



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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

July 21, 2022

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

We have reviewed the audit report of Indianapolis Housing Agency, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indianapolis Housing Agency, as of December 31, 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 49-57. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. The Agency's Corrective Action Plan appears on pages 58-62.

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

Handwritten signature of Tammy White in cursive.

Tammy White, CPA  
Deputy State Examiner

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

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

December 31, 2021



**Katz, Sapper & Miller, LLP**  
Certified Public Accountants

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

**CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-4
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b>	5-9
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	10-11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	14-36
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the Agency's Proportionate Share of the Net Pension Liability (Unaudited)	37
Schedule of Agency Contributions (Unaudited)	38
Notes to Required Supplementary Information (Unaudited)	39
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards	41
<b>OTHER REPORTS</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	44-47
Schedule of Findings and Questioned Costs	48-57
Corrective Action Plan	58-62
Summary Schedule of Prior Audit Findings	63-65

*Independent Auditors' Report*

Board of Commissioners  
Indianapolis Housing Agency

**Report on the Audit of Financial Statements**

***Opinion***

We have audited the financial statements of Indianapolis Housing Agency, a component unit of the City of Indianapolis, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Indianapolis Housing Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of Indianapolis Housing Agency as of December 31, 2021, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP (the Limited Partnership blended component units) which collectively reflect assets constituting 69% of total assets and net position constituting 29% of the total net position at December 31, 2021, and revenues constituting 16% of total revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Limited Partnership blended component units is based solely on the reports of the other auditors.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indianapolis Housing Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of IHA Housing Partners I, LP; IHA Housing Partners II, LP; Barton Block, LP; Indiana Avenue Apartments, LP were not audited in accordance with *Government Auditing Standards*.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Indianapolis Housing Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Indianapolis Housing Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Indianapolis Housing Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the schedules of the Agency's proportionate share of the net pension liability and Agency contributions and the related notes on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indianapolis Housing Agency's basic financial statements. The schedule of expenditures of federal awards on page 40 is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2022, on our consideration of Indianapolis Housing Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indianapolis Housing Agency's internal control over financial reporting and compliance.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
July 19, 2022

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2021**

This section of Indianapolis Housing Agency's (the Agency) annual financial report provides management's discussion and analysis of the financial performance during the year ended December 31, 2021. The Agency in this section refers to Indianapolis Housing Agency and Insight Development Corporation (Insight), one of the Agency's blended component units. Please read it in conjunction with the Agency's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- Cash decreased by \$3.4 million or 11 percent from 2020 to 2021. This decrease was primarily due to significant repairs and maintenance done in the current year, which were significantly down in the prior year due to impact of COVID-19.
- Capital assets decreased by \$5.0 million or 3 percent from 2020 to 2021 as a result of current year depreciation exceeding capital asset additions.
- Loans and interest payable decreased by \$4.5 million or 19 percent from 2020 to 2021 due to the repayment of outstanding debt, specifically the \$3.7 million repayment for the MBI bridge loan.
- Intergovernmental grants decreased by \$3.0 million from 2020 to 2021. This was primarily caused by COVID-19 relief funds received in 2020 that were not repeated in 2021.
- Capital grants and contributions decreased by \$1.1 million due to HUD grants received for the Barton Tower HVAC modernization in 2020 that was not repeated in 2021.

**OTHER HIGHLIGHTS**

- Total revenue for all programs, net of interfund eliminations, was approximately \$90.7 million for the year. Tenant rental revenue generated approximately \$7.5 million and HUD operating subsidy and grants provided approximately \$74.6 million.
- Total operating expenses for all programs, net of interfund eliminations, was approximately \$92.7 million. Housing assistance payments to landlords on behalf of tenants represented approximately \$57.2 million, while administrative expenses represented approximately \$10.7 million, maintenance expenses represented approximately \$7.6 million, and depreciation expense represented approximately \$8.0 million as other significant expense categories.
- The assets of the Agency exceeded its liabilities at the close of the year by \$176.0 million. Of that amount, \$13.6 million was considered unrestricted and \$17.7 million was restricted with the remaining balance of \$144.7 million representing net investment in capital assets.
- The Agency's total net position decreased by \$2.0 million (Table 2) as a result of current year activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

We did not audit the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP (the Limited Partnership blended component units). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Limited Partnership blended component units is based solely on the reports of the other auditors.

