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November 16, 2021

Board of Directors  
Indianapolis Housing Agency  
1919 North Meridian Street  
Indianapolis, IN 46202

We have reviewed the audit report of Indianapolis Housing Agency, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indianapolis Housing Agency, as of December 31, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 47-52. Please see the Schedule of Findings and Questioned Costs as listed in the table of contents for complete details related to the findings. The Agency's Corrective Action Plan appears on pages 53-55.

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

**INDIANAPOLIS HOUSING AGENCY  
(A COMPONENT UNIT OF THE CITY OF INDIANAPOLIS)**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT WITH  
SUPPLEMENTARY AND OTHER INFORMATION

December 31, 2020

**INDIANAPOLIS HOUSING AGENCY  
(A Component Unit of the City of Indianapolis)**

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*Independent Auditors' Report*

Board of Commissioners  
Indianapolis Housing Agency

**Report on the Financial Statements**

We have audited the accompanying financial statements of Indianapolis Housing Agency, a component unit of the City of Indianapolis, which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP (the Limited Partnership blended component units) which collectively reflect assets constituting 69% of total assets and net position constituting 32% of the total net position at December 31, 2020, and revenues constituting 17% of total revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Limited Partnership blended component units is based solely on the reports of the other auditors. We conducted our audit 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 *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP were not audited in accordance with *Government Auditing Standards*. None of the financial statements of the Limited Partnership blended component units were audited in accordance with the *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indianapolis Housing Agency as of December 31, 2020, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the schedules of the Agency's proportionate share of the net pension liability and Agency contributions and the related notes on pages 36 through 38 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Report on Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indianapolis Housing Agency's basic financial statements. The schedule of expenditures of federal awards on page 39 is presented for purposes of additional analysis, 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 is not a required part of the basic 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 basic financial statements. This 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 or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 July 21, 2021, on our consideration of Indianapolis Housing Agency'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 solely 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 Indianapolis Housing Agency's internal control over financial reporting and compliance.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
July 21, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2020**

This section of Indianapolis Housing Agency's (the Agency) annual financial report provides management's discussion and analysis of the financial performance during the year ended December 31, 2020. The Agency in this section refers to Indianapolis Housing Agency and Insight Development Corporation (Insight), one of the Agency's blended component units. Please read it in conjunction with the Agency's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- Cash and investments decreased by \$4.9 million or 14 percent from 2019 to 2020. This decrease was primarily due to construction being completed at the Indiana Avenue Apartments and Bethel Townhomes in 2020, upon which investments were liquidated to pay down related loans payable.
- Capital assets decreased by \$4.7 million or 3 percent from 2019 to 2020. The decrease is due to depreciation being greater than the additions, which primarily related to the Barton Tower HVAC modernization.
- Loans and interest payable decreased by \$11.9 million or 34 percent from 2019 to 2020. This is consistent with cash and investments decreasing as the loans payable were paid down as construction was completed at the Indiana Avenue Apartments and Bethel Townhomes in 2020.
- Due to other governmental units increased \$1.8 million or 135% due to two additional repayment agreements being executed with the Department of Housing and Urban Development (HUD) related to overdraws on Section 8 programs.
- Other income decreased \$3.7 million or 71% due to the prior year including \$2.2 million in development fees related to the Indiana Avenue Apartments and Bethel Townhomes projects and an \$800 thousand Office of Community Services (OCS) grant received in 2019 not received in 2020.
- Intergovernmental grants and housing assistance payments increased \$9.1 million and \$7.0 million, respectively, due to an increase in the number of units rented out under the Low Income Public Housing program. CARES Act administrative revenue was received in response to the COVID-19 pandemic, which also increased intergovernmental grants.
- Capital grants and contributions increased due to HUD grants received for the Barton Tower HVAC modernization and a \$3.3 million capital contribution received for the Indiana Avenue Apartments.

**OTHER HIGHLIGHTS**

- Total revenue for all programs, net of interfund eliminations, was approximately \$86.9 million for the year. Tenant rental revenue generated approximately \$7.3 million and HUD operating subsidy and grants provided approximately \$77.5 million.
- Total operating expenses for all programs, net of interfund eliminations, was approximately \$89.0 million. Housing assistance payments to landlords on behalf of tenants represented approximately \$60.5 million, while administrative expenses represented approximately \$9.1 million, maintenance expenses represented approximately \$4.4 million, and depreciation expense represented approximately \$8.1 million as other significant expense categories.
- The assets of the Agency exceeded its liabilities at the close of the year by \$178.0 million. Of that amount, \$17.0 million was considered unrestricted and \$15.8 million was restricted with the remaining balance of \$145.2 million representing net investment in capital assets.
- The Agency's total net position increased by \$1.4 million (Table 2) as a result of current year activities.

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Agency's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses and Changes in Net Position.

All assets, deferred inflows of resources, liabilities, and deferred outflows of resources associated with the operation of the Agency are included in the Statement of Net Position. The financial statements provide both current and non-current information about the Agency's overall financial status. The financial statements also include notes that provide additional information and detailed data.

**FINANCIAL ANALYSIS**

**Statements of Net Position**

The Agency's total assets and deferred outflows of resources totaled \$214.7 million at December 31, 2020. This represents a decrease of 4 percent from the prior year, which primarily related to depreciation and payments made on loans payable. Total liabilities and deferred inflows of resources amounted to \$36.7 million, representing a decrease of 21 percent, which also primarily related to payments made on loans payable. Total net position was \$178.0 million, which was consistent with the prior year (See Table 1).

**Table 1**  
**Net Position - Agency and Insight**

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Assets and Deferred Outflows of Resources</b>				
Current assets	\$ 32,421,217	\$ 32,620,036	\$ (198,819)	-1%
Capital assets (net)	171,510,970	176,178,006	(4,667,036)	-3%
Other noncurrent assets	10,296,112	13,623,990	(3,327,878)	-24%
Deferred outflows of resources	520,111	418,314	101,797	24%
Total assets and deferred outflows of resources	<u>\$ 214,748,410</u>	<u>\$ 222,840,346</u>	<u>\$ (8,091,936)</u>	<u>-4%</u>
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities	10,288,856	20,749,294	(10,460,438)	-50%
Noncurrent liabilities	25,228,354	24,788,513	439,841	2%
Deferred inflows of resources	1,221,000	731,588	489,412	67%
Total liabilities and deferred inflows of resources	<u>36,738,210</u>	<u>46,269,395</u>	<u>(9,531,185)</u>	<u>-21%</u>
<b>Net Position</b>				
Net investment in capital assets	145,230,766	149,453,336	(4,222,570)	-3%
Restricted for Section 8 vouchers and VASH	1,083,026	741,052	341,974	46%
Restricted for reserves and escrow	13,023,195	11,968,108	1,055,087	9%
Restricted for other programs	1,711,013	1,631,881	79,132	5%
Unrestricted	16,962,200	12,776,574	4,185,626	33%
Total net position	<u>178,010,200</u>	<u>176,570,951</u>	<u>1,439,249</u>	<u>1%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 214,748,410</u>	<u>\$ 222,840,346</u>	<u>\$ (8,091,936)</u>	<u>-4%</u>

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2020**

**FINANCIAL ANALYSIS (CONTINUED)**

**Statements of Revenues, Expenses and Changes in Net Position**

The Agency's and Insight's net position at December 31, 2020 was consistent with the prior year. The Agency's and Insight's total operating revenues decreased 26 percent primarily due to development fees recognized in 2019. Total operating expenses increased 9 percent primarily related to an increase in housing choice voucher payments made to landlords on behalf of tenants, which also drove the increase from budgeted amounts. The changes in net position are detailed in Table 2. Operating expenses and budgetary analysis are detailed in Tables 3 and 4.

Intergovernmental revenues of \$77.5 and \$68.5 million during 2020 and 2019, respectively, primarily represents funding for housing assistance and voucher payments, which are classified as non-operating revenues for financial statement purposes, but are used to directly offset the operating expenses of the Agency.

**Table 2**  
**Changes in Net Position - Agency and Insight**

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Operating revenues</b>				
Tenant revenue	\$ 7,273,124	\$ 6,628,139	\$ 644,985	10%
Other income	1,550,262	5,290,634	(3,740,372)	-71%
Total operating revenues	<u>8,823,386</u>	<u>11,918,773</u>	<u>(3,095,387)</u>	<u>-26%</u>
<b>Operating expenses</b>				
Operating expenses	80,912,139	74,894,107	6,018,032	8%
Depreciation	8,057,149	6,574,085	1,483,064	23%
Total operating expenses	<u>88,969,288</u>	<u>81,468,192</u>	<u>7,501,096</u>	<u>9%</u>
<b>Operating loss</b>	<u>(80,145,902)</u>	<u>(69,549,419)</u>	<u>(10,596,483)</u>	<u>15%</u>
<b>Non-operating revenues (expenses) and capital grants and contributions</b>				
Intergovernmental	77,528,913	68,452,316	9,076,597	13%
Interest income from loans	76,720	772,617	(695,897)	-90%
Interest income from investments	504,119	194,543	309,576	159%
Interest expense	(876,675)	(1,045,867)	169,192	-16%
Loss on disposition of assets	(1,457,818)	(2,611)	(1,455,207)	55734%
Other revenue (expense)	466,648	1,013,302	(546,654)	-54%
Actuarial change in pension	(7,461)	64,563	(72,024)	-112%
HUD capital grants	2,047,660	105,404	1,942,256	1843%
Other capital contributions	3,303,045	-	3,303,045	100%
	<u>81,585,151</u>	<u>69,554,267</u>	<u>12,030,884</u>	<u>17%</u>
<b>Change in net position</b>	1,439,249	4,848	1,434,401	29587%
Net position, beginning of year	<u>176,570,951</u>	<u>176,566,103</u>	<u>4,848</u>	<u>0%</u>
<b>Net position, end of year</b>	<u>\$ 178,010,200</u>	<u>\$ 176,570,951</u>	<u>\$ 1,439,249</u>	<u>1%</u>

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2020**

**FINANCIAL ANALYSIS (CONTINUED)**

**Table 3**  
**Operating Expenses - Agency and Insight**  
**(Financial Statement Presentation)**

	<u>2020</u>	<u>2019</u>	<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Administration	\$ 9,079,347	\$ 10,165,465	\$ (1,086,118)	-11%
Tenant services	417,526	378,958	38,568	10%
Utilities	2,576,729	2,658,951	(82,222)	-3%
Maintenance	4,449,646	4,982,372	(532,726)	-11%
Protective services	951,230	803,378	147,852	18%
Insurance premiums	1,428,525	1,218,759	209,766	17%
General	1,510,785	1,152,178	358,607	31%
Housing assistance payments	60,498,351	53,534,046	6,964,305	13%
Depreciation	<u>8,057,149</u>	<u>6,574,085</u>	<u>1,483,064</u>	<u>23%</u>
Total operating expenses	<u>\$ 88,969,288</u>	<u>\$ 81,468,192</u>	<u>\$ 7,501,096</u>	<u>9%</u>

**Table 4**  
**Budget Analysis**  
**(Financial Statement Presentation**  
**excluding depreciation and pension)**

	<u>2020</u> <u>Budget</u>	<u>2020</u> <u>Actual</u>	<u>Dollar</u> <u>Variance</u>	<u>Percentage</u> <u>Variance</u>
Administration	\$ 10,134,220	\$ 9,079,347	\$ 1,054,873	12%
Tenant services	350,548	417,526	(66,978)	-16%
Utilities	2,022,698	2,576,729	(554,031)	-22%
Maintenance	5,106,682	4,449,646	657,036	15%
Protective services	488,277	951,230	(462,953)	-49%
Insurance premiums	688,430	1,428,525	(740,095)	-52%
General	79,888	1,510,785	(1,430,897)	-95%
Housing assistance payments	<u>55,046,385</u>	<u>60,498,351</u>	<u>(5,451,966)</u>	<u>-9%</u>
Total operating expenses	<u>\$ 73,917,128</u>	<u>\$ 80,912,139</u>	<u>\$ (6,995,011)</u>	<u>-9%</u>

**INDIANAPOLIS HOUSING AGENCY  
(A Component Unit of the City of Indianapolis)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2020**

**CAPTIAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2020, the Agency and Insight had \$171.5 million in capital assets, net of accumulated depreciation. As of December 31, 2019, the Agency and Insight had \$176.2 million in capital assets, net of accumulated depreciation. As compared to the prior year, this amount represents a net decrease (including additions and disposals) of \$4.7 million as shown in Note 4 of the financial statements, as annual depreciation expense for the year was greater than additions, which primarily related to the Barton Tower HVAC modernization. More detailed information about the Agency's capital assets is presented in Note 4 to the basic financial statements.

