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July 21, 2022

Board of Commissioners
Housing Authority of the City of South Bend
510 Alonzo Watson Drive
South Bend, IN 46601

We have reviewed the audit report of the Housing Authority of the City of South Bend, which was opined on by Berman Hopkins Wright & LaHam CPAs and Associates, LLP, for the period October 1, 2020 to September 30, 2021. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the City of South Bend Housing Authority, as of September 30, 2021, 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 42-44. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 49-51.

In our opinion, Berman Hopkins Wright & LaHam CPAs and Associates prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**HOUSING AUTHORITY
OF SOUTH BEND**

**Basic
Financial Statements and
Supplementary
Information**

September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of South Bend
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of South Bend (the "Authority"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

MELBOURNE

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Melbourne, FL 32940
321-757-2020

ORLANDO

255 South Orange Avenue, #1200
Orlando, FL 32801
407-841-8841

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's business-type activities as of September 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The accompanying financial data schedule and schedules of program costs and advances are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements of the Authority. The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 June 29, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

June 29, 2022
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of the Housing Authority of South Bend (the "Authority"), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Catherine Lamberg, Executive Director, Housing Authority of South Bend, 501 Alonzo Watson Dr. South Bend, IN 46601.

Financial Highlights

- The assets of the Authority exceeded its liabilities as of September 30, 2021 by \$5,614,414 (net position).
- The Authority's total cash balances as of September 30, 2021 were \$2,003,470, representing a decrease of \$1,582,546.
- The Authority had revenue from the U.S. Department of Housing and Urban Development ("HUD") of \$20,440,557 which includes funds for capital asset activities.
- The Authority's liabilities include amounts due to HUD of \$1,153,373 consisting of repayment agreements and other amounts due that resulted from reviews performed in 2014 and 2020 by the U.S. Department of Housing and Urban Development Quality Assurance Division.

Overview of Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in the Authority's net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of capital assets. The following statements are included:

- **Statement of Net Position** - reports the Authority's assets, liabilities and net position at the end of the fiscal year. You can think of the Authority's net position as the difference between what the Authority owns (assets) and what the Authority owes (liabilities).
- **Statement of Revenues, Expenses, and Changes in Net Position** - presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in the future periods.

Overview of Financial Statement (continued)

- **Statement of Cash Flows** - presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Authority in prior periods and subsequently received during the current fiscal year (i.e. receivables, notes receivable etc.).
- **Notes to the Basic Financial Statements** - provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Authority may face.

In addition to the basic financial statements listed above, our report includes supplementary information. This information is to provide more detail on the Authority's various programs and the required information mandated by regulatory bodies that fund the Authority's various programs.

Financial Analysis

| | <u>Net Position</u> | | |
|----------------------------------|---------------------|---------------------|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>Net Change</u> |
| Current assets | \$ 2,323,337 | \$ 4,062,798 | \$ (1,739,461) |
| Capital assets, net | 5,143,881 | 5,439,955 | (296,074) |
| Other noncurrent assets | 28,506 | - | 28,506 |
| Total assets | <u>7,495,724</u> | <u>9,502,753</u> | <u>(2,007,029)</u> |
| Current liabilities | 730,470 | 3,297,026 | (2,566,556) |
| Due to HUD - noncurrent | 1,122,334 | 1,140,734 | (18,400) |
| Other noncurrent liabilities | 28,506 | 135,402 | (106,896) |
| Total liabilities | <u>1,881,310</u> | <u>4,573,162</u> | <u>(2,691,852)</u> |
| Net investment in capital assets | 5,143,881 | 5,439,955 | (296,074) |
| Restricted net position | 1,439,772 | 1,401,636 | 38,136 |
| Unrestricted net position | <u>(969,239)</u> | <u>(1,912,000)</u> | <u>942,761</u> |
| Total net position | <u>\$ 5,614,414</u> | <u>\$ 4,929,591</u> | <u>\$ 684,823</u> |

Current Assets decreased by \$1,739,461 during the fiscal year 2021 as compared to the previous fiscal year primarily due to decreases in restricted cash of \$2,659,021 offset by increases in unrestricted cash of \$966,705. The decrease in restricted cash is mainly due to \$2,591,947 of HCV Cares Act funding received during fiscal year 2020; this amount was fully spent in the 2021 fiscal year. The increase in unrestricted cash is mainly due to a surplus from operations.

Net Capital Assets decreased by \$296,074 mainly due to depreciation expense of \$1,031,800 offset by current year additions of \$735,726 (see Note B-3).

Financial Analysis (continued)

Current Liabilities decreased by \$2,566,556 during the current fiscal year as compared to the previous fiscal year due to the recognition of HCV Cares Act's unearned revenue of \$2,591,947 in 2021.

Net Position - The difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources) is its net position. Net position is categorized as one of three types:

1. Net investment in capital assets - The Authority's capital asset balance, net of accumulated depreciation and related long-term debt as of September 30, 2021 is \$5,143,881.
2. Restricted - The Authority's net position whose use is subject to constraints imposed by law or agreement. The statement of net position of the Authority reports \$1,439,772 of restricted net position which consists entirely of Section 8 Housing Choice Voucher HAP reserves.
3. Unrestricted - The Authority's net position that is neither invested in capital assets nor restricted which change principally due to operations. These resources are available to meet the Authority's ongoing obligations to its residents and creditors. The Authority has a deficit of \$969,239 in unrestricted net position as of September 30, 2021. The deficit results from the Authority not having enough restricted assets to cover the equity balance of Housing Assistance Payments.

Financial Analysis (continued)

| | <u>Changes in Net Position</u> | | |
|--------------------------------|--------------------------------|---------------------|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>Net Change</u> |
| Operating revenue | | | |
| HUD revenue | \$ 19,958,813 | \$ 17,646,453 | \$ 2,312,360 |
| Other revenue | 2,351,317 | 2,305,424 | 45,893 |
| Total operating revenue | <u>22,310,130</u> | <u>19,951,877</u> | <u>2,358,253</u> |
| Operating expenses | | | |
| Administrative | 2,407,521 | 2,087,716 | 319,805 |
| Tenant services | 676,503 | 86,006 | 590,497 |
| Utilities | 533,416 | 626,933 | (93,517) |
| Maintenance | 2,179,657 | 1,900,418 | 279,239 |
| Protective services | 87,745 | 178,941 | (91,196) |
| General | 897,918 | 932,143 | (34,225) |
| Depreciation | 1,031,800 | 1,058,664 | (26,864) |
| Housing assistance payments | 14,293,083 | 14,181,127 | 111,956 |
| Total operating expenses | <u>22,107,643</u> | <u>21,051,948</u> | <u>1,055,695</u> |
| Operating income (loss) | 202,487 | (1,100,071) | 1,302,558 |
| Nonoperating revenues | | | |
| Other | 592 | 1,198 | (606) |
| Capital contributions | <u>481,744</u> | <u>263,936</u> | <u>217,808</u> |
| Change in net position | 684,823 | (834,937) | 1,519,760 |
| Total net position - beginning | 4,929,591 | 5,637,863 | (708,272) |
| Prior period adjustment | - | 126,665 | (126,665) |
| Total net position - ending | <u>\$ 5,614,414</u> | <u>\$ 4,929,591</u> | <u>\$ 684,823</u> |

HUD Revenue increased by \$2,312,360 during the fiscal year ending 2021 as compared to the previous fiscal year, this is mainly due to the use of HCV Cares Act funding \$2,544,933.

Total Operating Expenses increased by \$1,055,695 from the prior fiscal year, this is mainly due to the following:

Administrative expenses increased by \$319,805 from the previous fiscal year due to the increase of salaries in public housing and filling vacant positions at the administrative level. The new administration filled the CEO and CFO as well as other essential positions during this audit. Due to COVID-19, the timeframe for the 2020 audit was delayed thereby shifting the costs to 2021.

Tenant services expenses increased by \$590,497 from the previous fiscal year due to an expense increase of \$436,474 for emergency meal compensation, moving expenses, relocation specialist staff, hotel expenses, etc. for the Rabbi Shulman gas leak.

Maintenance costs increased by \$279,239 from the previous fiscal year, mainly due to an increase in unit turns, increase in routine maintenance, increase in material costs, as well as the gas leak repair at the now vacated Rabbi Shulman building.

Financial Analysis (continued)

Capital Contributions increased by \$217,808 during fiscal year 2021 as compared to the prior fiscal year. The increase is primarily due to additional capital fund activity as fiscal year 2020 was limited due to COVID-19.

Capital Asset and Debt Activity

During the fiscal year 2021, the Authority's net capital assets decreased by \$296,074 mainly due to depreciation expense of \$1,031,800 offset by current year additions of \$735,726.

At the end of the fiscal year 2021, the Authority had no long-term debt, however there are amounts due to HUD for repayment agreements of \$1,153,373, of which \$1,122,334 is classified as noncurrent.

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2022 and 2023 federal budgets.

Economic Factors and Events Affecting Operations

The Housing Authority has been under review with the HUD's Quality Assurance Division (QAD) office for its voucher rental assistance and homeownership program several times and the financial reviews of voucher program resulted in repayment agreements due to the mismanagement and inadequate financial controls in place from the previous administration, which it was also investigated by the FBI in July 2019. Carrying the liability owed to HUD is a tremendous burden to the agency as repayments must be made from non-federal funds. The Authority earns limited non-federal funds and is not in a position, to repay the debt any time soon, if at all. Additionally, having federal liabilities owed to HUD also restricts the Authority's ability to obtain other funding streams or apply for grant opportunities. Not being able to apply for certain grant funding and obtain Moving-To-Work ("MTW") status is punitive to the Authority and prohibits the Authority to move forward with new leadership put in place January 2021. The current team in place still deals with the effects from prior management.

Additional significant economic factors and decisions affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development;
- Fluctuation in proration values capping funds to the Authority based on congressional funding availability;
- Availability of participating landlords in the private sector to provide affordable housing;
- Local labor supply and demand, which can affect salary and wage rates;
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income;
- Inflationary pressure on utility rates, housing costs, supplies and other costs;
- Trends in the current housing market.

