSS)		(8,307,729)
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NONOPERATING REVENUES

Federal operating grants		8,104,562
Interest income		5,714

NET NONOPERATING REVENUES		8,306,225
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CAPITAL CONTRIBUTIONS		0
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CHANGE IN NET POSITION		(1,504)
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TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated		2,300,558
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Prior period adjustment / equity transfer		895,761
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TOTAL NET POSITION - BEGINNING OF YEAR, as restated		3,196,319
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TOTAL NET POSITION - END OF YEAR	\$	2,998,866
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 632,379
Payments to vendors	(1,474,291)
Payments to landlords	(6,655,117)
Payments to employees	(917,653)
Net Cash Used by Operating Activities	<u>(8,414,682)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received	8,300,511
Net Cash From Noncapital Financing Activities	<u>8,300,511</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	0
Increase in debt	641,919
Acquisition and construction of capital assets	(175,772)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>466,147</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	5,714
Net Cash From Investing Activities	<u>5,714</u>

Net Increase in Cash and Cash Equivalents 357,690

Cash - Beginning of year 491,938

Cash - End of year \$ 849,628

Reconciliation of Deposits:

Cash and cash equivalents \$ 299,721

Restricted cash and cash equivalents 549,907

Total Deposits \$ 849,628

Continued

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

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

Operating income (loss)	\$	(8,503,678)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation		362,150
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(2,460)
Prepaid expenses		29,670
Inventory		0
Increase (Decrease) in:		
Accounts payable		13,262
Accrued liabilities		7,780
Pension related		(321,406)
		<hr/>
Net Cash Used by Operating Activities	\$	<u>(8,414,682)</u>

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

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE A - Summary of Significant Accounting Policies:

The financial statements of the Housing Authority of The City of Anderson ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Housing Authority of The City Of Anderson is a political subdivision both corporate and politic which was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a public housing program (Contract No. C-2057) and section 8 program (Contract No. C-2017).

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Anderson, a primary government.

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

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

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

We were not engaged to audit the financial statements of the Westwood Estate, L.P., component units. Westwood Estates L.P. was formed in 1996 for the purpose of constructing 49 housing units in a specified area of the City of Anderson, Indiana. The units are rented to low-income individuals and as a result, federal Income tax credits are available to investors. Westwood Estates, L.P, will terminate on December 31, 2045 unless otherwise dissolved according to the partnership agreement.

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

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

	Housing Authority of the City of Anderson	Component Unit	Total
<u>Condensed Statement of Net Position</u>			
Current assets	\$ 591,050	\$ 291,200	\$ 882,250
Capital assets	2,115,461	1,624,654	3,740,115
Deferred outflow	68,709	0	68,709
Total assets	<u>\$ 2,775,220</u>	<u>\$ 1,915,854</u>	<u>\$ 4,691,074</u>
Current liabilities	\$ 75,131	\$ 114,562	\$ 189,693
Non-current liabilities	395,934	1,007,279	1,403,213
Total liabilities	<u>\$ 471,065</u>	<u>\$ 1,121,841</u>	<u>\$ 1,592,906</u>
Deferred inflow	<u>113,712</u>	<u>0</u>	<u>113,712</u>
Investment in capital assets	\$ 2,115,461	\$ 534,575	\$ 2,650,036
Unrestricted	(233,394)	273,848	40,454
Restricted	<u>308,376</u>	<u>0</u>	<u>308,376</u>
Total Net Position	<u>\$ 2,190,443</u>	<u>\$ 808,423</u>	<u>\$ 2,998,866</u>

<u>Condensed Statement of Revenues, Expenses and Changes in Net Position</u>			
Operating revenues	\$ 356,957	\$ 277,882	\$ 634,839
Operating expenses			
Operating expense - other	(8,382,479)	(393,888)	(8,776,367)
Depreciation expense	(194,809)	(167,341)	(362,150)
Non-operating revenue			
Non-operating revenue			
Interest	5,654	60	5,714
Federal operating grants	8,104,562	195,949	8,300,511
Capital contributions	<u>0</u>	<u>0</u>	<u>0</u>
Change in net position	(110,115)	(87,338)	(197,453)
Net Position, beginning of year	<u>2,300,558</u>	<u>895,761</u>	<u>3,196,319</u>
Net Position, end of year	<u>\$ 2,190,443</u>	<u>\$ 808,423</u>	<u>\$ 2,998,866</u>

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

	<u>Housing Authority of the City of Anderson</u>	<u>Component Unit</u>	<u>Total</u>
<u>Condensed Statement of Cash Flows</u>			
Net Cash Provided (Used) by			
Operating Activities	\$ (8,298,676)	\$ (116,006)	\$ (8,414,682)
Net Cash From Noncapital			
Financing Activities	8,104,562	195,949	8,300,511
Net Cash Flows Used by Capital and Related Financing Activities	381,903	84,244	466,147
Net Cash From Investing Activities	5,714	0	5,714
Net Increase in Cash and Cash Equivalents	<u>193,503</u>	<u>164,187</u>	<u>357,690</u>
Cash - Beginning of year	<u>369,405</u>	<u>122,533</u>	<u>491,938</u>
Cash - End of year	<u>\$ 562,908</u>	<u>\$ 286,720</u>	<u>\$ 849,628</u>

The financial statements of the Housing Authority of The City of Anderson include the following:

The Authority had 1488 units in management at March 31, 2019:

<u>Project</u>	<u>Units</u>
Authority owned	128
Component Units	59
Housing Assistance Payments Program: Vouchers	<u>1301</u>
Total	<u>1488</u>

The Authority is also administering a Capital Fund Grants Program.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Basis of Presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resource measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The grant budgets are adopted on a "project length" basis.

