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October 30, 2020

Board of Commissioners
City of Gary Housing Authority
578 Broadway
Gary, IN 46402

We have reviewed the audit report of the City of Gary Housing Authority which was opined upon by Velma Butler & Company, Ltd., Independent Public Accountants, 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 City of Gary 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

THE HOUSING AUTHORITY OF THE
CITY OF GARY, INDIANA
INDEPENDENT AUDITORS' REPORT,
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION,
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED
MARCH 31, 2019

THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Gary, Indiana
Gary, Indiana

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

Management's Responsibility for the Financial Statements

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

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.

Opinion

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 Housing Authority of the City of Gary, Indiana, as of March 31, 2019, and the changes in financial position thereof for the year 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 4-10 to 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. However, we did not audit the information and express no opinion on it.

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 purpose 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 and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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 were able to obtain sufficient appropriate audit evidence to provide a basis for our unmodified audit opinion dated December 11, 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 financial statements from which it has been derived.

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

December 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY of the CITY
of GARY, INDIANA
578 Broadway
Gary, Indiana 46402**

To the Board of Commissioners of the
The Housing Authority of the City of Gary, Indiana
Gary, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of the Gary, Indiana's (the 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.

We are pleased to submit the financial statements of the Housing Authority of the City of Gary, Indiana 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, which complies with reporting requirements of the U.S. Department of Housing and Urban Development (HUD) and the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- Net Position at March 31, 2019, was \$89.1 million, an increase of \$2.7 million from the March 31, 2018 total of \$86.4 million.
- Assets increased by \$3 million, from \$94.6 million at March 31, 2018 to approximately \$97.6 million at March 31, 2019.
- Capital assets were \$75.4 million at March 31, 2019, an increase of \$2.9 million from the March 31, 2018, balance of \$72.5 million, primarily because of improvements made through capital grant funds.
- Liabilities increased by \$342 thousand, from \$8.2 million at March 31, 2018 to \$8.6 million at March 31, 2019.
- Revenue increased by \$3 million from \$26.2 million at March 31, 2018 to \$29.2 million at March 31, 2019. The change was primarily due to an increase in HUD Grants.
- Operating expenses, excluding depreciation, increased by \$445 thousand from \$24.7 million at March 31, 2018 to \$25.1 million at March 31, 2019.

The management's discussion and analysis section includes information on the past, present and future events that have been enacted, adopted, agreed upon, and/or contracted by of the Authority. It focuses on analysis of the financial statements and the improvements in the Authority's management.

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.

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 net position are reported as soon as the underlying event that gave 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 the moderate, 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 a single enterprise fund whose operations include the low income housing program, the housing choice voucher program, special grants, and component units as follows.

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 fund only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of an 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. Funds included in the enterprise fund are listed below.

Low-Income Public Housing-Under the Low Income Public Housing Program, the Authority rents units it owns to moderate and low-income families. The Low Income 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 adjusted gross household income.

Capital Fund Program (CFP) - The Low Income 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 Assistance-Vouchers and Moderate Rehabilitation -The Housing Choice Voucher and Moderate Rehabilitation Programs are the federal government's programs for assisting moderate and 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.

Resident Opportunities and Self Sufficiency - (ROSS) Program - The purpose of this program is to provide funding to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.

Components Units - The Component units are not-for-profit organizations formed by the Authority for the purpose of assisting in the development of projects which provide housing to a mixture of moderate, low-income and market rate families. The moderate and low-income family's rents are subsidized by HUD.

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments and the United States Office of Management and Budget's (OMB) 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 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. As shown in Table 1, the Authority's net position at March 31, 2019 increased by 3.2 percent to \$89.1 million from \$86.4 million.

Table 1
Gary Housing Authority Net Position
(in thousand dollars)

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percentage Change</u>
Cash and Investments	\$ 7,857	\$ 7,910	\$ (53)	-0.7%
Other Current Assets	1,120	1,217	(97)	-8.0%
Total Current Assets	<u>8,977</u>	<u>9,127</u>	<u>(150)</u>	<u>-1.6%</u>
Non-Current Assets				
Capital Assets	75,434	72,540	2,894	4.0%
Notes Rec. and Accrued Int.	13,220	12,956	264	2.0%
Total Assets	<u>\$ 97,631</u>	<u>\$ 94,623</u>	<u>\$ 3,008</u>	<u>3.2%</u>
Current Liabilities	\$ 2,066	\$ 1,535	\$ 531	34.6%
Unearned Revenue	4,482	4,182	300	7.2%
Notes and Bonds Payable	820	1,185	(365)	-30.8%
Other Non Current Liabilities	1,188	1,312	(124)	-9.5%
Total Liabilities	<u>8,556</u>	<u>8,214</u>	<u>342</u>	<u>4.2%</u>
Unrestricted	12,307	11,781	526	4.5%
Restricted Net Assets	1,334	2,088	(754)	-36.1%
Net Investment in Capital Assets	75,434	72,540	2,894	4.0%
Total Net Position	<u>89,075</u>	<u>86,409</u>	<u>2,666</u>	<u>3.1%</u>
Total Liab. and Net Position	<u>\$ 97,631</u>	<u>\$ 94,623</u>	<u>\$ 3,008</u>	<u>3.2%</u>

CAPITAL ASSETS

Capital assets increased by \$2.9 thousand from \$72.5 million to \$5.4 million, as shown in the table below:

	<u>March 31, 2018</u>	<u>Additions / Deletions</u>	<u>March 31, 2019</u>
Land and Structures	\$ 66,759,245	\$	\$ 66,759,245
Leasehold Improvements	58,647,869	4,747,964	63,395,833
Equipment and Furniture	7,697,019		7,697,019
Construction in Progress	7,511,509	(387,246)	7,124,263
Less Accum. Depreciation	(68,076,037)	(1,466,550)	(69,542,587)
Total Capital Assets	<u>\$ 72,539,605</u>	<u>\$ 2,894,168</u>	<u>\$ 75,433,773</u>

Capital improvement closed during the year totaled \$7,124,263. Capital additions totaled \$4,360,718 and there were no dispositions. Depreciation expense for the year totaled \$1,466,550.

NON-CURRENT ASSETS AND LIABILITIES

The Authority has several notes receivable outstanding as a result of funds loaned to its mixed income developers. These are long-term notes that will mature in 2051 and 2060. Interest payments are accumulated and are not required to be paid until the developments generate positive cash flow per HUD regulations. Notes receivable totaled \$8.8 million after eliminations. Accrued interest receivable and unearned revenue related to interest income totaled \$4.4 million.

The Authority maintains escrow deposits for repairs related to the notes totaling \$1,102 thousand.

Additional information can be found in the Notes to Financial Statements.

BONDS PAYABLE

The Authority has bonds outstanding totaling \$1.6 million which consists of \$1.2 million in principal and \$438 thousand in interest to bond holders. The bonds mature in 2021. Interest is paid semi-annually and principal is paid annually. The bonds are secured by \$1.6 million held in escrow by a bank. The bank makes all payments to bond holders.

Change in Net Position

As shown in Table 2, below, the Authority's total operating revenues, which included all HUD Grants, tenant rents, interest and other income decreased by 11.3 percent to \$29.2 million at March 31, 2019, while operating expenses increased by 1.7 percent to \$26.6 million at March 31, 2019.

Table 2
Changes in Gary Housing Authority's Net Position
(in thousand dollars)

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Percentage Change</u>
Tenant Revenue	\$ 2,643	\$ 2,716	\$ (73)	-2.7 %
HUD Revenue	26,426	23,391	3,035	13.0 %
Other Income	166	163	3	1.8 %
Total Revenue	<u>29,235</u>	<u>26,270</u>	<u>2,965</u>	11.3 %
Operating Expenses	25,101	24,656	445	1.8 %
Depreciation	1,467	1,467	-	0.0 %
Total Expenses	<u>26,568</u>	<u>26,123</u>	<u>445</u>	1.7 %
Change in Net Position	2,667	147	2,520	1714.3 %
Beginning Net Position	86,408	86,261	147	0.2 %
Ending Net Position	<u>\$ 89,075</u>	<u>\$ 86,408</u>	<u>\$ 2,667</u>	3.1 %

Total expenses increased by approximately 1.7 percent, changes are shown below in Table 3:

Table 3
Gary Housing Authority's Expenses
(in thousand dollars)

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Total Percent Change</u>
Administrative Expenses	\$ 5,059	\$ 5,243	\$ (184)	-3.5%
Tenant Services	94	176	(82)	-46.6%
Utilities Expenses	2,567	2,333	234	10.0%
Ordinary Maintenance	3,570	3,043	527	17.3%
Protective Services	528	591	(63)	-10.7%
General Expenses	825	991	(166)	-16.8%
Housing Assistance Payments	12,345	12,142	203	1.7%
Interest Expenses	113	137	(24)	-17.5%
Depreciation Expense	1,467	1,467	-	0.0%
Total Expenses	<u>\$ 26,568</u>	<u>\$ 26,123</u>	<u>\$ 445</u>	1.7%

Operating expenses increased for HAP and maintenance, but decreased in administrative and general expenses.

BUDGETARY HIGHLIGHTS

The Finance Director prepares and submits proposed operating budgets for revenues and expenses for the all programs, functions, activities, or objectives for the following fiscal year to the governing board. The governing board approves and adopts the budget. Operating monies are determined by rents and operating subsidies provided by HUD, as established by Congress. The funding is dependent on the availability of federal funds.

Capital project budgets are approved and are adopted for five years by the Board of Commissioners 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.

