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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](http://www.in.gov/sboa)

October 28, 2020

Board of Directors  
Elkhart Housing Authority  
1396 Benham Ave  
Elkhart, IN 46516

We have reviewed the audit report of the Elkhart Housing Authority, which was opined upon by Velma Butler & Company, LTD., 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 Elkhart Housing Authority as of March 31, 2019, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

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HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA

INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED  
MARCH 31, 2019,  
INCLUDING SINGLE AUDIT REPORTS  
AND SUMMARY OF AUDITORS' RESULTS

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# HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA

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**INDEPENDENT AUDITOR'S REPORT**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of Elkhart  
Elkhart, IN 46516

U.S. Department of Housing and Urban  
Development, Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

**Report on the Financial Statements**

We have audited the accompanying financial statements of the primary government business type activities of the Housing Authority of the City of Elkhart, Indiana (Authority), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

### *Opinions*

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the primary government business type activities of the Authority, as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

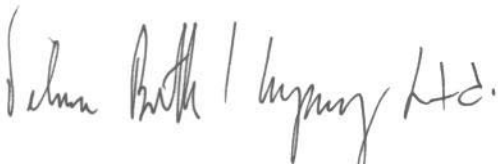
The accompanying supplementary information such as financial data schedules and schedule of expenditures of federal awards is the responsibility of management and was derived from the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

### ***Summarized Comparative Information***

We previously audited the Authority's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements based on our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd.".

Velma Butler & Company, Ltd.  
Chicago, Illinois

November 15, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Housing Authority of the City of Elkhart, Indiana**  
**1396 Benham Ave**  
**Elkhart, IN 46516**  
**PHONE (574)295-8392 FAX (574) 293-6878**

To the Board of Commissioners  
Housing Authority of the City of Elkhart, Indiana  
Elkhart, IN 46516

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Housing Authority of the City of Elkhart, Indiana (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on March 31, 2019. The management's discussion and analysis includes information on the past, present and future events that have been enacted, adopted, agreed upon, and/or contracted by the Authority. It focuses on analysis of the financial statements and the improvements in the Authority's management.

We are pleased to submit the financial statements of the Authority for the year ended March 31, 2019. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information that complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board. The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

**FINANCIAL HIGHLIGHTS**

- Total assets were \$14.7 million at March 31, 2019, and increased by \$1 million from \$13.7 million at March 31, 2018, mainly due to changes in current assets.
- Net capital assets were \$10.4 million at March 31, 2019, and increased \$282 thousand from \$10.1 million at March 31, 2018. This was primarily due to an increase in HUD Capital Grant.
- Total liabilities decreased by \$66 thousand to \$387 thousand at March 31, 2019 from \$453 thousand at March 31, 2018.
- Total net position was \$14.3 million at March 31, 2017, an increase of about \$1.1 million or 8.1 percent from prior year balance of \$13.2 million.

- Total revenue was \$9.9 million at March 31, 2019, an increase of \$1.4 million from the March 31, 2018, balance of \$8.5 million. The increase was primarily due to an increase in HUD Capital Grants.
- Total expenses increased by \$81 thousand to \$8.8 million at March 31, 2019 from \$8.6 million at March 31, 2018.

## USING THIS REPORT

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information detailing how the Authority's net position changed during the fiscal year. All changes in the net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as an enterprise fund whose operations include the low rent, housing choice voucher programs, and a blended component unit.

*Fund Financial Statements* are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's funds only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of enterprise funds with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

*Low-Rent Public Housing* - Under the Low Rent Housing Program, the Authority rents units it owns to low-income families. The Low Rent Public Housing Program is operated under an annual contribution contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of a family's adjusted gross household income.

*Capital Fund Program (CFP)* - The Low Rent Public Housing Program also includes the CFP, which is the primary funding source for physical management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the authorities housing stock.

*Section 8 Housing Choice Vouchers* - The Housing Choice Voucher is the federal government's programs for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The programs are administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

*Component Units* - If the Authority has oversight responsibility, including financial accountability, appointment of voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the Authority includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units* - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority's Board of Commissioners of the component unit provides services entirely to the Authority.

Additionally, the Authority is required to undergo an annual single audit as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

The financial section provides both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

## FINANCIAL ANALYSIS OF THE AUTHORITY

### Net Position

Net position represents the difference between total assets and total liabilities.

**Table 1**  
**Elkhart Housing Authority's Net Position**  
**(in thousands dollars)**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percent of Change</u>
Current Assets	\$ 4,296	\$ 3,577	\$ 719	20.1%
Capital Assets	10,361	10,079	282	2.8%
<b>Total Assets</b>	<u>\$ 14,657</u>	<u>\$ 13,656</u>	<u>\$ 1,001</u>	7.3%
Current Liabilities	\$ 215	\$ 242	\$ (27)	-11.2%
Other Non Current Liabilities	172	211	(39)	-18.5%
<b>Total Liabilities</b>	<u>387</u>	<u>453</u>	<u>(66)</u>	-14.6%
Invested in Capital Assets, Net	10,361	10,079	282	2.8%
Unrestricted	3,802	3,080	722	23.4%
Restricted	107	44	63	143.2%
<b>Total Net Position</b>	<u>14,270</u>	<u>13,203</u>	<u>1,067</u>	8.1%
<b>Total Liab. and Net Position</b>	<u>\$ 14,657</u>	<u>\$ 13,656</u>	<u>\$ 1,001</u>	7.3%

As shown in Table 1, the Authority's total net position at March 31, 2019, was approximately \$14.3 million, an 8.1 percent increase from the March 31, 2018, balance of \$13.2 million.