**Debt Administration**

The Agency has long term obligations with various terms and conditions. Loans and interest payable totaled \$23.5 million and \$35.4 million at December 31, 2020 and 2019, respectively. The decrease in loans and interest payable primarily related to loans paid down using investments as construction was completed at the Indiana Avenue Apartments and Bethel Townhomes in 2020. Disclosures related to debt obligations are included in the basic financial disclosures in Note 5.

**CURRENTLY KNOWN FACTS**

Other than the uncertainty of general economic indicators on the Agency and Insight, its funders, and its customers, we anticipate no significant facts, decisions or conditions that management believes will have a significant impact on the financial position or results of operations. The general financial challenges relate to the following:

- Unpredictability of HUD and other funding sources
- Increased costs to operate
- Correction of past program deficiencies

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information should be addressed to Indianapolis Housing Agency Department of Finance, 1919 North Meridian Street, Indianapolis, Indiana 46202.

## **FINANCIAL STATEMENTS**

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**STATEMENT OF NET POSITION**  
**December 31, 2020**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and equivalents:	
Unrestricted	\$ 10,397,676
Restricted	19,096,780
Receivables:	
Due from HUD	711,021
Accounts receivable - miscellaneous	617,925
Accounts receivable - tenants, net	695,113
Loans receivable	1,667
Prepaid expenses and other	901,035
Total Current Assets	<u>32,421,217</u>

**NONCURRENT ASSETS**

Capital assets:	
Non-depreciable property	22,559,956
Depreciable property	237,373,380
Accumulated depreciation	<u>(88,422,366)</u>
Net capital assets	171,510,970
Loans receivable and accrued interest, net	9,979,212
Other assets	<u>316,900</u>
Total Noncurrent Assets	<u>181,807,082</u>

Total Assets 214,228,299

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows from pension	<u>520,111</u>
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**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** \$ 214,748,410

*See accompanying notes.*

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**STATEMENT OF NET POSITION (CONTINUED)**  
**December 31, 2020**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses:	
Vendors and contractors	\$ 1,319,249
Accrued salaries and benefits payable	505,611
Accrued compensated absences	23,501
Due to other governmental units	64,554
Tenant security deposits	386,615
Unearned revenues	757,685
Loans and interest payable	4,790,610
FSS escrow	61,957
Other accrued liabilities:	
FSS repayment	1,224,304
Miscellaneous	1,154,770
Total Current Liabilities	<u>10,288,856</u>

**NONCURRENT LIABILITIES**

Loans and interest payable	18,703,687
Other liabilities:	
Due to other governmental units	3,128,221
FSS escrow	384,859
Accrued compensated absences	211,682
Net pension liability	2,799,905
Total Noncurrent Liabilities	<u>25,228,354</u>

**TOTAL LIABILITIES**

35,517,210

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows from pension	<u>1,221,000</u>
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**NET POSITION**

Net investment in capital assets	145,230,766
Restricted:	
Section 8 vouchers and VASH	1,083,026
Reserves and escrow	13,023,195
Other programs	1,711,013
Unrestricted	16,962,200
Total Net Position	<u>178,010,200</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

\$ 214,748,410

*See accompanying notes.*

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2020**

<b>OPERATING REVENUE</b>	
Tenant revenue	\$ 7,273,124
Other income	<u>1,550,262</u>
Total Operating Revenue	<u>8,823,386</u>
 <b>OPERATING EXPENSES</b>	
Administration	9,079,347
Tenant services	417,526
Utilities	2,576,729
Maintenance	4,449,646
Protective services	951,230
Insurance premiums	1,428,525
General	1,510,785
Housing assistance payments	60,498,351
Depreciation	<u>8,057,149</u>
Total Operating Expenses	<u>88,969,288</u>
Operating Loss	<u>(80,145,902)</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Intergovernmental grants	77,528,913
Interest income from investments	76,720
Interest income from loans	504,119
Interest expense	(876,675)
Other expense	(1,457,818)
Actuarial change in pension	466,648
Loss on sale of other assets	<u>(7,461)</u>
Total Non-Operating Revenues (Expenses)	<u>76,234,446</u>
Loss Before Capital Grants and Contributions	<u>(3,911,456)</u>
 <b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	
HUD capital grants	2,047,660
Other capital contributions	<u>3,303,045</u>
Total Capital Grants and Contributions	<u>5,350,705</u>
Change In Net Position	1,439,249
 <b>NET POSITION</b>	
Beginning of Year	<u>176,570,951</u>
End of Year	<u><u>\$ 178,010,200</u></u>

*See accompanying notes.*

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Rental receipts	\$ 7,146,626
Other operating receipts	1,547,724
Payments for personnel - salaries and benefits	(7,968,963)
Payments for other operating activities	(11,686,923)
Housing assistance payments	(60,498,351)
Tenant security and other deposits	(18,933)
Net Cash Used by Operating Activities	<u>(71,478,820)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental revenues received	<u>78,769,759</u>
Net Cash Provided by Non-Capital Financing Activities	<u>78,769,759</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital asset purchases	(3,588,410)
Non-operating receipts (payments), net	(1,457,818)
Proceeds from issuance of loans	7,562,045
Interest paid on loans	(869,357)
Principal payments on loans	(19,475,996)
Capital grants	5,350,705
Net Cash Used by Capital and Related Financing Activities	<u>(12,478,831)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments received from loans receivable	12,016
Proceeds from sale of investments	3,795,000
Interest on cash, investments and loans	113,717
Net Cash Provided by Investing Activities	<u>3,920,733</u>
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	
	(1,267,159)
<b>CASH AND EQUIVALENTS</b>	
Beginning of Year	<u>30,761,615</u>
End of Year	<u>\$ 29,494,456</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (80,145,902)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	8,057,149
Bad debt expense	746,545
Increase in certain assets and deferred outflows:	
Receivable	(1,274,084)
Other assets	(2,538)
Deferred outflows from pension	(101,797)
Increase (decrease) in certain liabilities and deferred inflows:	
Accounts payable and accrued expenses	1,014,135
Unearned revenues	401,041
Tenant security deposits	62,166
FSS escrow	(81,099)
Accrued salaries and benefits payable	220,835
Net pension liability	(856,817)
Accrued compensated absences	(7,866)
Deferred inflows from pension	489,412
Net Cash Used by Operating Activities	<u>\$ (71,478,820)</u>
<b>NON-CASH TRANSACTIONS</b>	
Construction and retainage payable for capital asset purchases	\$ 484,500

See accompanying notes.

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Background:** Indianapolis Housing Agency (the Agency) is organized under the laws of the State of Indiana. The Agency is responsible for the management, operation, maintenance and administration of public housing and public housing projects, and the provision of safe, sanitary and affordable dwelling accommodations for qualified persons of low and moderate income. Prior to January 1, 1995, the Agency was part of the City of Indianapolis' Department of Metropolitan Development. The City-County Council passed an ordinance on May 19, 1999, which clarified the reporting entity of the Agency. As part of this ordinance, the name of the Agency was changed from the Indianapolis Public Housing Agency to Indianapolis Housing Agency. The Agency has a separate Board of Commissioners, which is comprised of nine members. The Mayor of Indianapolis appoints five members while the City-County Council appoints two members. The remaining two members are appointed from the family housing community and the senior community. The City-County Council is responsible for examining the organizational structure of the Agency.

**Reporting Entity:** The Agency is considered a component unit of the City of Indianapolis (City) and as such the operations of the Agency are shown in the City's Comprehensive Annual Financial Report (CAFR) as a discretely presented component unit. See the City's CAFR for the definition of the City's overall reporting entity.

Indianapolis Housing Agency (Primary Government)

The Agency's financial statements include the operations of all organizations for which the Agency is financially accountable. Financial accountability is demonstrated by the ability of the Agency to appoint the voting majority of an organization's governing board and (1) its ability to impose its will on the organization or (2) a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Agency. The Agency has formed four wholly-owned subsidiaries, described below as LR Apartments, Inc., THB Apartments, Inc., BH Apartments, Inc., and Lugar Apartments, Inc. Additionally, the Agency has formed a single member limited liability company known as Barton Annex-Barton Tower, LLC. The Agency's subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. The financial information of the limited partnerships and LLC are included in the financial reporting of the Agency as blended component units since the component units' governing bodies are substantially the same as the governing body of the Agency and the management of Agency has operational responsibility for the component units.

*Barton Annex-Barton Tower, LLC* was formed to acquire, construct, own, and operate a residential rental project in Indianapolis, Indiana. The LLC did not have any financial activity in 2020.

The following wholly-owned subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. Each project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements, and must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits.

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *LR Apartments, Inc.* is the General Partner of L and R Housing, LP, an Indiana Limited Partnership, which was formed to develop, rehabilitate, own, maintain and operate a 231-unit multifamily project property for rental to individuals and families of low-income, known as Laurelwood and Rowney Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$13,092,540. The credit allocation is spread over 10 years, generally beginning in 2013, as \$820,519 for the first year, \$1,309,254 annually for the next nine years and \$488,735 in the eleventh year, if the project remains in compliance.
- *THB Apartments, Inc.* is the General Partner of TH and B, LP, an Indiana Limited Partnership, which was formed to develop, rehabilitate, own, maintain and operate a 307-unit multifamily project property for rental to individuals and families of low-income, known as Twin Hills and Blackburn Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$16,907,460. The credit allocation is spread over 10 years, generally beginning in 2013, as \$1,033,272 for the first year, \$1,668,356 for the second year, \$1,690,733 annually for years three through ten, \$657,474 in the eleventh year, and \$22,494 in the twelfth year, if the project remains in compliance.
- *BH Apartments, Inc.* is the General Partner of B and H Housing, LP, an Indiana Limited Partnership, which was formed to develop, rehabilitate, own, maintain and operate a 321-unit multifamily project property for rental to individuals and families of low-income, known as Beechwood Gardens and Hawthorne Place located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$19,671,810. The credit allocation is spread over 10 years, generally beginning in 2011, as \$1,152,638 for the first year, \$1,966,584 for the second year, \$1,967,181 annually for the next eight years, \$814,543 in the eleventh year, and \$597 in the twelfth year, if the project remains in compliance.
- *Lugar Apartments, Inc.* is the General Partner of Lugar, LP, an Indiana Limited Partnership, which was formed to develop, rehabilitate, own, maintain and operate a 298-unit multifamily project property for rental to individuals and families of low-income, known as Lugar Towers and the Braxton located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$29,586,566. The credit allocation is spread over 10 years, generally beginning in 2012, and will be \$2,958,657 annually, if the project remains in compliance.

Insight Development Corporation (Blended Component Unit)

The Agency established a non-profit entity known as the Insight Development Corporation (Insight) which is legally separate from the Agency and which is exempt from Federal income tax under Section 501(c)(3). The purpose of Insight is to foster low-income housing in and around Indianapolis. Insight has the Agency as its sole member. Further, the Board consists of six members, two of which are Agency board members. Insight has been included in the financial reporting entity as a blended component unit due to being incorporated as a not-for-profit corporation in which the Agency is the sole corporate member.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Insight has formed four wholly-owned subsidiaries described below as Concord Homes, Inc., IHA Housing Partners II GP, Inc., 16 Park GP, Inc., and Barton Block GP, Inc. Insight's subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. Additionally, Insight has formed three single member limited liability companies (LLCs) known as Millikan II LLC, Bethel Townhomes GP, LLC, and Indiana Avenue GP, LLC. The financial information of the limited partnerships and the LLCs is included in the financial reporting of Insight as blended component units since the component units' governing bodies are substantially the same as the governing body of Insight and the management of Insight has operational responsibility for the component units.

The following wholly-owned subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. Each project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements, and must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits.