MAJOR INITIATIVES

The Gary Housing Authority continues to provide comprehensive service in the City of Gary to assure the existence of affordable housing for low to moderate income individuals, families, senior citizens, handicapped, and disabled individuals. Under the leadership of a dedicated Board of Commissioners and the hard work of true professionals in the field of affordable housing, the agency continues to make progress, considering the various challenges for the federally subsidized housing providers. Improvements planned for the upcoming year(s) include the rehabilitation of long-term vacant units; upgrade of occupied units; and the demolition of housing units deemed non-viable. The aforementioned are only some of the many initiatives planned, as we continue to seek avenues and resources to improve the lives our residents.

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for its funding of operations; therefore, operating revenues are more affected by the Federal budget than by local economic conditions.

CONTACTING THE HOUSING AUTHORITY

The financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Eustace Kamanja, Finance Director, Housing Authority of the City of Gary, Indiana, 578 Broadway, Gary, Indiana 46402, or call 219-881-6400.

Sincerely,



Julian Marsh
Executive Director

BASIC FINANCIAL STATEMENTS

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
STATEMENT OF NET POSITION - ENTERPRISE FUND
MARCH 31, 2019 (WITH COMPARATIVE TOTALS FOR 2017)**

EXHIBIT A

	2019 TOTAL	2018 TOTAL
ASSETS		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 4,714,086	\$ 3,831,960
Cash and Cash Equivalents - Restricted	604,066	1,159,663
Investments and Escrows	2,539,422	2,917,594
Accounts Receivable, net	809,716	914,438
Prepaid Expenses	113,590	107,278
Material Inventories, net	196,517	196,517
Total Current Assets	<u>8,977,397</u>	<u>9,127,450</u>
<u>NON CURRENT ASSETS</u>		
Accrued Interest Receivable	4,383,166	4,118,805
Notes Receivable - Long Term	8,837,060	8,837,060
Capital Assets, net	75,433,773	72,539,605
Total Non-Current Assets	<u>88,653,999</u>	<u>85,495,470</u>
TOTAL ASSETS	\$ <u>97,631,396</u>	\$ <u>94,622,920</u>
LIABILITIES AND NET POSITION		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 1,369,153	\$ 977,899
Accrued Liabilities	291,829	178,934
Accrued Compensated Absences - Current	40,769	38,308
Bonds Payable - Current	365,000	340,000
Total Current Liabilities	<u>2,066,751</u>	<u>1,535,141</u>
<u>NONCURRENT LIABILITIES</u>		
Escrow Deposits	1,119,736	1,162,673
Accrued Compensated Abs. - Non-Current	68,176	61,112
Unearned Revenue	4,481,707	4,270,654
Bonds Payable - Long-Term	820,000	1,185,000
Total Noncurrent Liabilities	<u>6,489,619</u>	<u>6,679,439</u>
Total Liabilities	<u>8,556,370</u>	<u>8,214,580</u>
<u>NET POSITION</u>		
Unrestricted Net Assets	12,307,547	11,781,075
Restricted Net Assets	1,333,706	2,087,660
Net Investment in Capital Assets	75,433,773	72,539,605
Total Net Assets	<u>89,075,026</u>	<u>86,408,340</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>97,631,396</u>	\$ <u>94,622,920</u>

See Accompanying Notes to Financial Statements

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2019 (WITH 2018 TOTALS)**

EXHIBIT B

	2019 TOTAL	2018 TOTAL
OPERATING REVENUES		
Tenant Charges	\$ 2,642,880	\$ 2,716,254
HUD Operating Grants	21,965,834	21,358,988
Other Income	100,959	141,202
TOTAL REVENUES	<u>24,709,673</u>	<u>24,216,444</u>
OPERATING EXPENSES		
Administrative Expenses	5,059,531	5,242,275
Tenant Services	93,753	176,280
Utilities Expenses	2,566,757	2,333,283
Ordinary Maintenance	3,570,050	3,042,854
Protective Services	527,810	591,369
General Expenses	825,044	991,322
Housing Assistance Payments	12,345,364	12,142,461
Interest Expense	112,850	136,530
Depreciation Expense	1,466,550	1,466,550
TOTAL OPERATING EXPENSES	<u>26,567,709</u>	<u>26,122,924</u>
OPERATING INCOME (LOSS)	<u>(1,858,036)</u>	<u>(1,906,480)</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Interest Income	65,143	21,797
Total Non-Operating Income/ (Loss)	65,143	21,797
CAPITAL CONTRIBUTIONS AND (LOSSES)		
HUD Capital Grants	4,459,579	2,031,943
CHANGES IN NET POSITION	2,666,686	147,260
BEGINNING NET POSITION	86,408,340	86,261,080
ENDING NET POSITION	<u>\$ 89,075,026</u>	<u>\$ 86,408,340</u>

See Accompanying Notes to Financial Statements

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2019 (WITH 2017 TOTALS)**

EXHIBIT C

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 24,709,673	\$ 24,216,444
Payments to Employees	(3,394,387)	(3,053,324)
Payments to Vendors and Suppliers	(21,190,933)	(20,027,672)
Net Cash Provided by/(Used for) Operating Activities	<u>124,353</u>	<u>1,135,448</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Gain)/Loss on Investments	378,172	358,850
Sale of Investments	-	340,000
Interest on Investments	65,143	21,797
Net Cash Provided by/(Used for) Investing Activities	<u>443,315</u>	<u>720,647</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
(Purchase)/Sale of Capital Assets		
Investment in Capital Assets	(4,335,718)	(2,335,355)
Capital Grants	4,459,579	2,031,943
Increase/(Decrease) in Bonds Payable	(365,000)	(340,000)
Net Cash Provided by/(Used for) Financing Activities	<u>(241,139)</u>	<u>(643,412)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>326,529</u>	<u>1,212,683</u>
CASH AND CASH EQUIVALENTS AT APRIL 1, 2018	4,991,623	3,778,940
CASH AND CASH EQUIVALENTS AT MARCH 31, 2019	<u>\$ 5,318,152</u>	<u>\$ 4,991,623</u>
Unrestricted Cash and Cash Equivalents at March 31, 2019	\$ 4,714,086	\$ 3,831,960
Restricted Cash and Cash Equivalents at March 31, 2019	604,066	1,159,663
CASH AND CASH EQUIVALENTS AT MARCH 31, 2019	<u>\$ 5,318,152</u>	<u>\$ 4,991,623</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Income	\$ (1,858,036)	\$ (1,906,480)
Adjustments To Reconcile:		
Depreciation	1,466,550	1,466,550
Prior Period Adjustment		
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	104,722	1,065,743
(Increase)/Decrease in Prepaid Expenses	(6,312)	49,337
(Increase)/Decrease in Material Inventories	-	-
(Increase)/Decrease in Accrued Interest Receivables	(264,361)	(357,676)
Increase/(Decrease) in Accounts Payable	459,430	492,040
Increase/(Decrease) in Accrued Liabilities	171,279	(134,034)
Increase/(Decrease) in Escrow Deposits	(159,972)	81,304
Increase/(Decrease) in Unearned Revenue	211,053	378,664
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 124,353</u>	<u>\$ 1,135,448</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
None		

See Accompanying Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

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

Note 1 - Organization and Program Description

The Housing Authority of the City of Gary, Indiana (the Authority) is a municipal corporation created and organized under the Housing Authority Act of the State of Indiana to engage in the acquisition, development, leasing and administration of a low-income housing program and other federally assisted programs.

The governing body of the Authority is its Board of Commissioners (Board) composed of seven members appointed by the Mayor of the City of Gary (City). The Board appoints an Executive Director to administer the affairs of the Authority. The Authority is not considered a component unit of the City.

In August 2013, HUD took over the day to day operations of the Housing Authority. The Board of Commissioners was dissolved and a one member HUD employee was designated as the Board of Commissioner. Since then, a new Board of Commissioners was selected in anticipation of HUD transferring operations back to the City.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities and provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; make housing assistance payments; and make annual contributions (subsidies) to PHAs for the purpose of maintaining the low income character of the local housing program.

The Gary Housing Authority is a separate governmental entity created for the purpose of constructing, maintaining, and operating public housing and providing rental assistance to low and moderate income persons. The majority of its funding is provided by the Department of Housing and Urban Development (HUD). All funds and programs are included in these statements.

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 Income Housing - The low income 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 provided by HUD. Capital Grants and Development (Hope VI) Funds are also provided by HUD and are used to improve the construction, physical condition, management and operation of existing public housing developments. The low income housing program is reported as an enterprise fund.

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

Capital Fund Grants – Substantially all additions to land, buildings, and equipment are funded through Capital Grant Fund Program or Hope VI - Development Program. These programs add to, replace or materially upgrade deteriorated portions of the Authority’s housing units. Funding is provided through programs established by HUD.

Section 8 Programs – The Authority participates in the housing choice voucher, and moderate rehabilitation programs. These programs are 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 programs, 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 and the moderate rehabilitation programs are also reported as enterprise funds.

Resident Opportunities and Self Sufficiency - (ROSS) Program – The purpose of this program is to provide funding to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.

A. Reporting Entity

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.

These principles define the reporting entity of the primary government, as well as its component units. Component units are separate legal organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit’s board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. Based upon the application of these criteria, the reporting entity includes the Gary Housing Authority LLC, Gary Housing Development Corporation, and Small Farms Development Corporation (Small Farms), as component units.

The basic criterion for including a legally separate organization as a component unit is the degree of financial accountability the Authority has over the organization.

In accordance with GASB 14 as amended by GASB 61, major component unit reporting requirements should be satisfied by including combining statements of major component units in the reporting entity’s basic financial statements after the fund financial statements. The following component units are presented in the basic financial statements.