Housing Authority of South Bend

STATEMENT OF NET POSITION

September 30, 2021

ASSETS

CURRENT ASSETS

| | |
|--|------------------|
| Cash and cash equivalents - unrestricted | \$ 1,008,202 |
| Cash and cash equivalents - restricted | 966,762 |
| Receivables, net | 139,640 |
| Due from HUD | 113,432 |
| Prepaid expenses | 95,301 |
| Total current assets | <u>2,323,337</u> |

NONCURRENT ASSETS

| | |
|--|------------------|
| Cash and cash equivalents - restricted | 28,506 |
| Capital assets, net | 5,143,881 |
| Total assets | <u>7,495,724</u> |

LIABILITIES

CURRENT LIABILITIES

| | |
|----------------------------------|----------------|
| Accounts payable | 285,737 |
| Accrued salaries | 97,793 |
| Accrued compensated absences | 50,386 |
| Due to HUD | 31,039 |
| Tenant security deposits | 100,188 |
| Family self-sufficiency escrow | 109,770 |
| Unearned revenue - prepaid rents | 50,056 |
| Other current liabilities | 5,501 |
| Total current liabilities | <u>730,470</u> |

NONCURRENT LIABILITIES

| | |
|--------------------------------|------------------|
| Family self-sufficiency escrow | 28,506 |
| Due to HUD | 1,122,334 |
| Total liabilities | <u>1,881,310</u> |

NET POSITION

| | |
|----------------------------------|---------------------|
| Net investment in capital assets | 5,143,881 |
| Restricted | 1,439,772 |
| Unrestricted | (969,239) |
| Total net position | <u>\$ 5,614,414</u> |

The accompanying notes are an integral part of this financial statement.

Housing Authority of South Bend

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended September 30, 2021

| | |
|---|----------------------------|
| OPERATING REVENUES | |
| HUD operating revenue | \$ 19,958,813 |
| Tenant revenue, net | 1,348,597 |
| Other operating revenue | <u>1,002,720</u> |
| Total operating revenues | <u>22,310,130</u> |
| OPERATING EXPENSES | |
| Administrative | 2,407,521 |
| Tenant services | 676,503 |
| Utilities | 533,416 |
| Maintenance | 2,179,657 |
| Protective services | 87,745 |
| General | 897,918 |
| Depreciation | 1,031,800 |
| Housing assistance payments | <u>14,293,083</u> |
| Total operating expenses | <u>22,107,643</u> |
| OPERATING INCOME | 202,487 |
| NONOPERATING REVENUES | |
| Interest income - unrestricted | 92 |
| Interest income - restricted | <u>500</u> |
| Total nonoperating revenues | <u>592</u> |
| Change in net position before capital contributions | 203,079 |
| CAPITAL CONTRIBUTIONS | |
| HUD capital grants | <u>481,744</u> |
| Change in net position | 684,823 |
| Total net position - beginning | <u>4,929,591</u> |
| Total net position - ending | <u><u>\$ 5,614,414</u></u> |

The accompanying notes are an integral part of this financial statement.

Housing Authority of South Bend

STATEMENT OF CASH FLOWS

For the year ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---------------------------------------|---------------------|
| HUD operating grants received | \$ 17,452,110 |
| Collections from tenants | 1,312,329 |
| Collections from other sources | 998,666 |
| Payments to employees | (2,316,447) |
| Payments to suppliers | (4,482,731) |
| Housing assistance payments | <u>(14,293,083)</u> |
| Net cash used in operating activities | <u>(1,329,156)</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|------------------|
| HUD capital grants received | 481,744 |
| Purchase of property and equipment | <u>(735,726)</u> |
| Net cash used in capital and related financing activities | <u>(253,982)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-------------------|------------|
| Interest received | <u>592</u> |
|-------------------|------------|

NET DECREASE IN CASH AND CASH EQUIVALENTS

| | |
|--|---------------------|
| Cash and cash equivalents at beginning of year | <u>3,586,016</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,003,470</u> |

AS PRESENTED IN THE STATEMENT OF NET POSITION:

| | |
|---|---------------------|
| Cash and cash equivalents - unrestricted | \$ 1,008,202 |
| Cash and cash equivalents - restricted | 966,762 |
| Cash and cash equivalents - restricted noncurrent | <u>28,506</u> |
| | <u>\$ 2,003,470</u> |

The accompanying notes are an integral part of this financial statement.

Housing Authority of South Bend

STATEMENT OF CASH FLOWS (continued)

For the year ended September 30, 2021

RECONCILIATION OF OPERATING INCOME TO NET

CASH USED IN OPERATING ACTIVITIES

| | | |
|--|----|--------------------|
| Operating income | \$ | 202,487 |
| Adjustments to reconcile operating income to net cash used in operating activities | | |
| Depreciation | | 1,031,800 |
| Change in provision for allowance for doubtful accounts | | 136,147 |
| (Increase) decrease in assets: | | |
| Receivables, net | | (118,783) |
| Due from HUD | | 85,244 |
| Prepaid expenses | | 25,801 |
| (Decrease) increase in liabilities: | | |
| Accounts payable | | 22,587 |
| Accrued salaries | | 24,966 |
| Accrued compensated absences | | (36,102) |
| Due to HUD | | (15,686) |
| Tenant security deposits | | (79,587) |
| Unearned revenues - prepaid rents | | 21,901 |
| Unearned revenues - CARES Act | | (2,591,947) |
| Family self-sufficiency escrow | | 2,874 |
| Other current liabilities | | (40,858) |
| Net cash used in operating activities | \$ | <u>(1,329,156)</u> |

The accompanying notes are an integral part of this financial statement.

Housing Authority of South Bend

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Housing Authority of South Bend (the "Authority"), is governmental agency created under the Housing Authority Act of the State of Indiana to provide Public and Indian Housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development ("HUD"). The primary purpose of the Authority is to develop, acquire and operate safe, decent, sanitary, and affordable housing for low-income families in the City of South Bend, Indiana (the "City") in accordance with federal legislation and regulations.

The Authority's governing board consists of a seven member Board of Commissioners (the "Board"), which is appointed by the Mayor of the City. The Authority is not a component unit of the City, as defined in Governmental Accounting Standards Board's ("GASB") *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as described by GASB Codification Section 2100 is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities rely, to a significant extent, on fees and charges for support.

Governments use fund accounting, whereby funds are generally organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Housing Authority of South Bend

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating activities generally arise from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants and operating grants from the U.S. Department of Housing and Urban Development ("HUD"), and include, to a lesser extent, other government grants and certain operating amounts of capital grants that offset operating expenses.

Operating expenses for the Authority include the cost of administrative, tenant services, utilities, maintenance, protective services, general, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income (loss), change in net position and cash flows. All assets and liabilities (whether current or noncurrent) associated with activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net position. As provided by GASB Codification Section P80.115, *Proprietary Fund Accounting and Financial Reporting: Defining Operating Expenses*, and related guidance, tenant revenue is reported net of accounts written-off in the amount of \$136,147.

Housing Authority of South Bend

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Summary of programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD at the Authority. A summary of each significant program is provided below.

Low Rent Housing Programs

The Low Rent Housing Programs include the asset management projects (“AMPs”), which collect both operating and capital fund subsidies, as well as various other related HUD programs.

The purpose of the low rent public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under the Capital Fund program.

Funding of the program operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

Central Office Cost Center

The Central Office Cost Center (“COCC”) is a business unit within the Authority that generates revenue through charges for services from other Authority programs and business-type activities.

Housing Assistance Payments Programs

The Housing Assistance Payments Programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the programs is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

5. Budgets

Budgets are prepared on an annual basis for each program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required in the basic financial statement presentation.

Housing Authority of South Bend
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Assets, liabilities and net position

a. *Cash and cash equivalents*

For financial statement purposes cash and cash equivalents are considered to be cash in banks and certificates of deposit with original maturities of three months or less.

b. *Receivables and amounts due from HUD*

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD represent reimbursable expenses or grant subsidies earned that have not been collected as of September 30, 2021. Allowances are determined by management based on the specific accounts and prior experience.

c. *Capital assets*

The Authority's policy is to capitalize equipment with a value in excess of \$1,000 and a useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at fair value on the date contributed.

Depreciation has been calculated using the straight-line method over the estimated useful lives, which range as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 10 - 40 Years |
| Equipment | 3 - 10 years |

d. *Accrued compensated absences*

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

Housing Authority of South Bend
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Assets, liabilities and net position (continued)

e. *Eliminations*

For financial reporting purposes, certain amounts are internal and are therefore eliminated in the accompanying financial statements. The following have been eliminated from the financial statements:

i.) *Interprograms*

In the normal course of operations, certain programs pay for common costs or advance funds for operations that create interprogram receivables and payables. These interprogram receivables or payables are eliminated for the presentation of the Authority as a whole. In addition, as a result of HUD's Quality Assurance Division ("QAD") review (see Note B-4), the Authority has additional material amounts that are owed from the HCV program to the COCC. As of September 30, 2021, \$3,508,478 of total internal receivables and payables have been eliminated.

ii.) *Fee for service*

The Authority's COCC internally charges fees to the AMPs and other programs of the Authority. These charges include management fees, bookkeeping fees, front line service fees, other fee revenue and asset management fees. For financial reporting purposes, \$1,322,455 of fee for service charges have been eliminated for the year ended September 30, 2021.

f. *Net position*

In accordance with GASB Codification Section 1800.155, *Reporting Net Position in Government-Wide Financial Statements*, total equity as of September 30, 2021, is classified into three components of net position:

i.) *Net investment in capital assets*

This component consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets.

Housing Authority of South Bend
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Assets, liabilities and net position (continued)

f. Net position (continued)

ii.) Restricted component of net position

This component consists of net position restricted in its use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The statement of net position of the Authority reports \$1,439,772 of restricted net position which consists entirely of Section 8 Housing Choice Voucher HAP reserves.

iii.) Unrestricted component of net position

This component includes all of the remaining net position that does not meet the definition of the other two components.

7. Use of estimates

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

8. Income taxes

The Authority qualifies as a tax-exempt governmental entity; accordingly, no provision for Federal or State income tax is required.

9. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no such impairments as of September 30, 2021. However, subsequent to year end, the Authority received approval from HUD to demolish the Rabbi Shulman public housing site (see Note B-10).