Budget compared to Actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board. This budget does not represent an appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Housing Authority Board takes quarterly action as required to write off specific uncollectible accounts' receivable balances.

Prepaid - Prepays represent payments made to vendors for services that will benefit beyond March 31, 2019.

Inventories - Inventories (if any) are valued at cost, which approximates market value, using the first-in/first/out (FIFO) method. The consumption method is applied, and expense is charged when inventory items are used for the units.

Interprogram Due From and Due To - During the course of its operations, the Authority has inter-program transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram balances have been eliminated for financial statement reporting purposes.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Capital Assets - Capital assets purchased are recorded as expenditures (capital outlay) at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. It is the policy of the Authority to capitalize assets costing \$1,000 or more.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building & Improvements	15-27.5 years
Furniture, Equipment & Machinery	5-15 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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 liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Income associated with these leases is recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year but is affected by general economic conditions which impact personal income, such as local job availability.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources as they are allowed.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD always requires that deposits of HUD program funds be fully insured or collateralized. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

A. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At March 31, 2019, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. Credit Risk: This is a risk that a security or a portfolio will lose some or all, of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

The carrying amounts of the Authority's cash deposits were \$849,628 at March 31, 2019. Bank balances before reconciling items were \$849,628 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name. Restricted deposits include security deposits.

Deposits consist of the following:

Checking/Money Market accounts	\$ 822,619
Certificates of Deposit	<u>27,009</u>
Total	<u>\$ 849,628</u>

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE C - Accounts Receivable:

Accounts receivable at March 31, 2019, consist of the following:

Accounts receivable - Projects	\$ 4,323
Tenant accounts receivable - net of allowance for Doubtful accounts of \$ 14,649	15,754
Accounts receivable - Misc.	3,957
Total	\$ 24,034

NOTE D - Prepaid Expenses:

Prepaid expenses at March 31, 2019, consist of the following:

Prepaid insurance	\$ 6,307
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NOTE E- Inventory:

Inventory at March 31, 2019, consists of the following:

Materials and supplies, net of allowance of \$ 254	\$ 2,281
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Materials inventories are recorded at cost. The FIFO inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 03/31/18	Increases	Decreases	Transfers	Ending Balance 03/31/19
Capital assets, not Being depreciated:					
Land	\$ 316,777	\$ 38,457	\$ 0	\$ 0	\$ 355,234
Construction in Progress	18,000	0	(18,000)	0	0
Total Capital Assets, Not being depreciated	334,777	38,457	(18,000)	0	355,234
Capital Assets, being Depreciated:					
Buildings & Improvements	6,243,767	1,883,234	0	0	8,127,001
Furniture, Equipment & Machinery	361,817	103,097	0	0	464,914
Total Capital Assets, Being depreciated	6,605,584	1,986,331	0	0	8,591,915
Total Accumulated Depreciation:	(4,633,929)	(573,105)	0	0	(5,207,034)
Total Capital Assets, Being depreciated, net	1,971,655	1,413,226	0	0	3,384,881
Capital Assets, Net	\$ 2,306,432	\$ 1,451,683	\$ (18,000)	\$ 0	\$ 3,740,115

Depreciation expense of \$362,150 was incurred during the year.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
(Continued)

NOTE G - Accounts payable:

Accounts payable at March 31, 2019, consist of the following:

Vendors' Accounts payable	\$ <u>13,145</u>
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NOTE H - Accrued liabilities:

Accrued liabilities at March 31, 2019 consist of the following:

Accrued Wages/Payroll Taxes	\$ 43,513
Accrued Compensated Absences	<u>3,039</u>
 Total	 \$ <u>46,552</u>

NOTE I- Unearned Revenue:

Unearned Revenue at March 31, 2019, consists of the following:

Prepaid rent	\$ <u>3,676</u>
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NOTE J - Long-Term Debt:

At December 31, 2018, a long-term debt consisted of the following:

Westwood Estates, L.P. obtained a note, payable to Star Financial Bank in the original amount of \$1,104,040 with a fixed interest rate of 5.08%. The Loan requires monthly principal and interest payments of \$11,795 and matures on June 1, 2028. The Loan is secured by a mortgage on certain real estate and an assignment of leases and rents.