- *Concord Homes, Inc.* is the General Partner of IHA Housing Partners I, LP, an Indiana Limited Partnership, which was formed to develop, rehabilitate, own, maintain and operate a 61-unit scattered site community known as Concord Homes located in Indianapolis, Indiana. The partnership generated an allocation of low-income housing tax credits from the State of Indiana totaling \$4,400,390. The initial compliance period was completed during 2016, though the partnership agreed to maintain and operate the project as low-income housing for an additional 25 years beyond the initial 15-year compliance period. On November 30, 2016, Insight purchased the limited partner rights, title, and interest for \$65,000. During 2017, the Agency established Concord Housing, LLC, of which the Agency is the sole member for the purpose of assuming operations of Concord Homes in a future year, though the LLC had no activity in 2020.
- *IHA Housing Partners II GP, Inc.* is the General Partner of IHA Housing Partners II, LP, an Indiana Limited Partnership, which was formed to develop, rehabilitate, own, maintain and operate a 90 unit scattered site community known as The Georgetown Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$7,796,080. The credit allocation is spread over 10 years, generally beginning in 2009 as \$589,562 for the first year, \$779,608 annually for the next nine years and \$190,046 in the eleventh year, if the project remains in compliance.
- *16 Park GP, Inc.* is the General Partner of 16 Park, LP, an Indiana Limited Partnership, which was formed to develop, rehabilitate, own, maintain and operate a 155-unit multifamily rental housing development known as 16 Park Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$33,531,920. The credits began in 2012 and increased in 2013 to the full year annual credit of \$3,353,192. The total credits will be spread over an eleven-year period, if the Project remains in compliance.
- *Barton Block GP, Inc.* is the General Partner of Barton Block, LP, an Indiana Limited Partnership, which was formed to acquire, construct, own, and operate a residential rental project in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$11,703,770. The credit allocation is spread over 11 years, beginning in 2014, as \$941,685 for the first year, and will be \$1,170,377 for the next nine years, and \$228,692 in the eleventh year, if the project remains in compliance.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Indiana Avenue GP, LLC* is a single member LLC that serves as the General Partner of Indiana Avenue Apartments, LP, an Indiana Limited Partnership, which was formed to acquire, rehabilitate, own, maintain, and operate a 106-unit residential apartment complex for tenants age 55 years and older in Indianapolis, Indiana. During 2018, the partnership purchased property from the Agency and began rehabilitation of the units. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$5,189,550. The credits are available for use over a ten-year period, which began in 2019.
- *Bethel Townhomes GP, LLC* is a single member LLC that serves as the General Partner of Bethel Townhome Apartments, LP, an Indiana Limited Partnership, which was formed to acquire, develop, finance, construct, rehabilitate, own, maintain, and operate a 94-unit residential rental project in Indianapolis, Indiana. During 2018, the partnership purchased property from the Agency and began construction. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$5,161,440. The credits are available for use over a ten-year period, which began in 2019.

*Millikan II LLC* is a single member LLC formed to acquire, construct, own, and operate a residential rental project in Indianapolis, Indiana. Construction at the project began in 2014 and was completed in 2016. There was no allocation of low-income housing tax credits for this project.

Low-income housing tax credits require complying with certain requirements, which if not met, may result in generating a lesser amount of tax credits than expected. Any reduction of the low-income housing tax credits would require credit deficit payments to the Investor Limited Partner, as defined, under the terms of the respective Partnership Agreement.

**Basis of Presentation:** The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America (GAAP) in accordance with the Governmental Accounting Standards Board (GASB) as applicable to governmental units. While Insight is a not-for-profit organization, it also applies policies in accordance with GASB due to Insight being presented as a blended component unit of the Agency. All of the activities of the Agency are accounted for as an enterprise fund for financial reporting purposes. Enterprise funds are used to account for activities (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Measurement Focus, Basis of Accounting and Financial Reporting:** The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Inter-fund activities within and between the Agency and Insight are eliminated.

**Estimates:** Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating and Non-Operating Revenues and Expenses:** Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Revenue Sources:** The primary resources for the Agency include intergovernmental revenue from HUD and dwelling rental income from tenants. Dwelling rental revenues are received directly from tenants and are recorded as rentals become due. Intergovernmental revenues are reported under the legal contractual requirements of the individual programs. The Agency has entered into Annual Contributions Contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. HUD provides the majority of the Agency's funding and the possibility exists that HUD contributions may decrease in the future. In the event such contributions were significantly decreased, the Agency would need to seek other funding sources to maintain operations at current levels. Unearned revenues consist of revenue received in advance. Revenue is recognized over the period of service provided or lease term as it is earned.

The Agency typically utilizes restricted sources of funding first and then unrestricted sources of funding for its programs.

**Allocation of Expenses:** Operating expenses have been classified based on actual direct expenditures and indirect cost allocations based on actual time, expense, space used or benefit received, as applicable.

**Cash and Equivalents:** For purposes of reporting cash flows, cash and equivalents include unrestricted and restricted cash on hand, demand deposits and investments with an original maturity of 90 days or less. See Note 3 for detail of restricted cash.

**Accounts Receivable - Tenants:** Accounts receivable - tenants represents amounts due from tenants of the Agency's residential properties. The allowance for doubtful accounts on accounts receivable was determined by management by a process involving consideration of past experience, current delinquent account information, and the aging of accounts. The balance at December 31, 2020 was as follows:

Gross accounts receivable - tenants	\$ 2,347,794
Allowance for uncollectible accounts	<u>(1,652,681)</u>
Accounts Receivable - Tenants, net	<u>\$ 695,113</u>

**Capital Assets** are recorded at cost. Donated fixed assets are valued at their estimated acquisition value on the date donated and a corresponding contribution is recognized as revenue. Depreciation is recognized on operations over the estimated useful lives using the straight-line method. The estimated useful lives are:

Buildings	25 to 40 years
Building improvements	15 to 20 years
Equipment	3 to 10 years

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Agency maintains a capitalization threshold of \$1,000 for equipment and \$5,000 for land, dwellings and improvements. Ordinary maintenance and repairs are charged to expense as incurred while betterments and additions are capitalized.

**Impairment of Long-Lived Assets:** The Agency reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss was recognized during 2020.

**Loans Receivable** relate to grant funded capital projects for affordable, low income housing. Terms of the loans vary as to due dates, interest rates, security of collateral, and repayment of principal. Interest on loans receivable is recorded on an accrual basis. Noninterest bearing loans are recorded at present value with a discount that is amortized over the term of the loan.

**Allowance for Loan Losses:** The allowance for loan losses is a valuation allowance for probable or incurred losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. The allowance for loan loss was \$2,103,629 at December 31, 2020.

**Compensated Absences:** Agency employees earn benefit leave in varying amounts based on their employment status. The Agency's benefit policy provides that, upon retirement or resignation, an employee is reimbursed for accumulated vacation leave in full up to the amount earned, not to exceed 112 hours. Non-union employees can carry over 176 hours including 112 for vacation and 64 for sick hours. If the employee is covered by the Master Agreement between the Agency and AFSCME, 100% of hours the employee could accrue in a twelve-month period can be carried over. Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary-related payments (i.e., the employer's share of social benefits) associated with its ultimate liquidation.

**Net Pension Liability:** The Agency has recorded a net pension liability reflecting its proportionate share of the difference between the total pension liability and the fiduciary net position of the Indiana Public Retirement System (INPRS) PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS PERF Plan and additions to/deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows of Resources:** The Agency reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported at December 31, 2020, related to the defined benefit pension plan. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except for the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

**Deferred Inflows of Resources:** The Agency reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred inflows of resources related to the defined benefit pension plan and are amortized over the expected future working lifetime of all plan members, except the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

**Net Position:** GASB requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These net position classifications are defined as follows:

- Net investment in capital assets - This component consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component consists of external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of December 31, 2020, the Agency has restricted net position of \$1,083,026 for distribution of Section 8 Housing Choice Vouchers and Veterans Affairs Supportive Housing and \$1,711,013 for other programs. Additionally, the Agency has restricted cash and investment balances related to reserves and escrow as discussed in Note 3.
- Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." For an expense incurred for which both restricted and unrestricted net position is available, the Agency will expend restricted net position.

**Contingencies and Commitments:** In connection with various Federal and State grant programs, the Agency is obligated to administer programs and spend grant funds in accordance with regulatory restrictions subject to audit by grantor agencies. In cases of noncompliance, grantors may require the Agency to refund program funds. The Agency is contingently liable in connection with claims and contracts arising in the normal course of its activities.

As of December 31, 2020, the Agency has recorded a liability of \$1,224,304 representing an estimate of the obligations associated with an FSS escrow related repayment and overdraws on Section 8 programs.

**Subsequent Events:** The Agency has evaluated the financial statements for subsequent events occurring through July 21, 2021, the date the financial statements were available to be issued.

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 2 - CASH AND INVESTMENTS**

**Cash Deposits:** The Agency maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2020 is as follows:

	<b>Carrying Value</b>	<b>Bank Balance</b>
Insured by Federal Deposit Insurance Corporation	\$ 3,916,705	\$ 3,930,802
Insured by Indiana Public Deposits Insurance Fund	11,395,449	11,395,449
Insured by Securities Investor Protection Corporation	3,597,108	3,597,108
Uninsured	<u>10,585,194</u>	<u>10,237,285</u>
	<u>\$29,494,456</u>	<u>\$29,160,644</u>
Cash and equivalents:		
Unrestricted	\$10,397,676	
Restricted (Note 3)	<u>19,096,780</u>	
	<u>\$29,494,456</u>	

The following summarizes the Agency's policy and investment activity:

**Investment Policy and Legal and Contractual Provisions Governing Cash Deposits:** In accordance with Section 401(E) of the HUD/PHA Annual Contributions Contract, it is the policy of the Agency to invest its funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Agency, and comply with all federal, State and local statutes or ordinances governing the investment of public funds.

Demand deposits of the Agency are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund except for demand deposits of Insight which are partially insured by the Federal Depository Insurance Corporation.

**Credit Risk and Custodial Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution.

The Agency has two institutional money market deposit accounts to consider for credit risk and custodial credit risk. One valued at \$107,990 had Standard and Poor credit rating of WR, a Moody's credit rating of P-2, and Fitch rating of F2 and one valued at \$97,108 had a Standard and Poor credit rating of AAA, a Moody's credit rating of Aaa, and Fitch rating of AAA.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. At December 31, 2020, 100% of the investments were held in government obligations.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments.

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All Agency deposits and investments are denominated in United States currency.

**NOTE 3 - RESTRICTED CASH**

The Agency has six types of restricted asset accounts as described below:

**Tenant Security Deposits:** Upon moving into a property, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. At December 31, 2020, cash restricted for tenant security deposits was \$364,924.

**Family Self-Sufficiency (FSS) Escrow:** The FSS program promotes the development of local strategies to coordinate the use of housing assistance with public and private resources in order to provide supportive services, which will enable participating families to achieve economic independence and self-sufficiency. At December 31, 2020, the cash restricted for the FSS escrow was \$117,368.

**Section 8 Vouchers and Veterans Affairs Supporting Housing (VASH):** Overdraws of Section 8 Housing Assistance and VASH funds are restricted and are to be applied to subsequent years voucher/program payments. At December 31, 2020, cash restricted for Section 8 vouchers and VASH was \$3,075,549.

**Funds Designated for Programs:** Loan and TIF proceeds received by the Agency have been committed to be utilized for various programs, such as loans for low-income housing capital projects and home ownership program. At December 31, 2020, cash restricted for these programs was \$264,449. Other program income received by the Agency has been committed to be utilized for various housing projects and programs. At December 31, 2020, cash restricted for these programs was \$1,446,564.

**Reserve Accounts for Operating, Replacement, ACC and Escrow:** Cash is restricted and held in reserve accounts per the terms of Annual Contributions Contract and operating partnership agreements. At December 31, 2020, the cash account balances for these purposes totaled \$12,957,632.

**Debt Funds Held for Construction:** Cash from certain debt issuances is restricted for the purpose of funding ongoing construction projects. At December 31, 2020, these cash account balances totaled \$870,294.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended was as follows:

	January 1, 2020	Increases	Decreases	December 31, 2020
Non-depreciable:				
Land	\$ 21,004,951	\$ -	\$ -	\$ 21,004,951
Construction in progress	<u>1,628,791</u>	<u>1,356,817</u>	<u>(1,430,603)</u>	<u>1,555,005</u>
Total	<u>22,633,742</u>	<u>1,356,817</u>	<u>(1,430,603)</u>	<u>22,559,956</u>
Depreciable:				
Buildings and improvements	223,356,981	1,918,548	-	225,275,529
Equipment	<u>10,552,500</u>	<u>1,545,351</u>	<u>-</u>	<u>12,097,851</u>
Total	<u>233,909,481</u>	<u>3,463,899</u>	<u>-</u>	<u>237,373,380</u>
Less: Accumulated depreciation	<u>(80,365,217)</u>	<u>(8,057,149)</u>	<u>-</u>	<u>(88,422,366)</u>
Net depreciable	<u>153,544,264</u>	<u>(4,593,250)</u>	<u>-</u>	<u>148,951,014</u>
Total Capital Assets, net	<u>\$176,178,006</u>	<u>\$(3,236,433)</u>	<u>\$(1,430,603)</u>	<u>\$171,510,970</u>

Effective 2007, the Agency entered into a ground lease with an Indiana Limited Partnership whereby property described as Red Maple Grove is leased for \$1 per annum for a term of 99 years.