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
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Component Units

The Authority included all component units as blended component units of the Authority. Blended component units are separate legal entities that meet the component unit criteria: The Authority and its components have (1) a financial burden and benefit relationship; (2) the Authority has operational responsibilities for activities of the component unit; (3) the component unit provides services entirely for the benefit of the Authority. Additionally, the governing body of the component unit is the same or substantially the same as the Authority's Board.

Gary Housing Authority, LLC (GHA LLC)

GHA LLC was established on September 4, 2003, as a for profit limited liability company. GHA LLC was formed to acquire and/or manage real property. The LLC was formed by the Authority, its sole member, for the purpose of assisting in the development of a 131 unit multifamily housing project leased to Duneland Village Apartments, L.P., under Section 542(c) of the Housing and Community Development Act of 1992, defined under the provisions of section 221(d)(4) of The National Housing Act. Such projects are regulated as to rent and operating methods. Construction was substantially completed in March 2004. The management building was completed in August 2005. Apartments are rented to a mixture of moderate, low-income and market-rate tenants. Complete financial statements of the organization may be obtained from the Finance Director of the Gary Housing Authority, at their office at 578 Broadway, Gary Indiana, 46402.

Gary Housing Development Corporation (GHDC)

GHDC was established on July 9, 2003, as a nonprofit company to acquire and/or manage real property. GHDC was formed by the GHA, its sole participant, for the purpose of assisting in the development of a 123 unit multifamily housing project leased to Horace Mann Associates, L.P., under section 542(c) of the Housing and Development Act of 1992, defined under the provisions of section 221(d)(4) of the National Housing Act. Such projects are regulated as to rent and operating methods. Construction was substantially completed in March 2006. Apartments are rented to a mixture of moderate, low income and market rate tenants. *Complete financial statements of the organization may be obtained from the Finance Director of the Gary Housing Authority, at their office at 578 Broadway, Gary Indiana, 46402.

Small Farms Development Corporation (Small Farms)

Small Farms was formed in March 1979 to engage in the development of housing projects within the meaning of Section 3(6) of the United States Housing Act of 1937. Small Farms provided interim construction financing and permanent mortgage financing for the construction of 13 two-story buildings consisting of 200 units for low income families, and a community building on 20 acres of land in Gary, Indiana. Small Farms provided financing to fund the project by issuing Mortgage Revenue Bonds in April 1979. Apartments are rented to a mixture of moderate, low income and market rate tenants. Government backed securities were purchased as security for the loans. The bonds are managed by an independent administrator.

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

Complete financial statements of the organization may be obtained from the Finance Director of the Gary Housing Authority, at their office at 578 Broadway, Gary Indiana, 46402.

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

Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Authority maintains the following fund types and account groups:

- Public Housing Units consist of HUD financed units, owned by the Authority. Funds include low-income housing programs, capital grant program and Hope VI - development program.
- Section 8 programs consist of HUD provided rental housing assistance programs, where the rents are paid directly to landlords. Funds include the housing choice voucher and moderate and substantial rehabilitation programs.
- ROSS program consist of funds to hire and maintain service coordinators to assess the needs of residents and to coordinate available resources.
- 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

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

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.

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 Cash - Restricted assets include cash legally restricted as to their use. The primary restricted assets are related to the low rent housing program and housing choice voucher program for various funds restricted for tenants or future housing assistance payments.

Net Position - The Authority has adopted GASB Statement No. 33. In accordance with GASB Statement No. 33, capital contributions are recognized as revenue when expenditures are made and amounts become subject to claim for reimbursement. Depreciation recorded on property, plant and equipment acquired with funds recorded as contribution in years prior to 2000 is calculated on a straight-line basis over the estimated useful life of the related assets, charged to operations, and reclassified to the related contributed capital account. The net book values of assets disposed of are written off against contributed capital if no proceeds from the disposal are received. Depreciation recorded on the property, plant and equipment is charged to operations. Restricted resources are used first when applicable definitions are met.

Net Position includes the following:

- Net investment in capital assets - 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 are directly attributable to the acquisition, construction or improvement of these capital assets.
- Restricted for federal programs - 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.
- 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.

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 balance sheet.

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

Federal Awards – Federal grants for reimbursable programs are recognized as revenue in the year the related program expenditure occurs. Awards received prior to meeting revenue recognition criterion are recorded as unearned revenue. Operating grants are recorded as revenue in the year earned.

Investments – The Authority has estimated the fair values of its financial investments using available market information and other valuation methodologies in accordance with GASB Statement No. 31. 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. The Authority is also in compliance with all state and local laws and regulations regarding investments.

Inventories – Inventories are stated at the lower of cost or market.

Prepaid Expenditures – Payments made to vendors for services that will benefit periods beyond March 31, 2019, are recorded as prepaid items.

Compensated Absences – The Authority allows full-time regular employees to accumulate unused vacation.

- Vacation is accrued based on length of employment, ranging from 13 days per year after 12 months of continuous service to 25 days after 20 years of continuous service. Unused vacation is paid upon termination.

Capital Assets – The Authority capitalizes capital assets with a cost of more than \$5,000 and a useful life of one year or more. Proprietary fund types focus on capital maintenance. Accordingly, land, structures and equipment are recorded in the enterprise fund, which acquires such assets.

Capital assets are stated at cost or at estimated historical cost. The cost of maintenance and repairs is charged to operations as incurred and improvements are capitalized. Capital assets are depreciated over their useful lives using the straight-line method of depreciation as follows:

Building	40 years
Building Modernization	10-27.5 years
Infrastructure	40 years
Office Furniture and Equipment	5-7 years
Automobiles	5 years
Computers	3 years

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

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
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principal operating revenues of the Authority are charges to customers for rents and operating subsidies. Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while portions of capital grant funds not approved for operations are recorded in the non-operating revenue. 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.

Risk Management

The Authority may be exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the Authority has insurance coverage, which management believes is sufficient to preclude any significant losses to the Authority. Thus there is not an established Risk Management Fund greater than its insured risks of loss. Any additional coverage will be paid from general fund resources. Current insurance coverage includes: worker's compensation, general liability, property damage, flood and auto.

Financial Information for 2017

The financial statements include certain prior-year summarized comparative information in total but not by net position class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended March 31, 2017, from which the summarized information was derived.

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 Finance Director prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America.

All annual appropriations lapse at fiscal year-end. Operating budgets for the year are prepared for capital projects activity, which are included in the low income housing enterprise fund. 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 for five years at the fund and expenditure level, and effective budgetary control is achieved through periodic budgeting and reporting requirements.

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

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$5,318,152, at March 31, 2019, and are maintained in commercial checking accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities.

Cash amounts in excess of the \$250,000, FDIC limit, insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name. Indiana Public Deposit Insurance Fund also provides additional coverage in excess of the FDIC limit to the Authority's depository financial institution. The Authority is also in compliance with all state and local laws and regulations regarding cash equivalents. Of the total cash on hand at March 31, 2019, \$4,714,086 was unrestricted and \$606,066 was restricted, as shown below:

Total Unrestricted Cash	\$	4,714,086
Tenant Security Deposits		144,209
Housing Assistance Payment		148,373
FSS and Homeowner Escrow		117,129
Mod Rehab		194,355
Total Restricted Cash		<u>604,066</u>
Total Cash	\$	<u><u>5,318,152</u></u>

Note 4 - Investments and Escrows

At March 31, 2019, investments totaled \$2,539,422 which consisted of money market accounts and government securities. The fair values and unrealized gain/loss at March 31, 2019, are summarized as follows:

Description	Category 1		Unrealized Gain/(Loss)
	Book Value	Market Value	
Money Market	\$ 88,130	\$ 88,130	\$ -
Government Securities	2,451,292	2,451,292	-
Total Investments	<u>\$ 2,539,422</u>	<u>\$ 2,539,422</u>	<u>\$ -</u>

Category 1 - Certificates of deposit investments are insured by the Federal Depositor Insurance Corporation and are further fully collateralized by government security and held in the pledging financial institution's trust department in the Authority's name.

Money market and government security accounts are amounts held in escrows invested by the trustee in federal securities and U.S. Treasury Obligations money market funds. The Authority is currently not exposed to custodial credit risk or concentration risk, as defined in GASB 40.

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Restricted investments totaled \$2,451,292, as follows:

Description	Money Market	Government Securities	Total
Small Farms - Bonds	\$	\$ 1,349,129	\$ 1,349,129
GHA LLC - Reserve		1,102,163	1,102,163
Unrestricted Investments	88,130		88,130
Total	\$ 88,130	\$ 2,451,292	\$ 2,539,422

Investments were restricted for the following uses:

The Small Farms Development Corporation (Small Farms) - (a nonprofit corporation created as an agency and instrumentality of the Authority) investments are restricted for future bond payments. Small Farms issued mortgage revenue bonds (FHA Insured Mortgage - Section 8 Assisted Projects) totaling \$5,465,000 on April 1, 1979.

On October 15, 1991, Small Farms entered into an agreement with a bank to act as escrow deposit trustee. Investments totaling \$4,182,627 were deposited with the trustee. Escrows were required to be invested in Federal securities. Bond holder payments are to be made June 1 and December 1 until maturity of December 1, 2021. Bonds outstanding at March 31, 2019 were \$1,525,000. (See Note 15)

Escrow reserve accounts were established in association with the Duneland loan, for future repairs. Total funds available at March 31, 2019, totaled \$1,102,163.

Note 5 - Accounts Receivable

At March 31, 2019, accounts receivable totaled \$809,716 and consisted of the following:

Description	Amount
Tenant Accts. Receivable	\$ 207,051
Allowance for Doubtful Accounts	(124,941)
Accounts Receivable - HUD	26,741
Accounts Receivable - Other	700,865
Total Accounts Receivable	\$ 809,716

The Authority reviews the accounts receivable periodically. During the year \$104,914 was charged to bad debts.