**FINANCIAL ANALYSIS**

**Statements of Net Position**

The Agency's total assets and deferred outflows of resources totaled \$206.5 million at December 31, 2021. This represents a decrease of 4 percent from the prior year, due to current year depreciation expense and an overall decrease in accounts receivable. Total liabilities and deferred inflows of resources amounted to \$30.5 million, representing a decrease of 17 percent, which also primarily related to payments made on loans and interest payable. Total net position was \$176.0 million, which was consistent with the prior year (See Table 1).

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Assets and Deferred Outflows of Resources</b>				
Current assets	\$ 28,440,964	\$ 32,421,217	\$ (3,980,253)	-12%
Capital assets (net)	166,439,385	171,510,970	(5,071,585)	-3%
Other noncurrent assets	10,813,322	10,296,112	517,210	5%
Deferred outflows of resources	817,998	520,111	297,887	57%
Total assets and deferred outflows of resources	<u>\$ 206,511,669</u>	<u>\$ 214,748,410</u>	<u>\$ (8,236,741)</u>	<u>-4%</u>
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities	13,419,212	10,288,856	3,130,356	30%
Noncurrent liabilities	14,778,792	25,228,354	(10,449,562)	-41%
Deferred inflows of resources	2,313,767	1,221,000	1,092,767	89%
Total liabilities and deferred inflows of resources	<u>30,511,771</u>	<u>36,738,210</u>	<u>(6,226,439)</u>	<u>-17%</u>
<b>Net Position</b>				
Net investment in capital assets	144,728,311	145,230,766	(502,455)	0%
Restricted for Section 8 vouchers (VASH and EHV)	4,507,636	2,085,341	2,422,295	116%
Restricted for reserves and escrow	12,905,614	13,023,195	(117,581)	-1%
Restricted for other programs	281,941	585,776	(303,835)	-52%
Unrestricted	13,576,396	17,085,122	(3,508,726)	-21%
Total net position	<u>175,999,898</u>	<u>178,010,200</u>	<u>\$ (2,010,302)</u>	<u>-1%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 206,511,669</u>	<u>\$ 214,748,410</u>	<u>\$ (8,236,741)</u>	<u>-4%</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2021**

**FINANCIAL ANALYSIS (CONTINUED)**

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

The Agency's and Insight's net position at December 31, 2021 was consistent with the prior year. The Agency's and Insight's total operating revenues increased by 20 percent primarily due to increase in other income. Total operating expenses increased 4 percent primarily related to an increase in maintenance and administration expenses offset by a decrease in housing assistance payments. The changes in net position are detailed in Table 2. Operating expenses and budgetary analysis are detailed in Tables 3 and 4.

Intergovernmental revenues of \$74.6 and \$77.5 million during 2021 and 2020, respectively, primarily represents funding for housing assistance and voucher payments, which are classified as non-operating revenues for financial statement purposes but are used to directly offset the operating expenses of the Agency.