## Capital Assets

Capital assets increased by approximately \$281 thousand from \$10.1 million to \$10.4 million, as shown in the table below:

**Table 2**  
Elkhart Housing Authority's Capital Assets

	March 31, 2018	Additions and Transfers in	March 31, 2019
Land	\$ 1,023,922	\$	\$ 1,023,922
Building & Improvements	32,186,090	2,747,636	34,933,726
Furniture and Equipment	1,584,230	22,593	1,606,823
Construction in Progress	1,815,416	(1,654,075)	161,341
(Less) Accumulated Depr.	(26,530,442)	(834,794)	(27,365,236)
<b>Total Capital Assets</b>	<b>\$ 10,079,216</b>	<b>\$ 281,360</b>	<b>\$ 10,360,576</b>

For 2019 depreciation expense was \$882,948 and construction in progress totaled \$161,341. Capital additions were \$2,747,636, and disposals totaled \$48,155, which were fully depreciated.

## Investments and Accrued Interest Receivable

The Authority has several certificates of deposit (CD) at various financial institutions, which will mature in future years. Interest payments are accumulated and are not required to be paid until the maturity. Additional information can be found in the Notes to Financial Statements.

## Revenues

As shown in Table 3, the Authority's total operating revenues increased to \$9.9 million by \$1.4 million or 16.6 percent for the year ended March 31, 2019.

**Table 3**  
Change in Hammond Housing Authority's Net Position  
(in thousands)

Description	2019	2018	Change	Percent of Change
Operating Revenue	\$ 8,786	\$ 7,767	\$ 1,019	13.1%
Non-Operating Revenue	1,088	704	384	54.5%
<b>Total Revenue</b>	<b>9,874</b>	<b>8,471</b>	<b>1,403</b>	<b>16.6%</b>
Operating Expenses	7,877	7,756	121	1.6%
Depreciation	883	923	(40)	-4.3%
<b>Total Expenses</b>	<b>8,760</b>	<b>8,679</b>	<b>81</b>	<b>0.9%</b>
Change in Net Position	1,114	(208)	1,322	-635.6%
Beginning Net Position	13,203	13,411	(208)	-1.6%
Prior Period Adjustment	(47)	-	(47)	#DIV/0!
<b>Ending Net Position</b>	<b>\$ 14,270</b>	<b>\$ 13,203</b>	<b>\$ 1,067</b>	<b>8.1%</b>

## Expenses

Total operating expenses, including depreciation, increased by \$81 thousand or 0.9 percent for a total balance of \$8.8 million for the year ended March 31, 2019. Changes are shown below in Table 4:

**Table 4**  
**Hammond Housing Authority's Operating Expenses**  
**(in thousands)**

<b>Description</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>Percent of Change</b>
Administrative Expenses	\$ 1,571	\$ 1,600	\$ (29)	-1.8%
Tenant Services	2	2	-	0.0%
Utilities Expenses	371	345	26	7.5%
Ordinary Maintenance	1,338	1,418	(80)	-5.6%
Protective Services	70	71	(1)	-1.4%
Insurance Expense	227	225	2	0.9%
General Expenses	87	154	(67)	-43.5%
Housing Assistance Payments	4,211	3,941	270	6.9%
Depreciation Expense	883	923	(40)	-4.3%
<b>Total Operating Expenses</b>	<b>\$ 8,760</b>	<b>\$ 8,679</b>	<b>\$ 81</b>	<b>0.9%</b>

Expenses primarily increased in administrative expenses and ordinary maintenance, which was offset by decreases in housing assistance payments and general expenses.

## BUDGETARY CONTROL

Management submits a proposed operating budget for revenues and expenses for all programs, functions, activities, or objectives for the following fiscal year to the governing body ("Board"). The Board reviews, approves and adopts the budget. Operating monies are determined by rents and operating subsidies provided by HUD, as established by Congress. The operating subsidy is dependent on the availability of federal funds.

The Authority prepares annual five year budgets for its capital grants and project budget for other grants. Capital project budgets are approved and are adopted for five years by the Board and HUD based on Federal funding. They are then annualized to strengthen monitoring and completion benchmarks. Budgeted and actual costs are compared to the five year plan and are monitored by the Authority and HUD. Line item variances are resolved and approved by HUD.

## **MAJOR INITIATIVES**

The Elkhart Housing Authority continues to provide comprehensive service in the City of Elkhart to assure the existence of affordable housing for low to moderate income individuals and families, senior citizens, ad handicapped and disable individuals. Under the leadership of a dedicated Board of Commissioners, and the hard work of true professionals in the field of affordable housing, the Authority continues to thrive, considering the various challenges for federally subsidized housing providers. Improvements have included working hard to enhance our operations internally and seeking external funds to support our residents whenever possible.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This Authority's financial report is designed to provide a general overview of the Authority's finances for all those with an interest and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Christine Kinnard, Finance Director, the Housing Authority of the City of Elkhart, Indiana 1396 Benham Ave, Elkhart, Indiana 46516 or call (574) 295-8392.