Note 6 - Prepaid Expenses

Prepaid expenses totaled \$113,590, at March 31, 2019, and consisted of prepaid insurance and vendor services.

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
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Note 7 - Material Inventories - Net

Material inventories totaled \$196,517, at March 31, 2019. Material inventories are stated at the lower of cost or market. Material inventories were not reviewed for obsolescence or adjusted during the 2019 fiscal year.

Note 8 -Notes and Accrued Interest Receivable

Notes receivable at March 31, 2019, totaled \$13,220,226 and represented amounts due from various component units. Total notes receivable along with accrued interest are shown below:

Description	Notes	Interest	Total
Duneland Village Associates, L.P.	\$ 3,116,000	\$ 3,698,861	\$ 6,814,861
Horace Mann Associates, L.P.	5,221,060	246,400	5,467,460
Gary Housing Development Corp.	500,000	437,905	937,905
Total Notes and Interest Receivable	\$ 8,837,060	\$ 4,383,166	\$ 13,220,226

The Authority established the various entities to fulfill its goal of affordable housing. The component units loaned funds to developers to build these units. Notes receivable primarily consist of amounts due from developers of mixed income properties. The repayment of these notes is based on net cash flow. As of March 31, 2019, no payments had been made.

The Housing Authority of the City of Gary, Indiana (GHA) Duneland Village Associates, L.P.

The Authority provided a 57 year construction loan of \$3,116,000, to Duneland Village Associate LLC. The loan is secured by a second priority leasehold mortgage and security agreement. The note bears interest at a rate of 5.08% compounded annually until all amounts are paid in full.

These funds originated from the HOPE VI grant. During the life of the note, principal and interest are payable only from Net Available Cash Flow, Net Proceeds, or Condemnation Proceeds, as defined in the loan agreement. Net Available Cash Flow is defined as Surplus Cash, defined by the Project Regulatory Agreement, generated after the Project initially achieves 90% occupancy, less any other reasonable and necessary Project expenses for the borrower. Net Proceeds are defined as all proceeds received from the sale or refinancing of the Project, less (i) repayment of the first Mortgage Loan, (ii) costs of sale or refinancing, and (iii) any re-syndication or refinancing proceeds reinvested in the Project are unavailable for distributions. Duneland pays 55% of the first \$140,000 of Net Available Cash Flow, adjusted for inflation each year, and 75% of the Net Available Cash Flow of the Project in excess of \$140,000. The loan matures on September 1, 2060. The amount outstanding at March 31, 2019 is \$3,116,000 plus accrued interest of \$3,698,861.

The Housing Authority of the City of Gary, Indiana (the Authority) - Horace Mann Associates, L.P.

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
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The Authority provided a 45.5 year construction loan of \$5,221,060, to Horace Mann Associates, L. P. The loan matures on December 31, 2051. Maximum interest was \$246,400.

The loan is secured by a third priority leasehold mortgage and security agreement. Principal and interest are payable only from Net Available Cash Flow, Net Proceeds, or Condemnation Proceeds, as defined in the loan agreement. Net Available Cash Flow is defined as Surplus Cash, defined by the Project Regulatory Agreement, generated after the Project initially achieves 90% occupancy, less any other reasonable and necessary Project expenses for the Borrower. Net Proceeds are defined as all proceeds received from the sale or refinancing of the Project, less (i) repayment of the First Mortgage Loan and the Second Mortgage Loan, (ii) costs of sale or refinancing, (iii) any re-syndication of refinancing proceeds reinvested in the Project are unavailable for distribution, and (iv) repayment of any Project related advances.

Thirty-six percent of Net Available Cash Flow is paid annually as long as the Second Mortgage is outstanding. The Partnership will pay the Authority 57% of Net Available Cash Flow of the Project. The loan matures on December 31, 2051. Principal outstanding at March 31, 2019 was \$5,221,060. Accrued interest was \$246,400.

Gary Housing Development Corporation (GHDC) - Horace Mann Associates, L.P.

GHDC (a wholly owned not for profit organization) provided a 39.5 year construction loan of \$500,000 to Horace Mann Associates, L. P. The loan matures on December 31, 2046. The interest rate of the loan is 4.57% annually.

Principal and interest are payable only from Net Available Cash Flow, Net Proceeds, or Condemnation Proceeds. Until maturity, 21% of Net Available Cash Flow is paid annually. Net Available Cash Flow is defined as Surplus Cash, defined by the Project Regulatory Agreement, generated after the Project initially achieves 90% occupancy, less any other reasonable and necessary Project expense for the Borrower. Net Proceeds are defined as all proceeds received from the sale or refinancing of the project, less (i) repayment of the First Mortgage Loan, (ii) costs of sale or refinancing, (iii) any re-syndication of refinancing proceeds reinvested in the Project are unavailable for distribution, and (iv) repayment of any Project related advances. The amount outstanding at March 31, 2019 is \$500,000. Accrued interest totaled \$437,905.

HUD IG Audit

Based on an audit performed by the office of the HUD Inspector General, the Authority has entered into an agreement to repay disallowed costs back to the Section 8 Program. According to the agreement, the Low Income program must make annual reimbursement payments through December 31, 2053. At March 31, 2019 the Section 8 receivable was \$966,402.

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
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This loan is eliminated on balance sheet because they are inter-funds. Monies are owed from the low income program to the section 8 program, and thus low income fund has a payable of \$966,402 and the section 8 fund has an equal receivable, at March 31, 2019. (See Note 14)

Note 9 - Land, Structures and Equipment

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

	<u>March 31, 2018</u>	<u>Additions / Deletions</u>	<u>March 31, 2019</u>
Land and Structures	\$ 66,759,245	\$	\$ 66,759,245
Leasehold Improvements	58,647,869	4,747,964	63,395,833
Equipment and Furniture	7,697,019		7,697,019
Construction in Progress	7,511,509	(387,246)	7,124,263
Less Accum. Depreciation	(68,076,037)	(1,466,550)	(69,542,587)
Total Capital Assets	<u>\$ 72,539,605</u>	<u>\$ 2,894,168</u>	<u>\$ 75,433,773</u>

Changes in land, structures and equipment during the audit period consisted of increases in construction in progress, equipment purchased, property sold, and depreciation expense. Capital improvement closed during the year totaled \$7,124,263. Capital additions totaled \$4,360,718 and there were no dispositions. Depreciation expense for the year totaled \$1,466,550.

Note 10 - Accounts Payable

Accounts payable totaled \$1,369,153, at March 31, 2019, which consisted of the following:

<u>Description</u>	<u>Amount</u>
Accounts Payable - Vendors	\$ 1,039,533
Tenant Security Deposits	142,619
Prepaid Rents	63,047
Accounts Payable - Other	123,954
Total Accounts Payable	<u>\$ 1,369,153</u>

Note 11 - Accrued Liabilities

Accrued liabilities totaled \$400,774, at March 31, 2019, and represented amounts due for accrued salary and vacation leave as follows:

<u>Description</u>	<u>Amount</u>
Accrued Liabilities	\$ 291,829
Compensated Abscences	108,945
Total Accrued Payables	<u>\$ 400,774</u>

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
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Accrued compensated absences were \$108,945 as indicated below:

Accrued Comp. Abs - Current	\$	40,769
Accrued Comp. Abs - Non-Current		68,176
Total Accrued Compensated Abs.	\$	<u>108,945</u>

It is the Authority's policy to compensate employees for accumulated vacation leave upon termination. The Authority recognizes leave taken as a current year's salary expense during the year in which the leave is taken. Vacation is accrued for and recognized in the financial statements as an accrued liability.

Note 12-Escrow Deposits

The Gary Housing Authority, LLC. (GHA LLC) a limited liability company, created as an instrumentality of the Authority, entered into an agreement in September 2003, with the developers of Duneland Village, to fund the operating reserve escrow of \$258,000 and the operating reserve of \$250,000, required by the Indiana Housing Finance Authority, as a condition of tax credits. At March 31, 2019, escrow deposits amounts for these reserves totaled \$1,119,736.

Homeowners	\$	5,024
FSS		117,035
GHA LLC		997,677
Total Escrow Deposits	\$	<u>1,119,736</u>

Note 13 - Unearned Revenue

At March 31, 2019, unearned revenue totaled \$4,481,707, and consisted of accrued interest, tenant prepaid rents, and other unearned revenue, as shown below: **(See Note 8)**

Duneland Note - Due Authority	\$	3,698,861
Horance Mann Note - Due Authority		246,400
Horance Mann Note - Due GHDC		437,905
Total Accrued Interest		<u>4,383,166</u>
Unearned Revenue		98,541
Total Other Deferrals		<u>98,541</u>
Total Unearned Revenue	\$	<u>4,481,707</u>

Due to the uncertainty created by the length of time preceding the payment of interest and the provisions of certain notes that interest payments are contingent upon the existence of surplus cash, the collectability of interest earned has been deferred and is uncertain.

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

Note 14 - Notes Payable - IG

The Authority has entered into an agreement with the Office of the HUD Inspector General to repay costs disallowed because of an audit. At March 31, 2019 the low income fund owed the Section 8 fund \$966,402 as follows: **See Note 8**

Current Balance	\$	57,902
Non-Current Balance		<u>908,500</u>
Total	\$	<u><u>966,402</u></u>

The receivable and the related payable have been eliminated.

Note 15 - Bonds Payable

The Small Farms, an agency of the Authority, has bonds outstanding totaling \$1,185,000.