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
<b>Operating revenues</b>				
Tenant revenue	\$ 7,488,405	\$ 7,273,124	\$ 215,281	3%
Other income	3,136,177	1,550,262	1,585,915	102%
Total operating revenues	<u>10,624,582</u>	<u>8,823,386</u>	<u>1,801,196</u>	<u>20%</u>
<b>Operating expenses</b>				
Operating expenses	84,719,115	80,912,139	3,806,976	5%
Depreciation	8,007,706	8,057,149	(49,443)	-1%
Total operating expenses	<u>92,726,821</u>	<u>88,969,288</u>	<u>3,757,533</u>	<u>4%</u>
<b>Operating loss</b>	<u>(82,102,239)</u>	<u>(80,145,902)</u>	<u>(1,956,337)</u>	<u>2%</u>
<b>Non-operating revenues (expenses) and capital grants and contributions</b>				
Intergovernmental	74,557,200	77,528,913	(2,971,713)	-4%
Interest income from investments	41,978	76,720	(34,742)	-45%
Interest income from loans	498,715	504,119	(5,404)	-1%
Interest expense	(832,039)	(876,675)	44,636	-5%
Other revenue (expense)	610,133	(1,457,818)	2,067,951	-142%
Actuarial change in pension	945,503	466,648	478,855	103%
Loss on disposition of assets	-	(7,461)	7,461	-100%
HUD capital grants	607,715	2,047,660	(1,439,945)	-70%
Other capital contributions	3,662,732	3,303,045	359,687	11%
	<u>80,091,937</u>	<u>81,585,151</u>	<u>\$ (1,493,214)</u>	<u>-2%</u>
<b>Change in net position</b>	<u>(2,010,302)</u>	<u>1,439,249</u>	<u>(3,449,551)</u>	<u>-240%</u>
Net position, beginning of year	<u>178,010,200</u>	<u>176,570,951</u>	<u>1,439,249</u>	<u>1%</u>
<b>Net position, end of year</b>	<u>\$ 175,999,898</u>	<u>\$ 178,010,200</u>	<u>\$ (2,010,302)</u>	<u>-1%</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**December 31, 2021**

**FINANCIAL ANALYSIS (CONTINUED)**

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

	<u>2021</u>	<u>2020</u>	<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
Administration	\$ 10,688,852	\$ 9,079,347	\$ 1,609,505	18%
Tenant services	105,824	417,526	(311,702)	-75%
Utilities	3,184,627	2,576,729	607,898	24%
Maintenance	7,607,673	4,449,646	3,158,027	71%
Protective services	1,053,544	951,230	102,314	11%
Insurance premiums	1,784,868	1,428,525	356,343	25%
General	3,057,242	1,510,785	1,546,457	102%
Housing assistance payments	57,236,485	60,498,351	(3,261,866)	-5%
Depreciation	8,007,706	8,057,149	(49,443)	-1%
	<u>\$ 92,726,821</u>	<u>\$ 88,969,288</u>	<u>\$ 3,757,533</u>	<u>4%</u>

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

	<u>2021</u> <u>Budget</u>	<u>2021</u> <u>Actual</u>	<u>Dollar</u> <u>Variance</u>	<u>Percentage</u> <u>Variance</u>
Administration	\$ 14,076,822	\$ 10,688,852	\$ 3,387,970	32%
Tenant services	356,685	105,824	250,861	237%
Utilities	2,321,576	3,184,627	(863,051)	-27%
Maintenance	2,805,264	7,607,673	(4,802,409)	-63%
Protective services	568,618	1,053,544	(484,926)	-46%
Insurance premiums	1,505,082	1,784,868	(279,786)	-16%
General	454,409	3,057,242	(2,602,833)	-85%
Housing assistance payments	58,504,955	57,236,485	1,268,470	2%
	<u>\$ 80,593,411</u>	<u>\$ 84,719,115</u>	<u>\$ (4,125,704)</u>	<u>-5%</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2021**

**CAPTIAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2021, the Agency and Insight had \$166.4 million in capital assets, net of accumulated depreciation. As of December 31, 2020, the Agency and Insight had \$171.5 million in capital assets, net of accumulated depreciation. As compared to the prior year, this amount represents a net decrease (including additions and disposals) of \$5.1 million as shown in Note 4 of the financial statements, as annual depreciation expense for the year was greater than current year additions. More detailed information about the Agency's capital assets is presented in Note 4 to the basic financial statements.