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities activity for the year ended were as follows:

	January 1, 2020	Increases	Decreases	December 31, 2020	Amounts Due within One Year	Amounts Due Thereafter
Loans and interest payable*	\$35,400,193	\$7,562,045	\$(19,467,941)	\$23,494,297	\$4,790,610	\$18,703,687
Net pension liability	3,656,722		(856,817)	2,799,905		2,799,905
Due to other governmental units**	1,394,189	1,863,140	(64,554)	3,192,775	64,554	3,128,221
FSS escrow***	527,915		(81,099)	446,816	61,957	384,859
Accrued compensated absences	<u>243,049</u>		<u>(7,866)</u>	<u>235,183</u>	<u>23,501</u>	<u>211,862</u>
Total	<u>\$41,222,068</u>	<u>\$9,425,185</u>	<u>\$(20,478,277)</u>	<u>\$30,168,976</u>	<u>\$4,940,622</u>	<u>\$25,228,354</u>

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - NONCURRENT LIABILITIES (CONTINUED)**

**\*Loans and Interest Payable:**

The Agency has four zero interest loans at December 31, 2020 between four tax credit limited partnerships controlled by the Agency and Indiana Housing & Community Development Authority (IHCDA) related to the Section 1602 Tax Credit Exchange Program. One fifteenth of the principal balance of Section 1602 Tax Credit Exchange Program notes is forgiven each year as long as the Projects stay in compliance. The mortgages are secured by the buildings of the Projects located in Indianapolis, Indiana. The total balance of Section 1602 Tax Credit Exchange Program notes at December 31, 2020 was \$4,246,827.

16 Park, LP has a loan with IHCDA for up to \$3,000,000 with a simple fixed interest rate of 1% per annum on the outstanding principal balance. Principal payments of \$91,367, to the extent of available cash flow started April 1, 2016 and continue to the maturity date of January 31, 2055. Accrued interest payable totaled \$70,937 at December 31, 2020. The balance outstanding at December 31, 2020 was \$2,790,192.

Millikan II, LLC had a construction loan with Merchants Bank for up to \$8,900,000. Effective September 1, 2019, the maturity date was extended to September 1, 2020, at an interest rate of 4%. The mortgage was secured by the apartment buildings of the Project located in Indianapolis, Indiana. The loan was paid off in 2020 with the two loans directly below.

Millikan II, LLC has a loan with four insurance companies for \$6,250,000, which the total principal balance of the loan and any remaining accrued interest are due on the maturity date of May 31, 2022. Commencing on January 1, 2021, and continuing on the 1<sup>st</sup> of each month thereafter, through and including maturity day, Millikan II, LLC shall pay monthly interest payments initially at a rate of 7.75% and then the sum of the greater of the prime rate and the prime rate floor, as defined, and the prime rate spread, as defined. The loan is guaranteed by the Agency and collateralized by the property and most assets of Millikan II, LLC. The loan has financing fees of \$187,955, which were capitalized and netted against the loan in the statement of net position.

During November 2020, the Agency obtained a loan with the City of Indianapolis for \$1,500,000, which is due in full on May 9, 2022, and charges no interest.

In 2011, the Agency issued a \$2.1 million revenue bond for the purchase of its administrative office building located on Meridian Street. The revenue bond is payable over a 10-year period with an interest rate of 3.65% and maturity date of September 1, 2021. There was no accrued interest payable at December 31, 2020. The total balance outstanding at December 31, 2020 was \$185,478.

During 2018 and 2019, Insight received unsecured loans from Local Initiatives Support Corporation (LISC) with an interest rate of 0%. The total balance outstanding at December 31, 2020, was \$105,000, and the principal is to be repaid upon the completion of the projects.

During 2018 and 2019, Insight entered into loans with IHCDA for the purpose of advancing the proceeds to the Agency and then to Indiana Avenue Apartments, LP and Bethel Townhome Apartments, LP. The loans have an interest rate of 5.75% per annum on the outstanding principal balances. Principal payments are required one year after completion of the Indiana Avenue Apartments and Bethel Townhomes Projects and continue to the maturity date of October 1, 2050. The balance outstanding at December 31, 2020, was \$1,500,000.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - NONCURRENT LIABILITIES (CONTINUED)**

On September 1, 2018, Bethel Townhome Apartments, LP entered into a building loan agreement with P/R Mortgage & Investment Corp. for a principal amount of up to \$2,845,700 for the acquisition, rehabilitation, and equipping of the Bethel Townhomes Project. Through December 31, 2020, Bethel Townhome Apartments, LP had drawn \$2,824,142. The loan is collateralized by the Project and insured by HUD and bears interest at 4.51%. The loan requires interest only payments through January 1, 2020, with monthly principal and interest installments of \$12,812 thereafter through the maturity date of January 1, 2060.

In 2018, Bethel Townhome Apartments, LP obtained tax-exempt bond financing, City of Indianapolis, Indiana Multifamily Housing Revenue Bonds of 2018, Series A (Bethel Townhomes Project), issued in the original principal amount of \$3,795,000 for the acquisition, rehabilitation, and equipping of the Bethel Townhomes Project. The bond was fully advanced and held by a trustee in accordance with the terms of a trust indenture in a project and assignment fund. The bond was collateralized by the Bethel Townhomes Project and was paid off in 2020.

In 2018, Bethel Townhome Apartments, LP obtained a construction loan through tax-exempt bond financing, City of Indianapolis, Indiana Multifamily Housing Revenue Bonds of 2018, Series B (Bethel Townhomes Project), issued in the original maximum principal drawing amount of \$3,730,000 for the acquisition, rehabilitation, and equipping of the Bethel Townhomes Project. Through December 31, 2020, Bethel Townhome Apartments, LP had drawn \$3,730,000. The bond is collateralized by the Bethel Townhomes Project, matures on April 1, 2021, and bears interest at LIBOR plus 325 basis points.

In 2018, Indiana Avenue Apartments, LP obtained a construction loan through tax-exempt bond financing, City of Indianapolis, Indiana Multifamily Housing Revenue Bonds of 2018, Series C (Indiana Avenue Apartments Project), issued in the original maximum principal drawing amount of \$7,945,000 for the acquisition, rehabilitation, and equipping of the Indiana Avenue Project. In October 2020, principal was paid with funds from the bond reserves and proceeds from capital contributions and the bonds converted to permanent status with an initial principal balance of \$715,000. At December 31, 2020, the bond had an outstanding principal balance of \$712,978 with unamortized debt issuance costs of \$220,721. The bond is collateralized by the Indiana Avenue Project and matures on October 1, 2050. Accrued interest payable as of December 31, 2020 was \$3,416.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - NONCURRENT LIABILITIES (CONTINUED)**

As of December 31, 2020, debt service requirements of the Agency were as follows:

Year Ending	Principal	Interest	Total
2021	\$ 4,790,610		\$ 4,790,610
2022	8,317,977	\$ 3,416	8,321,393
2023	773,814		773,814
2024	775,790		775,790
2025	711,201		711,201
2026-2030	826,504		826,504
2031-2035	288,742		288,742
2036-2040	378,315		378,315
2041-2045	492,958		492,958
2046-2050	2,127,916		2,127,916
2051-2055	3,361,973	70,937	3,432,910
2056-2060	<u>574,144</u>		<u>574,144</u>
Total	<u>\$23,419,944</u>	<u>\$74,353</u>	<u>\$23,494,297</u>

**\*\*Due to Other Governmental Units:**

Due to other governmental units represents two agreements with HUD to repay Section 8 overdrafts in equal installments over ten-year periods originally beginning in 2006 and 2015. In 2015, HUD amended the agreements and extended the due dates to 2025 and 2040, respectively. In 2020, two additional agreements with HUD were added to repay Section 8 overdrafts over fifteen-year and thirty-year periods, which require payments beginning in 2026 and 2022, respectively. Future minimum payments on these repayment agreements as of December 31, 2020, discounted at a rate of 3%, are as follows:

Year Ending	
2021	\$ 64,554
2022	106,890
2023	106,890
2024	106,890
2025	106,889
2026-2030	920,720
2031-2035	1,400,805
2036-2040	\$ 1,400,798
2041-2045	416,280
2046-2050	416,280
2051	<u>83,368</u>
	5,130,364
Less: Present Value Discount	<u>(1,937,589)</u>
Total	<u>\$ 3,192,775</u>

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 5 - NONCURRENT LIABILITIES (CONTINUED)**

**\*\*\*FSS Escrow:**

FSS is the family self-sufficiency program developed by HUD that encourages communities to develop strategies to help assisted families obtain employment and become economically independent. Families receiving housing assistance through Section 8 and public housing are eligible for the program. Each family that participates must sign an FSS contract and the head of household and other interested family members must work with the Agency to develop individual training and service plans. The plan spells out the responsibilities of the family and the Agency during the course of the FSS contract. Services that can be obtained through FSS are employment and training, transportation, home-ownership opportunities, educational programs, and other services. If an FSS participant increases their earnings in work, an amount equal to 30% of the net increase in income or 30% of the increased earnings (whichever is lower) is deposited into an escrow account. Once the participant successfully finishes the program they will receive all the funds in their escrow account. Management makes an estimate of the amount to be paid within the next year to determine the portion that is current and noncurrent.

**NOTE 6 - LOANS RECEIVABLE AND ACCRUED INTEREST**

Loans receivable are the result of grant funded affordable or low-income housing capital projects. At December 31, 2020, loans receivable and accrued interest consisted of the following:

	Interest Rate	Principal	Accrued Interest	Unamortized Discount	Allowance for Loan Losses	Net Loans Receivable	Notes
Red Maple Grove:							
Phase I	4.84%	\$ 846,700	\$ 421,934	\$ -	\$ (500,000)	\$ 768,634	(a)
Phase IIA – Perm A	5.36%	772,616	846,478	-	-	1,619,094	(a)
Phase IIA – Perm B	0.00%	3,103,412	-	(2,343,029)	-	760,383	(a)
Phase IIB – Perm A	5.25%	2,078,454	1,608,266	-	-	3,686,720	(a)
Phase IIB – Perm B	0.00%	2,009,813	-	(1,528,583)	-	481,230	(a)
Phase I – Insight (AHP)	0.00%	300,000	-	(159,208)	-	140,792	(b)
Phase I – Insight (INHP)	0.00%	31,650	-	(16,796)	-	14,854	(b)
Phase IIA – Insight (AHP)	0.00%	318,000	-	(244,316)	-	73,684	(b)
Phase IIB – Insight (INHP)	0.00%	15,146	-	(11,638)	-	3,508	(b)
Phase IIB – Insight (AHP)	0.00%	275,000	-	(212,660)	-	62,340	(b)
Second mortgages	0.00%	1,102,308	-	-	(1,103,629)	(1,321)	(c)
Trail Side	0.00%	1,650,987	-	(968,278)	-	682,709	(d)
St. Clair	0.00%	1,574,691	-	(1,190,527)	-	384,164	(e)
Tibbs I	0.00%	200,000	-	-	(200,000)	-	(f)
Tibbs II	5.74%	300,000	-	-	(300,000)	-	(f)
Penn Place, LP	5.00%	1,100,000	202,411	-	-	1,302,411	(g)
Alegiant Prep	0.00%	1,667	-	-	-	1,667	(h)
Total		<u>\$15,680,444</u>	<u>\$3,079,089</u>	<u>\$(6,675,035)</u>	<u>\$(2,103,629)</u>	<u>\$9,980,879</u>	

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 6 - LOANS RECEIVABLE AND ACCRUED INTEREST (CONTINUED)**

Details on loans receivable are provided below:

- (a) Red Maple Grove Phase I - IIA, and IIB - Agency: The Agency entered into loan agreements with BRINDY - I LP to develop low income housing on Agency owned land with a current principal outstanding balance of \$8,310,995, discounted to \$4,439,383. The balance is due as follows:
- \$346,700 (net of allowance of \$500,000) is due along with accrued interest on June 30, 2044.
  - \$3,876,028 is due along with accrued interest on December 31, 2047.
  - \$4,088,267 is due along with accrued interest on December 31, 2049.
- (b) Red Maple Grove Phase I - IIA, and IIB - Insight: The Agency, through Insight, made non-interest coupon loans using grant funds to BRINDY-I, LP with a current principal outstanding balance of \$939,796 discounted to \$295,178. The balance is due as follows:
- \$331,650 is due upon demand or December 31, 2036.
  - \$318,000 is due upon demand or December 31, 2047.
  - \$15,146 is due upon demand or December 31, 2048.
  - \$275,000 is due upon demand or December 31, 2049.
- (c) Red Maple Grove Second Mortgages: From 2009 through 2014, the Agency entered into several second mortgage agreements with individuals to purchase low-income housing properties. These mortgages are subordinate to first mortgages and are not collateralized. These loans are expected to be forgiven. Therefore, a provision for allowance has been recorded for the balance of the loans.
- (d) Trail Side: The Agency entered into a non-interest bearing loan agreement for \$1,650,987 with Trail Side on Mass Ave., LP in 2011. No payments are due until the maturity date of September 1, 2042.
- (e) St. Clair: The Agency entered into a non-interest bearing loan agreement for \$1,574,691 with St. Clair Senior Apartments, LP in 2011. No payments are due until the maturity date of December 31, 2054.
- (f) Tibbs Court: During 1998, the Agency entered into an agreement with Tibbs Court, LLP (Tibbs Court) to utilize HOPE VI federal funds to construct 50 housing units of which 19 will be public housing units. In addition to grant funds expended, the Agency loaned HOPE VI money to Tibbs Court. The loan included a \$200,000 non-interest bearing loan, which is due September 14, 2036, and a \$300,000 interest-bearing loan at 5.74%, which is due September 14, 2038. The entire amount of the loans plus accrued interest is due at the maturity dates. No public housing money can be used to repay the loans. The loans are secured by collateral assignment of the leases and rents of the mortgaged property. At December 31, 2020, the Agency has not accrued any interest revenue on either loan and had recorded an allowance for loan losses against the full principal balances due to uncertainty of collection.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 6 - LOANS RECEIVABLE AND ACCRUED INTEREST (CONTINUED)**

- (g) *Penn Place, LP*: The Agency has a loan agreement with Penn Place, LP with a simple fixed rate of 5% per annum for the purpose of acquiring, constructing, owning and operating a 38-unit residential rental apartment complex. All principal and interest payments are to be paid from net cash flow with any unpaid amounts being due at the maturity date of December 31, 2054.
- (h) *Alegiant Prep*: During 2018, Insight provided a tenant improvement allowance of up to \$40,000, which is to be repaid in monthly installments of \$1,667 beginning in 2018. As of December 31, 2020, there is a remaining principal balance of \$1,667.

**NOTE 7 - RISK MANAGEMENT AND CONTINGENCIES**

The Agency maintains insurance against most normal hazards. The Agency is a member of the Housing Authority Risk Retention Group, Inc. (Group), which provides general liability, public official and lead-based paint insurance to participating public housing authorities throughout the United States. The Agency joined the Group in order to obtain stable and affordable insurance coverage for general liability. Coverage provided by general liability is \$5 million per year with a deductible of \$5,000 for general liability and \$10,000 for property claims per occurrence. The Agency's risk of participation in the Group is limited to the Agency's initial original equity contribution of \$90,000, any subsequent additional equity contribution as determined by the Group's Board of Directors and the payment of annual premiums for its general liability insurance coverage.

Although the underwriting experience of the Group may result in an increased annual premium charged and/or assessments against each participant's equity contribution account, the Agency's exposure to any net loss allocation is restricted to its equity contribution account balance, plus any additional assessment that may be required. The Agency paid total premiums in 2020 of \$1,160,380. The Agency has an investment of \$316,900 in the Group at December 31, 2020.

Management believes that the number of outstanding claims and potential claims outstanding do not materially affect the financial statements of the Agency. For the current year and prior two fiscal years, the amount of settlements did not exceed insurance coverage.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

As described in Note 1, the Agency is a component unit of the City of Indianapolis. The Agency utilized services from the City of Indianapolis in the ordinary course of business including fleet services and health insurance. In 2020, the Agency paid \$1,205,770 to the City of Indianapolis for fleet services, health insurance, and other services.

As disclosed in Note 5, the City of Indianapolis issued three bonds during 2018 to fund the acquisition, rehabilitation, and equipping of the Indiana Avenue Apartment Project and the Bethel Townhomes Project, and provided another loan in 2020 for \$1,500,000.

**INDIANAPOLIS HOUSING AGENCY  
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**NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 9 - BENEFIT PLAN**

**Plan Description**

The Agency is a participating employer of the Public Employees' Hybrid plan (PERF Hybrid), and its employees are participating members. PERF Hybrid is part of the Public Employees' Retirement Fund (PERF) and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account.

PERF Hybrid is administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report, including PERF Hybrid, that may be obtained at <http://www.inprs.in.gov/>.

**Public Employees' Defined Benefit Account**

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law.

**Eligibility for Pension Benefit Payment**

*Full Retirement Benefit:* A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

*Early Retirement Benefit:* A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

*Disability Benefit:* An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

*Survivor Benefit:* If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 9 - BENEFIT PLAN (CONTINUED)**

**Contribution Rates**

Contributions are determined by the INPRS Board based on an actuarial valuation. Employers contribute 11.2% of covered payroll. No member contributions are required. The Agency's contributions to PERF DB were \$559,933 for 2020.

**Benefit Formula and Postretirement Benefit Adjustment**

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of \$180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board.

**Public Employees' Defined Contribution Account**

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

**Contribution Rates**

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Agency made no contributions to PERF DC for the year ended December 31, 2020. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

**Benefit Terms**

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member's qualification for Social Security disability benefits. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

**Significant Actuarial Assumptions**

The total pension liability is determined using an actuarial valuation performed by INPRS actuaries, which involves estimates of the value of reported amounts (e.g., salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed.

INPRS completed an actuarial experience study in February 2020. Assumption changes were recommended to the INPRS Board and adopted in June 2020 for the June 30, 2020 actuarial valuations. Assumptions related to mortality rates were increased, retirement rates were decreased, and future salary increases were increased from the prior measurement date. No changes in methods were recommended or adopted.

**INDIANAPOLIS HOUSING AGENCY  
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**NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 9 - BENEFIT PLAN (CONTINUED)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Asset valuation date:	June 30, 2020	
Liability valuation date and method:	June 30, 2019 - Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 to the June 30, 2020 measurement date.	
Actuarial cost method:	Entry age normal - level percent of payroll	
Experience study date:	Computed February 2020 and reflects the experience period from July 1, 2014 to June 30, 2019	
Investment rate of return:	6.75%	
COLA:	2020 – 2021 - 13 <sup>th</sup> check Beginning January 1, 2022 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%	
Future salary increases, including inflation:	2.75% - 8.75%	
Inflation:	2.25%	
Mortality – Healthy Employees and Retirees:	Base Table M/F Set Forward	PubG-2020 +3/+1
Mortality – Disabled:	Base Table Load	PubG-2010 140%
Mortality – Beneficiaries:	Base Table M/F Set Forward	PubCS-2020 +0/+2
Mortality – Improvement – All Tables:	Generational Improvement Scale – MP-2019	

**INDIANAPOLIS HOUSING AGENCY  
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**NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 9 - BENEFIT PLAN (CONTINUED)**

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the INPRS Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	<b>Target Asset Allocation</b>	<b>Geometric Basis Long-Term Expected Real Rate of Return</b>
Private Equity	22.0%	4.4%
Private Markets	14.0%	7.6%
Fixed Income- Ex Inflation-Linked	20.0%	1.9%
Fixed Income - Inflation-Linked	7.0%	0.5%
Commodities	8.0%	1.6%
Real Estate	7.0%	5.8%
Absolute Return	10.0%	2.9%
Risk Parity	12.0%	5.5%

The net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the current discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
\$4,564,798	\$2,799,905	\$1,321,664

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At December 31, 2020, the Agency reported a liability of \$2,799,905 for its proportionate share of the net pension liability. The Agency's proportionate share of the net pension liability was based on the Agency's wages as a proportion of total wages for PERF Hybrid. The proportionate share used at the June 30, 2020 measurement dates was 0.09270%.

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 9 - BENEFIT PLAN (CONTINUED)**

For the year ended December 31, 2020, the Agency recognized pension expense of \$4,952, which includes expenses from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$220,537. At December 31, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to PERF DB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 49,606	\$ 37,592
Net differences between projected and actual earnings on pension plan investments	239,627	-
Changes of assumptions	-	583,383
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	<u>10,051</u>	<u>600,025</u>
Total that will be recognized in pension expense based on table below	299,284	1,221,000
Pension contribution subsequent to measurement date	<u>220,827</u>	<u>-</u>
Total	<u>\$520,111</u>	<u>\$1,221,000</u>

Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2021	\$(505,849)
2022	(326,892)
2023	(190,763)
2024	<u>101,788</u>
	<u>\$(921,716)</u>

**INDIANAPOLIS HOUSING AGENCY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 10 - CONDENSED COMBINING INFORMATION**

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements. The following summarizes the combining information for the statement of net position as of December 31, 2020:

	The Agency	L and R Housing, LP	TH and B, LP	B and H Housing, LP	Lugar, LP	Eliminations	Agency Subtotal	Insight	IHA Housing Partners I, LP	IHA Housing Partners II, LP	16 Park, LP	Barton Block, LP	Millikan II, LP	Indiana Avenue Apartments, LP	Bethel Townhome Apartments, LP	Eliminations	Insight Total	Eliminations	Agency Total
<b>ASSETS</b>																			
Current assets	\$ 12,638,925	\$ 3,515,179	\$ 3,924,114	\$ 4,745,063	\$ 2,074,426	\$ (263,621)	\$ 26,634,086	\$ 1,025,242	\$ 169,459	\$ 634,184	\$ 1,546,865	\$ 562,272	\$ 726,815	\$ 415,870	\$ 955,232	\$ (151,221)	\$ 5,884,718	\$ (97,587)	\$ 32,421,217
Due (to)/from	1,253,167	(91,754)	(147,136)	68,572	21,526	-	1,104,375	367,761	(188,707)	(96,134)	(76,238)	-	(61,181)	(169,500)	(880,376)	-	(1,104,375)	-	-
Total Current Assets	13,892,092	3,423,425	3,776,978	4,813,635	2,095,952	(263,621)	27,738,461	1,393,003	(19,248)	538,050	1,470,627	562,272	665,634	246,370	74,856	(151,221)	4,780,343	(97,587)	32,421,217
<b>NONCURRENT ASSETS</b>																			
Capital assets, net	33,026,209	12,157,183	14,646,310	15,754,184	21,802,109	-	97,385,995	978,538	1,134,358	7,758,539	23,848,878	8,977,121	11,026,877	6,940,189	13,460,475	-	74,124,975	-	171,510,970
Other noncurrent assets	80,346,247	604,341	648,449	410,967	491,488	(41,066,029)	41,435,463	9,714,581	-	-	1,968,640	456,604	-	329,801	329,801	(6,754,716)	6,044,711	(37,184,062)	10,296,112
Total Noncurrent Assets	113,372,456	12,761,524	15,294,759	16,165,151	22,293,597	(41,066,029)	138,821,458	10,693,119	1,134,358	7,758,539	25,817,518	9,433,725	11,026,877	7,269,990	13,790,276	(6,754,716)	80,169,686	(37,184,062)	181,807,082
Total Assets	127,264,548	16,184,949	19,071,737	20,978,786	24,389,549	(41,329,650)	166,559,919	12,086,122	1,115,110	8,296,589	27,288,145	9,995,997	11,692,511	7,516,360	13,865,132	(6,905,937)	84,950,029	(37,281,649)	214,228,299
<b>DEFERRED OUTFLOWS OF RESOURCES</b>																			
Deferred outflows from pension	520,111	-	-	-	-	-	520,111	-	-	-	-	-	-	-	-	-	-	-	520,111
Total Assets and Deferred Outflows of Resources	\$ 127,784,659	\$ 16,184,949	\$ 19,071,737	\$ 20,978,786	\$ 24,389,549	\$ (41,329,650)	\$ 167,080,030	\$ 12,086,122	\$ 1,115,110	\$ 8,296,589	\$ 27,288,145	\$ 9,995,997	\$ 11,692,511	\$ 7,516,360	\$ 13,865,132	\$ (6,905,937)	\$ 84,950,029	\$ (37,281,649)	\$ 214,748,410
<b>LIABILITIES</b>																			
Current liabilities	\$ 604,239	\$ 171,757	\$ 235,684	\$ 282,196	\$ 370,538	\$ (159,625)	\$ 1,504,789	\$ 555,453	\$ 70,112	\$ 231,690	\$ 923,720	\$ 392,674	\$ 3,103,378	\$ 710,340	\$ 5,016,454	\$ (2,209,931)	\$ 8,793,890	\$ (9,823)	\$ 10,288,856
Noncurrent liabilities	16,352,145	10,373,590	10,419,580	9,754,465	9,655,103	(41,170,025)	15,384,858	1,503,605	2,255,314	8,736,992	9,978,965	1,328,569	6,062,045	10,730,347	11,215,491	(4,696,006)	47,115,322	(37,271,826)	25,228,354
Total Current Assets	16,956,384	10,545,347	10,655,264	10,036,661	10,025,641	(41,329,650)	16,889,647	2,059,058	2,325,426	8,968,682	10,902,685	1,721,243	9,165,423	11,440,687	16,231,945	(6,905,937)	55,909,212	(37,281,649)	35,517,210
<b>DEFERRED INFLOWS OF RESOURCES</b>																			
Deferred inflows from pension	1,221,000	-	-	-	-	-	1,221,000	-	-	-	-	-	-	-	-	-	-	-	1,221,000
<b>NET POSITION</b>																			
Net investments in capital assets	28,692,044	1,705,054	4,146,640	5,881,955	12,176,217	38,910,785	91,512,695	(521,462)	(1,120,133)	(989,788)	13,332,264	7,612,117	2,347,789	(3,787,895)	(1,540,045)	4,696,008	20,028,855	33,689,216	145,230,766
Restricted for Section 8 vouchers and VASH	1,083,026	-	-	-	-	-	1,083,026	-	-	-	-	-	-	-	-	-	-	-	1,083,026
Restricted for reserves and escrow	-	2,167,240	2,988,930	3,757,745	1,505,576	-	10,419,491	-	93,340	494,209	846,211	359,110	316,934	308,367	185,533	-	2,603,704	-	13,023,195
Restricted for other programs	1,711,013	-	-	-	-	-	1,711,013	-	-	-	-	-	-	-	-	-	-	-	1,711,013
Unrestricted	78,121,192	1,767,308	1,280,903	1,302,425	682,115	(38,910,785)	44,243,158	10,548,526	(183,523)	(176,514)	2,206,985	303,527	(137,635)	(444,799)	(1,012,301)	(4,696,008)	6,408,258	(33,689,216)	16,962,200
Total Net Position	109,607,275	5,639,602	8,416,473	10,942,125	14,363,908	-	148,969,383	10,027,064	(1,210,316)	(672,093)	16,385,460	8,274,754	2,527,088	(3,924,327)	(2,366,813)	-	29,040,817	-	178,010,200
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 127,784,659	\$ 16,184,949	\$ 19,071,737	\$ 20,978,786	\$ 24,389,549	\$ (41,329,650)	\$ 167,080,030	\$ 12,086,122	\$ 1,115,110	\$ 8,296,589	\$ 27,288,145	\$ 9,995,997	\$ 11,692,511	\$ 7,516,360	\$ 13,865,132	\$ (6,905,937)	\$ 84,950,029	\$ (37,281,649)	\$ 214,748,410