## **FINANCIAL STATEMENTS**

THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
STATEMENT OF NET POSITION  
PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS  
MARCH 31, 2019 (WITH 2018 COMPARATIVES)

EXHIBIT A

	2019 TOTAL AUTHORITY	2018 TOTAL AUTHORITY
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,163,364	\$ 2,443,935
Accounts Receivable (net allowances)	81,359	56,762
Accrued Interest Receivable	12,702	14,929
Investments	900,881	900,881
Prepaid, Deposits and Escrows	80,752	83,888
Inventory (net allowances)	56,914	76,471
<b>TOTAL CURRENT ASSETS</b>	<u>4,295,972</u>	<u>3,576,866</u>
Capital Assets, Net	10,360,576	10,079,216
<b>TOTAL NON-CURRENT ASSETS</b>	<u>10,360,576</u>	<u>10,079,216</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,656,548</u>	<u>\$ 13,656,082</u>
<b>LIABILITIES AND NET POSITION</b>		
Accounts Payable	\$ 159,636	\$ 161,758
Accrued Liabilities - Current	54,959	80,691
<b>TOTAL CURRENT LIABILITIES</b>	<u>214,595</u>	<u>242,449</u>
Accrued Liabilities - Non-Current	80,140	87,594
FSS Escrow Deposits	91,860	122,995
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>172,000</u>	<u>210,589</u>
<b>TOTAL LIABILITIES</b>	<u>386,595</u>	<u>453,038</u>
Invested in Capital Assets	10,360,576	10,079,216
Unrestricted Net Position	3,802,731	3,080,249
Restricted Net Position	106,646	43,579
<b>TOTAL NET POSITION</b>	<u>14,269,953</u>	<u>13,203,044</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 14,656,548</u>	<u>\$ 13,656,082</u>

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS  
FOR THE YEAR ENDED MARCH 31, 2019 (WITH 2018 COMPARATIVES)**

**EXHIBIT B**

	<b>2019 TOTAL AUTHORITY</b>	<b>2018 TOTAL AUTHORITY</b>
<b>OPERATING REVENUES</b>		
Net Tenant Rental Revenue	\$ 1,532,801	\$ 1,285,286
HUD Operating Grants	7,049,908	6,191,641
Other Income	202,792	289,842
<b>TOTAL OPERATING REVENUES</b>	<b>8,785,501</b>	<b>7,766,769</b>
<b>OPERATING EXPENSES</b>		
Administrative Expenses	1,570,560	1,599,526
Tenant Services	2,216	2,314
Utilities Expense	370,822	344,753
Ordinary Maintenance and Materials	1,337,536	1,417,864
Protective Services	69,987	71,032
Insurance Expense	227,408	224,737
General Expenses	86,927	154,249
Housing Assistance Payments	4,211,574	3,940,826
Depreciation Expense	882,948	923,270
<b>TOTAL OPERATING EXPENSES</b>	<b>8,759,978</b>	<b>8,678,571</b>
<b>OPERATING INCOME (LOSS)</b>	<b>25,523</b>	<b>(911,802)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest	14,887	7,953
Gain/(Loss) Disposal of Equipment	-	500
<b>INCOME BEFORE OTHER REVENUES (EXPENSES)</b>	<b>14,887</b>	<b>8,453</b>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>		
Capital Contributions	1,073,361	695,546
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>1,073,361</b>	<b>695,546</b>
<b>CHANGE IN NET POSITION</b>	<b>1,113,771</b>	<b>(207,803)</b>
<b>NET POSITION AT BEGINNING OF PERIOD</b>	<b>13,203,044</b>	<b>13,410,847</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>(46,862)</b>	<b>-</b>
<b>NET POSITION AT END OF PERIOD</b>	<b>14,269,953</b>	<b>\$ 13,203,044</b>

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2019 (WITH 2018 COMPARATIVES)** **EXHIBIT C**

	<b>2019</b>	<b>2018</b>
	<b>Total</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants and Others	\$ 8,785,501	\$ 7,766,769
Payments to Employees	(1,378,405)	(1,367,419)
Payments to Vendors and Suppliers	(5,431,862)	(6,575,036)
Net Cash Provided by Operating Activities	<u>1,975,234</u>	<u>(175,686)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease in Investments	-	(881)
(Increase)/Decrease in Accrued Interest Receivable	2,227	(4,994)
Interest Income	14,887	7,953
Net Cash (Used In) Provided by Investing Activities	<u>17,114</u>	<u>2,078</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>		
Capital Grants	1,073,361	695,546
(Purchase) of Capital Assets	(2,346,280)	(715,582)
Gain / (Loss) on Disposal of Assets	-	500
Net Cash (Used In) Provided by Capital and Related Activities	<u>(1,272,919)</u>	<u>(19,536)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>719,429</u>	<u>(193,144)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR</b>	<u>2,443,935</u>	<u>2,637,079</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR</b>	<u>\$ 3,163,364</u>	<u>\$ 2,443,935</u>
<b>Reconciliation to Statement of Net Assets</b>		
Unrestricted Cash and Cash Equivalents	\$ 2,873,663	\$ 2,191,046
Restricted Cash and Cash Equivalents - Current	289,701	252,889
<b>Cash and Cash Equivalents at end of Fiscal Year</b>	<u>\$ 3,163,364</u>	<u>\$ 2,443,935</u>
<b>Reconciliation of Operating Loss to Net Cash (Used) / Provided by Operating Activities</b>		
Net operating Income/(Loss)	\$ 1,113,771	\$ (911,802)
Adjustments To Reconcile		
Add Back Depreciation	882,948	923,270
Prior Period Adjustment	46,862	-
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	(24,597)	(28,843)
(Increase)/Decrease in Prepaid Expenses and Deposits	3,136	28,582
(Increase)/Decrease in Material Inventory	19,557	(27,935)
Increase/(Decrease) in Accounts Payable	(2,122)	(96,018)
Increase/(Decrease) in Accrued Liabilities	(33,186)	(77,076)
Increase/(Decrease) in FSS Escrow Deposits	(31,135)	14,136
Net Cash Provided by Operating Activities	<u>\$ 1,975,234</u>	<u>\$ (175,686)</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES</b>		
Interest Paid During the Year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