Interest earned and payable is 7.4 percent. The bonds mature in 2021. As discussed in note 4, the Authority has accumulated escrow deposits of \$1,349,129 toward the payment of principal and interest. Current and non-current payments are as shown below: **(See Note 4)**

Description	Amount
Current Portion	\$ 365,000
Long-Term Portion	<u>820,000</u>
Total Bonds Payables	\$ <u><u>1,185,000</u></u>

Future payment amounts are as follows:

Fiscal Year End	Principal Payment	Interest Payment	Total
3/31/2020	\$ 365,000	\$ 87,690	\$ 452,690
3/31/2021	395,000	60,680	455,680
3/31/2022	<u>425,000</u>	<u>31,450</u>	<u>456,450</u>
Total Bond Payable	\$ <u><u>1,185,000</u></u>	\$ <u><u>179,820</u></u>	\$ <u><u>1,364,820</u></u>

Note 16 - Employee Benefit Plans

The Authority established a defined contribution plan ("Plan") administered by a third-party "Billings and Company, Inc." under the City of Gary's eligibility rules and regulations for the employee benefit plans. The Plan is governed by the Code and the Treasury regulations issued there under (as they might be amended from time to time). To the extent not preempted by the Federal law, the provisions of this Plan is construed, enforced and administered according to the laws of the State of Indiana.

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

The Plan covers all regular employees who work for at least 180 days. The required contribution is 13.75% of the employee’s monthly salary. Participants’ benefits are fully vested after five years of participation and are determined solely by the provisions of the Government Agency Retirement Plan and Trust. Besides retirement benefits, the Plan offers life insurance where participants receive 100% of one year’s salary up until the age of 65 when the benefit is reduced by 35%.

The normal retirement date is the participants’ 65th birthday. Participants may elect to retire anytime after their 55th birthday, at which time they are 100% vested regardless of years of service. The amount a participant receives at early, normal, or postponed retirement is based on the amount accumulated in their account. Although no employee contributions are required, employees may make voluntary contributions not to exceed 10% of their annual salary. The Authority’s total payroll expense was \$3,394,387. The Authority made all required contributions to the Plan.

Plan assets totaled \$2,477,317, at March 31, 2019, as follows:

Description	Amount
Beginning Balance @ 04/01/2018	\$ 2,392,755
Contributions	287,621
Withdrawals	(356,706)
Earnings	153,647
Ending Balance @ 03/31/2019	\$ <u>2,477,317</u>

Note 17 - Operating Lease Commitments

The Authority does not have any operating leases for office equipment.

Note 18 - Commitments and Contingencies

The Authority receives financial assistance from federal government agencies in the form of grants and operating subsidies. Disbursements of funds received under these programs require compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the Authority.

The Authority has certain contingent liabilities resulting from litigations, claims, and commitments incident to the ordinary course of business. Management expects the final resolution of such contingencies will not have a material adverse effect on the financial position of the Authority. Below is the current status of those potential material cases:

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

Case #1

A Plaintiff's filed an E.E.O.C. case on March 30, March 30, 2017. On July 26, 2018, the case was dismissed. The Plaintiff is a former employee of GHA who claims he was terminated wrongfully in retaliation for his exercising statutory rights under the Family Medical Leave Act (FMLA) and Indiana workers' compensation statutes.

GHA plans to file a Motion for Summary Judgment, following the close of discovery. They expect a reasonable likelihood of success on this Motion; if the Motion is successful, there will be no liability on GHA's part other than the cost of litigation. If, however, the Motion is unsuccessful, they would aggressively pursue defense of the case unless a reasonable settlement agreement could be reached which is acceptable to GHA. Should this matter proceed to trial, GHA's potential liability could reasonably approach \$300,000 to \$350,000.

Case #2

In a complaint file on July 11, 2016, Plaintiff claims that she was injured when she slipped and fell on ice which had accumulated outside the door of her residence. On March 3, 2015, Plaintiff claims that GHA was negligent in its failure to properly salt the area. Discovery has been completed.

GHA has filed a Motion to Dismiss in this matter as a result of Plaintiff's failure to properly name GHA in the lawsuit. That matter has been set for hearing in January of 2020. If the matter is not dismissed at that time, GHA intends to file a Motion for Summary Judgment. They expect a reasonable likelihood of success on this Motion; if the Motion is successful, there will be no liability on GHA's part other than the cost of litigation. If, however, the Motion is unsuccessful, they would aggressively pursue defense of the case unless a reasonable settlement agreement could be reached which is acceptable to GHA. Should this matter proceed to trial, GHA's potential liability could reasonably exceed \$100,000.

Note 19 - 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 20 - Allocation of Cost

The Authority uses the direct cost method to recognize the expenses of each project and program. The central office charges the projects and programs a management fee. This fee is recognized as income for the central office and as an expense for the projects and programs. These fees between the projects and central office are eliminated during the reporting process. Fees from the programs are not eliminated and are recognized as revenue to central office and an expense to the program. Management considers this to be an equitable method of allocation.

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

Note 21 - 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 December 9, 2019, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
STATEMENT OF PROGRAM NET POSITION
MARCH 31, 2019 (WITH COMPARATIVE TOTALS FROM 2018)

	Low-Rent Public Housing	Housing Choice Voucher	Other Programs	Blended Component Units	Eliminations	2019 TOTAL	2018 TOTAL
ASSETS							
<u>CURRENT ASSETS</u>							
Cash and Cash Equivalents	\$ 4,714,086	\$	\$	\$	\$	\$ 4,714,086	\$ 3,831,960
Cash and Cash Equivalents - Restricted	144,303	459,763				604,066	1,159,663
Investments and Escrows	87,257	873		2,451,292		2,539,422	2,917,594
Accounts Receivable, net	3,025,315	16,862	12,738		(2,245,199)	809,716	914,438
Notes Receivable - Current		57,902			(57,902)	-	-
Prepaid Expenses	110,096	3,494				113,590	107,278
Material Inventories, net	196,517					196,517	196,517
Total Current Assets	8,277,574	538,894	12,738	2,451,292	(2,303,101)	8,977,397	9,127,450
<u>NON CURRENT ASSETS</u>							
Accrued Interest Receivable	3,945,261			437,905		4,383,166	4,118,805
Notes Receivable - Long Term	8,337,060	908,500		500,000	(908,500)	8,837,060	8,837,060
Capital Assets, net	72,373,838	9,469		3,050,466		75,433,773	72,539,605
Total Non-Current Assets	84,656,159	917,969	-	3,988,371	(908,500)	88,653,999	85,495,470
TOTAL ASSETS	\$ 92,933,733	\$ 1,456,863	\$ 12,738	\$ 6,439,663	\$ (3,211,601)	\$ 97,631,396	\$ 94,622,920
LIABILITIES AND NET POSITION							
<u>CURRENT LIABILITIES</u>							
Accounts Payable	\$ 3,582,945	\$ 18,669	\$ 12,738	\$	\$ (2,245,199)	\$ 1,369,153	\$ 977,899
Accrued Liabilities	291,829					291,829	178,934
Accrued Comp. Abs. - Current	40,769					40,769	38,308
Bonds Payable - Current	57,902			365,000	(57,902)	365,000	340,000
Total Current Liabilities	3,973,445	18,669	12,738	365,000	(2,303,101)	2,066,751	1,535,141
<u>NONCURRENT LIABILITIES</u>							
Escrow Deposits	5,024	117,035		997,677		1,119,736	1,162,673
Accrued Comp. Abs. - Non-Current	68,176					68,176	61,112
Unearned Revenue	4,043,802			437,905		4,481,707	4,270,654
Bonds Payable - Long-Term	908,500			820,000	(908,500)	820,000	1,185,000
Total Noncurrent Liabilities	5,025,502	117,035	-	2,255,582	(908,500)	6,489,619	6,679,439
Total Liabilities	8,998,947	135,704	12,738	2,620,582	(3,211,601)	8,556,370	8,214,580
<u>NET POSITION</u>							
Unrestricted Net Assets	11,560,948	(31,486)	-	768,615	-	12,298,077	11,781,075
Restricted Net Assets		1,343,176		-		1,343,176	2,087,660
Net Investment in Capital Assets	72,373,838	9,469	-	3,050,466	-	75,433,773	72,539,605
Total Net Assets	83,934,786	1,321,159	-	3,819,081	-	89,075,026	86,408,340
TOTAL LIABILITIES AND NET POSITION	\$ 92,933,733	\$ 1,456,863	\$ 12,738	\$ 6,439,663	\$ (3,211,601)	\$ 97,631,396	\$ 94,622,920

See Accompanying Notes to the Financial Statements

HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2019 (WITH COMPARATIVE TOTALS FROM 2018)