**INDIANAPOLIS HOUSING AGENCY  
(A Component Unit of the City of Indianapolis)**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 10 - CONDENSED COMBINING INFORMATION (CONTINUED)**

The following summarizes the combining information for the statements of revenues, expenses, and changes in net position for the year ended December 31, 2020:

	The Agency	L and R Housing, LP	TH and B, LP	B and H Housing, LP	Lugar, LP	Eliminations	Agency Subtotal	Insight	IHA Housing Partners I, LP	IHA Housing Partners II, LP	16 Park, LP	Barton Block, LP	Millikan II, LP	Indiana Avenue Apartments, LP	Bethel Townhome Apartments, LP	Eliminations	Insight Total	Eliminations	Agency Total
Operating revenue	\$ 2,569,773	\$ 129,086	\$ 182,982	\$ 302,219	\$ 751,475	\$ -	\$ 3,935,535	\$ 1,034,849	\$ 91,802	\$ 355,099	\$ 1,076,469	\$ 457,868	\$ 1,130,285	\$ 653,704	\$ 87,775	\$ -	\$ 4,887,851	\$ -	\$ 8,823,386
Other operating expenses	69,296,470	1,331,118	1,828,463	1,949,569	1,443,969	-	75,849,589	422,933	263,834	684,600	1,323,108	443,575	889,565	399,857	635,078	-	5,062,550	-	80,912,139
Depreciation expense	1,985,939	444,822	509,044	558,394	772,072	-	4,270,271	506,151	126,756	472,192	859,267	326,815	544,376	270,610	680,711	-	3,786,878	-	8,057,149
Total operating expenses	71,282,409	1,775,940	2,337,507	2,507,963	2,216,041	-	80,119,860	929,084	390,590	1,156,792	2,182,375	770,390	1,433,941	670,467	1,315,789	-	8,849,428	-	88,969,288
Operating income (loss)	(68,712,636)	(1,646,854)	(2,154,525)	(2,205,744)	(1,464,566)	-	(76,184,325)	105,765	(298,788)	(801,693)	(1,105,906)	(312,522)	(303,656)	(16,763)	(1,228,014)	-	(3,961,577)	-	(80,145,902)
Intergovernmental grants	69,584,929	1,619,489	1,804,055	1,932,170	966,714	-	75,907,357	-	251,875	138,540	494,810	51,851	-	-	684,480	-	1,621,556	-	77,528,913
Other non-operating revenues (expenses)	1,941,240	(173,346)	(166,286)	(193,312)	(377,051)	-	1,031,245	(58,489)	(49,592)	(448,332)	231,739	(59,003)	(330,246)	(582,367)	(1,029,422)	-	(2,325,712)	-	(1,294,467)
Total non-operating revenues (expenses)	71,526,169	1,446,143	1,637,769	1,738,858	589,663	-	76,938,602	(58,489)	202,283	(309,792)	726,549	(7,152)	(330,246)	(582,367)	(344,942)	-	(704,156)	-	76,234,446
Income (loss) before capital contributions	2,813,533	(200,711)	(516,756)	(466,886)	(874,903)	-	754,277	47,276	(96,505)	(1,111,485)	(379,357)	(319,674)	(633,902)	(599,130)	(1,572,956)	-	(4,665,733)	-	(3,911,456)
Capital grants and contributions	2,047,660	-	-	-	-	-	2,047,660	-	-	-	-	-	-	3,303,045	-	-	3,303,045	-	5,350,705
Change in net position	4,861,193	(200,711)	(516,756)	(466,886)	(874,903)	-	2,801,937	47,276	(96,505)	(1,111,485)	(379,357)	(319,674)	(633,902)	2,703,915	(1,572,956)	-	(1,362,688)	-	1,439,249
Net position, beginning of year	104,746,082	5,840,313	8,933,229	11,409,011	15,238,811	-	146,167,446	9,979,788	(1,113,811)	439,392	16,764,817	8,594,428	3,160,990	(6,628,242)	(793,857)	-	30,403,505	-	176,570,951
Net position, end of year	\$ 109,607,275	\$ 5,639,602	\$ 8,416,473	\$ 10,942,125	\$ 14,363,908	\$ -	\$ 148,969,383	\$ 10,027,064	\$ (1,210,316)	\$ (672,093)	\$ 16,385,460	\$ 8,274,754	\$ 2,527,088	\$ (3,924,327)	\$ (2,366,813)	\$ -	\$ 29,040,817	\$ -	\$ 178,010,200

**REQUIRED SUPPLEMENTARY INFORMATION**

**INDIANAPOLIS HOUSING AGENCY  
(A Component Unit of the City of Indianapolis)**

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (UNAUDITED)**

**PUBLIC EMPLOYEES' RETIREMENT FUND  
Last 10 Fiscal Years\***

	2020	2019	2018	2017	2016	2015	2014	2013
Agency's proportion of the net pension liability	0.09270%	0.11064%	0.11638%	0.11602%	0.11275%	0.10735%	0.10008%	0.10796%
Agency's proportionate share of the net pension liability	\$ 2,799,905	\$ 3,656,722	\$ 3,953,480	\$ 5,176,283	\$ 5,117,096	\$ 4,372,260	\$ 2,630,037	\$ 3,697,715
Agency's covered-employee payroll	\$ 5,004,317	\$ 5,764,463	\$ 5,938,354	\$ 5,785,265	\$ 5,403,647	\$ 5,142,029	\$ 4,886,387	\$ 5,183,253
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.95%	63.44%	66.58%	89.47%	94.70%	85.03%	53.82%	71.34%
Plan fiduciary net position as a percentage of the total pension liability**	81.50%	80.10%	78.90%	76.60%	75.30%	77.30%	84.30%	78.80%

\*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013, for GASB Statement No. 68 purposes.

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**  
**SCHEDULE OF AGENCY CONTRIBUTIONS (UNAUDITED)**  
**PUBLIC EMPLOYEES' RETIREMENT FUND**  
**Last 10 Fiscal Years\***

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 559,933	\$ 645,668	\$ 664,924	\$ 644,756	\$ 603,028	\$ 558,159	\$ 475,249
Contributions in relation to the contractually required contribution	<u>559,933</u>	<u>645,668</u>	<u>664,924</u>	<u>644,756</u>	<u>603,028</u>	<u>558,159</u>	<u>475,249</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 5,004,317	\$ 5,764,463	\$ 5,938,354	\$ 5,785,265	\$ 5,403,647	\$ 5,142,029	\$ 4,886,387
Contributions as a percentage of covered-employee payroll	11.19%	11.20%	11.20%	11.14%	11.16%	10.85%	9.73%

\*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2014, for GASB Statement No. 68 purposes.

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**December 31, 2020**

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)**

**Plan Amendments:** In 2020, there were no new plan amendments.

**Assumption Changes:** In 2020, an experience study was performed resulting in an update to several assumptions. These assumption changes included a change in mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, dependent spouse assumptions, and future salary increase assumptions.

**SCHEDULE OF THE AGENCY'S CONTRIBUTIONS (UNAUDITED)**

**Methods and Assumptions Used in Calculating Actuarially Determined Contributions:** The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution Rates<sup>(a)</sup>:

Asset valuation date and method:	June 30, 2018 - 5-year smoothing of gains and losses on the market value of assets subject to a 20% corridor
Liability valuation date and method:	June 30, 2017 - Member census data as of June 30, 2017 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Actuarial amortization method and period:	Level dollar - 20 years, closed
Remaining amortization period (weighted):	24 years
Investment rate of return:	6.75%
COLA:	1.0%
Future salary increases, including inflation:	2.5% - 4.25%
Inflation:	2.25%

<sup>(a)</sup> Differs from Note 9 schedule as this table is for funding purposes and Note 9 is for financial reporting purposes. The Actuarially Determined Contributions in a given year are determined based on the actuarial valuation dated two fiscal years prior.

**Trends:** In 2020, there were no significant trends in contributions to the Plan.

## **SUPPLEMENTARY INFORMATION**

**INDIANAPOLIS HOUSING AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2020**

	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	\$ 61,958,457
COVID-19 - Section 8 Housing Choice Vouchers	14.871	5,038,231
Mainstream Vouchers	14.879	96,970
COVID-19 - Mainstream Vouchers	14.879	111,259
Total Housing Voucher Cluster		<u>67,204,917</u>
Public and Indian Housing	14.850	2,047,458
COVID-19 - Public and Indian Housing	14.850	48,613
Total Public and Indian Housing		<u>2,096,071</u>
Public Housing Capital Fund	14.872	<u>2,047,660</u>
Family Self-Sufficiency Program	14.896	<u>84,088</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 71,432,736</u></u>

*See accompanying notes to schedule of expenditures of federal awards.*

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2020**

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal financial assistance activity of Indianapolis Housing Agency (the Agency) for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Agency, it is not intended to and does not present the net position, revenues, expenses, and changes in net position, or cash flows of the Agency.

**Expenditures** reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Amounts presented as expenditures of Department of Housing and Urban Development, Section 8 Housing Choice Vouchers are presented in accordance with the requirements of the Department of Housing and Urban Development (HUD). Under those requirements, the amount presented is equal to the amount received by the Agency from HUD for the purposes of housing assistance payments under the Section 8 Housing Choice Voucher program.

Various component units of the Agency directly receive federally-subsidized rental income through Housing Assistance Payment ("HAP") agreements with HUD in which HUD has agreed to pay the difference between the contract rent, as defined in the HAP agreement, and that portion of such rent payable by qualified tenants. The total amount received by component units through these contracts during 2020 was \$7,943,984. This funding is subject to compliance audits at the component unit level for L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; and Bethel Townhome Apartments, LP, by other auditors and those audits disclosed no instances of noncompliance. This funding is not included on the Schedule.

There were no amounts provided to subrecipients during 2020.

**NOTE 2 - INDIRECT COST RATE**

The Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

## **OTHER REPORTS**

*Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards*

Board of Commissioners  
Indianapolis Housing Agency

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 Indianapolis Housing Agency (the Agency), a component unit of the City of Indianapolis, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 21, 2021. Our report includes a reference to other auditors who audited the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP, as described in our report on the Agency's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP or that are reported on separately by those auditors who audited the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; Bethel Townhome Apartments, LP.