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**Note 1 - Summary Of Significant Accounting Policies**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

**A. Organization and Program Description**

The Elkhart Housing Authority was established by the City of Elkhart pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Elkhart and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City Council, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City of Elkhart; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Elkhart Housing Authority is a separate reporting entity. All funds and programs of the Authority are included in these statements. The Authority has a component unit consisting of two non-profit corporations, Housing Finance Corporation and Elkhart Community Housing Corporation.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
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As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into public housing and grant programs as follows:

**Low Rent Housing** - The low rent housing program provides subsidized housing to low income residents. The Authority is the owner of public housing units located throughout the city. The Authority receives revenue from dwelling rental income and operating subsidies and capital repair funds from HUD. Operating subsidies are provided by HUD to assist with the cost of operating the program. "Capital Funds," provided by HUD, are used to improve the physical condition, management and operation of existing public housing developments. The low rent housing program is reported as an enterprise fund.

**Section 8 Housing Choice Voucher Program** - The Authority participates in the Housing Choice Voucher Program. This program is designed to provide privately owned, decent, safe and sanitary housing to low income families. The Authority provides assistance to low income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the program, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Housing Choice Voucher program is also reported as an enterprise fund.

**Blended Component Units**

Consistent with applicable guidance, the criteria used by the Authority to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Authority included organizations as component units under the following financial accountability criteria: (1) Organizations for which the Authority appoints a voting majority of the organizations governing body and for which (a) the Authority is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. (2) A financial benefit or burden relationship between the Authority and the component unit. (3) Management of the Authority has operational responsibility for the activities of the component unit. The following is a brief description of the blended component unit meeting the above criteria that is included in the PHA's financial report entity.

The first non-profit is known as Housing Finance Corporation. The Housing Finance Corporation was formed to carry out or assist in carrying out low-income housing projects, including assistance by borrowing and lending funds, with an emphasis on low-income housing projects formed or financed in compliance with Section 8 of the United State Housing Act of 1937 and the regulations promulgated there under. The second non-profit corporation, Elkhart Community Housing Corporation, was formed to provide affordable, decent and safe housing to low and moderate income individuals and families within the City and Elkhart County.

THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019

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**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounts segregate funds according to their intended purpose and are used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

*Enterprise Funds* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time they are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

**C. Fund Accounting**

Accounts are organized on the basis of funds. Each fund represents a separate program with a separate set of self-balancing accounts. All funds are reported as enterprise funds and are grouped as follows:

- PHA-Owned Housing consists of HUD-financed public housing owned by the Authority. Individual funds account for activities of the low-rent housing program, each capital fund phase, and the central office cost center. The funds are collectively called low rent housing.
- Section 8 Program consists of HUD payment of rents for tenants in privately owned housing and fees to the housing authority for operating the program. An individual fund is use for the Housing Choice Voucher Program.
- Component unit funds consist of the financing activities of the construction of mixed income housing units and the issuance of bonds to develop affordable housing.

*Proprietary Funds* – The Authority’s operations are accounted for in a single *Enterprise Fund*. Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income are necessary for management accountability.

*Management’s Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
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***Cash and Cash Equivalents*** - Cash and cash equivalents are defined as short-term, highly liquid investments that are both: readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes all demand deposits, saving accounts and certificates of deposits or short-term investments with a maturity date of three months or less. Restricted assets include cash legally restricted as to their use. The primary restricted assets are related to the low rent, housing opportunity program, component unit and housing choice voucher program for various funds restricted for tenants. The housing choice voucher program has additional restricted funds for future housing assistance payments.

***Investments*** - Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40 *Deposit and Investment Risk Disclosures*. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds. GASB Statement No. 40 requires general disclosures by investment type with disclosures of the specific risks to which those investments are exposed. Investments exposed to credit risk, custodial credit risk, concentration of credit risk (5% of total net position), interest rate risk, and foreign currency risk must be disclosed, and the government reporting unit is required to describe their deposit or investment policies (or the lack of a policy) that relate to the risks stated above, if they are subject to them.

***Custodial Credit Risk***

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

***Credit Risk*** is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

***Concentrations of Credit Risk*** is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

***Investment Rate Risk*** is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019

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**Receivables** - Receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible receivables are based on historical trends and periodic aging of receivables.

**Inter-program Due to/from** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund balance sheet.

**Inventories** - Inventories are valued at average cost and cost of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

**Risk Management** - The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years and there has been no significant reduction in insurance coverage during the fiscal year.

**Capital Assets** - Capital Assets consist of assets purchased or acquired at a cost of \$500 or greater. All capital assets are stated at historical costs or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets depreciated using straight-line method of depreciation over their estimated useful lives as follows:

Buildings and Improvements	10 -50 years
Furniture, Fixtures and Equipment	5 - 15 years
Automobiles	5 - 15 years

**Compensated Absences** - The Authority allows regular full-time employees to accumulate the following compensated absences.

**Sick Leave** - Employees may be paid for leave taken due to illness only. Sick leave is accumulated at the rate of 3.69 hours per pay period. Any employee having more than four hundred eighty (480) hours accumulated sick leave forfeits accumulated pay for any hours over four hundred eighty (480) hours.