	Low-Rent Public Housing	Housing Choice Voucher	Other Programs	Blended Component Unit	Eliminations	2019 TOTAL	2018 TOTAL
OPERATING REVENUES							
Tenant Charges	\$ 2,642,880	\$	\$	\$	\$	\$ 2,642,880	\$ 2,716,254
HUD Operating Grants	8,982,661	12,932,222	50,951			21,965,834	21,358,988
Other Income	1,528,914	37,196			(1,465,151)	100,959	141,202
TOTAL REVENUES	13,154,455	12,969,418	50,951	-	(1,465,151)	24,709,673	24,216,444
OPERATING EXPENSES							
Administrative Expenses	5,238,602	1,226,794	50,951	8,335	(1,465,151)	5,059,531	5,242,275
Tenant Services	93,753					93,753	176,280
Utilities Expenses	2,561,763	4,994				2,566,757	2,333,283
Ordinary Maintenance	3,570,050					3,570,050	3,042,854
Protective Services	527,810					527,810	591,369
General Expenses	796,202	28,842				825,044	991,322
Housing Assistance Payments		12,345,364				12,345,364	12,142,461
Interest Expense				112,850		112,850	136,530
Depreciation Expense	1,446,289			20,261		1,466,550	1,466,550
TOTAL OPERATING EXPENSES	14,234,469	13,605,994	50,951	141,446	(1,465,151)	26,567,709	26,122,924
OPERATING INCOME (LOSS)	(1,080,014)	(636,576)	-	(141,446)	-	(1,858,036)	(1,906,480)
NON-OPERATING REVENUES AND (EXPENSES)							
Interest Income		18		65,125		65,143	21,797
Total Non-Operating Income/(Loss)	-	18	-	65,125	-	65,143	21,797
CAPITAL CONTRIBUTIONS (LOSSES) AND OTHER REVENUE / (EXPENSE)							
HUD Capital Grants	4,459,579					4,459,579	2,031,943
CHANGES IN NET POSITION	3,379,565	(636,558)	-	(76,321)	-	2,666,686	147,260
TRANSFERS IN/(OUT)	(93,753)			93,753		-	-
BEGINNING NET POSITION	80,648,974	1,957,717		3,801,649		86,408,340	86,261,080
ENDING NET POSITION	\$ 83,934,786	\$ 1,321,159	\$ -	\$ 3,819,081	\$ -	\$ 89,075,026	\$ 86,408,340

See Accompanying Notes to the Financial Statements

Housing Authority of the City of Gary Indiana (IN011)

GARY, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2019

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$4,318,800	\$124,150			\$194,355	\$395,286	\$5,032,591		\$5,032,591
112 Cash - Restricted - Modernization and Development					\$0				
113 Cash - Other Restricted		\$24,223			\$0		\$24,223		\$24,223
114 Cash - Tenant Security Deposits	\$144,209				\$0		\$144,209		\$144,209
115 Cash - Restricted for Payment of Current Liabilities	\$94	\$117,035			\$0		\$117,129		\$117,129
100 Total Cash	\$4,463,103	\$265,408	\$0	\$0	\$194,355	\$395,286	\$5,318,152	\$0	\$5,318,152
121 Accounts Receivable - PHA Projects	\$0				\$0		\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$0			\$12,738	\$0		\$12,738		\$12,738
124 Accounts Receivable - Other Government	\$689				\$0	\$76	\$765		\$765
125 Accounts Receivable - Miscellaneous	\$491,239	\$4,643			\$0	\$208,948	\$704,830		\$704,830
126 Accounts Receivable - Tenants	\$215,770	\$552			\$0		\$216,322		\$216,322
126.1 Allowance for Doubtful Accounts -Tenants	-\$124,939	\$0			\$0		-\$124,939		-\$124,939
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current		\$57,902			\$0		\$57,902	-\$57,902	\$0
128 Fraud Recovery					\$0				
128.1 Allowance for Doubtful Accounts - Fraud					\$0				
129 Accrued Interest Receivable			\$437,905		\$0	\$3,945,261	\$4,383,166		\$4,383,166
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$582,759	\$63,097	\$437,905	\$12,738	\$0	\$4,154,285	\$5,250,784	-\$57,902	\$5,192,882
131 Investments - Unrestricted		\$873			\$0	\$87,257	\$88,130		\$88,130
132 Investments - Restricted		\$0	\$2,451,292		\$0		\$2,451,292		\$2,451,292
135 Investments - Restricted for Payment of Current Liability					\$0				
142 Prepaid Expenses and Other Assets	\$94,462	\$1,993			\$1,501	\$15,634	\$113,590		\$113,590
143 Inventories	\$217,968				\$0		\$217,968		\$217,968
143.1 Allowance for Obsolete Inventories	-\$21,451				\$0		-\$21,451		-\$21,451
144 Inter Program Due From	\$1,773,737	\$0			\$11,667	\$459,795	\$2,245,199	-\$2,245,199	\$0
145 Assets Held for Sale	\$0				\$0		\$0		\$0
150 Total Current Assets	\$7,110,578	\$331,371	\$2,889,197	\$12,738	\$207,523	\$5,112,257	\$15,663,664	-\$2,303,101	\$13,360,563
161 Land	\$1,440,909				\$0	\$60,000	\$1,500,909		\$1,500,909
162 Buildings	\$127,074,895				\$0	\$735,181	\$127,810,076		\$127,810,076
163 Furniture, Equipment & Machinery - Dwellings	\$2,172,406		\$7,200		\$0	\$2,747	\$2,182,353		\$2,182,353
164 Furniture, Equipment & Machinery - Administration	\$5,626,774	\$144,934	\$13,061		\$0	\$560,372	\$6,345,141		\$6,345,141
165 Leasehold Improvements	\$11,811				\$0	\$1,806	\$13,617		\$13,617
166 Accumulated Depreciation	-\$68,582,626	-\$135,465	-\$193,338		\$0	-\$631,157	-\$69,542,586		-\$69,542,586
167 Construction in Progress	\$0				\$0		\$0		\$0
168 Infrastructure	\$3,900,720		\$3,223,543		\$0		\$7,124,263		\$7,124,263
160 Total Capital Assets, Net of Accumulated Depreciation	\$71,644,889	\$9,469	\$3,050,466	\$0	\$0	\$728,949	\$75,433,773	\$0	\$75,433,773
171 Notes, Loans and Mortgages Receivable - Non-Current		\$908,500	\$500,000		\$0	\$8,337,060	\$9,745,560	-\$908,500	\$8,837,060
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due		\$0			\$0		\$0		\$0
173 Grants Receivable - Non Current					\$0				\$0
174 Other Assets					\$0				\$0
176 Investments in Joint Ventures					\$0				\$0
180 Total Non-Current Assets	\$71,644,889	\$917,969	\$3,550,466	\$0	\$0	\$9,066,009	\$85,179,333	-\$908,500	\$84,270,833

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
200 Deferred Outflow of Resources					\$0				
290 Total Assets and Deferred Outflow of Resources	\$78,755,467	\$1,249,340	\$6,439,663	\$12,738	\$207,523	\$14,178,266	\$100,842,997	-\$3,211,601	\$97,631,396
311 Bank Overdraft					\$0				
312 Accounts Payable <= 90 Days	\$919,627	\$1,054			\$0	\$94,494	\$1,015,175		\$1,015,175
313 Accounts Payable >90 Days Past Due					\$0				
321 Accrued Wage/Payroll Taxes Payable	\$33,803				\$0	\$27,177	\$60,980		\$60,980
322 Accrued Compensated Absences - Current Portion	\$22,355				\$0	\$14,155	\$36,510		\$36,510
324 Accrued Contingency Liability					\$0				
325 Accrued Interest Payable					\$0				
331 Accounts Payable - HUD PHA Programs	\$0				\$0		\$0		\$0
332 Account Payable - PHA Projects	\$0	\$0			\$0	\$7,503	\$7,503		\$7,503
333 Accounts Payable - Other Government	\$0				\$0		\$0		\$0
341 Tenant Security Deposits	\$142,619				\$0		\$142,619		\$142,619
342 Unearned Revenue	\$178,689	\$4,217			\$0	\$4,698	\$187,604		\$187,604
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$365,000		\$0	\$57,902	\$422,902	-\$57,902	\$365,000
344 Current Portion of Long-term Debt - Operating Borrowings					\$0				
345 Other Current Liabilities	\$0				\$0		\$0		\$0
346 Accrued Liabilities - Other	\$251,360				\$0		\$251,360		\$251,360
347 Inter Program - Due To	\$1,343,747	\$13,398		\$12,738	\$0	\$875,316	\$2,245,199	-\$2,245,199	\$0
348 Loan Liability - Current	\$0		\$0		\$0		\$0		\$0
310 Total Current Liabilities	\$2,892,200	\$18,669	\$365,000	\$12,738	\$0	\$1,081,245	\$4,369,852	-\$2,303,101	\$2,066,751
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$0		\$0	\$0	\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings					\$0				
353 Non-current Liabilities - Other	\$97,277	\$117,035	\$1,435,582		\$0	\$3,951,549	\$5,601,443		\$5,601,443
354 Accrued Compensated Absences - Non Current	\$41,885				\$0	\$26,291	\$68,176		\$68,176
355 Loan Liability - Non Current			\$820,000		\$0	\$908,500	\$1,728,500	-\$908,500	\$820,000
356 FASB 5 Liabilities					\$0				
357 Accrued Pension and OPEB Liabilities					\$0				
350 Total Non-Current Liabilities	\$139,162	\$117,035	\$2,255,582	\$0	\$0	\$4,886,340	\$7,398,119	-\$908,500	\$6,489,619
300 Total Liabilities	\$3,031,362	\$135,704	\$2,620,582	\$12,738	\$0	\$5,967,585	\$11,767,971	-\$3,211,601	\$8,556,370
400 Deferred Inflow of Resources					\$0				
508.3 Nonspendable Fund Balance					\$0				
508.4 Net Investment in Capital Assets	\$71,644,167	\$9,469	\$3,050,466		\$0	\$728,943	\$75,433,045		\$75,433,045
509.3 Restricted Fund Balance					\$0				
510.3 Committed Fund Balance					\$0				
511.3 Assigned Fund Balance					\$0				
511.4 Restricted Net Position		\$1,135,653			\$207,523		\$1,343,176		\$1,343,176
512.3 Unassigned Fund Balance					\$0				
512.4 Unrestricted Net Position	\$4,079,938	-\$31,486	\$768,615	\$0	\$0	\$7,481,738	\$12,298,805		\$12,298,805
513 Total Equity - Net Assets / Position	\$75,724,105	\$1,113,636	\$3,819,081	\$0	\$207,523	\$8,210,681	\$89,075,026	\$0	\$89,075,026
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$78,755,467	\$1,249,340	\$6,439,663	\$12,738	\$207,523	\$14,178,266	\$100,842,997	-\$3,211,601	\$97,631,396