Housing Authority of South Bend

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Leasing activities

The Authority is the lessor of dwelling units to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within tenant revenue. Primarily all of the capital assets of the Authority are for these leasing activities except for certain administrative offices and equipment.

11. Impact of recently issued accounting principles

In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting. This statement is effective for the Authority's September 30, 2022 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for the Authority's September 30, 2023 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

NOTE B - DETAILED NOTES

1. Cash and cash equivalents

As of September 30, 2021, the Authority's cash and cash equivalents consist of cash with carrying amounts of \$2,003,470.

The Authority's risk and exposure to its cash and cash equivalents is as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy to limit its exposure to declines in fair values of its investment portfolio is to only invest in HUD allowed investments and to monitor investments. As of September 30, 2021, the Authority had no investments, and therefore was not exposed to interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of September 30, 2021, the Authority was not exposed to credit risk.

Housing Authority of South Bend

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2021

NOTE B - DETAILED NOTES (continued)

1. Cash and cash equivalents (continued)

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires for all deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation ("FDIC") insurance. However, public funds deposited in approved financial institutions which exceed the limits of coverage provided by FDIC are covered by the Indiana Public Deposit Insurance Fund. As of September 30, 2021, none of the Authority's total bank balance was exposed to custodial credit risk, as all funds were either fully insured or collateralized.

Restricted cash and cash equivalents

As of September 30, 2021, restricted cash and cash equivalents consists of:

| | | |
|--|----|-----------------------|
| Current: | | |
| Voucher HAP reserves | \$ | 756,804 |
| Family self-sufficiency escrow | | 109,770 |
| Tenant security deposits | | 100,188 |
| Subtotal current | | <u>966,762</u> |
| Noncurrent: | | |
| Family self-sufficiency escrow | | 28,506 |
| Total restricted cash and cash equivalents | \$ | <u><u>995,268</u></u> |

2. Receivables, net

At September 30, 2021, receivables, net consist of:

| | | |
|--|----|-----------------------|
| Tenant receivables | \$ | 192,089 |
| Portability receivables | | 8,297 |
| Fraud recovery | | 44,314 |
| Other receivables | | 60,699 |
| Total receivables | | <u>305,399</u> |
| Allowance for doubtful accounts - tenant receivables | | (137,848) |
| Allowance for doubtful accounts - fraud recovery | | (27,911) |
| Total receivables, net | \$ | <u><u>139,640</u></u> |

Housing Authority of South Bend

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2021

NOTE B - DETAILED NOTES (continued)

3. Capital assets, net

A summary of changes in capital assets, net is as follows:

| | Balance at October 1, 2020 | Transfers in/ Additions | Transfers out/ Deletions | Balance at September 30, 2021 |
|--------------------------------|----------------------------------|----------------------------|-----------------------------|-------------------------------------|
| Non-depreciable: | | | | |
| Land | \$ 1,325,275 | \$ - | \$ - | \$ 1,325,275 |
| Construction in progress | - | 135,375 | - | 135,375 |
| Total non-depreciable | <u>1,325,275</u> | <u>135,375</u> | <u>-</u> | <u>1,460,650</u> |
| Depreciated: | | | | |
| Buildings and improvements | 66,226,766 | 459,819 | (350) | 66,686,235 |
| Equipment | 2,334,039 | 140,532 | (13,836) | 2,460,735 |
| Total depreciated | <u>68,560,805</u> | <u>600,351</u> | <u>(14,186)</u> | <u>69,146,970</u> |
| Total capital assets | <u>69,886,080</u> | <u>735,726</u> | <u>(14,186)</u> | <u>70,607,620</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (62,298,146) | (891,590) | 350 | (63,189,386) |
| Equipment | (2,147,979) | (140,210) | 13,836 | (2,274,353) |
| Total accumulated depreciation | <u>(64,446,125)</u> | <u>(1,031,800)</u> | <u>14,186</u> | <u>(65,463,739)</u> |
| Capital assets, net | <u>\$ 5,439,955</u> | <u>\$ (296,074)</u> | <u>\$ -</u> | <u>\$ 5,143,881</u> |

4. Noncurrent liabilities

A summary of changes in noncurrent liabilities is as follows:

| | Payable at October 1, 2020 | Additions | Reductions | Payable at September 30, 2021 | Current Portion |
|--------------------------------------|----------------------------------|------------------|---------------------|-------------------------------------|--------------------|
| Due to HUD | \$ 1,169,059 | \$ 714 | \$ (16,400) | \$ 1,153,373 | \$ 31,039 |
| Compensated absences | 86,488 | 66,466 | (102,568) | 50,386 | 50,386 |
| Family self-sufficiency "FSS" escrow | 135,402 | 10,857 | (7,983) | 138,276 | 109,770 |
| Total noncurrent liabilities | <u>\$ 1,390,949</u> | <u>\$ 78,037</u> | <u>\$ (126,951)</u> | <u>\$ 1,342,035</u> | <u>\$ 191,195</u> |

Housing Authority of South Bend
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2021

NOTE B - DETAILED NOTES (continued)

4. Noncurrent liabilities (continued)

Due to HUD

On March 10, 2014, QAD issued a review report indicating that HCV program funds were inappropriately spent, resulting in a cash/investment balance that was insufficient to support the validated Net Restricted Assets ("NRA") balance and that the Authority should repay from non-federal funds the amount of \$512,861 to reimburse the HCV program (and payable back to HUD). In addition, on September 25, 2015, the HUD Office of Inspector General ("OIG") issued a report based on an audit of the Authority's Housing Choice Voucher ("HCV") program wherein it recommended that the Authority (1) reimburse the HCV program (and payable back to HUD) \$79,884 from non-Federal funds for ineligible housing assistance and utility allowance payments, (2) support or reimburse the HCV program (and payable back to HUD) \$411,382 from non-Federal funds for unsupported payments, (3) reimburse HUD \$24,088 for unearned Family Self-Sufficiency grant funds, and (4) implement adequate controls to address the findings cited in the audit report. During the year ended September 30, 2017, HUD approved repayment agreements for the above to be paid out of non-federal funds (COCC).

During the year ended September 30, 2016, the Authority drew down funds of \$140,811 for capital fund grant ("CFP") costs that were not eligible for reimbursement because the invoices were already reimbursed in a prior year or the backup documentation to support the cost was not accurate or appropriate.

During the fiscal year ended September 30, 2019, the Authority drew down funds of \$67,508 for capital fund grant ("CFP") costs that were not eligible for reimbursement because the invoices were already reimbursed on a prior draw or the backup documentation for the cost was not properly supported.

On March 18, 2020, QAD issued an additional Financial Management Review. Amongst other things, the report mentioned the March 10, 2014 QAD report requiring the repayment of \$512,861. It was determined that this amount should be repaid from the HCV program and not the COCC. Subsequent to year end, HUD has turned the collection of this amount over to the Department of Justice (see Note B-10).

Housing Authority of South Bend
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2021

NOTE B - DETAILED NOTES (continued)

4. Noncurrent liabilities (continued)

Due to HUD (continued)

The repayment agreements approved by HUD and current amounts payable back to HUD are summarized below:

| | Payable at October 1, 2020 | Additions | Reductions | Payable at September 30, 2021 | Current Portion |
|-------------------------|----------------------------------|---------------|--------------------|-------------------------------------|--------------------|
| Net restricted assets | \$ 470,861 | \$ - | \$ (14,000) | \$ 456,861 | \$ 14,000 |
| Unsupported payments | 411,382 | - | - | 411,382 | - |
| Ineligible payments | 79,884 | - | - | 79,884 | - |
| FSS | 16,688 | - | (2,400) | 14,288 | 2,400 |
| Interest | 13,925 | 714 | - | 14,639 | 14,639 |
| CFP Ineligible costs | 176,319 | - | - | 176,319 | - |
| Total Due to HUD | \$ 1,169,059 | \$ 714 | \$ (16,400) | \$ 1,153,373 | \$ 31,039 |

5. Retirement plan

The Authority maintains a profit sharing plan providing for discretionary employer contributions to be determined annually by the Authority. The Plan covers all permanent full-time employees who worked for at least six months and at least 20 hours weekly. Participants' benefits in the Authority matching contributions are fully vested after five years of participation. All employees are 100% vested when they reach the age of 55, regardless of their years of service. The Plan's assets are accumulated in pooled investments maintained by Fidelity Investments. The Authority contributed \$190,956 during the year ended September 30, 2021.

6. Risk management

The Authority is exposed to various risks of loss to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of the Authority's risk management program, the Authority has commercial insurance to manage its risks of loss. There were no significant reductions of insurance coverage from prior years and actual settlements did not exceed insurance coverage for each of the past three years.

Housing Authority of South Bend

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2021

NOTE B - DETAILED NOTES (continued)

7. Commitments and contingencies

a. *Legal*

The Authority is party to various pending or threatened legal actions arising in the normal course of operations. Although the outcome of these actions is not presently determinable, it is the Authority's opinion that any ultimate liability is not expected to have a material adverse effect on the Authority's financial position.

b. *Grants and contracts*

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, except for the QAD review reports (see Note B-4), management is not aware of any such examinations.

In accordance with applicable standards, the amount of current year program subsidy received in excess of associated qualifying expenses of the Housing Choice Voucher program is presented as net program income or loss with the cumulative excess funding being reflected in restricted net position in the basic financial statements. As of September 30, 2021, the Authority reports \$1,439,772 of restricted net position.

c. *Troubled status*

As a result of significant financial and compliance issues, HUD has placed the agency into "troubled" status. HUD more closely monitors an Authority in troubled status and places significant oversight on the Authority's ability to receive federal grant funds and on its ability to make disbursements. HUD has the ultimate right to take over operations of the Authority or to require changes in management of the Authority. Currently, the Authority is working very closely with HUD under a recovery plan to implement changes to improve its finances and operations in order to get out of troubled status.

d. *Investigation*

On July 31, 2019, the Federal Bureau of Investigation ("FBI") conducted an operation at the offices of the Authority. The Authority received notice of a federal grand jury investigation led by the US Attorney's Office for the Northern District of Indiana, in conjunction with the FBI, Department of Housing and Urban Development, and Internal Revenue Service. The Authority has produced internal records requested by the grand jury and is cooperating with the investigation, which remains ongoing. As the results of the investigation are not yet known, possible resulting actions are undeterminable and no amounts are recorded in the financial statements for this possible contingency.