An employee involuntarily terminated shall receive no sick leave pay. Employees who voluntarily terminate and have given a two week notice shall be paid a lump sum or fifty percent (50%) of any accumulated sick leave.

If the separation is the result of retirement at or after the age of 59 12 and the employee has five (5) or more years of continuous service prior to retirement, and has voluntarily terminated giving a two week notice, the employee shall be paid one hundred (100%) of his or her accumulated sick leave.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

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Any employee who is entitled to be away from work by reason of illness, but has no remaining paid sick leave, may use his/her annual leave. If the employee has no remaining sick or annual leave available, he/she may request leave without pay. Approval of leave without pay is solely at the discretion of the Executive Director.

**Annual Leave** - Annual leave with pay shall be earned by all full time employees at the following rates:

Beginning the first pay date following employment, the employees shall earn 3.08 hours of annual leave time per pay period. The employee shall continue to earn annual leave time at this rate through the end of the fifth year of continuous service.

After five (5) full years of continuous employment and beginning on the first pay date of the sixth year of continuous employment, the employee shall earn 4.62 hours of annual leave time per pay period.

After ten (10) full years of continuous employment and beginning on the first pay date of the eleventh year of continuous employment, the employee shall earn 6.15 hours of annual leave time per pay period.

After fifteen (15) full years of continuous employment and beginning on the first pay date of the sixth year of continuous employment, the employee shall earn 7.69 hours of annual leave time per pay period.

Employees may accrued annual time up to twenty-five (25) working days (200) hours. Hours accrued in excess of 200 shall not be posted and shall not be paid. An employee involuntarily terminated will not be paid any annual leave time. Employee who voluntarily terminated and have given a two week notice shall be paid in a lump sum for any accumulated annual leave at his or her current rate of pay, up to a maximum of 200 hours. Annual leave time shall be used by an employee for illnesses provided all sick leave has been exhausted.

**Net Position** - Net position is comprised of three categories: (1) net investment in capital assets, (2) restricted net assets, and (3) unrestricted net assets. Each component of net position is reported separately on the statement of net position.

(1) Investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

(2) Restricted - the component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

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(3) Unrestricted - The difference between the assets and liabilities that is not reported in the net position invested in capital, net of related debt or net position restricted for federal and state programs.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**Fair Value** - The Authority follows GASB Statement No. 72, Fair Value Measurement. This Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. The disclosures are organized by type asset or liability reported at fair value. The implementation has had no material impact on the financial statements of the Authority.

**Retirement Plan** - The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Hartford Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires the Authority to contribute 12.5% of the employee's base salary each month. The Authority's contribution for each employee is vested after 5 years. The Authority's contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. The plan may be amended at the discretion of the Board of Commissioners. The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

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

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

**Federal Awards** - Federal grants for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Awards received prior to meeting revenue recognition criteria are recorded as deferred revenue. Operating grants are recorded as revenue in the year earned.

**Compliance** - The Authority is subject to various federal, state and local laws and regulations and contractual regulations.

THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2019

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**Note 2 - Budget Information**

*Enterprise Funds* - The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. The Fiscal Services Director prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America.

Operating budgets for the year are prepared for all program activities. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners and/or HUD.

Appropriations for capital projects are authorized at the fund and expenditure level, and effective budgetary control is achieved through periodic budgeting and reporting requirements.

**Note 3 - Cash and Cash Equivalents**

Cash and cash equivalents totaled \$3,163,364 at March 31, 2019, and are maintained in commercial checking accounts and are readily available. Cash amounts in excess of the \$250,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. The Authority is in compliance with all state and local laws and regulations regarding cash equivalents.

Of the total cash on hand the breakdown between unrestricted and restricted is shown below:

Unrestricted Cash	\$ 2,873,663
Restricted Cash:	
Tenant Security Deposits	91,195
Housing Assistance Payments	106,646
FSS Escrow	91,860
Total Restricted Cash	<u>289,701</u>
Total Cash	<u>\$ 3,163,364</u>

**Note 4 - Accounts Receivable**

At March 31, 2019, accounts receivable totaled \$81,359 and consisted of the following:

Accounts Receivable - Tenants	\$ 38,434
Accounts Receivable - Allowance	-
Accounts Receivable - Fraud	35,345
Accounts Receivable - Fraud Allowance	(35,345)
Accounts Receivable - Others	42,925
Total	<u>\$ 81,359</u>

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
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The Authority reviews the accounts receivable periodically. In fiscal year 2019, the Authority had collection losses totaling \$69,620.

Accounts receivable inter-fund was offset and eliminated by accounts payable interfund totaling \$15,910.

**Note 5 - Accrued Interest Receivable**

At March 31, 2019, accrued interest receivable totaled \$12,702, which consisted of the accumulated accrued interest of the Authority's certificates of deposit.

**Note 6 - Investments**

At March 31, 2019, investments totaled \$900,881, which consisted of certificates of deposit and interest at various financial institutions. The Authority's investments are stated at fair value at year-end.

To increase consistency and comparability in fair value measurements, the Authority follows GASB Statement No. 72, Fair Value Measurement, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets that entity has the ability to access as of the reporting date.
- Level 2 - inputs other than quoted prices included within Level 1 that are directly observable for the asset or indirectly observable through corroboration with observable market data
- Level 3 - unobservable inputs, such as internally developed pricing models for the asset due to little or no market activity for the asset.

The following table presents assets measured and recorded at fair value on Authority's Statement of Financial Position as of March 31, 2018.