Housing Authority of the City of Gary Indiana (IN011)

GARY, 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	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,626,166				\$0		\$2,626,166		\$2,626,166
70400 Tenant Revenue - Other	\$16,714				\$0		\$16,714		\$16,714
70500 Total Tenant Revenue	\$2,642,880	\$0	\$0	\$0	\$0	\$0	\$2,642,880	\$0	\$2,642,880
70600 HUD PHA Operating Grants	\$8,982,661	\$12,515,433		\$50,951	\$416,789		\$21,965,834		\$21,965,834
70610 Capital Grants	\$4,459,579				\$0		\$4,459,579		\$4,459,579
70710 Management Fee					\$0	\$1,159,408	\$1,159,408	-\$1,159,408	\$0
70720 Asset Management Fee					\$0	\$34,680	\$34,680	-\$34,680	\$0
70730 Book Keeping Fee					\$0	\$271,063	\$271,063	-\$271,063	\$0
70740 Front Line Service Fee					\$0				
70750 Other Fees					\$0				
70700 Total Fee Revenue					\$0	\$1,465,151	\$1,465,151	-\$1,465,151	\$0
70800 Other Government Grants					\$0				
71100 Investment Income - Unrestricted		\$18	\$28,540		\$0	\$0	\$28,558		\$28,558
71200 Mortgage Interest Income					\$0				
71300 Proceeds from Disposition of Assets Held for Sale					\$0				
71310 Cost of Sale of Assets					\$0				
71400 Fraud Recovery		\$7,080			\$1,290		\$8,370		\$8,370
71500 Other Revenue	\$61,601	\$28,826			\$0	\$2,162	\$92,589		\$92,589
71600 Gain or Loss on Sale of Capital Assets					\$0				
72000 Investment Income - Restricted			\$36,585		\$0	\$0	\$36,585		\$36,585
70000 Total Revenue	\$16,146,721	\$12,551,357	\$65,125	\$50,951	\$418,079	\$1,467,313	\$30,699,546	-\$1,465,151	\$29,234,395
91100 Administrative Salaries	\$764,822				\$0	\$1,032,694	\$1,797,516		\$1,797,516
91200 Auditing Fees	\$58,490	\$5,459			\$0	\$8,628	\$72,577		\$72,577
91300 Management Fee	\$904,982	\$246,828			\$7,600		\$1,159,410	-\$1,159,408	\$2
91310 Book-keeping Fee	\$112,094	\$154,267			\$4,700		\$271,061	-\$271,063	-\$2
91400 Advertising and Marketing	\$661				\$0		\$661		\$661
91500 Employee Benefit contributions - Administrative	\$346,024				\$0	\$338,857	\$684,881		\$684,881
91600 Office Expenses	\$318,899	\$39,562			\$0	\$114,633	\$473,094		\$473,094
91700 Legal Expense	\$68,485	\$1,293			\$0	\$126,857	\$196,635		\$196,635
91800 Travel	\$19,263	\$395			\$0	\$61,978	\$81,636		\$81,636
91810 Allocated Overhead					\$0				
91900 Other	\$776,897	\$741,282	\$8,335	\$50,951	\$25,408	\$149,658	\$1,752,531		\$1,752,531
91000 Total Operating - Administrative	\$3,370,617	\$1,189,086	\$8,335	\$50,951	\$37,708	\$1,833,305	\$6,490,002	-\$1,430,471	\$5,059,531
92000 Asset Management Fee	\$34,680				\$0		\$34,680	-\$34,680	\$0
92100 Tenant Services - Salaries	\$45,065				\$0		\$45,065		\$45,065
92200 Relocation Costs	\$16,116				\$0		\$16,116		\$16,116
92300 Employee Benefit Contributions - Tenant Services	\$13,416				\$0		\$13,416		\$13,416
92400 Tenant Services - Other	\$19,156				\$0		\$19,156		\$19,156
92500 Total Tenant Services	\$93,753	\$0	\$0	\$0	\$0	\$0	\$93,753	\$0	\$93,753
93100 Water	\$270,216	\$283			\$0	\$2,265	\$272,764		\$272,764

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
93200 Electricity	\$1,085,837	\$3,985			\$0	\$33,443	\$1,123,265		\$1,123,265
93300 Gas	\$520,276	\$115			\$0	\$4,330	\$524,721		\$524,721
93400 Fuel					\$0				
93500 Labor					\$0				
93600 Sewer	\$640,399	\$611			\$0	\$4,997	\$646,007		\$646,007
93700 Employee Benefit Contributions - Utilities					\$0				
93800 Other Utilities Expense					\$0				
93000 Total Utilities	\$2,516,728	\$4,994	\$0	\$0	\$0	\$45,035	\$2,566,757	\$0	\$2,566,757
94100 Ordinary Maintenance and Operations - Labor	\$1,532,284				\$0		\$1,532,284		\$1,532,284
94200 Ordinary Maintenance and Operations - Materials and Other	\$329,204				\$0	\$5,463	\$334,667		\$334,667
94300 Ordinary Maintenance and Operations Contracts	\$1,317,317				\$0	\$92,926	\$1,410,243		\$1,410,243
94500 Employee Benefit Contributions - Ordinary Maintenance	\$292,856				\$0		\$292,856		\$292,856
94000 Total Maintenance	\$3,471,661	\$0	\$0	\$0	\$0	\$98,389	\$3,570,050	\$0	\$3,570,050
95100 Protective Services - Labor					\$0				
95200 Protective Services - Other Contract Costs	\$527,810				\$0		\$527,810		\$527,810
95300 Protective Services - Other					\$0				
95500 Employee Benefit Contributions - Protective Services					\$0				
95000 Total Protective Services	\$527,810	\$0	\$0	\$0	\$0	\$0	\$527,810	\$0	\$527,810
96110 Property Insurance					\$0				
96120 Liability Insurance					\$0				
96130 Workmen's Compensation					\$0				
96140 All Other Insurance	\$573,286	\$28,842			\$0	\$37,565	\$639,693		\$639,693
96100 Total insurance Premiums	\$573,286	\$28,842	\$0	\$0	\$0	\$37,565	\$639,693	\$0	\$639,693
96200 Other General Expenses	\$2,645				\$0		\$2,645		\$2,645
96210 Compensated Absences					\$0				
96300 Payments in Lieu of Taxes	\$77,790				\$0		\$77,790		\$77,790
96400 Bad debt - Tenant Rents	\$104,916				\$0		\$104,916		\$104,916
96500 Bad debt - Mortgages					\$0				
96600 Bad debt - Other					\$0				
96800 Severance Expense					\$0				
96000 Total Other General Expenses	\$185,351	\$0	\$0	\$0	\$0	\$0	\$185,351	\$0	\$185,351
96710 Interest of Mortgage (or Bonds) Payable			\$112,850		\$0		\$112,850		\$112,850
96720 Interest on Notes Payable (Short and Long Term)					\$0				
96730 Amortization of Bond Issue Costs					\$0				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$112,850	\$0	\$0	\$0	\$112,850	\$0	\$112,850
96900 Total Operating Expenses	\$10,773,886	\$1,222,922	\$121,185	\$50,951	\$37,708	\$2,014,294	\$14,220,946	-\$1,465,151	\$12,755,795
97000 Excess of Operating Revenue over Operating Expenses	\$5,372,835	\$11,328,435	-\$56,060	\$0	\$380,371	-\$546,981	\$16,478,600	\$0	\$16,478,600
97100 Extraordinary Maintenance					\$0				
97200 Casualty Losses - Non-capitalized					\$0				
97300 Housing Assistance Payments		\$12,003,378			\$341,986		\$12,345,364		\$12,345,364
97350 HAP Portability-In		\$0			\$0		\$0		\$0
97400 Depreciation Expense	\$1,405,496	\$0	\$20,261		\$0	\$40,793	\$1,466,550		\$1,466,550