	Total debt payable		\$ 1,090,079
	Current portion		<u>82,800</u>
	Long term		<u>\$ 1,007,279</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 82,800	\$ 58,740	\$ 141,540
2020	92,796	48,744	141,540
2021	97,622	43,918	141,540
2022	102,698	38,842	141,540
2023	108,038	33,502	141,540
2024-2028	<u>606,125</u>	<u>77,295</u>	<u>683,420</u>
Total	<u>\$ 1,090,079</u>	<u>\$ 301,041</u>	<u>\$ 1,391,120</u>

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE K - Federal Operating Grants:

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Low Rent Public Housing	\$ 725,303
Capital Fund Program	241,587
Housing Choice Vouchers	7,273,836
Other Government Grants	<u>136,164</u>
Total	<u>\$ 8,104,562</u>

NOTE L - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries the following insurance coverage: Commercial General Liability, Auto, Real & Personal Property, Commercial Liability, and Workers' Compensation. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE M - Pension Plan:

Description of Pension Plan

The Housing Authority of the City of Anderson (Housing Authority) participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Indiana Public Retirement System (INPRS) and is based on Title 35 of IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). The Public Employees' Retirement Fund (PERF) Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees. INPRS financial reports are available online at www.in.gov/inprs/annualreports.htm.

Members include officers and employees of units of State and local governments in Indiana (referred to as political subdivisions), including counties, cities, towns, townships, libraries, and school corporations. The political subdivisions become participants by resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid Plan.

Benefits Provided

Retirement benefits consist of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits vest after 10 years of creditable service. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
(Continued)

NOTE M - Pension Plan: (Continued)

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit.

A member who is at least 55 years old and has age plus number of years of creditable service of at least 85 is entitled to 100% of the benefits described above.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA provided for the year ended June 30, 2018; however, eligible members received a one-time check in October of 2018.

The PERF Hybrid Plan also provides disability and survivor benefits.

Contributions

Members are required by statute to make contributions to the plan as determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. During fiscal year 2019, all participating employers contributed an average rate of 11.2% of covered payroll. The Authority's required contribution to the plan for the fiscal year ended March 31, 2019 was \$50,632. A contribution of 3% of covered payroll (\$13,556), was contributed by the employees into the annuity savings account portion.

Employer Allocations

Wages reported by employers relative to the collective wages of the plan serve as the basis to determine the employer's proportionate share. The basis of allocation measures the proportionate relationship of an employer to all employers, and is consistent with the manner in which contributions to the pension plan are determined.

At June 30, 2018, the Authority's proportionate share was 0.0001085%.

Net Pension Liability

At June 30, 2018, the Authority reported a liability of \$368,579. The proportionate share of the liability as of June 30, 2017 was \$567,062.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, was determined using member census data as of June 30, 2017 and adjusted, as appropriate to reflect changes between June 30, 2017 and June 30, 2018. The valuation results from June 30, 2017 were rolled to June 30, 2018 to reflect benefits accruals during the year less benefits paid. Key methods and assumptions used in calculating the total pension liability are presented below:

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE M - Pension Plan: (Continued)

Price inflation	2.25%
Cost of Living Increases	1.00%
Salary increases, including wage increases	2.5% to 4.25%, including inflation
Long-Term rate of return, net of investment expense, and including price inflation	6.75%

Mortality assumption (healthy) rates were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement inherent in the Social Security Administration's 2014 Trustee report. Disabled mortality assumption rates were based on the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table with future mortality improvement inherent in the social Security Administration's 2014 Trustee report.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were undated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term expected rate of return of pension plan investments was determined using a building-block approach that considered the target asset allocation from the Board's investment policy and capital market forecasts from various investment professionals.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE M - Pension Plan: (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Actual Allocations	Target Range
Public equity	22.1%	19.5 to 24.5%
Private equity	12.2%	10.0 to 18.0
Fixed Income-Ex Inflation-Linked	19.8%	17.0 to 23.0
Fixed Income - Inflation-Linked	7.4%	4.0 to 10.0
Real estate	6.1%	3.5 to 10.5
Commodities	9.0%	6.0 to 10.0
Absolute Return	10.2%	6.0 to 14.0
Risk Parity	12.1%	7.0 to 17.0
Cash Overlay	1.1%	N/A
Total	100%	100%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% and is equal to long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of: 1) the current contribution rate of 11.2%, or 2) the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations.

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

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

1% Decrease (5.75%)	Discount rate (6.75%)	1% Increase (7.75%)
\$580,203	\$368,579	\$192,108

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019
(Continued)

NOTE M - Pension Plan: (Continued)

Pension Expense

For the year ended March 31, 2019, the Housing Authority recognized pension expense of \$39,503, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$4,820	\$25
Net differences between projected and actual investment earnings on pension plan investments	\$10,916	\$0
Change of assumptions	\$878	\$59,181
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$13,296	\$54,506
Contributions made after plan year end (measurement date)	\$38,799	\$0
Total	\$68,709	\$113,712

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

Amortization of net deferred outflows/(inflows) of resources - debit/(credit)	
2019	\$(621)
2020	\$(32,313)
2021	\$(44,340)
2022	\$(6,528)
2023	\$0
Thereafter	\$0
Total	\$(83,802)

The information presented above has not been audited.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE N - Component Units:

Anderson Housing INC. (AHI) was formed in 1995 for the purpose of providing affordable housing to low-income individuals in Anderson, Indiana.