Housing Authority of South Bend
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2021

NOTE B - DETAILED NOTES (continued)

7. Commitments and contingencies (continued)

e. Funds awarded

The Authority receives funding from HUD through Capital Fund and Capital Fund Replacement Housing programs to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent funded awards as of September 30, 2021, amounted to \$1,889,271 for the Capital Fund program.

8. Concentrations

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies including, but not limited HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for related costs, and the additional administrative burden to comply with the changes. For the year ended September 30, 2021, approximately 89% of revenues and 45% of current receivables reflected in the basic financial statements are from HUD.

9. Financial data schedule

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as non-operating such as depreciation expense, and housing assistance payments. In addition, the schedule's format includes non-operating items as operating such as investment revenue, HUD capital grants revenue, interest expense and gains and losses on the disposal of capital assets. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

Housing Authority of South Bend
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2021

NOTE B - DETAILED NOTES (continued)

10. Subsequent events

Management has evaluated subsequent events through June 29, 2022, the date which the financial statements were available to be issued, and noted no additional significant items to be disclosed except for the items listed below.

a. Rabbi Shulman Plaza Apartments

In November 2020, the Rabbi Shulman Plaza Apartments experienced a natural gas leak, and all the residents of the complex were evacuated to ensure safety and lines were capped. It was subsequently determined to close the facility and since then the building has met its obsolescence test for replacement. In May 2022, the Authority received approval from HUD to demolish the property. The financial statements have not been adjusted for any potential effects of this occurrence as the buildings are fully depreciated.

b. Portability

During their review, the HUD QAD team noted the issues with the port-in voucher reporting (see Note B-4). Therefore, fee income from HCVP to COCC cannot be properly calculated until the 23 porting jurisdictions have been reconciled. As of the date of this report, 22 out of 23 jurisdictions have been fully reconciled. The remaining reconciliation is with Indiana Housing and Community Development Authority and the HUD Field Office for review. HUD VMS reporting will need to be updated once the final reconciliation is complete. This item remains open with HUD QAD.

c. Repayment agreement

In January 2022, due to being in a position of insolvency, HUD determined that the Authority would be incapable of repayment of the \$512,861 due to HUD for the amount associated with the restricted net assets (see Note B-4). Due to these factors, HUD has turned over the collection of the repayment agreement to the Department of Justice. As of September 30, 2021, the original repayment agreement of \$512,861 had been paid down and reduced to a remaining balance of \$456,861, which is reflected on the Statement of Net Position as Due to HUD.

SUPPLEMENTARY INFORMATION

Housing Authority of South Bend

FINANCIAL DATA SCHEDULE

For the year ended September 30, 2021

| PHA: IN015 FYED: 9/30/2021 | | | | | | | | | | | | | | | | | | | |
|----------------------------|--|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|--------------------------------|----------------|---|------------------------------|----------------------------|---|---|---|-------------|--------------|
| Line Item No. | Account Description | AMP 1 Operating 14.850 | AMP 1 Capital Fund 14.872 | AMP 2 Operating 14.850 | AMP 2 Capital Fund 14.872 | AMP 3 Operating 14.850 | AMP 3 Capital Fund 14.872 | AMP 4 Operating 14.850 | AMP 4 Capital Fund 14.872 | Other Project Operating 14.850 | Total Projects | Section 8 Housing Choice Voucher Program 14.871 | HCV CARES Act Funding 14.HCC | Central Office Cost Center | Resident Opportunity and Supportive Services 14.870 | Lead-Based Paint Hazard Control in Privately-Owned Housing 14.900 | Public Housing CARES Act Funding 14.PHC | Elimination | Total |
| 111 | Cash - Unrestricted | 205,375 | - | 227,711 | - | 183,983 | - | 156,290 | - | - | 773,359 | - | - | 234,843 | - | - | - | - | 1,008,202 |
| 113 | Cash - other restricted | - | - | - | - | - | - | - | - | - | - | 785,310 | - | - | - | - | - | - | 785,310 |
| 114 | Cash - Tenant Security Deposits | 24,961 | - | 22,325 | - | 23,175 | - | 29,727 | - | - | 100,188 | - | - | - | - | - | - | - | 100,188 |
| 115 | Cash - Restricted for payment of current liability | - | - | - | - | - | - | - | - | - | - | 109,770 | - | - | - | - | - | - | 109,770 |
| 100 | Total Cash | 230,336 | - | 250,036 | - | 207,158 | - | 186,017 | - | - | 873,547 | 895,080 | - | 234,843 | - | - | - | - | 2,003,470 |
| 121 | Accounts Receivable - PHA Projects | - | - | - | - | - | - | - | - | - | - | 8,297 | - | - | - | - | - | - | 8,297 |
| 122 | Accounts Receivable - HUD | 73,349 | - | 6,227 | - | 15,300 | - | 11,994 | - | - | 106,870 | - | - | - | 6,562 | - | - | - | 113,432 |
| 125 | Accounts Receivable - Miscellaneous | 4,642 | - | 37,800 | - | 4,373 | - | 6,801 | - | - | 53,616 | - | - | 7,083 | - | - | - | - | 60,699 |
| 126 | Accounts Receivable - Tenants Dwelling Rents | 51,999 | - | 54,029 | - | 71,834 | - | 14,227 | - | - | 192,089 | - | - | - | - | - | - | - | 192,089 |
| 126.1 | Allowance for Doubtful Accounts - Dwelling Rents | (30,741) | - | (43,416) | - | (53,081) | - | (10,610) | - | - | (137,848) | - | - | - | - | - | - | - | (137,848) |
| 128 | Fraud recovery | - | - | 6,983 | - | 2,712 | - | 18,216 | - | - | 27,911 | 16,403 | - | - | - | - | - | - | 44,314 |
| 128.1 | Allowance for doubtful accounts - fraud | - | - | (6,983) | - | (2,712) | - | (18,216) | - | - | (27,911) | - | - | - | - | - | - | - | (27,911) |
| 120 | Total Receivables, net of allowances for doubtful accounts | 99,249 | - | 54,640 | - | 38,426 | - | 22,412 | - | - | 214,727 | 24,700 | - | 7,083 | 6,562 | - | - | - | 253,072 |
| 142 | Prepaid Expenses and Other Assets | 8,259 | - | 27,759 | - | 11,105 | - | 12,644 | - | - | 59,767 | 26,264 | - | 9,270 | - | - | - | - | 95,301 |
| 144 | Interprogram due from | 1,336,903 | - | - | - | 678,863 | - | 134,670 | - | - | 2,150,436 | - | - | 1,358,042 | - | - | - | (3,508,478) | - |
| 150 | Total Current Assets | 1,674,747 | - | 332,435 | - | 935,552 | - | 355,743 | - | - | 3,298,477 | 946,044 | - | 1,609,238 | 6,562 | - | - | (3,508,478) | 2,351,843 |
| 161 | Land | 254,278 | - | 659,839 | - | 227,252 | - | 183,906 | - | - | 1,325,275 | - | - | - | - | - | - | - | 1,325,275 |
| 162 | Buildings | 15,290,619 | - | 21,966,220 | - | 11,831,067 | - | 16,974,342 | - | - | 66,062,248 | - | - | 623,987 | - | - | - | - | 66,686,235 |
| 163 | Furniture, Equipment & Machinery - Dwellings | 165,308 | - | 225,566 | - | 160,409 | - | 111,728 | - | - | 663,011 | - | - | - | - | - | - | - | 663,011 |
| 164 | Furniture, Equipment & Machinery - Administration | 251,082 | - | 516,682 | - | 265,709 | - | 278,455 | - | - | 1,311,928 | 296,549 | - | 189,247 | - | - | - | - | 1,797,724 |
| 166 | Accumulated Depreciation | (14,468,380) | - | (22,021,164) | - | (11,702,479) | - | (16,249,114) | - | - | (64,441,137) | (254,243) | - | (768,359) | - | - | - | - | (65,463,739) |
| 167 | Construction In Progress | 12,034 | - | 103,477 | - | 10,510 | - | 9,354 | - | - | 135,375 | - | - | - | - | - | - | - | 135,375 |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | 1,504,941 | - | 1,450,620 | - | 792,468 | - | 1,308,671 | - | - | 5,056,700 | 42,306 | - | 44,875 | - | - | - | - | 5,143,881 |
| 180 | Total Non-Current Assets | 1,504,941 | - | 1,450,620 | - | 792,468 | - | 1,308,671 | - | - | 5,056,700 | 42,306 | - | 44,875 | - | - | - | - | 5,143,881 |
| 190 | Total Assets | 3,179,688 | - | 1,783,055 | - | 1,728,020 | - | 1,664,414 | - | - | 8,355,177 | 988,350 | - | 1,654,113 | 6,562 | - | - | (3,508,478) | 7,495,724 |

See independent auditor's report.