**Debt Administration**

The Agency has long term obligations with various terms and conditions. Loans and interest payable totaled \$19.0 million and \$23.5 million at December 31, 2021 and 2020, respectively. The decrease in loans and interest payable primarily related to the repayment of the MBI Bridge Loan for \$3.7 million. Disclosures related to debt obligations are included in the basic financial disclosures in Note 5.

**CURRENTLY KNOWN FACTS**

The Agency lacks funding to meet secured debt obligations due over the next twelve months from the date of the statement of net position. This includes making required debt service payments on two loans totaling \$7,750,000, which were due in May 2022. See Note 5. In addition, the Agency has had difficulty managing various properties and meeting cash flow needs. Management of the Agency has evaluated these conditions and determined reduction of these required debt service payments would alleviate this uncertainty. As a result, management has secured short-term extensions of the debt service payments (see Note 5), has worked with certain investors of the properties to outsource property management to third parties, and has plans to reduce the debt service payments through the sale of assets. The Agency has contracted with a broker to sell the real property.

**REQUESTS FOR INFORMATION**

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

## **FINANCIAL STATEMENTS**

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

**STATEMENT OF NET POSITION**  
**December 31, 2021**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and equivalents:	
Unrestricted	\$ 7,276,206
Restricted	18,863,419
Receivables:	
Due from HUD	210,085
Accounts receivable - miscellaneous	452,563
Accounts receivable - tenants, net	562,918
Due from other governmental units	152,782
Loans receivable	1,667
Prepaid expenses and other	921,324
Total Current Assets	28,440,964

**NONCURRENT ASSETS**

Capital assets:	
Non-depreciable property	21,074,523
Depreciable property	241,826,609
Accumulated depreciation	(96,461,747)
Net capital assets	166,439,385
Loans receivable and accrued interest, net	10,503,142
Other assets	310,180
Total Noncurrent Assets	177,252,707

Total Assets	205,693,671
--------------	-------------

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows from pension	817,998
--------------------------------	---------

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

<b>\$ 206,511,669</b>
-----------------------

*See accompanying notes.*

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

**STATEMENT OF NET POSITION (CONTINUED)**  
**December 31, 2021**

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

**CURRENT LIABILITIES**

Accounts payable and accrued expenses:	
Vendors and contractors	\$ 1,443,349
Accrued salaries and benefits payable	251,856
Accrued compensated absences	8,841
Due to other governmental units	215,962
Tenant security deposits	439,733
Unearned revenues	265,030
Loans and interest payable	8,619,687
FSS escrow	112,698
Other accrued liabilities:	
FSS repayment	993,116
Miscellaneous	1,068,940
Total Current Liabilities	13,419,212

**NONCURRENT LIABILITIES**

Loans and interest payable	10,331,833
Other liabilities:	
Due to other governmental units	2,969,343
FSS escrow	309,372
Accrued compensated absences	108,722
Net pension liability	1,059,522
Total Noncurrent Liabilities	14,778,792

**TOTAL LIABILITIES**

28,198,004

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows from pension	2,313,767
-------------------------------	-----------

**NET POSITION**

Net investment in capital assets	144,728,311
Restricted:	
Section 8 vouchers (VASH and EHV)	4,507,636
Reserves and escrow	12,905,614
Other programs	281,941
Unrestricted	13,576,396
Total Net Position	175,999,898

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

\$ 206,511,669

*See accompanying notes.*

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

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**Year Ended December 31, 2021**