Wholly owned subsidiary, Westwood Estates, INC, owns all partnership interests of Westwood Estates, L.P., and a partnership formed for the purpose of constructing 49 units to be rented to low-income individuals.

NOTE O - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority of the City of Anderson. HUD no longer provides the Authority with Debt services information since the Authority has no obligation for the debt.

NOTE P - Economic Dependency:

The Authority receives approximately 93% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE Q - Commitments and Contingencies:

Litigation: We have made available to you the details regarding all pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the basic financial statements in accordance with Statement of Financial Accounting Standard No. 5. Additionally, we have advised all lawyers with whom we have consulted to provide to you such information regarding litigation, claims or assessments.

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations during the year ended March 31, 2019.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

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

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

(Continued)

NOTE R - Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through December 10, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

REQUIRED SUPPLEMENTARY INFORMATION
March 31, 2019

SCHEDULE OF HOUSING AUTHORITY OF THE CITY OF ANDERSON
Proportionate Share of the Net Pension Liability

INPRS Pension Plan
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
Authority's Proportion of the Net Pension Liability / Asset	0.0001265%	0.0001204%	0.0001164%	0.0001271%	0.0001085%
Authority's Proportionate Share of the Net Pension Liability	\$332,434	\$490,377	\$528,275	\$567,062	\$368,579
Authority's Covered-Employee Payroll	\$617,495	\$576,476	\$557,850	\$630,326	\$553,524
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	53.84%	85.06%	94.70%	89.96%	66.59%

(1) Information prior to 2014 is not available.

Note: Additional years information will be presented when available

* The amounts for each fiscal year were determined as of 6/30

ANDERSON HOUSING AUTHORITY
Anderson, Indiana

REQUIRED SUPPLEMENTARY INFORMATION
March 31, 2019

SCHEDULE OF ANDERSON HOUSING AUTHORITY'S
PERF Schedule of Ten Year Contributions

INPRS Pension Plan
Last Ten Fiscal Years *

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required	\$63,581	\$64,565	\$62,479	\$70,596	\$61,395
Contributions in Relation to the					
Contractually Required Contribution	\$63,581	\$64,565	\$62,479	\$70,596	\$61,395
Authority's Covered-Employee Payroll	\$617,495	\$576,476	\$557,850	\$630,326	\$553,524
Contributions as a Percentage of					
Covered-Employee Payroll	10.30%	11.20%	13.10%	10.20%	10.20%

Note: Additional years information will be presented when available

* The amounts for each fiscal year were determined as of 6/30

(1) Information prior to 2014 is not available.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION
MARCH 31, 2019

	Annual Contributions Contracts		
	C-2057	C-2057	IN006
	Low		
	Income	Capital	
	Public	Fund	Section 8
	Housing	Programs	Vouchers
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 40,155	\$ 0	\$ 155,280
Restricted cash and cash equivalents	59,097	0	308,376
Accounts receivable, net	12,790	0	6,764
Prepaid expenses	5,567	0	740
Inventory, net	2,281	0	0
Total Current Assets	119,890	0	471,160
<u>Capital Assets</u>			
Land and other nondepreciable assets	316,777	0	0
Depreciable capital assets, net	1,797,924	0	760
Total Capital Assets	2,114,701	0	760
<u>Deferred outflow of resources</u>			
Pension related	31,334	0	37,375
Total Assets and Deferred Outflow of Resources	2,265,925	0	509,295
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	13,145	0	0
Accrued liabilities	10,742	0	35,810
Payable from restricted cash and cash equivalents:			
Tenants security deposits	14,700	0	0
Current portion of long term debt	0	0	0
Interfund	0	0	0
Unearned revenue	734	0	0
Total Current Liabilities	39,321	0	35,810
<u>Noncurrent liabilities</u>			
Accrued compensated absences	5,331	0	22,024
Long term debt	0	0	0
Net Pension Liability	168,087	0	200,492
Noncurrent Liabilities	173,418	0	222,516
Total liabilities	212,739	0	258,326
<u>Deferred inflow of resources</u>			
Pension related	51,857	0	61,855
<u>NET POSITION</u>			
Investment in capital assets	2,114,701	0	760
Restricted	0	0	308,376
Unrestricted	(113,372)	0	(120,022)
Total Net Position	\$ 2,001,329	\$ 0	\$ 189,114

Component Unit	Interfund Elimination	Total
\$ 104,286	\$ 0	\$ 299,721
182,434	0	549,907
4,480	0	24,034
0	0	6,307
0	0	2,281
<u>291,200</u>	<u>0</u>	<u>882,250</u>
38,457		355,234
1,586,197		3,384,881
<u>1,624,654</u>	<u>0</u>	<u>3,740,115</u>
0	0	68,709
<u>1,915,854</u>	<u>0</u>	<u>4,691,074</u>
0	0	13,145
0	0	46,552
14,410	0	29,110
82,800	0	82,800
14,410	0	14,410
2,942	0	3,676
<u>114,562</u>	<u>0</u>	<u>189,693</u>
0	0	27,355
1,007,279	0	1,007,279
0	0	368,579
<u>1,007,279</u>	<u>0</u>	<u>1,403,213</u>
<u>1,121,841</u>	<u>0</u>	<u>1,592,906</u>
0	0	113,712
534,575	0	2,650,036
0	0	308,376
273,848	0	40,454
<u>\$ 808,423</u>	<u>\$ 0</u>	<u>\$ 2,998,866</u>