Housing Authority of South Bend

FINANCIAL DATA SCHEDULE

For the year ended September 30, 2021

| PHA: IN015 FYED: 9/30/2021 | | | | | | | | | | | | | | | | | | | |
|----------------------------|-------------------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|--------------------------------|----------------|---|------------------------------|----------------------------|---|---|---|-------------|-----------|
| Line Item No. | Account Description | AMP 1 Operating 14.850 | AMP 1 Capital Fund 14.872 | AMP 2 Operating 14.850 | AMP 2 Capital Fund 14.872 | AMP 3 Operating 14.850 | AMP 3 Capital Fund 14.872 | AMP 4 Operating 14.850 | AMP 4 Capital Fund 14.872 | Other Project Operating 14.850 | Total Projects | Section 8 Housing Choice Voucher Program 14.871 | HCV CARES Act Funding 14.HCC | Central Office Cost Center | Resident Opportunity and Supportive Services 14.870 | Lead-Based Paint Hazard Control in Privately-Owned Housing 14.900 | Public Housing CARES Act Funding 14.PHC | Elimination | Total |
| 312 | Accounts Payable <= 90 Days | 66,745 | - | 66,245 | - | 42,035 | - | 27,739 | - | - | 202,764 | 27,243 | - | 15,832 | - | - | - | - | 245,839 |
| 321 | Accrued Wage/Payroll Taxes Payable | 14,898 | - | 7,897 | - | 11,013 | - | 20,171 | - | - | 53,979 | 12,143 | - | 29,758 | 1,913 | - | - | - | 97,793 |
| 322 | Accrued Compensated Absences | 11,455 | - | 3,974 | - | 12,018 | - | 281 | - | - | 27,728 | 5,621 | - | 17,037 | - | - | - | - | 50,386 |
| 331 | Accounts Payable - HUD PHA Programs | - | - | - | - | - | - | - | - | - | - | 28,639 | - | 2,400 | - | - | - | - | 31,039 |
| 332 | Accounts Payable - PHA Projects | - | - | - | - | - | - | - | - | - | - | 39,898 | - | - | - | - | - | - | 39,898 |
| 341 | Tenant Security Deposits | 24,961 | - | 22,325 | - | 23,175 | - | 29,727 | - | - | 100,188 | - | - | - | - | - | - | - | 100,188 |
| 342 | Deferred Revenues | 11,370 | - | 7,090 | - | 19,384 | - | 12,212 | - | - | 50,056 | - | - | - | - | - | - | - | 50,056 |
| 345 | Other current liabilities | - | - | - | - | - | - | - | - | - | - | 109,770 | - | - | - | - | - | - | 109,770 |
| 346 | Accrued liabilities - other | 1,155 | - | 1,941 | - | 1,014 | - | 891 | - | - | 5,001 | 500 | - | - | - | - | - | - | 5,501 |
| 347 | Interprogram due to | - | - | 2,894,170 | - | - | - | - | - | - | 2,894,170 | 609,659 | - | - | 4,649 | - | - | (3,508,478) | - |
| 310 | Total Current Liabilities | 130,584 | - | 3,003,642 | - | 108,639 | - | 91,021 | - | - | 3,333,886 | 833,473 | - | 65,027 | 6,562 | - | - | (3,508,478) | 730,470 |
| 353 | Noncurrent Liabilities - Other | 25,517 | - | 99,768 | - | 25,517 | - | 25,517 | - | - | 176,319 | 471,367 | - | 503,154 | - | - | - | - | 1,150,840 |
| 350 | Total Noncurrent Liabilities | 25,517 | - | 99,768 | - | 25,517 | - | 25,517 | - | - | 176,319 | 471,367 | - | 503,154 | - | - | - | - | 1,150,840 |
| 300 | Total Liabilities | 156,101 | - | 3,103,410 | - | 134,156 | - | 116,538 | - | - | 3,510,205 | 1,304,840 | - | 568,181 | 6,562 | - | - | (3,508,478) | 1,881,310 |
| 508.4 | Net investment in capital assets | 1,504,941 | - | 1,450,620 | - | 792,468 | - | 1,308,671 | - | - | 5,056,700 | 42,306 | - | 44,875 | - | - | - | - | 5,143,881 |
| 511.4 | Restricted Net Position | - | - | - | - | - | - | - | - | - | - | 1,439,772 | - | - | - | - | - | - | 1,439,772 |
| 512.4 | Unrestricted Net Position | 1,518,646 | - | (2,770,975) | - | 801,396 | - | 239,205 | - | - | (211,728) | (1,798,568) | - | 1,041,057 | - | - | - | - | (969,239) |
| 513 | Total Equity | 3,023,587 | - | (1,320,355) | - | 1,593,864 | - | 1,547,876 | - | - | 4,844,972 | (316,490) | - | 1,085,932 | - | - | - | - | 5,614,414 |
| 600 | Total Liabilities and Equity | 3,179,688 | - | 1,783,055 | - | 1,728,020 | - | 1,664,414 | - | - | 8,355,177 | 988,350 | - | 1,654,113 | 6,562 | - | - | (3,508,478) | 7,495,724 |

See independent auditor's report.

Housing Authority of South Bend

FINANCIAL DATA SCHEDULE

For the year ended September 30, 2021

| PHA: IN015 FYED: 9/30/2021 | | | | | | | | | | | | | | | | | | | |
|----------------------------|---|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|--------------------------------|------------------|---|------------------------------|----------------------------|---|---|---|--------------------|-------------------|
| Line Item No. | Account Description | AMP 1 Operating 14.850 | AMP 1 Capital Fund 14.872 | AMP 2 Operating 14.850 | AMP 2 Capital Fund 14.872 | AMP 3 Operating 14.850 | AMP 3 Capital Fund 14.872 | AMP 4 Operating 14.850 | AMP 4 Capital Fund 14.872 | Other Project Operating 14.850 | Total Projects | Section 8 Housing Choice Voucher Program 14.871 | HCV CARES Act Funding 14.HCC | Central Office Cost Center | Resident Opportunity and Supportive Services 14.870 | Lead-Based Paint Hazard Control in Privately-Owned Housing 14.900 | Public Housing CARES Act Funding 14.PHC | Elimination | Total |
| 70300 | Net Tenant Rental Revenue | 216,822 | - | 566,241 | - | 319,400 | - | 358,529 | - | - | 1,460,992 | - | - | - | - | - | - | - | 1,460,992 |
| 70400 | Tenant Revenue - Other | 5,095 | - | 5,359 | - | 5,091 | - | 8,207 | - | - | 23,752 | - | - | - | - | - | - | - | 23,752 |
| 70500 | Total Tenant Revenue | 221,917 | - | 571,600 | - | 324,491 | - | 366,736 | - | - | 1,484,744 | - | - | - | - | - | - | - | 1,484,744 |
| 70600 | HUD PHA Grants | 861,865 | 286,927 | 666,011 | 1,430,514 | 457,371 | 194,477 | 298,953 | 198,130 | - | 4,394,248 | 12,703,986 | 2,591,947 | - | 45,545 | - | 223,087 | - | 19,958,813 |
| 70610 | HUD PHA Capital Grants | - | 112,275 | - | 184,866 | - | 88,792 | - | 95,811 | - | 481,744 | - | - | - | - | - | - | - | 481,744 |
| 70710 | Management Fee Revenue | - | - | - | - | - | - | - | - | - | - | - | - | 1,025,702 | - | - | - | (1,025,702) | - |
| 70720 | Asset Management Fee Revenue | - | - | - | - | - | - | - | - | - | - | - | - | 57,990 | - | - | - | (57,990) | - |
| 70730 | Bookkeeping Fee Revenue | - | - | - | - | - | - | - | - | - | - | - | - | 238,763 | - | - | - | (238,763) | - |
| 71100 | Investment Income - Unrestricted | - | - | - | - | - | - | - | - | - | - | - | - | 92 | - | - | - | - | 92 |
| 71400 | Fraud recovery | - | - | - | - | - | - | - | - | - | - | 9,030 | - | - | - | - | - | - | 9,030 |
| 71500 | Other revenue | 169,124 | - | 16,228 | - | 9,519 | - | 13,702 | - | - | 208,573 | 698,007 | - | 87,110 | - | - | - | - | 993,690 |
| 72000 | Investment income - restricted | - | - | - | - | - | - | - | - | - | - | 500 | - | - | - | - | - | - | 500 |
| 70000 | Total Revenue | 1,252,906 | 399,202 | 1,253,839 | 1,615,380 | 791,381 | 283,269 | 679,391 | 293,941 | - | 6,569,309 | 13,411,523 | 2,591,947 | 1,409,657 | 45,545 | - | 223,087 | (1,322,455) | 22,928,613 |
| 91100 | Administrative Salaries | 79,486 | - | 76,585 | - | 106,214 | - | 76,117 | - | - | 338,402 | 9,074 | 333,010 | 537,850 | - | - | - | - | 1,218,336 |
| 91200 | Auditing Fees | 11,435 | - | 19,216 | - | 10,034 | - | 8,816 | - | - | 49,501 | 16,500 | - | 5,000 | - | - | - | - | 71,001 |
| 91300 | Management Fee | 124,497 | 55,540 | 163,953 | 93,415 | 108,582 | 48,713 | 98,751 | 42,883 | - | 736,334 | 289,368 | - | - | - | - | - | (1,025,702) | - |
| 91310 | Book-keeping Fee | 14,543 | - | 19,155 | - | 12,675 | - | 11,535 | - | - | 57,908 | 180,855 | - | - | - | - | - | (238,763) | - |
| 91400 | Advertising and Marketing | - | - | - | - | - | - | - | - | - | - | - | - | 3,288 | - | - | - | - | 3,288 |
| 91500 | Employee Benefit Contributions - Administrative | 44,224 | - | 17,131 | - | 10,052 | - | 34,738 | - | - | 106,145 | 917 | 88,522 | 131,963 | - | - | - | - | 327,547 |
| 91600 | Office Expenses | 19,838 | - | 36,415 | - | 17,686 | - | 49,743 | - | - | 123,682 | 52,615 | - | 85,089 | - | - | - | - | 261,386 |
| 91700 | Legal Expense | 15,322 | - | 39,477 | - | 3,221 | - | 4,869 | - | - | 62,889 | 18,128 | - | 22,149 | - | - | - | - | 103,166 |
| 91800 | Travel | 497 | - | - | - | - | - | - | - | - | 497 | 635 | - | 3,230 | - | - | - | - | 4,362 |
| 91900 | Other | 96,771 | - | 47,041 | - | 33,273 | - | 25,586 | - | - | 202,671 | - | - | 215,764 | - | - | - | - | 418,435 |
| 92000 | Asset Management Fee Expense | 21,830 | - | - | - | 19,160 | - | 17,000 | - | - | 57,990 | - | - | - | - | - | - | (57,990) | - |
| 92100 | Tenant services - salaries | - | - | - | - | - | - | - | - | - | - | - | - | - | 36,671 | - | - | - | 36,671 |
| 92300 | Employee benefit contributions - tenant services | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,493 | - | - | - | 6,493 |
| 92400 | Tenant Services - Other | - | - | - | 592,377 | - | - | - | - | - | 592,377 | 14,417 | 9,167 | - | - | - | 17,378 | - | 633,339 |
| 93100 | Water | 32,161 | - | 138,464 | - | 40,273 | - | 20,272 | - | - | 231,170 | - | - | 139 | - | - | - | - | 231,309 |
| 93200 | Electricity | 8,003 | - | 157,702 | - | 13,909 | - | 36,529 | - | - | 216,143 | - | - | 4,525 | - | - | - | - | 220,668 |
| 93300 | Gas | 13,428 | - | 41,721 | - | 11,513 | - | 14,777 | - | - | 81,439 | - | - | - | - | - | - | - | 81,439 |
| 94100 | Ordinary Maintenance and Operations - Labor | 119,602 | - | 90,078 | - | 122,680 | - | 84,850 | - | - | 417,210 | - | - | - | - | - | 71,558 | - | 488,768 |
| 94200 | OMO - Materials and Other | 82,354 | - | 78,891 | - | 48,972 | - | 50,063 | - | - | 260,280 | - | - | - | - | - | - | - | 260,280 |
| 94300 | OMO - Contract Costs | 151,225 | - | 381,004 | - | 174,310 | - | 127,495 | - | - | 834,034 | 29,506 | - | 7,194 | - | - | - | - | 870,734 |
| 94500 | Employee Benefit Contributions - Ordinary Maintenance | 35,084 | - | 22,025 | - | 29,605 | - | 17,665 | - | - | 104,379 | - | - | - | - | - | 19,022 | - | 123,401 |

See independent auditor's report.