<b>OPERATING REVENUE</b>	
Tenant revenue	\$ 7,488,405
Other income	3,136,177
Total Operating Revenue	<u>10,624,582</u>
<b>OPERATING EXPENSES</b>	
Administration	10,688,852
Tenant services	105,824
Utilities	3,184,627
Maintenance	7,607,673
Protective services	1,053,544
Insurance premiums	1,784,868
General	3,057,242
Housing assistance payments	57,236,485
Depreciation	8,007,706
Total Operating Expenses	<u>92,726,821</u>
Operating Loss	<u>(82,102,239)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Intergovernmental grants	74,557,200
Interest income from investments	41,978
Interest income from loans	498,715
Interest expense	(832,039)
Other revenue	610,133
Actuarial change in pension	945,503
Loss on sale of other assets	0
Total Non-Operating Revenues (Expenses)	<u>75,821,490</u>
Loss Before Capital Grants and Contributions	<u>(6,280,749)</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	
HUD capital grants	607,715
Other capital contributions	3,662,732
Total Capital Grants and Contributions	<u>4,270,447</u>
Change In Net Position	(2,010,302)
<b>NET POSITION</b>	
Beginning of Year	<u>178,010,200</u>
End of Year	<u>\$ 175,999,898</u>

*See accompanying notes.*

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

**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Rental receipts	\$ 7,293,307
Other operating receipts	3,082,298
Payments for personnel - salaries and benefits	(7,350,290)
Payments for other operating activities	(21,410,948)
Housing assistance payments	(57,236,485)
Tenant security and other deposits	28,372
Net Cash Used by Operating Activities	<u>(75,593,746)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental revenues received	<u>74,897,884</u>
Net Cash Provided by Non-Capital Financing Activities	<u>74,897,884</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital asset purchases	(2,922,633)
Non-operating receipts (payments), net	610,133
Interest paid on loans	(668,595)
Principal payments on loans	(3,965,084)
Capital grants	4,270,447
Net Cash Used by Capital and Related Financing Activities	<u>(2,675,732)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on cash, investments and loans	<u>16,763</u>
Net Cash Provided by Investing Activities	<u>16,763</u>
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	(3,354,831)
<b>CASH AND EQUIVALENTS</b>	
Beginning of Year	<u>29,494,456</u>
End of Year	<u>\$ 26,139,625</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (82,102,239)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	8,007,706
Amortization of finance fees	190,878
Bad debt expense	1,956,325
Increase in certain assets and deferred outflows:	
Receivables	(1,658,768)
Other assets	(13,569)
Deferred outflows from pension	(297,887)
Increase (decrease) in certain liabilities and deferred inflows:	
Accounts payable and accrued expenses	(192,918)
Unearned revenues	(492,655)
Tenant security deposits	53,118
FSS escrow	(24,746)
Accrued salaries and benefits payable	(253,755)
Net pension liability	(1,740,383)
Accrued compensated absences	(117,620)
Deferred inflows from pension	1,092,767
Net Cash Used by Operating Activities	<u>\$ (75,593,746)</u>

See accompanying notes.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

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

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

Indianapolis Housing Agency (Primary Government)

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

*Barton Annex-Barton Tower, LLC* was formed to acquire, construct, own, and operate a residential rental project in Indianapolis, Indiana. The limited liability company did not have any financial activity in 2021.

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

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

Insight Development Corporation (Blended Component Unit)

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

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

The following wholly-owned subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. Each project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements, and must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. Low-income housing tax credits require complying with certain requirements, which if not met, may result in generating a lesser amount of tax credits than expected. Any reduction of the low-income housing tax credits would require credit deficit payments to the Investor Limited Partner, as defined, under the terms of the respective Partnership Agreement.