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

COMBINING SCHEDULE OF REVENUES, EXPENSES AND PROGRAM CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED MARCH 31, 2019

	Annual Contributions Contracts		
	C-2045 Low Income Public Housing	C-2045 Capital Fund Programs	IN067 Section 8 Vouchers
<u>OPERATING REVENUES</u>			
Rental income	\$ 80,323	\$ 0	\$ 0
Other income	80,225	0	196,409
TOTAL OPERATING REVENUE	160,548	0	196,409
<u>OPERATING EXPENSES</u>			
Administrative	217,616	0	734,438
Tenant services	0	0	0
Utilities	97,914	0	5,501
Ordinary maintenance and operation	458,159	0	16,616
Protective services	0	0	2,186
General expense	80,097	0	114,835
Housing Assistance Payments	0	0	6,655,117
Depreciation expense	194,714	0	95
TOTAL OPERATING EXPENSES	1,048,500	0	7,528,788
OPERATING INCOME (LOSS)	(887,952)	0	(7,332,379)
<u>NONOPERATING REVENUES</u>			
Federal operating grants	483,716	241,587	7,379,259
Gain on sale of capital assets	0	0	0
Interest income	1,616	0	4,038
NET NONOPERATING REVENUES	485,332	241,587	7,383,297
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET POSITION	(402,620)	241,587	50,918
TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	2,162,362	0	138,196
Prior period adjustment / equity transfer	241,587	(241,587)	0
TOTAL NET POSITION - BEGINNING OF YEAR, as restated	2,403,949	(241,587)	138,196
TOTAL NET POSITION - END OF YEAR	\$ 2,001,329	\$ 0	\$ 189,114

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Component		
<u>Unit</u>	<u>Elimination</u>	<u>Total</u>
\$ 434,065	\$ 0	\$ 514,388
39,766	0	316,400
<u>473,831</u>	<u>0</u>	<u>830,788</u>
115,298	0	1,067,352
0	0	0
6,644	0	110,059
132,879	0	607,654
0	0	2,186
139,067	0	333,999
0	0	6,655,117
167,341	0	362,150
<u>561,229</u>	<u>0</u>	<u>9,138,517</u>
<u>(87,398)</u>	<u>0</u>	<u>(8,307,729)</u>
0	0	8,104,562
0	0	0
60	0	5,714
<u>60</u>	<u>0</u>	<u>8,110,276</u>
<u>0</u>	<u>0</u>	<u>0</u>
<u>(87,338)</u>	<u>0</u>	<u>(197,453)</u>
0	0	2,300,558
<u>895,761</u>	<u>0</u>	<u>895,761</u>
<u>895,761</u>	<u>0</u>	<u>3,196,319</u>
<u>\$ 808,423</u>	<u>\$ 0</u>	<u>\$ 2,998,866</u>

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

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$13,146	\$155,280	\$104,286	\$272,712		\$272,712
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$30,199	\$308,376		\$338,575		\$338,575
114 Cash - Tenant Security Deposits	\$28,164		\$14,410	\$42,574		\$42,574
115 Cash - Restricted for Payment of Current Liabilities	\$734			\$734		\$734
100 Total Cash	\$72,243	\$463,656	\$118,696	\$654,595	\$0	\$654,595
121 Accounts Receivable - PHA Projects		\$4,323		\$4,323		\$4,323
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$3,957			\$3,957		\$3,957
126 Accounts Receivable - Tenants	\$13,323	\$9,481	\$7,599	\$30,403		\$30,403
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,490	-\$7,040	-\$3,119	-\$14,649		-\$14,649
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$12,790	\$6,764	\$4,480	\$24,034	\$0	\$24,034
131 Investments - Unrestricted	\$27,009			\$27,009		\$27,009
132 Investments - Restricted			\$168,024	\$168,024		\$168,024
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$5,567	\$740		\$6,307		\$6,307
143 Inventories	\$2,535			\$2,535		\$2,535
143.1 Allowance for Obsolete Inventories	-\$254			-\$254		-\$254
144 Inter Program Due From						
145 Assets Held for Sale						