Housing Authority of South Bend

FINANCIAL DATA SCHEDULE

For the year ended September 30, 2021

| PHA: IN015 FYED: 9/30/2021 | | | | | | | | | | | | | | | | | | | |
|----------------------------|--|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|--------------------------------|----------------|---|------------------------------|----------------------------|---|---|---|-------------|-------------|
| Line Item No. | Account Description | AMP 1 Operating 14.850 | AMP 1 Capital Fund 14.872 | AMP 2 Operating 14.850 | AMP 2 Capital Fund 14.872 | AMP 3 Operating 14.850 | AMP 3 Capital Fund 14.872 | AMP 4 Operating 14.850 | AMP 4 Capital Fund 14.872 | Other Project Operating 14.850 | Total Projects | Section 8 Housing Choice Voucher Program 14.871 | HCV CARES Act Funding 14.HCC | Central Office Cost Center | Resident Opportunity and Supportive Services 14.870 | Lead-Based Paint Hazard Control in Privately-Owned Housing 14.900 | Public Housing CARES Act Funding 14.PHC | Elimination | Total |
| 95100 | Protective Services - labor | 2,231 | - | 16,199 | - | 8,457 | - | 7,433 | - | - | 34,320 | - | - | - | - | - | - | - | 34,320 |
| 95200 | Protective Services - Other Contract Costs | 2,545 | - | 42,896 | - | 2,300 | - | 2,375 | - | - | 50,116 | - | - | - | - | - | - | - | 50,116 |
| 95500 | Employee benefit contributions - protective services | 171 | - | 1,407 | - | 1,067 | - | 664 | - | - | 3,309 | - | - | - | - | - | - | - | 3,309 |
| 96110 | Property Insurance | 12,692 | - | 98,961 | - | 33,379 | - | 45,790 | - | - | 190,822 | - | - | - | - | - | - | - | 190,822 |
| 96120 | Liability Insurance | 39,053 | - | 64,624 | - | 34,276 | - | 30,329 | - | - | 168,282 | 168,281 | - | 59,393 | - | - | - | - | 395,956 |
| 96130 | Workmen's Compensation | 844 | - | 1,841 | - | 797 | - | 656 | - | - | 4,138 | 8,380 | - | 1,356 | - | - | - | - | 13,874 |
| 96140 | All Other Insurance | 3,122 | - | 5,184 | - | 2,740 | - | 2,424 | - | - | 13,470 | 13,470 | - | 4,754 | - | - | - | - | 31,694 |
| 96200 | Other General Expenses | - | 45,914 | - | 53,513 | - | 47,661 | - | 24,891 | - | 171,979 | 14,957 | - | 11,277 | 893 | - | - | - | 199,106 |
| 96210 | Compensated Absences | 6,978 | - | 10,751 | - | 12,299 | - | - | - | - | 30,028 | 15,002 | - | 19,948 | 1,488 | - | - | - | 66,466 |
| 96400 | Bad Debt - Tenant Rents | 29,035 | - | 30,323 | - | 71,823 | - | 4,966 | - | - | 136,147 | - | - | - | - | - | - | - | 136,147 |
| 96900 | Total Operating Expenses | 966,971 | 101,454 | 1,601,044 | 739,305 | 929,297 | 96,374 | 773,443 | 67,774 | - | 5,275,662 | 832,105 | 430,699 | 1,112,919 | 45,545 | - | 107,958 | (1,322,455) | 6,482,433 |
| 97000 | Excess Operating Revenue over Operating Expenses | 285,935 | 297,748 | (347,205) | 876,075 | (137,916) | 186,895 | (94,052) | 226,167 | - | 1,293,647 | 12,579,418 | 2,161,248 | 296,738 | - | - | 115,129 | - | 16,446,180 |
| 97100 | Extraordinary Maintenance | - | - | - | 436,474 | - | - | - | - | - | 436,474 | - | - | - | - | - | - | - | 436,474 |
| 97300 | Housing Assistance Payments | - | - | - | - | - | - | - | - | - | - | 11,489,816 | 2,161,248 | - | - | - | - | - | 13,651,064 |
| 97350 | HAP Portability In | - | - | - | - | - | - | - | - | - | - | 642,019 | - | - | - | - | - | - | 642,019 |
| 97400 | Depreciation Expense | 318,000 | - | 320,200 | - | 159,600 | - | 218,400 | - | - | 1,016,200 | 8,400 | - | 7,200 | - | - | - | - | 1,031,800 |
| 90000 | Total Expenses | 1,284,971 | 101,454 | 1,921,244 | 1,175,779 | 1,088,897 | 96,374 | 991,843 | 67,774 | - | 6,728,336 | 12,972,340 | 2,591,947 | 1,120,119 | 45,545 | - | 107,958 | (1,322,455) | 22,243,790 |
| 10010 | Operating transfers in | 185,473 | - | 254,735 | - | 98,103 | - | 130,356 | - | - | 668,667 | - | - | - | - | - | - | (668,667) | - |
| 10020 | Operating transfers out | - | (185,473) | - | (254,735) | - | (98,103) | - | (130,356) | - | (668,667) | - | - | - | - | - | - | - | 668,667 |
| 10100 | Total other financing sources (Uses) | 185,473 | (185,473) | 254,735 | (254,735) | 98,103 | (98,103) | 130,356 | (130,356) | - | - | - | - | - | - | - | - | - | - |
| 10000 | Excess (deficiency) of total revenue over (under) total expenses | 153,408 | 112,275 | (412,670) | 184,866 | (199,413) | 88,792 | (182,096) | 95,811 | - | (159,027) | 439,183 | - | 289,538 | - | - | 115,129 | - | 684,823 |
| 11040 | Prior Period Adjustments, Equity transfer and correction of errors | 112,275 | (112,275) | 184,866 | (184,866) | 474,851 | (88,792) | 135,181 | (95,811) | (310,300) | 115,129 | - | - | 22,265 | - | (22,265) | (115,129) | - | - |
| 11190 | Unit Months Available | 2,183 | - | 3,029 | - | 1,916 | - | 1,700 | - | - | 8,828 | 25,601 | - | - | - | - | - | - | 34,429 |
| 11210 | Number of Unit Months Leased | 1,939 | - | 2,603 | - | 1,690 | - | 1,544 | - | - | 7,776 | 24,114 | - | - | - | - | - | - | 31,890 |
| 11170 | Administrative Fee Equity | - | - | - | - | - | - | - | - | - | - | (1,756,262) | - | - | - | - | - | - | (1,756,262) |
| 11180 | Housing Assistance Payments Equity | - | - | - | - | - | - | - | - | - | - | 1,439,772 | - | - | - | - | - | - | 1,439,772 |
| 11270 | Excess Cash | 1,455,323 | - | (2,832,386) | - | 738,367 | - | 187,624 | - | - | (451,072) | - | - | - | - | - | - | - | (451,072) |
| 11610 | Land Purchases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11620 | Building Purchases | - | 112,275 | - | 184,866 | - | 88,792 | - | 95,811 | - | 481,744 | - | - | - | - | - | - | - | 481,744 |
| 11630 | Furniture & Equipment - Dwelling Purchases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11640 | Furniture & Equipment - Administrative Purchases | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

See independent auditor's report.

Housing Authority of South Bend

SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES

For the year ended September 30, 2021

| PROGRAM | 501-17 | 501-18 | 501-19 | 501-20 | Emergency 501-20 | Total |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| BUDGET | <u>\$ 1,275,711</u> | <u>\$ 1,981,716</u> | <u>\$ 2,073,517</u> | <u>\$ 2,227,822</u> | <u>\$ 620,330</u> | <u>\$ 8,179,096</u> |
| ADVANCES | | | | | | |
| Cash receipts - prior years | \$ 1,268,536 | \$ 1,734,055 | \$ 649,095 | \$ - | \$ - | \$ 3,651,686 |
| Cash receipts - current year | <u>7,175</u> | <u>247,661</u> | <u>1,003,215</u> | <u>680,841</u> | <u>592,377</u> | <u>2,531,269</u> |
| Cumulative as of September 30, 2021 | <u>1,275,711</u> | <u>1,981,716</u> | <u>1,652,310</u> | <u>680,841</u> | <u>592,377</u> | <u>6,182,955</u> |
| COSTS | | | | | | |
| Prior years | 1,268,536 | 1,746,588 | 682,909 | - | - | 3,698,033 |
| Current year | <u>7,175</u> | <u>235,128</u> | <u>1,058,091</u> | <u>699,021</u> | <u>592,377</u> | <u>2,591,792</u> |
| Cumulative as of September 30, 2021 | <u>1,275,711</u> | <u>1,981,716</u> | <u>1,741,000</u> | <u>699,021</u> | <u>592,377</u> | <u>6,289,825</u> |
| RECEIVABLE FROM HUD | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 88,690</u> | <u>\$ 18,180</u> | <u>\$ -</u> | <u>\$ 106,870</u> |
| SOFT COSTS | | | | | | |
| Prior years | \$ 403,363 | \$ 1,401,686 | \$ 682,909 | \$ - | \$ - | \$ 2,487,958 |
| Current year | <u>-</u> | <u>235,128</u> | <u>698,815</u> | <u>583,728</u> | <u>592,377</u> | <u>2,110,048</u> |
| Cumulative as of September 30, 2021 | <u>403,363</u> | <u>1,636,814</u> | <u>1,381,724</u> | <u>583,728</u> | <u>592,377</u> | <u>4,598,006</u> |
| HARD COSTS | | | | | | |
| Prior years | 865,173 | 344,902 | - | - | - | 1,210,075 |
| Current year | <u>7,175</u> | <u>-</u> | <u>359,276</u> | <u>115,293</u> | <u>-</u> | <u>481,744</u> |
| Cumulative as of September 30, 2021 | <u>872,348</u> | <u>344,902</u> | <u>359,276</u> | <u>115,293</u> | <u>-</u> | <u>1,691,819</u> |
| CUMULATIVE HARD AND SOFT COSTS | <u>\$ 1,275,711</u> | <u>\$ 1,981,716</u> | <u>\$ 1,741,000</u> | <u>\$ 699,021</u> | <u>\$ 592,377</u> | <u>\$ 6,289,825</u> |

See independent auditor's report.