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.870 Resident Opportunity and Supportive Services	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
97500 Fraud Losses					\$0				
97600 Capital Outlays - Governmental Funds					\$0				
97700 Debt Principal Payment - Governmental Funds					\$0				
97800 Dwelling Units Rent Expense					\$0				
90000 Total Expenses	\$12,179,382	\$13,226,300	\$141,446	\$50,951	\$379,694	\$2,055,087	\$28,032,860	-\$1,465,151	\$26,567,709
10010 Operating Transfer In	\$1,270,586				\$0		\$1,270,586		\$1,270,586
10020 Operating transfer Out	-\$1,270,586				\$0		-\$1,270,586		-\$1,270,586
10030 Operating Transfers from/to Primary Government			\$93,753		\$0		\$93,753		\$93,753
10040 Operating Transfers from/to Component Unit					\$0	-\$93,753	-\$93,753		-\$93,753
10050 Proceeds from Notes, Loans and Bonds					\$0				
10060 Proceeds from Property Sales					\$0				
10070 Extraordinary Items, Net Gain/Loss	\$0				\$0		\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0				\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0				\$0		\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0				\$0		\$0		\$0
10093 Transfers between Program and Project - In	\$0				\$0		\$0		\$0
10094 Transfers between Project and Program - Out	\$0				\$0		\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$93,753	\$0	\$0	-\$93,753	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$3,967,339	-\$674,943	\$17,432	\$0	\$38,385	-\$681,527	\$2,666,686	\$0	\$2,666,686
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$72,365,766	\$1,788,579	\$3,801,649	\$0	\$169,138	\$8,283,208	\$86,408,340		\$86,408,340
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$609,000	\$0	\$0		\$0	\$609,000	\$0		\$0
11050 Changes in Compensated Absence Balance					\$0				
11060 Changes in Contingent Liability Balance					\$0				
11070 Changes in Unrecognized Pension Transition Liability					\$0				
11080 Changes in Special Term/Severance Benefits Liability					\$0				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					\$0				
11100 Changes in Allowance for Doubtful Accounts - Other					\$0				
11170 Administrative Fee Equity		-\$22,017			\$0		-\$22,017		-\$22,017
11180 Housing Assistance Payments Equity		\$1,135,653			\$0		\$1,135,653		\$1,135,653
11190 Unit Months Available	18288	21116			636	0	40040		40040
11210 Number of Unit Months Leased	15190	20569			636	0	36395		36395
11270 Excess Cash	\$3,036,711				\$0		\$3,036,711		\$3,036,711
11610 Land Purchases	\$0				\$0	\$0	\$0		\$0
11620 Building Purchases	\$1,338,133				\$0	\$0	\$1,338,133		\$1,338,133
11630 Furniture & Equipment - Dwelling Purchases	\$185,121				\$0	\$0	\$185,121		\$185,121
11640 Furniture & Equipment - Administrative Purchases	\$130,347				\$0	\$0	\$130,347		\$130,347
11650 Leasehold Improvements Purchases	\$15,628				\$0	\$0	\$15,628		\$15,628
11660 Infrastructure Purchases	\$2,790,350				\$0	\$0	\$2,790,350		\$2,790,350
13510 CFFP Debt Service Payments	\$0				\$0	\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0	\$0		\$0

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

EXHIBIT D

FEDERAL GRANTOR	CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Federal Programs - U S Department of Housing and Urban Development			
<u>Low-Income Rental Housing Programs</u>			
Public and Indian Housing	14.850	\$ 7,008,622	\$ 14,357,715
Public Housing Capital Fund	14.872	<u>6,433,619</u>	<u>6,433,619</u>
Total Major Federal Program		13,442,241	20,791,334
Non-Major Federal Program - U S Department of Housing and Urban Development			
<u>Housing Choice Voucher Cluster</u>			
Section 8 Housing Choice Voucher Program	14.871	12,515,433	13,044,456
<u>Section 8 Project Based Cluster</u>			
Lower Income Housing Assistance Prog._Sec. 8 Moderate Rehabilitation	14.856	416,789	493,712
<u>Other Non-Major Programs</u>			
Resident Opportunity and Self Sufficiency	14.870	<u>50,951</u>	<u>50,951</u>
Total Non-Major Federal Program		12,983,173	13,589,119
Total All Programs - U S Department of Housing and Urban Development		<u>\$ 26,425,414</u>	<u>\$ 34,380,453</u>

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2019**

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 Gary, Indiana (the Authority), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's financial statements.

The schedule summarizes the federal funds expended by the Authority under 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 has not elected to use the 10% de minimis direct cost rate as allowed under the Uniform Guidance.

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.

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
 STATEMENT OF CAPITAL FUND PROGRAM COST UNCOMPLETED
 FOR THE YEAR ENDED MARCH 31, 2019**

EXHIBIT E

ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36PO11 -501-13, 501-14, 501-15, AND 501-16 & IN36R011501-12
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	501-12R	501-13	501-14	501-15	501-16	501-17	Total
Funds Approved	\$ 392,701	\$ 2,899,400	\$ 3,022,998	\$ 2,989,290	\$ 3,057,687	\$ 3,685,250	16,047,326
Funds Expended	<u>150,000</u>	<u>2,686,543</u>	<u>3,022,998</u>	<u>2,954,446</u>	<u>2,751,365</u>	<u>1,105,575</u>	<u>12,670,927</u>
Excess \ (Deficit) of Funds Approved	<u>\$ 242,701</u>	<u>\$ 212,857</u>	<u>\$ -</u>	<u>\$ 34,844</u>	<u>\$ 306,322</u>	<u>\$ 2,579,675</u>	<u>\$ 3,376,399</u>
Funds Advanced	\$ 150,000	\$ 2,686,543	\$ 2,747,151	\$ 2,954,446	\$ 2,751,365	\$ 1,105,575	11,289,505
Funds Expended	<u>150,000</u>	<u>2,686,543</u>	<u>3,022,998</u>	<u>2,954,446</u>	<u>2,751,365</u>	<u>1,105,575</u>	<u>11,565,352</u>
Excess \ (Deficit) of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,847.00)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,847.00)</u>

- 1 Capital Fund Program costs for Phases IN 36P-501-13, 501-14, 501-15, 501-16, 501-17 and IN 36R-501-12 are shown above.
- 2 Cost additions during this fiscal year, totaled \$8,154,274, and were audited by VB&C.

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
 STATEMENT OF CAPITAL FUND PROGRAM COST COMPLETED
 FOR THE YEAR ENDED MARCH 31, 2019**

EXHIBIT F

ANNUAL CONTRIBUTION CONTRACT C - 348 PHASES IN36PO11 - 501-09, 501-10, 501-11, 501-12
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	501-09	501-10	501-11	501-12	Total
Funds Approved	\$ 4,616,580	\$ 4,601,056	\$ 3,798,787	\$ 3,026,819	\$ 16,043,242
Funds Expended	<u>4,616,580</u>	<u>4,601,056</u>	<u>3,798,787</u>	<u>3,026,819</u>	<u>16,043,242</u>
Excess \ (Deficit) of Funds Approved	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Funds Advanced	\$ 4,616,580	\$ 4,601,056	\$ 3,798,787	\$ 3,026,819	\$ 16,043,242
Funds Expended	<u>4,616,580</u>	<u>4,601,056</u>	<u>3,798,787</u>	<u>3,026,819</u>	<u>16,043,242</u>
Excess \ (Deficit) of Funds Advanced	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

- 1 The total costs of the Modernization costs of the Mordernization grant is shown above.
- 2 All Modernization work in connection with the Modernization have been completed.
- 3 The entire actual modernization costs or liabilities therefore incurred by the Authority have been fully paid;
- 4 There are no undischarges mechanics', laborers contractors', or material-men leins against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
- 5 The time in which such lein could be filed has expired.

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 City of Gary, Indiana
Gary, Indiana

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 Housing Authority of the City Gary, 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 our report thereon dated December 9, 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

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.

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

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

Velma Butler & Company, Ltd.
Chicago, Illinois

December 9, 2019

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Gary, Indiana
Gary, Indiana

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 Gary, Indiana (the Authority)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended 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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of 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 December 9, 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.



Velma Butler & Company, Ltd.
Chicago, Illinois

December 9, 2019

**HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED MARCH 31, 2019**

Section I - Summary of Auditor's Results

Financial Statements

Type of report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Deficiencies identified not considered to be material weaknesses?
 Yes X No

Noncompliance material to financial statements noted?
 Yes X No

Federal Awards

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

Internal control over major programs:

Material weakness(es) identified? Yes X No

Deficiencies identified not considered to be material weaknesses?
 Yes X No

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?
 Yes X No

Identification of major programs:

U.S. Department of Housing and Urban Development

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Low Rent Public Housing	
14.850	Low Rent Public and Indian Housing Program
14.872	Capital Fund Program

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

Auditee qualified as low-risk auditee? Yes X No

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

Section II - Financial Statement Findings and Questioned Costs

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 THE CITY OF GARY, INDIANA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019

<u>Prior Year Findings</u>	<u>Status</u>	<u>Page Number</u>
Financial Statement Findings and Questioned Cost		
1. None	Closed	50
Federal Award Findings and Questioned Cost		
1. Section 8 Wait List, 2018-001	Closed	50

THE HOUSING AUTHORITY OF THE CITY OF GARY, INDIANA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2019

Section II - Financial Statement Findings and Questioned Costs

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

Section III - Federal Award Findings and Questioned Costs

Finding 2018 - 001 Selection from the Waiting List

Information on the Federal Program:

U.S. Department of Housing and Urban Development

CFDA 14.871 - Housing Choice Voucher Cluster:
Federal Award ID and Year: April 1, 2017 - March 31, 2018

Condition:

The Authority did not maintain documentation to assure compliance with the wait list guidelines in their administrative plan.

We tested (28) participants listed on the waiting list and noted the following:

- One file did not contain an initial letter notifying the participant of their eligibility for the housing choice voucher program and thus an offer was made out of order according to wait list guidelines.

Criteria or Requirement:

According to 2 CFR, part 200, subpart F §200.507, 3(iii), the PHA must have written policies in its HCVP administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants for admission from the waiting list. GHA guidelines state, "families will be selected from the waiting list strictly in numerical sequence, regardless of family size and subject to income targeting requirements."

Cause:

GHA did not always maintain proper documentation demonstrating compliance with waiting list selections according to HCV administrative plan.

Effect:

Inadequate documentation resulted in non-compliance to federal requirements, which may result in penalties and fines.

Prevalence:

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

This appeared to be isolated instances based on the judgmental sample selected.

Prior Year Identification:

None

Recommendation:

We recommend that the Authority adequately review files to assure that the required documentation is retained to assure adherence to HCV administrative guidelines.

Authority's Action Plan:

The GHA concurs with the Auditor's recommendation. Eustace Kamanja, the Finance Director, has directed the Section 8 Director to review every file that a waiting list prospect has been called for interview and make sure all compliances are met and supporting documents are properly filed. (To Be Completed By: 3.31.19)

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

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

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.