150 Total Current Assets	\$119,890	\$471,160	\$291,200	\$882,250	\$0	\$882,250
161 Land	\$316,777		\$38,457	\$355,234		\$355,234
162 Buildings	\$6,243,767		\$1,431,763	\$7,675,530		\$7,675,530
163 Furniture, Equipment & Machinery - Dwellings	\$148,578			\$148,578		\$148,578
164 Furniture, Equipment & Machinery - Administration	\$186,536	\$48,541	\$81,259	\$316,336		\$316,336
165 Leasehold Improvements			\$450,936	\$450,936		\$450,936
166 Accumulated Depreciation	-\$4,780,957	-\$47,781	-\$378,296	-\$5,207,034		-\$5,207,034
167 Construction in Progress						
168 Infrastructure			\$535	\$535		\$535
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,114,701	\$760	\$1,624,654	\$3,740,115	\$0	\$3,740,115
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets			\$0	\$0		\$0
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$2,114,701	\$760	\$1,624,654	\$3,740,115	\$0	\$3,740,115
200 Deferred Outflow of Resources	\$31,334	\$37,375		\$68,709		\$68,709
290 Total Assets and Deferred Outflow of Resources	\$2,265,925	\$509,295	\$1,915,854	\$4,691,074	\$0	\$4,691,074
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$13,145			\$13,145		\$13,145
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$10,150	\$33,363		\$43,513		\$43,513
322 Accrued Compensated Absences - Current Portion	\$592	\$2,447		\$3,039		\$3,039
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits	\$14,700		\$14,410	\$29,110		\$29,110
342 Unearned Revenue	\$734		\$2,942	\$3,676		\$3,676
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$82,800	\$82,800		\$82,800
344 Current Portion of Long-term Debt - Operating Borrowings						

345 Other Current Liabilities						
346 Accrued Liabilities - Other						
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$39,321	\$35,810	\$100,152	\$175,283	\$0	\$175,283
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$1,007,279	\$1,007,279		\$1,007,279
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current	\$5,331	\$22,024		\$27,355		\$27,355
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$168,087	\$200,492		\$368,579		\$368,579
350 Total Non-Current Liabilities	\$173,418	\$222,516	\$1,007,279	\$1,403,213	\$0	\$1,403,213
300 Total Liabilities	\$212,739	\$258,326	\$1,107,431	\$1,578,496	\$0	\$1,578,496
400 Deferred Inflow of Resources	\$51,857	\$61,855		\$113,712		\$113,712
508.4 Net Investment in Capital Assets	\$2,114,701	\$760	\$534,575	\$2,650,036	\$0	\$2,650,036
511.4 Restricted Net Position	\$0	\$308,376	\$0	\$308,376	\$0	\$308,376
512.4 Unrestricted Net Position	-\$113,372	-\$120,022	\$273,848	\$40,454	\$0	\$40,454
513 Total Equity - Net Assets / Position	\$2,001,329	\$189,114	\$808,423	\$2,998,866	\$0	\$2,998,866
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,265,925	\$509,295	\$1,915,854	\$4,691,074	\$0	\$4,691,074

Housing Authority of the City of Anderson (IN006)

ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$72,573		\$232,344	\$304,917		\$304,917
70400 Tenant Revenue - Other	\$7,750		\$5,772	\$13,522		\$13,522
70500 Total Tenant Revenue	\$80,323	\$0	\$238,116	\$318,439	\$0	\$318,439
70600 HUD PHA Operating Grants	\$725,303	\$7,273,836		\$7,999,139		\$7,999,139
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants		\$105,423	\$195,949	\$301,372		\$301,372
71100 Investment Income - Unrestricted	\$1,616	\$4,038	\$60	\$5,714		\$5,714
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery		\$2,302	\$229	\$2,531		\$2,531
71500 Other Revenue	\$80,225	\$194,107	\$39,537	\$313,869		\$313,869
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted			\$0	\$0		\$0
70000 Total Revenue	\$887,467	\$7,579,706	\$473,891	\$8,941,064	\$0	\$8,941,064
91100 Administrative Salaries	\$92,548	\$401,799	\$6,250	\$500,597		\$500,597
91200 Auditing Fees	\$5,565	\$5,565	\$10,677	\$21,807		\$21,807
91300 Management Fee			\$25,544	\$25,544		\$25,544
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$1,448	\$3,066	\$22	\$4,536		\$4,536
91500 Employee Benefit contributions - Administrative	\$46,590	\$239,429	\$0	\$286,019		\$286,019
91600 Office Expenses	\$47,114	\$51,037	\$53,988	\$152,139		\$152,139

91700 Legal Expense	\$6,520	\$9,370	\$778	\$16,668		\$16,668
91800 Travel	\$2,262	\$10,639	\$5,858	\$18,759		\$18,759
91810 Allocated Overhead						
91900 Other	\$15,569	\$13,533	\$12,181	\$41,283		\$41,283
91000 Total Operating - Administrative	\$217,616	\$734,438	\$115,298	\$1,067,352	\$0	\$1,067,352
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other						
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$58,146	\$660	\$7,626	\$66,432		\$66,432
93200 Electricity	\$32,590	\$4,157	-\$515	\$36,232		\$36,232
93300 Gas	\$7,178	\$684	-\$467	\$7,395		\$7,395
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$97,914	\$5,501	\$6,644	\$110,059	\$0	\$110,059
94100 Ordinary Maintenance and Operations - Labor	\$125,969	\$7	\$5,035	\$131,011		\$131,011
94200 Ordinary Maintenance and Operations - Materials and Other	\$32,485	\$1,876	\$19,961	\$54,322		\$54,322
94300 Ordinary Maintenance and Operations Contracts	\$299,705	\$14,729	\$104,193	\$418,627		\$418,627
94500 Employee Benefit Contributions - Ordinary Maintenance		\$4		\$4		\$4
94000 Total Maintenance	\$458,159	\$16,616	\$129,189	\$603,964	\$0	\$603,964
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs		\$2,186		\$2,186		\$2,186
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$2,186	\$0	\$2,186	\$0	\$2,186
96110 Property Insurance	\$15,050		\$28,155	\$43,205		\$43,205
96120 Liability Insurance	\$3,655	\$531		\$4,186		\$4,186
96130 Workmen's Compensation	\$41,235	\$19,008	\$3,181	\$63,424		\$63,424
96140 All Other Insurance			\$594	\$594		\$594