<u>Asset Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposit	\$ 900,881	\$ -	\$ -	\$ 900,881
Total Assets at Fair Value	\$ 900,881	\$ -	\$ -	\$ 900,881

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
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Investment return at March 31, 2019 and its classification in the statement of activities are shown below:

Interest and Dividends	\$ 14,887
Total Investment Return	<u>\$ 14,887</u>

**Note 7 - Prepaid Expenses**

Prepaid expenses totaled \$80,752 at March 31, 2019, and consisted of primarily prepaid insurances and other assets.

**Note 8 - Material Inventories**

Material inventories, net at March 31, 2019 totaled \$56,914, and consist of items used to maintain upkeep of units. Inventories are valued at average cost and cost of expendable supplies held for consumption. The cost of inventories is recorded as expenditures when consumed. Total inventory totaled \$57,780, with an allowance of \$866.

**Note 9 - Capital Assets**

The changes in land, structures and equipment for the year ended March 31, 2019, were as follows:

	March 31, 2018	Additions and Transfers in	March 31, 2019
Land	\$ 1,023,922	\$	\$ 1,023,922
Building & Improvements	32,186,090	2,747,636	34,933,726
Furniture and Equipment	1,584,230	22,593	1,606,823
Construction in Progress	1,815,416	(1,654,075)	161,341
(Less) Accumulated Depr.	(26,530,442)	(834,794)	(27,365,236)
Total Capital Assets	<u>\$ 10,079,216</u>	<u>\$ 281,360</u>	<u>\$ 10,360,576</u>

For 2019 depreciation expense was \$882,948 and construction in progress totaled \$161,341. Capital additions were \$2,747,636, and disposals totaled \$48,155, which were fully depreciated.

**Note 10 - Accounts Payable**

Accounts payable totaled \$159,636 at March 31, 2019, which consisted of the following:

Accounts Payable - Vendors	\$ 49,116
Tenant Security Deposits	91,195
Other Payables	<u>19,325</u>
Total	<u>\$ 159,636</u>

Total accounts payable inter-fund was offset and eliminated by accounts receivable interfund totaling \$15,910.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
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FOR THE YEAR ENDED MARCH 31, 2019**

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**Note 11 - Accrued Liabilities**

Accrued liabilities totaled \$135,099, at March 31, 2019, of which, \$54,959 is current and \$80,140 is non-current, and the breakdown is as follows:

Accrued Wages	\$	28,076
Compensated Abs. - Current		26,098
Other Accrued Payables		785
Total Current Accrued Liabilities		<u>54,959</u>
Compensated Abs. - Non-Current		80,140
Total Accrued Liabilities	\$	<u><u>135,099</u></u>

The Authority recognizes leave taken as a current year's salary expense during the year in which the leave is taken. Vacation pay is not accrued for and forgiven at the end of each year.

**Note 12 - Family Self Sufficiency Escrow**

At March 31, 2019 the Authority had Family and Self Sufficiency (FSS) escrow of \$91,860 of amounts due to tenants.

**Note 13 - Employee Benefit Plans**

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with MassMutual Financial Group (Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires the Authority to contribute 12.5% of the employee's base salary each month. The Authority's contribution for each employee is vested after 5 years. The Authority's contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. The plan may be amended at the discretion of the Board of Commissioners. For the fiscal year end March 31, 2019, actual contributions by the Authority were \$142,456 based on \$1,378,405 of wages and salary expense. The Authority made all the required contributions to the Plan.

The total plan assets at March 31, 2019, were \$1,821,529, as follows:

<u>Description</u>	<u>Amount</u>
Beginning Balance	\$ 2,488,885
Contributions	142,456
Net Loan Activity	22,277
Net Withdrawals	(193,337)
Fees and Charges	5,030
Changes in Value	<u>(643,782)</u>
Ending Balance	\$ <u><u>1,821,529</u></u>

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA  
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**Note 15 - Operating Lease Commitments**

The Authority has under its normal operations entered into commitments for the purchase of maintenance, cleaning and other services. Such commitments are monthly or annual.

The Authority also has certain contingent liabilities resulting from claims and commitments incident to the ordinary course of business. Management expects that final resolution of such contingencies will not materially affect the financial position of the Authority.

**Note 16 - Administrative Fees**

The Authority receives an "Administrative Fee" as part of each of the annual contributions contract from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Housing Assistance programs.

**Note 17 - Allocation of Cost**

The Authority allocates expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units or staff in each program. Management considers this to be an equitable method of allocation.

**Note 18 - Subsequent Events**

Management has performed an analysis of activities and transactions subsequent to March 31, 2019, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2019. Management has performed their analysis through November 15, 2019, the date the financial statements were issued.

**SUPPLEMENTAL INFORMATION**

**THE HOUSING AUTHORITY OF ELKHART, INDIANA**  
**COMBINING SCHEDULE OF PROGRAM NET POSITION ACCOUNTS**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**MARCH 31, 2019**