***Internal Control over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***The Agency's Response to Findings***

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
July 21, 2021

*Independent Auditors' Report on Compliance for Each Major  
Federal Program Required by the Uniform Guidance  
and on Internal Control Over Compliance*

Board of Commissioners  
Indianapolis Housing Agency

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

We have audited Indianapolis Housing Agency's (the Agency) 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 Agency's major federal programs for the year ended December 31, 2020. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Agency's basic financial statements include the operations of L and R Housing, LP, TH and B, LP, B and H Housing, LP, Lugar, LP, IHA Housing Partners I, LP, IHA Housing Partners II, LP, 16 Park, LP, Barton Block, LP, Indiana Avenue Apartments, LP, and Bethel Townhome Apartments, LP, as described in our report on the Agency's financial statements, which received \$7,943,984 in federal awards which is not included in the Agency's schedule of expenditures of federal awards during the year ended December 31, 2020. Our audit, described below, did not include the operations of these components because this funding is subject to compliance audits at the component unit level by other auditors.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Agency'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 Agency'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 Agency's compliance.

### ***Basis for Qualified Opinion on CFDA 14.871 and CFDA 14.879 Housing Voucher Cluster***

As described in the accompanying schedule of findings and questioned costs, the Agency did not comply with requirements regarding CFDA 14.871 and CFDA 14.879 Housing Voucher Cluster as described in item 2020-004 for Allowable Activities and Allowable Costs/Cost Principles, 2020-005 for Eligibility, 2020-006 for Special Tests and Provisions – Depository Agreements, and 2020-07 for Special Tests and Provisions – Housing Quality Standards Inspections. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Indianapolis Housing Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### ***Other Matters***

The Agency's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency'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 Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompany schedule of findings and questioned costs as items 2020-003 and 2020-005 to be material weaknesses.

*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.

The Agency's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
July 21, 2021

**INDIANAPOLIS HOUSING AGENCY  
(A Component Unit of the City of Indianapolis)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2020**

**SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   ✓   yes        no
- Significant deficiency(ies) identified?   ✓   yes        none reported

Noncompliance material to financial statements noted?        yes   ✓   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?   ✓   yes        no
- Significant deficiency(ies) identified?        yes   ✓   none reported

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

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

Identification of major program:

<b>CFDA Numbers</b>	<b>Name of Federal Program</b>
14.871 & 14.897	Housing Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs: \$2,142,982

Auditee qualified as low-risk auditee?        yes   ✓   no

**INDIANAPOLIS HOUSING AGENCY**  
**(A Component Unit of the City of Indianapolis)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended December 31, 2020**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2020-001 Material Weakness – Finance Department Controls – Appropriate Finance Department Oversight, Completion and Review of Account Reconciliations, and Journal Entries**

*Criteria:* Internal controls over financial reporting should be in place that provide reasonable assurance that the financial statements are free of material misstatement. Internal controls over financial reporting should be designed to either prevent or detect and correct misstatements on a timely basis and maintained to ensure they are operating as designed.

*Condition and Context:* The finance department has experienced significant turnover during 2020 and as of December 31, 2020 and through the date the financial statements were available to be issued the Agency lacked key management and middle management roles; specifically, a Chief Financial Officer and Controller. The turnover has also lead to a significantly understaffed finance department and over reliance on temporary consultants. Due to the turnover experienced and the absence of key management roles, coupled with the challenges brought on by the novel coronavirus (COVID-19) and ensuing disruptions of the related pandemic the Agency did not maintain proper internal controls over financial reporting to prevent and detect and correct misstatements on a timely basis. The lack of proper internal controls can be summarized in three areas 1) lack of oversight to maintain internal controls over financial reporting 2) completion and review of account reconciliations 3) journal entries. Instance of each deficiency in internal control over financial reporting is listed below.

- 1) Lack of Appropriate Financial Department Oversight
  - a) The finance department is not always aware of grant awards until cash is received.
  - b) Instances were noted of multiple purchase orders being prepared and/or duplicate accounts payable invoices being paid by the Agency on the same purchase. This was partly driven by instances where purchase orders were being created after the purchase had already occurred.
  - c) Instances were noted where purchases are occurring without proper prior approval which at times resulted in the Agency improperly paying for tenant expenses.
  - d) Purchasing policies were not properly followed relating to the proper use of Agency credit cards resulting in a lack of necessary detail to assess vendor specific compliance with procurement policies.
  - e) Three employees' hours worked differed from the payroll reports when compared to their respective time cards across multiple pay periods. The change in hours paid on the payroll reports compared to the hours worked on the time cards was approved by the Executive Director.
  
- 2) Completion and Review of Account Reconciliations
  - a) Bank reconciliations were not completed timely or accurately and were not reviewed by another individual.
  - b) Accounts receivable balances in the general ledger were not being reconciled to subledger detail. In addition, since reconciliations had not been completed there was no timely review of the reconciliation as outlined in the Agency's policies and procedures.
  - c) Accounts payable balances in the general ledger were not being reconciled to subledger detail. In addition, since reconciliations had not been completed there was no timely review of the reconciliation as outlined in the Agency's policies and procedures.

**2020-001 Material Weakness – Finance Department Controls – Appropriate Finance Department Oversight, Completion and Review of Account Reconciliations, and Journal Entries (Continued)**

3) Journal Entries

- a) Material journal entries were required to reconcile opening balances to the 2019 audited financial statements and to properly state the 2020 audited financial statements.
- b) Material adjustments were necessary to properly report expenditures of federal awards on the schedule of expenditures of federal awards (SEFA). The SEFA originally provided by the Agency was incomplete and inaccurate. In addition, the SEFA originally provided by the Agency had not distinguished CARES Act funding properly.
- c) Journal entries were required to adjust the opening net position from the trial balance originally provided by manage to reconcile with the ending net position per the 2019 audited FDS submission.

The material journal entries, adjustments to the SEFA, and improper implementation of procurement procedures are repeat findings of 2019-001 and 2019-002, respectively.

*Cause and Effect:* The deficiencies noted above resulted in undetected or uncorrected material misstatements along with significant additional work by finance department staff to reconcile and correct errors noted. The lack of appropriate oversight in the finance department also may have a pervasive effect on the Agency's ability to maintain compliance over its federal award programs, as described in finding 2020-003 and resulted in findings 2020-004 and 2020-006. This deficiency could also result in improper reporting to the Board of Commissioners or third parties.

*Recommendation:* The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as designed by the Agency. The Agency should then look to execute a complete month-end close process with the appropriate reconciliations completed and reviewed. The Agency should then review the year-end close process to ensure the process is appropriate to prevent and detect material misstatements in financial reporting.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.

**2020-002 Significant Deficiency – Segregation of Duties – Cash Disbursements**

*Criteria:* Financial reporting duties should be properly segregated to ensure no one individual has the ability to execute, reconcile, and record a transaction or complete multiple aspects of a transaction.

*Condition and Context:* During our audit, multiple deficiencies were noted which in the aggregate are considered a significant deficiency relating to segregation of duties around the cash disbursement process. The specific deficiencies noted are as follows:

- 1) The Deputy Executive Director approves cash disbursements for payment but there is no final review of approved disbursements to the actual payments.
- 2) Multiple individuals who have access to print checks also have access to the Executive Directors saved signature.
- 3) The Agency's blank check stock is stored in a locked room but personnel access to the room is not restricted.
- 4) The Agency does not have a policy which requires dual signature on checks over a determined dollar threshold. A policy of this nature would provide additional review on larger cash disbursements.

## **2020-002 Significant Deficiency – Segregation of Duties – Cash Disbursements (Continued)**

- 5) There are individuals who have access to set up new vendors in the account payable system, which does not require approval, that also have the ability to process and approve cash disbursements.
- 6) The Executive Director approves his own employee expense reimbursements and credit card invoices. There is no third party approval process in place for the Executive Director.

*Cause and Effect:* The lack of appropriate segregation of duties around the cash disbursement transaction cycle creates an opportunity for personnel to make accidental errors or perpetrate fraud or misappropriation of assets and may lead to misstatements in the financial statements. As noted above in finding 2020-001, material journal entries were necessary to properly state account balances in the financial statements.

*Recommendation:* As noted above in finding 2020-001, The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as they are designed by the agency. The Agency should then look to review the internal controls over cash disbursements for areas to implement proper segregation of duties.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation and plans to have the corrective action implemented by March 31, 2022.

## **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

### **Department of Housing and Urban Development**

#### **2020-003 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

#### **Material Weakness in Internal Control over Compliance – Appropriate Control Environment Related to Compliance Requirements**

*Criteria:* 2 CFR 200.303 includes requirements related to internal controls for federal award programs, including that the Agency must, among other things, “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)”.

*Condition and Context:* This finding has a pervasive effect on the Agency’s ability to maintain compliance over its award programs. The condition and context described in finding 2020-001 also relates to this finding.

*Cause and Effect:* As detailed above in finding 2020-001, in our opinion, the predominate reason for the finding is due to the lack of appropriate oversight in the finance department and the finance department not following the written policies of the Agency do to staffing constraints. The material weakness resulted in the noncompliance findings described below in items 2020-004 and 2020-006, as well as the material adjustments to the SEFA noted in finding 2020-001.

*Recommendation:* See finding 2020-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation and plans to have the corrective action implemented by March 31, 2022.

## **2020-004 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

### **Noncompliance – Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

*Criteria:* 2 CFR 200.407(n) and 2 CFR 200.441 includes requirements for non-Federal entities to obtain prior written approval for fines, penalties, damages, and other settlements.

*Condition and Context:* We scanned disbursements and judgmentally selected a sample of 5 disbursements for testing activities allowed or unallowed and allowable costs/cost principles of transactions which were not housing assistance payments (HAP) or utility assistance payments (UAP). We noted one disbursement for \$199,604 which was a settlement improperly paid out of the housing choice voucher program for the Office of the Inspector General (OIG). OIG required the settlement to be repaid from non-federal and non-HUD funds. The Agency has since refunded the housing choice voucher program and is working with the OIG and HUD to determine an appropriate source of funds for the settlement. Our selection covered \$214,753 of the \$380,194 of disbursements in the population. Since auditor judgement was used in selecting the items for testing, the selection was not a random sample and likely questioned costs could not be extrapolated.

*Known Questioned Costs:* \$199,604

*Cause and Effect:* As described in item 2020-003, the Agency has not maintained appropriate internal controls over compliance and the finance department lack key members of oversight. As a result, the Agency improperly approved the payment of the settlement noted above and could approve more improper disbursements.

*Recommendation:* See finding 2020-001, specifically the recommendation relating to appropriate oversight in the finance department. Once appropriate key roles are filled, the Agency should ensure these individuals are knowledgeable of both the compliance requirements and internal controls over compliance established by the Agency to ensure proper review and approval of disbursements occurs.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.

## **2020-005 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

### **Material Weakness in Internal Control over Compliance and Noncompliance – Eligibility; Reporting – Special Reporting HUD-50058, Family Report; and Special Tests and Provisions: Selection for Waiting List, Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payment**

*Criteria:* Management is responsible for maintaining appropriate documentation to substantiate tenant eligibility determinations and compliance with applicable special tests and provisions

*Condition and Context:* We selected a sample of 60 tenant files for testing Eligibility; Reporting – Special Reporting HUD-50058, Family Report; and Special Tests and Provisions: Selection for Waiting List, Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payment. Of the items selected we noted the following:

- 1) 2 of the 60 tenant files selected for testing were not able to be located.
- 2) 2 of the 60 tenant files selected for testing were missing documentation related to eligibility requirements.
- 3) 3 of the 60 tenant files selected for testing were missing documentation related to reasonable rent.
- 4) 7 of the 60 tenant files selected for testing were missing documentation related to eligibility housing quality standards inspections.

This is a repeat finding of 2019-005.

*Cause and Effect:* The two missing tenant files resulted in an inability to make a determination on compliance for these tenants. Unsupported tenant eligibility determinations could impact future federal funding.

## **2020-005 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879 (Continued)**

*Recommendation:* We recommend the Agency review current procedures surrounding maintenance of tenant files to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.

## **2020-006 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

### **Noncompliance – Special Tests and Provisions – Depository Agreements**

*Criteria:* 24 CFR 982.156 requires public housing authorities to enter in to depository agreements with financial institutions in the form required by HUD. The agreements serve as safeguards for federal funds and provide third-party rights to HUD.

*Condition and Context:* We reviewed the depository agreement on file with HUD compared to the cash accounts listed in the general ledger and identified 17 accounts which were anticipated to be included in the depository agreement with HUD. We noted 8 cash accounts listed in the general ledger which were excluded from the HUD depository agreement. We noted 3 of the accounts which were excluded from the depository agreement were opened in 2020.