Housing Authority of South Bend

SCHEDULE OF CARES ACT FUNDING COSTS AND ADVANCES

For the year ended September 30, 2021

| PROGRAM | <u>PH CARES</u> | <u>HCV CARES</u> |
|--|------------------------|-------------------------|
| BUDGET | \$ 352,895 | \$ 2,638,961 |
| ADVANCES | | |
| Cash receipts - prior years | \$ 100,478 | \$ 2,638,961 |
| Cash receipts - current year | <u>252,417</u> | <u>-</u> |
| Cumulative as of September 30, 2021 | <u>352,895</u> | <u>2,638,961</u> |
| COSTS | | |
| Prior years | 129,808 | 47,014 |
| Current year | <u>223,087</u> | <u>2,591,947</u> |
| Cumulative as of September 30, 2021 | <u>352,895</u> | <u>2,638,961</u> |
| RECEIVABLE DUE FROM HUD/ (UNSPENT ADVANCES) | \$ - | \$ - |

See independent auditor's report.

SINGLE AUDIT INFORMATION

Housing Authority of South Bend

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2021

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | CFDA Number | | Federal Expenditures |
|--|----------------|------------------|-----------------------------|
| <u>Direct from the U.S. Department of Housing and Urban Development:</u> | | | |
| Public and Indian Housing: | | | |
| Public and Indian Housing | 14.850 | \$ 2,284,200 | |
| COVID-19 Public and Indian Housing | 14.850 | <u>223,087</u> | |
| Subtotal Public and Indian Housing | | | \$ 2,507,287 |
| Public Housing Capital Fund Program | 14.872 | | 2,591,792 |
| Housing Voucher Cluster: | | | |
| Housing Choice Voucher Program | 14.871 | 12,703,986 | |
| COVID-19 Housing Choice Voucher Program | 14.871 | <u>2,591,947</u> | |
| Subtotal Housing Voucher Cluster | | | 15,295,933 |
| Resident Opportunity and Supportive Services | 14.870 | | <u>45,545</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 20,440,557</u> |

NOTE A: BASIS OF PRESENTATION

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

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program ("HCV"), CFDA No. 14.871, to be an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD and not the expenditures paid by the Authority.

NOTE B: INDIRECT COST RATE

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

NOTE C: SUB-RECIPIENTS

During the year ended September 30, 2021, the Authority had no sub-recipients.

NOTE D: NONCASH ASSISTANCE AND OTHER

The Authority did not receive any noncash assistance, federal loans, or federally funded insurance during the year ended September 30, 2021.

See independent auditor's report.



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

Board of Commissioners
Housing Authority of South Bend
South Bend, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of South Bend (the "Authority"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as **Finding No. 2021-001**.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority'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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 29, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of South Bend
South Bend, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of South Bend's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

MELBOURNE

8035 Spyglass Hill Road
Melbourne, FL 32940
321-757-2020

ORLANDO

255 South Orange Avenue, #1200
Orlando, FL 32801
407-841-8841

Basis for Qualified Opinion on Housing Voucher Cluster

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Housing Voucher Cluster as described in **Finding No. 2021-001** for Allowability. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on Housing Voucher Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Housing Voucher Cluster for the year ended September 30, 2021.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding No. 2021-002 and Finding 2021-003**. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as **Finding No. 2021-002 and Finding 2021-003** that we consider to be significant deficiencies.

The Authority'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 Authority's response was not subjected to the auditing procedures applied in the audit 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.

June 29, 2022
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Authority of South Bend

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified? **None Reported**

Noncompliance material to financial statements noted? **Yes (Finding No. 2021-001)**

Federal Awards

Internal control over major program:

Material weakness identified? **No**

Significant deficiency identified? **Yes (Finding No. 2021-002 and 2021-003)**

Type of auditor's report issued on compliance for major program:

- Housing Voucher Cluster - **Qualified (Finding 2021-001)**
- Public and Indian Housing Program - **Unmodified**

Are there any additional audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes (Finding No. 2021-002 and 2021-003)**

The programs tested as major programs are as follows:

- Housing Voucher Cluster
- Public and Indian Housing Program - CFDA 14.850

The threshold for distinguishing types A and B programs was **\$750,000**

Did the auditee qualify as a low-risk auditee? **No**

Housing Authority of South Bend

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

September 30, 2021

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2021-001 Allowability - Cash Coverage

Material Noncompliance

Repeated in part from 2020 audit (see prior year Finding No. 2020-003)

Condition: The Authority does not have sufficient cash in the HCV program to cover the HAP restricted net position ("RNP") as well as an amount due to HUD for interest, which results in a shortfall of \$697,607. Total cash in the HCV program of \$895,080 is insufficient to cover the FSS escrow liability of \$138,276, HAP RNP of \$1,439,772 and accrued interest owed to HUD of \$14,639 totaling \$1,592,687.

Criteria: HUD enters into Annual Contributions Contracts (ACCs) with PHAs under which the Department of Housing and Urban Development (HUD) provides funds to the PHAs to administer the HCV program locally. HUD provides funds both for administration of the program, which are unrestricted for use in the HCV program, and for the payments to landlords, which are restricted and classified as RNP. RNP is the balance of unspent HAP at any given point in time and cash should be sufficient to cover the RNP balance. HAP RNP monies may not be used to cover administrative expenses nor may HAP RNP be loaned, advanced, or transferred to other component units or other programs.

Context: The auditor reviewed the Authority's cash balances in comparison with their related restricted liabilities.

Effect: The Authority is not in compliance with applicable regulations regarding eligible use of HCV reserves.

Cause: The Authority either spent these funds on operations or allowed other programs to borrow from these funds.

Questioned Costs: \$697,607.

Auditor Recommendations: The Authority should set aside enough cash to cover the HAP restricted net position.

Management Response: See Corrective Action Plan.

Housing Authority of South Bend

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

September 30, 2021

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

2021-001 Allowability - Cash Coverage

Housing Voucher Cluster
Material Noncompliance

Same as Financial Statements Audit Finding 2021-001 above.

2021-002 Eligibility

Public and Indian Housing Program - CFDA 14.850
Significant Deficiency in Internal Control
Other Matter to Reported Under the Uniform Guidance
Repeated in part from 2020 audit (see prior year Finding No. 2020-005)

Condition: Out of an approximate population of 650 tenants, 40 tenant files were tested and the following deficiencies were noted:

- One file had an late annual recertification,
- Two files were missing birth certificates for dependents,
- One file had income calculation errors,
- One recertification was missing all permanent documentation.

Criteria: The Authority's ACOP and 24 CFR 960.259 requires internal controls to be in place to ensure proper procedures are being followed in compliance with HUD requirements regarding complete and accurate tenant files.

Context: The auditor randomly selected 40 tenant files out of the population, which is considered to be a statistically valid sample. The auditor reviewed the tenant files and support to ensure that proper procedure are being followed and that the Authority is in compliance with HUD requirements regarding timely, complete, and accurate tenant files.

Cause: The Authority experienced staffing turnover and did not have the available staff to fully implement the established internal controls to ensure proper compliance with regards to timely recertifications and collection of required HUD documentation to complete a tenants file.

Effect: The Authority is not in full compliance with HUD requirements regarding eligibility which could result in the incorrect amount of rental assistance provided.

Questioned Costs: None.

Auditor Recommendations: The Authority should continue to train staff on the established procedures and controls in place to ensure full compliance in regards to eligibility. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Management Response: See Corrective Action Plan.

Housing Authority of South Bend

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

September 30, 2021

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS (continued)

2021-003 Special Tests and Provisions - Housing Quality Standard (HQS) Failed Inspections

Housing Voucher Cluster

Significant Deficiency in Internal Control

Other Matter to Reported Under the Uniform Guidance

Repeated in part from 2020 audit (see prior year Finding No. 2020-008)

Condition: The Authority was not able to provide supporting documentation providing evidence that units which failed inspection were reinspected in a timely manner.

Criteria: HUD regulations require that units leased to a family are inspected at least annually to determine if the unit meets Housing Quality Standards (HQS). In addition, inspections must be documented on a unit inspection report. For units that fail inspections, any life threatening deficiencies must be corrected within 24 hours and all other deficiencies must be corrected within 30 calendar days or within a specified PHA-approved extension. If the deficiency is not corrected, the HAP payment must be abated no later than the first of the following month.

Context: The auditor tested failed inspections to compare to the reinspection dates of the unit and was unable to conclude that the reinspections were completed in a timely manner. We consider this a necessity to verify that proper procedures are being followed and that the Authority is in compliance with HUD requirements regarding HQS reinspections.

Cause: Significant turnover and lack of proper oversight contributed to the errors noted. The Authority did not have adequate internal controls in place over failed inspections.