- *Concord Homes, Inc.* is the General Partner of IHA Housing Partners I, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 61-unit scattered site community known as Concord Homes located in Indianapolis, Indiana. The partnership generated an allocation of low-income housing tax credits from the State of Indiana totaling \$4,400,390. The initial compliance period was completed during 2016, though the partnership agreed to maintain and operate the project as low-income housing for an additional 25 years beyond the initial 15-year compliance period. On November 30, 2016, Insight purchased the limited partner rights, title, and interest for \$65,000. During 2017, the Agency established Concord Housing, LLC, of which the Agency is the sole member for the purpose of assuming operations of Concord Homes in a future year, though the LLC had no activity in 2021.
- *IHA Housing Partners II GP, Inc.* is the General Partner of IHA Housing Partners II, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 90-unit scattered site community known as The Georgetown Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$7,796,080. The credit allocation is spread over 10 years, generally beginning in 2009 as \$589,562 for the first year, \$779,608 annually for the next nine years and \$190,046 in the eleventh year, if the project remains in compliance.
- *16 Park GP, Inc.* is the General Partner of 16 Park, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 155-unit multifamily rental housing development known as 16 Park Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$33,531,920. The credits began in 2012 and increased in 2013 to the full year annual credit of \$3,353,192. The total credits will be spread over an eleven-year period, if the Project remains in compliance.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

- *Barton Block GP, Inc.* is the General Partner of Barton Block, LP, an Indiana limited partnership, which was formed to acquire, construct, own, and operate a residential rental project in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$11,703,770. The credit allocation is spread over 11 years, beginning in 2014, as \$941,685 for the first year, \$1,170,377 for the next nine years, and \$228,692 in the eleventh year, if the project remains in compliance.
- *Indiana Avenue GP, LLC* is a single member limited liability company that serves as the General Partner of Indiana Avenue Apartments, LP, an Indiana limited partnership, which was formed to acquire, rehabilitate, own, maintain, and operate a 106-unit residential apartment complex for tenants age 55 years and older in Indianapolis, Indiana. During 2018, the partnership purchased property from the Agency and began rehabilitation of the units. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$5,189,550. The credits are available for use over a ten-year period, which began in 2019.
- *Bethel Townhomes GP, LLC* is a single member limited liability company that serves as the General Partner of Bethel Townhome Apartments, LP, an Indiana limited partnership, which was formed to acquire, develop, finance, construct, rehabilitate, own, maintain, and operate a 94-unit residential rental project in Indianapolis, Indiana. During 2018, the partnership purchased property from the Agency and began construction. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling \$5,161,440. The credits are available for use over a ten-year period, which began in 2019.

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

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

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

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

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

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

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

**Accounts Receivable - Tenants:** Accounts receivable - tenants represents amounts due from tenants of the Agency's residential properties. The allowance for doubtful accounts on accounts receivable was determined by management by a process involving consideration of past experience, current delinquent account information, and the aging of accounts. The balance at December 31, 2021 was as follows:

Gross accounts receivable - tenants	\$ 3,087,939
Allowance for uncollectible accounts	<u>(2,525,021)</u>
Accounts Receivable - Tenants, net	<u>\$ 562,918</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

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

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

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

**Impairment of Long-Lived Assets:** The Agency reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss was recognized during 2021.

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

**Allowance for Loan Losses:** The allowance for loan losses is a valuation allowance for probable or incurred losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. The allowance for loan loss was \$2,103,629 at December 31, 2021.

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

**Deferred Outflows of Resources:** The Agency reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported at December 31, 2021, related to the defined benefit pension plan. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except for the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

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

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

- Net investment in capital assets - This component consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component consists of external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of December 31, 2021, the Agency has restricted net position of \$4,507,636 for distribution of Section 8 Housing Choice Vouchers and Veterans Affairs Supportive Housing and Emergency Housing Vouchers and \$281,941 for other programs. Additionally, the Agency has restricted cash and investment balances related to reserves and escrow as discussed in Note 3.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." For an expense incurred for which both restricted and unrestricted net position is available, the Agency will expend restricted net position.

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

As of December 31, 2021, the Agency has recorded a liability of \$993,116 representing an estimate of the obligations associated with an FSS escrow related repayment and overdraws on Section 8 programs.