96100 Total insurance Premiums	\$59,940	\$19,539	\$31,930	\$111,409	\$0	\$111,409
96200 Other General Expenses	\$20,528	\$95,296	\$37,305	\$153,129		\$153,129
96210 Compensated Absences						
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents	-\$371			-\$371		-\$371
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$20,157	\$95,296	\$37,305	\$152,758	\$0	\$152,758
96710 Interest of Mortgage (or Bonds) Payable			\$69,832	\$69,832		\$69,832
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$69,832	\$69,832	\$0	\$69,832
96900 Total Operating Expenses	\$853,786	\$873,576	\$390,198	\$2,117,560	\$0	\$2,117,560
97000 Excess of Operating Revenue over Operating Expenses	\$33,681	\$6,706,130	\$83,693	\$6,823,504	\$0	\$6,823,504
97100 Extraordinary Maintenance			\$3,690	\$3,690		\$3,690
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$6,512,592		\$6,512,592		\$6,512,592
97350 HAP Portability-In		\$142,525		\$142,525		\$142,525
97400 Depreciation Expense	\$194,714	\$95	\$167,341	\$362,150		\$362,150
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$1,048,500	\$7,528,788	\$561,229	\$9,138,517	\$0	\$9,138,517
10010 Operating Transfer In						
10020 Operating transfer Out						
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						

10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$161,033	\$50,918	-\$87,338	-\$197,453	\$0	-\$197,453
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$2,162,362	\$138,196	\$0	\$2,300,558		\$2,300,558
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$895,761	\$895,761		\$895,761
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity		-\$119,262		-\$119,262		-\$119,262
11180 Housing Assistance Payments Equity		\$308,376		\$308,376		\$308,376
11190 Unit Months Available	1522	14089	708	16319		16319
11210 Number of Unit Months Leased	1175	13747	690	15612		15612
11270 Excess Cash	-\$8,494			-\$8,494		-\$8,494
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$0			\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
11660 Infrastructure Purchases	\$0			\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Tennessee

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2019

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue and gains and losses on the disposal of capital assets in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Award</u>	<u>Expenditures</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Public and Indian Housing	14.850	\$ 483,716	\$ 483,716
Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871	<u>7,379,259</u>	<u>7,379,259</u>
Total Housing Voucher Cluster		<u>7,379,259</u>	<u>7,379,259</u>
Public Housing Capital Fund	14.872	<u>241,587</u>	<u>241,587</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 8,104,562</u>	<u>\$ 8,104,562</u>

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Housing Authority of the City of Anderson under programs of the federal government for the year ended March 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Authority of the City of Anderson, it is not intended to and does not present the financial position, changes in net position or cash flow of Housing Authority of the City of Anderson.

Note 2 Summary of Significant Accounting Policies

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

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

Report On Internal Control Over Financial Reporting and on Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards*

Independent Auditor's Report

Management and
Board of Commissioners of the
Housing Authority of the City of Anderson
528 W 11th Street
Anderson, Indiana 46016-1923

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Anderson, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Anderson's basic financial statements and have issued my report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Anderson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Anderson's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Anderson'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Anderson's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
December 10, 2019

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

Management and
Board of Commissioners of the
Housing Authority of the City of Anderson
528 W 11th Street
Anderson, Indiana 46016-1923

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Anderson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Anderson's major federal programs for the year ended March 31, 2019. The Housing Authority of the City of Anderson's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the Housing Authority of the City of Anderson's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Anderson's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Anderson, 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned cost as item 2019-002. My opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Anderson is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Anderson Housing 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 audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Anderson'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 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
December 10, 2019

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

March 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified? yes X no
~ Significant deficiency(s) identified? X yes none reported
Noncompliance material to financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified? yes X no
~ Significant deficiency(s) identified that are not considered to be material weakness(es)? X yes none reported

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Voucher Cluster
14.872	Section 8 Housing Choice Vouchers
	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 X no

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

March 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR YEAR FINDINGS

2018-001

Inadequate Budget

PRIOR

CONDITION:

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

CURRENT

CONDITION:

There were no mathematical errors noted in this years budget.

THIS FINDING IS CLEARED

2018-002

Bank Collateral

Continued as finding 2019-002

2018-003

Bank Reconciliation

PRIOR

CONDITION:

We noted that the bank reconciliations do not agree with the general ledger accounts. The total variance the bank reconciliation and the general ledger is \$96,271.

CURRENT

CONDITION:

There were no noted disagreements in this years fieldwork.

THIS FINDING IS CLEARED

2018-004

Check Authorization

PRIOR

CONDITION:

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

CURRENT

CONDITION:

There were no exceptions noted during the current testing.