	COCC & Low Rent	Housing Choice Vouchers	ROSS	Blended Component Unit	Eliminations	2019 TOTAL
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2,679,304	\$ 412,073	\$	\$ 71,987	\$	\$ 3,163,364
Accounts Receivable (net allowances)	65,263	16,096		15,910	(15,910)	81,359
Accrued Interest Receivable	12,702					12,702
Investments	900,881					900,881
Prepaid, Deposits and Escrows	73,473	4,052		3,227		80,752
Inventory (net allowances)	56,914					56,914
<b>TOTAL CURRENT ASSETS</b>	<b>3,788,537</b>	<b>432,221</b>	<b>-</b>	<b>91,124</b>	<b>(15,910)</b>	<b>4,295,972</b>
Capital Assets, Net	9,804,325	29,035		527,216		10,360,576
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,804,325</b>	<b>29,035</b>	<b>-</b>	<b>527,216</b>	<b>-</b>	<b>10,360,576</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,592,862</b>	<b>\$ 461,256</b>	<b>\$ -</b>	<b>\$ 618,340</b>	<b>\$ (15,910)</b>	<b>\$ 14,656,548</b>
<b>LIABILITIES AND NET POSITION</b>						
Accounts Payable	\$ 166,651	\$ 3,675	\$	\$ 5,220	\$ (15,910)	\$ 159,636
Accrued Liabilities - Current	48,368	6,591				54,959
<b>TOTAL CURRENT LIABILITIES</b>	<b>215,019</b>	<b>10,266</b>	<b>-</b>	<b>5,220</b>	<b>(15,910)</b>	<b>214,595</b>
Accrued Liabilities - Non-Current	69,626	10,514				80,140
FSS Escrow Deposits	7,060	84,800				91,860
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>76,686</b>	<b>95,314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172,000</b>
<b>TOTAL LIABILITIES</b>	<b>291,705</b>	<b>105,580</b>	<b>-</b>	<b>5,220</b>	<b>(15,910)</b>	<b>386,595</b>
Invested in Capital Assets	9,804,325	29,035	-	527,216	-	10,360,576
Unrestricted Net Position	3,496,832	219,995	-	85,904	-	3,802,731
Restricted Net Position		106,646				106,646
<b>TOTAL NET POSITION</b>	<b>13,301,157</b>	<b>355,676</b>	<b>-</b>	<b>613,120</b>	<b>-</b>	<b>14,269,953</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 13,592,862</b>	<b>\$ 461,256</b>	<b>\$ -</b>	<b>\$ 618,340</b>	<b>\$ (15,910)</b>	<b>\$ 14,656,548</b>

**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
COMBINING SCHEDULE OF PROGRAM NET POSITION ACCOUNTS  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
FOR THE YEAR ENDED MARCH 31, 2019**

	COCC & Low Rent	Housing Choice Vouchers	ROSS	Blended Component Unit	Eliminations	2019 TOTAL
<b>OPERATING REVENUES</b>						
Net Tenant Rental Revenue	\$ 1,521,944	\$	\$	\$ 10,857	\$	\$ 1,532,801
HUD Operating Grants	2,415,067	4,580,571	54,270			7,049,908
Other Income	1,487,985	76,925		50,241	(1,412,359)	202,792
<b>TOTAL OPERATING REVENUES</b>	<u>5,424,996</u>	<u>4,657,496</u>	<u>54,270</u>	<u>61,098</u>	<u>(1,412,359)</u>	<u>8,785,501</u>
<b>OPERATING EXPENSES</b>						
Administrative Expenses	1,963,769	353,113	54,270	710	(801,302)	1,570,560
Tenant Services	2,216					2,216
Utilities Expense	370,822					370,822
Ordinary Maintenance and Materials	1,937,428	898		10,267	(611,057)	1,337,536
Protective Services	69,987					69,987
Insurance Expense	212,577	10,314		4,517		227,408
General Expenses	69,653	4,108		13,166		86,927
Housing Assistance Payments		4,211,574				4,211,574
Depreciation Expense	869,075	3,274		10,599		882,948
<b>TOTAL OPERATING EXPENSES</b>	<u>5,495,527</u>	<u>4,583,281</u>	<u>54,270</u>	<u>39,259</u>	<u>(1,412,359)</u>	<u>8,759,978</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(70,531)</u>	<u>74,215</u>	<u>-</u>	<u>21,839</u>	<u>-</u>	<u>25,523</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest	14,652	235				14,887
<b>INCOME BEFORE OTHER REVENUES (EXPENSES)</b>	<u>14,652</u>	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,887</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>						
Capital Contributions	1,073,361					1,073,361
<b>TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>1,073,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,073,361</u>
<b>CHANGE IN NET POSITION</b>	<u>1,017,482</u>	<u>74,450</u>	<u>-</u>	<u>21,839</u>	<u>-</u>	<u>1,113,771</u>
<b>NET POSITION AT BEGINNING OF PERIOD</b>	<u>12,302,910</u>	<u>301,659</u>	<u>-</u>	<u>598,475</u>	<u>-</u>	<u>13,203,044</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(19,235)</u>	<u>(20,433)</u>	<u>-</u>	<u>(7,194)</u>	<u>-</u>	<u>(46,862)</u>
<b>NET POSITION AT END OF PERIOD</b>	<u>\$ 13,301,157</u>	<u>\$ 355,676</u>	<u>\$ -</u>	<u>\$ 613,120</u>	<u>\$ -</u>	<u>\$ 14,269,953</u>

THE HOUSING AUTHORITY OF ELKHART, INDIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2019

FEDERAL GRANTOR	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
<b>Major Programs</b>			
<u>U.S. Department of Housing and Urban Development</u>			
Low Rent Public Housing Program			
Public and Indian Housing Program	14.850	\$ 1,923,158	\$ 2,242,764
Public Housing Capital Fund Program	14.872	<u>1,565,271</u>	<u>1,565,271</u>
Total Low Rent Housing Programs		3,488,429	3,808,035
Total Major Programs		<u>3,488,429</u>	<u>3,808,035</u>
<b>Non-Major Programs</b>			
<u>U.S. Department of Housing and Urban Development</u>			
Housing Choice Voucher Cluster			
Housing Choice Vouchers	14.871	4,580,571	4,580,571
Resident Opportunity and Self Sufficiency	14.870	<u>54,270</u>	<u>54,270</u>
Total Non-Major Programs		4,634,841	4,634,841
<b>Total All Programs</b>		<u>\$ 8,123,270</u>	<u>\$ 8,442,876</u>

**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2019**

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**Note 1 - Basis of Presentation**

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

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended March 31, 2019. The awards are classified into major and non-major program categories in accordance with the provisions of the Uniform Guidance. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended March 31, 2019, and should be read in conjunction with the Authority's consolidated financial statements.