**Subsequent Events:** The Agency has evaluated the financial statements for subsequent events occurring through July 19, 2022, the date the financial statements were available to be issued. See Note 5.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 2 - CASH AND INVESTMENTS**

**Cash Deposits:** The Agency maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2021 is as follows:

	<b>Carrying Value</b>	<b>Bank Balance</b>
Insured by Federal Deposit Insurance Corporation	\$ 4,081,110	\$ 4,038,106
Insured by Indiana Public Deposits Insurance Fund	13,118,460	13,118,460
Insured by Securities Investor Protection Corporation	2,523,191	2,523,191
Uninsured	<u>6,416,864</u>	<u>6,549,141</u>
	<u>\$26,139,625</u>	<u>\$26,228,898</u>
Cash and equivalents:		
Unrestricted	\$ 7,276,206	
Restricted (Note 3)	<u>18,863,419</u>	
	<u>\$26,139,625</u>	

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

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

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

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

The Agency has two institutional money market deposit accounts to consider for credit risk and custodial credit risk. One valued at \$149,809 had Standard and Poor credit rating of WR, a Moody's credit rating of P-2, and Fitch rating of F2 and one valued at \$97,108 had a Standard and Poor credit rating of AAA, a Moody's credit rating of Aaa, and Fitch rating of AAA at December 31, 2021.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. At December 31, 2021, 100% of the investments were held in government obligations.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

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

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

**NOTE 3 - RESTRICTED CASH**

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

**Tenant Security Deposits:** Upon moving into a property, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. At December 31, 2021, cash restricted for tenant security deposits was \$429,323.

**Family Self-Sufficiency (FSS) Escrow:** The FSS program promotes the development of local strategies to coordinate the use of housing assistance with public and private resources in order to provide supportive services, which will enable participating families to achieve economic independence and self-sufficiency. At December 31, 2021, the cash restricted for the FSS escrow was \$385,059.

**Section 8 Vouchers and Veterans Affairs Supporting Housing (VASH):** Overdraws of Section 8 Housing Assistance and VASH funds are restricted and are to be applied to subsequent years voucher/program payments. At December 31, 2021, cash restricted for Section 8 vouchers and VASH was \$4,091,425.

**Funds Designated for Programs:** Loan and TIF proceeds received by the Agency have been committed to be utilized for various programs, such as loans for low-income housing capital projects and home ownership program. At December 31, 2021, cash restricted for these programs was \$169,470. Other program income received by the Agency has been committed to be utilized for various housing projects and programs. At December 31, 2021, cash restricted for these programs was \$739,043.

**Reserve Accounts for Operating, Replacement, ACC and Escrow:** Cash is restricted and held in reserve accounts per the terms of Annual Contributions Contract and operating partnership agreements. At December 31, 2021, the cash account balances for these purposes totaled \$12,775,880.

**Debt Funds Held for Construction:** Cash from certain debt issuances is restricted for the purpose of funding ongoing construction projects. At December 31, 2021, these cash account balances totaled \$273,219.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended at December 31, 2021, was as follows:

	January 1, 2021	Increases/ Adjustments	Decreases	December 31, 2021
Non-depreciable:				
Land	\$ 21,004,951	\$ 69,572	\$ -	\$ 21,074,523
Construction in progress	1,555,005	220,944	(1,775,949)	-
Total	<u>22,559,956</u>	<u>290,516</u>	<u>(1,775,949)</u>	<u>21,074,523</u>
Depreciable:				
Buildings and improvements	225,275,529	1,706,351	-	226,981,880
Equipment	12,097,851	2,746,878	-	14,844,729
Total	<u>237,373,380</u>	<u>4,453,229</u>	<u>-</u>	<u>241,826,609</u>
Less: Accumulated depreciation	<u>(88,422,366)</u>	<u>(8,039,381)</u>	<u>-</u>	<u>(96,461,747)</u>
Net depreciable	<u>148,951,014</u>	<u>(3,586,152)</u>	<u>-</u>	<u>145,364,862</u>
Total Capital Assets, net	<u>\$171,510,970</u>	<u>\$(3,295,636)</u>	<u>\$(1,775,949)</u>	<u>\$166,439,385</u>