*Cause and Effect:* As described in item 2020-003, the Agency has not maintained appropriate internal controls over compliance. As a result, the Agency did not properly review the HUD depository agreement for compliance with compliance requirements and improperly excluded cash accounts from the agreement and/or failed to update the depository agreement with HUD in a timely manner.

*Recommendation:* See finding 2020-001, specifically the recommendation relating to appropriate oversight in the finance department. Once appropriate key roles are filled, the Agency should ensure these individuals are knowledgeable of both the compliance requirements and internal controls over compliance established by the Agency to ensure proper review of depository agreements occurs.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.

## **2020-007 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

### **Noncompliance – Special Tests and Provisions – Housing Quality Standards Inspections**

*Criteria:* 24 CFR 982.404 requires public housing authorities to require an owner to correct any life threatening deficiencies identified during housing quality standards (HQS) inspections within 24 hours of the inspection and all other HQS deficiencies within 30 days of the inspection or within a specifically approved extension. If deficiencies are not corrected in the required timeframe the public housing authority must abate HAPs being no later than the first of the month following the specified correction period or the HAP contract is to be terminated.

*Condition and Context:* We reviewed the 2020 failed inspection listing provided by management and selected a sample of 25 failed inspections for testing. We noted 2 instances where deficiencies that required a 24 hour timeframe for correction were not met. In addition, 16 deficiencies that were required to be corrected within 30 days were not met. We noted 2 instances where inspections reports could not be provided and 9 instances where documentation was missing from the files provided. Furthermore, we noted 9 properties that had multiple failed inspections which were not moved to abatement and 4 properties with multiple failed inspection for which management could not provide supporting documentation for the property being moved to abatement.

**2020-007 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879 (Continued)**

*Cause and Effect:* As described in item 2020-003, the Agency has not maintained appropriate internal controls over compliance. As a result, the Agency did not properly review the failed inspections and activity around the inspections resulting in violation not being corrected in the required timeframe, as well as, properties not being corrected transferred to abatement upon multiple failed inspections.

*Recommendation:* See finding 2020-001, specifically the recommendation relating to appropriate oversight in the finance department. Once appropriate key roles are filled, the Agency should ensure these individuals are knowledgeable of both the compliance requirements and internal controls over compliance established by the Agency to ensure proper review of depository agreements occurs.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.



## **CORRECTIVE ACTION PLAN Year Ended December 31, 2020**

Department of Housing and Urban Development

Indianapolis Housing Agency, a component unit of the City of Indianapolis, (the Agency) respectively submits the following corrective action plan for the year ended December 31, 2020.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP  
800 East 96<sup>th</sup> Street, Suite 500  
Indianapolis, IN 46240

Audit period: Year ended December 31, 2020

The findings from the schedule of findings and questioned costs for the year ended December 31, 2020, are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

### **FINANCIAL STATEMENT FINDINGS**

#### **2020-001 Material Weakness – Finance Department Controls – Appropriate Finance Department Oversight, Completion and Review of Account Reconciliations, and Journal Entries**

*Recommendation:* The Agency should consider first hiring the appropriate key roles for the finance department. The Agency should then look to execute a complete month-end close process with the appropriate reconciliations completed and reviewed. Finally, the Agency should then review their year-end close process to ensure the process is appropriate to prevent and detect material misstatements in financial reporting.

*Planned Corrective Action:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021. Active recruits for a finance director and controller are occurring in July 2021. Four candidates for finance director were interviewed on July 19, 2021; three of the candidates possess a CPA. The controller position is being recruited by a search firm. Applicants have been few. A possible strategy is to offer one of the finance director candidates the controller slot. For both positions, salary expectations may not align with the budget. In any event, onboarding for both positions should occur no later than the fourth quarter of 2021.

#### **2020-002 Significant Deficiency – Segregation of Duties – Cash Disbursements**

*Recommendation:* As noted above in finding 2020-001, The Agency should consider addressing the deficiencies noted by first hiring the appropriate key roles to the finance department. The Agency should then look to review the internal controls over cash disbursements for areas to implement proper segregation of duties.

*Corrective Action:* The Agency agrees with the recommendation and plans to have the corrective action implemented by March 31, 2022. Depending on the timing of hiring of the finance director and controller, this significant deficiency may not be resolved until after the first quarter of 2022.

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### **Department of Housing and Urban Development**

#### **2020-003 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

##### **Material Weakness in Internal Control over Compliance – Appropriate Control Environment Related to Compliance Requirements**

*Recommendation:* See finding 2020-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals which knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

*Planned Corrective Action:* The Agency agrees with the recommendation and plans to have the corrective action implemented by March 31, 2022. The resolution of this material weakness hinges on the successful recruitment of the finance director and controller to provide adequate oversight.

#### **2020-004 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

##### **Noncompliance– Allowable Activities and Allowable Costs/Cost Principles**

*Recommendation:* See finding 2020-001, specifically the recommendation relating to appropriate oversight in the finance department. Once appropriate key roles are filled, the Agency should ensure these individuals are knowledgeable of both the compliance requirements and internal controls over compliance established by the Agency to ensure proper review and approval of disbursements occurs.

*Planned Corrective Action:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.

#### **2020-005 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

##### **Material Weakness in Internal Control over Compliance and Noncompliance – Eligibility; Reporting – Special Reporting *HUD-50058, Family Report; Special Tests and Provisions: Selection for Waiting List, Reasonable Rent, Housing Quality Standards Inspections, Housing Assistance Payment***

*Recommendation:* We recommend the Agency review current procedures surrounding maintenance of tenant files to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

*Planned Corrective Action:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021. Staff will be formally trained on records retention and file maintenance within this fiscal year.

**2020-006 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

**Noncompliance – Special Tests and Provisions – Depository Agreements**

*Recommendation:* See finding 2020-001, specifically the recommendation relating to appropriate oversight in the finance department. Once appropriate key roles are filled, the Agency should ensure these individuals are knowledgeable of both the compliance requirements and internal controls over compliance established by the Agency to ensure proper review of depository agreements occurs.

*Planned Corrective Action:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.

**2020-007 Housing Choice Voucher Cluster – CFDA #14.871 & 14.879**

**Noncompliance – Special Tests and Provisions – Housing Quality Standards Inspections**

*Recommendation:* See finding 2020-001, specifically the recommendation relating to appropriate oversight in the finance department. Once appropriate key roles are filled, the Agency should ensure these individuals are knowledgeable of both the compliance requirements and internal controls over compliance established by the Agency to ensure proper review of depository agreements occurs.

*Planned Corrective Action:* The Agency agrees with the recommendation and plans to have the corrective action implemented by December 31, 2021.

If the Department of Housing and Urban Development has questions regarding this plan, please call me at (317) 261-7290.

Sincerely yours,



Mr. John E. Hall  
Executive Director  
Indianapolis Housing Agency



## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2020**

### **FINANCIAL STATEMENT FINDINGS**

#### **2019-001 Internal Control over Financing Reporting (Material Weakness)**

*Condition:* During the 2019 audit, multiple audit adjustments were posted that changed the financial statement results of the Agency by a material amount. Additionally, adjustments were made by management throughout the audit process, which prevented a timely and efficient audit process.

*Recommendation:* The predecessor auditor suggested that management establish appropriate procedures and reviews to provide for accurate and timely monthly reconciliations so that the general ledger reflects a complete, accurate representation of financial results.

*Status:* Staff attrition in 2019 contributed to this material weakness and the lack of staffing continuity continues to prevent appropriate resolution. A new Chief Financial Officer began in January 2020, and the Controller duties had been outsourced to perform many of the reconciliations and adjustments cited. As of December 31, 2020, and through the date the financial statements were available to be issued, the Chief Financial Officer and Controller roles were vacant. The Agency has outsourced these duties to contracted accountants. The Agency's Executive Director and Finance committee continue to work in coordination to ensure the material weakness is mitigated.

#### **2019-002 SEFA Preparation and Review (Material Weakness)**

*Condition:* During the 2019 audit, material adjustments were made to the Schedule of Expenditures of Federal Awards (SEFA).

*Recommendation:* The predecessor auditor recommend that the Agency establish documented controls and procedures for the timely preparation and review of the SEFA, including the validation of the completeness for federal expenditures reported.

*Status:* During 2020 a multi-level review was conducted including the Senior Executive Project Coordinator, Staff Accountant, and Executive Director to ensure the SEFA is accurate. The Agency plans to reassign these roles once a Chief Financial Officer and Controller are hired.

#### **2019-003 Procurement Policy Compliance (Significant Deficiency)**

*Condition:* During the 2019 audit the predecessor auditor noted two instances where vendors were paid in excess of \$150,000 during the year and no formal procurement documentation was maintained.

*Recommendation:* The predecessor auditor recommended that the Agency ensure that all procurement department personnel are adequately trained on the requirements of Title 2 U.S. Code of Federal Regulations Part 200. The predecessor auditor also recommend that the Agency implement review procedures to ensure internal procurement procedures are followed, including the retrospective review of payments issued against procurement records.

*Status:* Personnel changes may be necessary to mitigate this significant deficiency. Weekly review of procurement activities began in 2020. The Executive Director leads these meetings to control for change and process improvement. The Agency no longer allows for approval based upon annual expenditure rather the contract's aggregate, including renewals. The signatory authority for the Executive Director was also reduced to \$85,000 in an effort to provide the Board of Commissioners more review and transparency to the public. Additionally, Invitations to Bid have been eliminated as a first line of procurement methodology and is only used when open competition results with no respondents.

#### **2019-004 Record Retention and Approval of Cash Disbursements (Significant Deficiency)**

*Condition:* The predecessor auditor noted for 13 expenditures out of the 32 tested, management was unable to provide an adequate supporting documentation of approval.

*Recommendation:* The predecessor auditor recommended that the Agency implement procedures to ensure that for each transaction management obtains adequate supporting and approval prior to the disbursement and subsequently maintains that supporting documentation in accordance with their record retention policy.

*Status:* Files were not organized in 2019, and sufficient backup for accounts payable was not enforced. In 2020, vendor files have been created to maintain check run copies of check and all sufficient backup both scanned and catalogued electronically and filed in filing cabinets alphabetically. Voided check backups are now being kept in a central location, instead of at multiple staff's desks. The Chief Financial Officer reviewed and authorized every week's accounts payable run to ensure sufficient backup is attached to every paid invoice. The Deputy Executive Director will provide weekly quality control checks.

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

##### **Housing Voucher Cluster - CFDA #14.871 and 14.879**

#### **2019-005 Section 8 Tenant Files – Document Retention (Significant Deficiency)**

*Condition:* During the 2019 audit of revenue and tenant file testing of 60 participants who received assistance through the Section 8 Housing Choice Vouchers program, the predecessor auditor noted missing documentation in 10 of the tenant files tested.

*Recommendation:* The predecessor auditor recommended that the Agency implement procedures to ensure all required documentation was maintained in the files and that controls are in place to ensure revenue recognized is adequately supported and compliance with these requirements.

*Status:* The Section 8 Housing Choice Voucher (HCV) Program developed file standardization procedures. The Agency plans to have supervisory staff be responsible for completing quality control reviews on a minimum of eight percent of active files on a monthly basis to ensure 100 percent file reviews occurs annually. Criminal history will be pulled as part of the annual recertification process in order to ascertain if any prior arrests resulted in convictions and ineligibility as a consequence.

#### **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

##### **Housing Voucher Cluster - CFDA #14.871 and 14.879**

#### **2019-006 Section 8 Allowable Cost Testing (Significant Deficiency)**

*Condition:* The predecessor auditor noted one non-HAP expenditure for which management was unable to provide supporting documentation. Additionally, the predecessor auditor noted 5 non-HAP expenditures (including the one noted above) for which management was unable to provide formal documentation of proper approval.

*Recommendation:* The predecessor auditor recommended that the Agency implement procedures to ensure that all required supporting documentation is maintained and that internal controls are in place to ensure expenditures are being properly reviewed.

*Status:* In 2019, Housing Assistance Payments (HAP) contract expenditures were not approved by the Chief Financial Officer (CFO), nor was backup documentation maintained in the Finance department. In 2020, the current CFO developed procedures for the Section 8 Housing Choice Voucher Program Finance Specialists and staff accountants. The HAP expenditures are created by the HCV Finance Specialist and then authorized by the HCV Director. Therefore, the CFO determines appropriateness. Once approved and the check run is performed, the Financial Specialist makes copies of any checks cut to keep in the finance files. A shared folder/drive has also been created to keep all HAP expenditure backup between the HCV Finance departments. The Deputy Executive Director will provide quality control reviews of the monthly HAP to participating landlords.