THIS FINDING IS CLEARED

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

March 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2018-005

Excessive High Tenant Accounts Receivable

PRIOR

CONDITION:

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

CURRENT

CONDITION:

As of March 31, 2019 the TAR amounts were not considered excessive.

THIS FINDING IS CLEARED

2018-006

Minutes not signed

PRIOR

CONDITION:

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

CURRENT

CONDITION:

During the fieldwork for the March 31, 2019 audit the minutes reviewed were signed.

THIS FINDING IS CLEARED

2018-007

Resolutions not signed

PRIOR

CONDITION:

We noted that various Board Resolutions were not signed.

CURRENT

CONDITION:

During the fieldwork for the March 31, 2019 audit the resolutions reviewed were signed.

THIS FINDING IS CLEARED

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

March 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2018-008

Internal Control Policy (Material)

PRIOR

CONDITION:

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

CURRENT

CONDITION:

The Authority has updated all of it's policies.

THIS FINDING IS CLEARED

2018-009

Tenant Files

PRIOR

CONDITION:

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

CURRENT

CONDITION:

During the fieldwork for the March 31, 2019 audit the files sampled had no exceptions.

THIS FINDING IS CLEARED

2018-010

Unlocated Information

PRIOR

CONDITION:

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

CURRENT

CONDITION:

During the fieldwork for the March 31, 2019 audit the requested documentation was provided.

THIS FINDING IS CLEARED

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

March 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2018-011 Unauthorized compensated absences payout.

Continued as finding 2019-002

2018-012 Unauthorized Vendors

PRIOR
CONDITION:

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

CURRENT
CONDITION:

There were no exceptions noted during this years testing.

THIS FINDING IS CLEARED

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2019 -001 Unauthorized compensated absences payout.

PRIOR
CONDITION:

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

CFDA#: Not identified

CURRENT
CONDITION:

The Indianapolis HUD office has not provided instructions for how to handle this situation.

CRITERIA: The previous board set policies and procedures.

CAUSE: The former director was no longer employed and vacation and sick pay were paid.

EFFECT: The Hud office did not agree with the payment that was made by the previous administration.

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

March 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

RECOMMENDATION: Comply with the Indianapolis Hud office instructions.

VIEWS OF RESPONSIBLE

OFFICIALS: The former executive director obtained salary that was not disclosed to the board. It was estimated that he received unused vacation and sick time upon separation of employment. HUD did not sanction this decision but did not object. The board of commissioner's made the decision as compensation for years of service payout.

DISCUSSED WITH: Kim Townsend, December 6, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-002

Bank Collateral

PRIOR

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

CFDA#: Not identified

CRITERIA: Hud rules and regulations require a current collateralization agreement and internal controls are required to ensure that the housing authority funds are subject to safekeeping requirements.

CAUSE: The Authority did not have procedures in place during the audit year to check for proper collateralization at least each quarter.

EFFECT: It is not known if the Authority is properly collateralized.

RECOMMENDATION: The Authority should put internal controls in place to ensure its funds are safe.

VIEWS OF RESPONSIBLE

OFFICIALS: Star Financial Bank has not cooperated according to federal regulations in this area nor has it been enforced by the Anderson Housing Authority due to lack of understanding and knowledge of the requirement. Steps are being taken to obtain HUD form 51999 and the letter of collateralization from Star Financial to bring this into compliance

DISCUSSED WITH: : Kim Townsend, December 6, 2019

HOUSING AUTHORITY OF THE CITY OF ANDERSON
Anderson, Indiana

March 31, 2019

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2018-001	Inadequate Budget	Cleared
2018-002	Bank Collateral	Continued as 2019-002
2018-003	Bank Reconciliation	Cleared
2018-004	Check Authorization	Cleared
2018-005	Excessive High Tenant Accounts Receivable	Cleared
2018-006	Minutes not signed	Cleared
2018-007	Resolution not signed	Cleared
2018-008	Internal Control Policy (Material)	Cleared
2018-009	Tenant Files	Cleared
2018-010	Unlocated Information	Cleared
2018-011	Unauthorized compensated absences payout	Continued as 2019-001
2018-012	Unauthorized Vendors	Cleared



Anderson Housing Authority

Kimberly G. Townsend, Executive Director
528 W. 11th Street, Anderson, IN 46016
Telephone/TDD (765) 641-2620 Fax (765) 641-2629
Email: ahain@ahain.org

Thomas J. Broderick, Jr., Mayor

**Anderson Housing Authority Corrective Action Plan
FY Year End 2019 Audit
Submitted by Kimberly Townsend, Executive Director**

2019-011

Unauthorized Compensated Absences Payout

PRIOR
CONDITION:

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

CFDA#:

Not Identified

REPLY:

Executive Director to obtain a decision from HUD Field Office on how to address the unauthorized compensation. Goal to have a decision made prior to close of FY end 2020.

2019-002

Bank Collateral

Prior Condition:

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

CFDA#:

Not Identified

Reply:

Executive Director is currently working with Star Bank's auditor to obtain HUD Form 51999 and the letter of collateralization. This is projected to be completed prior to close of FY end 2020