The Authority did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.414 Indirect (F&A) costs.

**Note 2 - Sources of Funding**

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

**Note 3 - Sub-recipients**

There were no sub-recipients for the year ended March 31, 2019.

**Note 4 - Loans Outstanding**

There were no federal loans outstanding for the year ended March 31, 2019.

**Note 5 - Non-Cash Assistance**

The Authority provided no non-cash assistance for the year ended March 31, 2019.

**Note 6 - Insurance**

The Authority had no federal insurance for the year ended March 31, 2019.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
STATEMENT OF CAPITAL FUNDS COST - UNCOMPLETED  
FOR THE YEAR ENDED MARCH 31, 2019**

**EXHIBIT F**

<b>ANNUAL CONTRIBUTION CONTRACT PHASES IN36P010501 - 15, 16, 17, 18 and 18E</b>
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	501-15	501-16	501-17	501-18E	501-18	Total
Funds Approved	\$ 835,463	\$ 869,951	\$ 896,531	\$ 226,000	\$ 1,392,276	\$ 4,220,221
Funds Expended	835,463	848,799	825,215	12,040	784,099	3,305,616
Excess\ (Deficit) of Funds Approved	\$ -	\$ 21,152	\$ 71,316	\$ 213,960	\$ 608,177	\$ 914,605
Funds Advanced	\$ 835,463	\$ 848,799	\$ 825,215	\$ 12,040	\$ 784,099	\$ 3,305,616
Funds Expended	835,463	848,799	825,215	12,040	784,099	3,305,616
Excess\ (Deficit) of Funds Advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- 1 Capital Fund Program costs for Phases IN36P010 - 501-15, 16, 17, 18 and 18E are shown above.
- 2 Cost additions during the audit period were as follows: IN36P010501 - 15 - \$35,000, 16 - \$280,989, 17 - \$379,495, 18E - \$12,040, 18 - \$784,099, and, accordingly, were audited by Velma Butler & Company, Ltd.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
STATEMENT OF CAPITAL FUNDS COST - COMPLETED  
FOR THE YEAR ENDED MARCH 31, 2019**

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**EXHIBIT G**

No Capital Fund Programs were completed in the fiscal year.

**SINGLE AUDIT REPORTS**

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with Government Auditing Standards**

Board of Commissioners  
Housing Authority of the Elkhart  
Elkhart, IN 46516

U.S. Department of Housing and Urban  
Development, Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the primary government business type activities and the blended component units of the Housing Authority of the City of Elkhart, Indiana (Authority), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued a Modified thereon dated November 15, 2019.

### **Internal Control Over Financial Reporting**

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

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

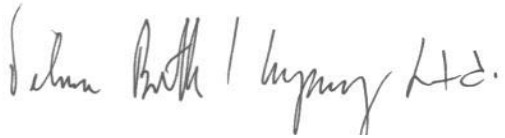
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd.".

Velma Butler & Company, Ltd.  
Chicago, Illinois

November 15, 2019

**Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

**Independent Auditor's Report**

Board of Commissioners  
Housing Authority of the Elkhart, Indiana  
Elkhart, IN 46516

U.S. Department of Housing and Urban  
Development, Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

### **Report on Internal Control Over Compliance**

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

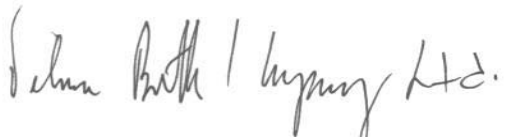
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended March 31, 2019, and have issued our report thereon dated November 15, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. 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. The 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 our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd." The signature is written in dark ink and is positioned above the printed name of the firm.

Velma Butler & Company, Ltd.  
Chicago, Illinois

November 15, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COST**



**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR  
FOR THE YEAR ENDED MARCH 31, 2019**

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**Section II - Financial Statement Findings**

There were no reportable findings for the fiscal year ended March 31, 2019.

**Section III - Federal Award Findings and Questioned Costs**

There were no reportable findings for the fiscal year ended March 31, 2019.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR  
FOR THE YEAR ENDED MARCH 31, 2019**

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**Section IV - Financial Statement Findings**

There were no reportable findings for the fiscal year ended March 31, 2018.

**Section V - Federal Award Findings and Questioned Costs**

There were no reportable findings for the fiscal year ended March 31, 2018.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
STATEMENT OF COMPLIANCE WITH  
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM  
FOR THE YEAR ENDED MARCH 31, 2019**

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Velma Butler & Company, Ltd. audited the Authority's compliance with the Section 8 Housing Management Assessment Program and did not observe any material instances of noncompliance.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA  
STATEMENT OF COMPLIANCE WITH  
PUBLIC HOUSING ASSESSMENT SYSTEM  
FOR THE YEAR ENDED MARCH 31, 2019**

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Velma Butler & Company, Ltd. audited the Authority's compliance with the Public Housing Assessment System Program and did not note any material instances of noncompliance.