Effect: The Authority is unable to provide the requested documentation for review. The Authority may not be in full compliance with applicable HUD regulations.

Questioned Costs: None.

Auditor Recommendations: The Authority should make sure that failed HQS inspections are properly documented on the inspection report, and done within the required time frame or are properly abated. If the Authority does not reperform the inspection within the required time frame and does not abate the HAP payment, the Authority should document the reason in order to determine if it was reasonable. Also, the Authority should assure that all critical repairs for life threatening deficiencies are completed within 24 hours.

Management Response: See Corrective Action Plan.

Housing Authority of South Bend

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS

September 30, 2021

2020-001 Financial Reporting

Significant Deficiency in Internal Control

Repeated in part from 2019 audit (see prior year Finding No. 2019-001)

Condition: The internal controls of the Authority are deficient and/or are not being adhered to 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. The following was noted:

- The Authority did not reconcile the receivable amount for VASH Port-ins and it appears not to have been reconciled in some time.
- The Authority did not properly account for unearned revenue related to prepaid tenant rents as the balance was the same as the prior year.
- We noted immaterial tenant fraud receivable balances that were the same balances from the prior year and did not seem to be reconciled.

Auditor recommendations: The Authority should establish and adhere to internal controls to ensure that appropriate adjustments are recorded so that the financial statements are fairly presented.

Current Year Status: Cleared.

2020-002 Allowability - Payroll

Significant Deficiency in internal control

Condition: Out of approximately 52 employees, 15 employee payroll files were tested and the following deficiencies were noted:

- One file did not contain pay rate information for the two pay periods tested
- Seven employees pay rate did not agree to personnel file; four of which did not agree to either pay period tested.

Auditor Recommendations: The Authority should consider reevaluating their established procedures and controls until additional staff are added to assist with the process. The Authority needs to correct the deficiencies noted in the tested payroll files and continue to do their due diligence on assuring all payroll files are up to date and meet payroll procedure requirements.

Current Year Status: Cleared.

Housing Authority of South Bend

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS (continued)

September 30, 2021

2020-003 Allowability - Cash Coverage

Material Weakness in Internal Control

Material Noncompliance

Repeated in part from 2019 audit (see prior year Finding No. 2019-005)

Condition: The Authority does not have sufficient cash in the HCV program to cover the Family Self-Sufficiency ("FSS") escrow liability and the HAP restricted net position ("RNP"), as well as an amount due to HUD for interest, which results in a shortfall of \$790,166. Total cash in the HCV program of \$772,797 is insufficient to cover the FSS escrow liability \$135,402, HAP RNP of \$1,401,636 and accrued interest owed to HUD of \$25,925 totaling \$1,562,963.

Auditor Recommendations: The Authority should set aside enough cash to cover the FSS liability and HAP restricted net position.

Current Year Status: Repeated in part (see Finding 2021-001).

2020-004 Eligibility

Housing Voucher Cluster

Material Weakness in Internal Control

Material Noncompliance

Repeated in part from 2019 audit (see prior year Finding No. 2019-003)

Condition: Out of an approximate population of 2,045 tenants, 25 tenant files were tested and the following deficiencies were noted:

- Seven files were did not have the 50058 forms completed for recertifications performed over the phone,
- One file was missing the 214 declaration for all tenants in household,
- One file was missing the 9886 release of information form, and
- Two files had incorrect utility allowance calculations.

Auditor Recommendations: The Authority should consider reevaluating their established procedures and controls in place to ensure full compliance in regards to eligibility. It was noted during testing that although QC check lists were part of all tenant files, it appeared that they were not properly being enforced for accuracy thus leading the auditor's to further investigate and confirm additional items were missing. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Current Year Status: Cleared.

Housing Authority of South Bend

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS (continued)

September 30, 2021

2020-005 Eligibility

Public and Indian Housing Program - CFDA 14.850

Material Weakness in Internal Control

Material Noncompliance

Repeated in part from 2019 audit (see prior year Finding No. 2019-007)

Condition: Out of an approximate population of 770 tenants, 30 tenant files were tested and the following deficiencies were noted:

- Five files had annual recertification past the 12 month period,
- One file was missing a 214 declaration for all tenants in household,
- One file was missing 9886 release of information form,
- Five files were missing flat rent forms, and
- Three files had incorrect income calculations.

Auditor Recommendations: The Authority should consider reevaluating their established procedures and controls in place to ensure full compliance in regards to eligibility. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Current Year Status: Repeated in part (see Finding 2021-002).

2020-006 Allowability - Disbursements

Public and Indian Housing Program - CFDA 14.850

Capital Fund Program CFDA - 14.872

Significant Deficiency in internal control

Condition: Out of approximately 1,900 disbursements made during the year, 62 disbursements were selected for testing and of the selected disbursements, supporting documentation of 6 were unable to be provided. The Authority asserts these were removed from the premises due to the ongoing FBI investigation.

Auditor Recommendations: The Authority should continue to follow policies and procedures in place and consider adding a procedure to digitally scan files into a filing system to prevent a loss of the Authority's accounting transactions records.

Current Year Status: Cleared.

Housing Authority of South Bend

SUMMARY SCHEDULE OF PRIOR YEARS FINDINGS (continued)

September 30, 2021

2020-007 Procurement

Public and Indian Housing Program - CFDA 14.850

Capital Fund Program - CFDA 14.872

Significant Deficiency in Internal Control

Condition: Out of 10 procured contracts in place, 5 contract files were tested and of the selected contract files 2 did not contain any pertinent information to confirm that the Authority properly procured the contracts.

Auditor Recommendations: The Authority should follow policies and procedures in place regarding procurement requirements.

Current Year Status: Cleared.

2020-008 Special Tests and Provisions - Housing Quality Standard (HQS) Failed Inspections

Housing Voucher Cluster

Significant Deficiency in Internal Control

Other Matter to Reported Under the Uniform Guidance

Repeated in part from 2019 audit (see prior year Finding No. 2019-006)

Condition: The Authority was not able to provide supporting documentation providing evidence that units which failed inspection were reinspected in a timely manner.

Auditor Recommendations: The Authority should make sure that failed HQS inspections are properly documented on the inspection report, and done within the required time frame or are properly abated. If the Authority does not reperform the inspection within the required time frame and does not abate the HAP payment, the Authority should document the reason in order to determine if it was reasonable. Also, the Authority should assure that all critical repairs for life threatening deficiencies are completed within 24 hours.

Current Year Status: Repeated (see Finding 2021-003).



CORRECTIVE ACTION PLAN

June 28, 2022

U.S. Department of Housing and Urban Development

The Housing Authority of South Bend respectfully submits the following corrective action plan for the year ended September 30, 2021.

Berman Hopkins Wright & LaHam, CPAs and Associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

Audit period: October 1, 2020 – September 30, 2021

The findings from the September 30, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS AUDIT

2021-001 Allowability - Cash Coverage

Material Noncompliance

Condition: The Authority does not have sufficient cash in the HCV program to cover the HAP restricted net position (“RNP”) as well as an amount due to HUD for interest, which results in a shortfall of \$697,607. Total cash in the HCV program of \$895,080 is insufficient to cover the FSS escrow liability of \$138,276, HAP RNP of \$1,439,772 and accrued interest owed to HUD of \$14,639 totaling \$1,592,687.

Auditor Recommendations: The Authority should set aside enough cash to cover the HAP restricted net position.

Action Taken: The FSS escrow liability is currently funded as of September 30, 2021 and this part of the condition above has been remediated. The Authority will continue to designate these funds separate from other operations and programs, understanding that these funds are restricted to FSS only. The Chief Financial Officer and the finance department will continue to work to set aside enough cash to cover the HAP restricted net position. The process to remedy this shortfall is ongoing.

2021-002 Eligibility

Public and Indian Housing Program - CFDA 14.850

Significant Deficiency in Internal Control

Other Matter to Reported Under the Uniform Guidance

Condition: Out of an approximate population of 650 tenants, 40 tenant files were tested and the following deficiencies were noted:

- One file had an late annual recertification,
- Two files were missing birth certificates for dependents,
- One file had income calculation errors,
- One recertification was missing all permanent documentation.

Auditor Recommendations: The Authority should continue to train staff on the established procedures and controls in place to ensure full compliance in regards to eligibility. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Action Taken: The Management of the Authority agrees with the findings; we will implement improved internal controls to ensure that all annual recertifications are performed in a timely manner and that all required documents are kept in an organized manner. The Authority will be performing a quality control check on the files to eliminate errors. The Public Housing Director is the responsible party and controls will be in place by the end of the September 30, 2022 fiscal year.

2021-003 Special Tests and Provisions - Housing Quality Standard (HQS) Failed Inspections

Housing Voucher Cluster

Significant Deficiency in Internal Control

Other Matter to Reported Under the Uniform Guidance

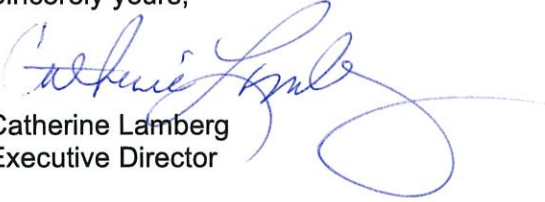
Condition: The Authority was not able to provide supporting documentation providing evidence that units which failed inspection were reinspected in a timely manner.

Auditor Recommendations: The Authority should make sure that failed HQS inspections are properly documented on the inspection report, and done within the required time frame or are properly abated. If the Authority does not reperform the inspection within the required time frame and does not abate the HAP payment, the Authority should document the reason in order to determine if it was reasonable. Also, the Authority should assure that all critical repairs for life threatening deficiencies are completed within 24 hours.

Action Taken: The Management of the Authority agrees with the findings and will implement improved internal controls, including reviewing timeliness standards with a third-party contractor and working with our software vendor to create a simplified reporting process to report follow-up inspection dates and results. The HCV Program Director is the responsible party and we anticipate this process to be completed by the end of the September 30, 2022 fiscal year.

If the Department of Housing and Urban Development has questions regarding this plan, please contact Catherine Lamberg, Executive Director at (574) 235-9346.

Sincerely yours,



Catherine Lamberg
Executive Director