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

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities activity for the year ended December 31, 2021, was as follows:

	January 1, 2021	Increases	Decreases	December 31, 2021	Amounts Due within One Year	Amounts Due Thereafter
Loans and interest payable*	\$23,494,297	\$ -	\$(4,542,776)	\$18,951,521	\$8,619,687	\$10,331,834
Net pension liability	2,799,905	-	(1,740,384)	1,059,521	-	1,059,521
Due to other governmental units**	3,192,775	-	(7,470)	3,185,305	215,962	2,969,343
FSS escrow***	446,816	-	(24,746)	422,070	112,698	309,372
Accrued compensated absences	<u>235,183</u>	<u>-</u>	<u>(117,620)</u>	<u>117,563</u>	<u>8,841</u>	<u>108,722</u>
Total	<u>\$30,168,976</u>	<u>\$ -</u>	<u>\$(6,432,996)</u>	<u>\$23,735,980</u>	<u>\$8,957,188</u>	<u>\$14,778,792</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

**\*Loans and Interest Payable:**

The Agency has four zero interest loans at December 31, 2021 between four tax credit limited partnerships controlled by the Agency and Indiana Housing & Community Development Authority (IHCDA) related to the Section 1602 Tax Credit Exchange Program. One fifteenth of the principal balance of Section 1602 Tax Credit Exchange Program notes is forgiven each year as long as the Projects stay in compliance. The mortgages are secured by the buildings of the Projects located in Indianapolis, Indiana. The total balance of Section 1602 Tax Credit Exchange Program notes at December 31, 2021 was \$3,505,688.

16 Park, LP has a loan with IHCDA for up to \$3,000,000 with a simple fixed interest rate of 1% per annum on the outstanding principal balance. Principal payments of \$91,367, to the extent of available cash flow started April 1, 2016 and continue to the maturity date of January 31, 2055. Accrued interest payable totaled \$43,503 at December 31, 2021. The balance outstanding at December 31, 2021 was \$2,766,915.

Millikan II, LLC has a loan with four insurance companies for \$6,250,000, which the total principal balance of the loan and any remaining accrued interest were due on the maturity date of May 31, 2022. In 2022, this loan was extended an additional three months to August 31, 2022 and has the option to extend an additional three months. Commencing on January 1, 2021, and continuing on the 1<sup>st</sup> of each month thereafter, through and including maturity day, Millikan II, LLC shall pay monthly interest payments initially at a rate of 7.75% and then the sum of the greater of the prime rate and the prime rate floor, as defined, and the prime rate spread, as defined. The loan is guaranteed by the Agency and collateralized by the property and most assets of Millikan II, LLC.

During November 2020, the Agency obtained a loan with the City of Indianapolis for \$1,500,000, which is due in full on May 9, 2022, and charges no interest. In 2022, this loan was extended to December 31, 2023.

In 2011, the Agency issued a \$2,100,000 revenue bond for the purchase of its administrative office building located on Meridian Street. The revenue bond is payable over a 10-year period with an interest rate of 3.65% and maturity date of September 1, 2021. The loan was paid off in 2021.

During 2018 and 2019, Insight received unsecured loans from Local Initiatives Support Corporation (LISC) with an interest rate of 0%. The balance outstanding as of December 31, 2021 was \$97,760 which is expected to be repaid in 2022.

During 2018 and 2019, Insight entered into loans with IHCDA for the purpose of advancing the proceeds to the Agency and then to Indiana Avenue Apartments, LP and Bethel Townhome Apartments, LP. The loans have an interest rate of 5.75% per annum on the outstanding principal balances. Principal payments are required one year after completion of the Indiana Avenue Apartments and Bethel Townhomes Projects and continue to the maturity date of October 1, 2050. The balance outstanding at December 31, 2021, was \$1,500,000.

On September 1, 2018, Bethel Townhome Apartments, LP entered into a building loan agreement with P/R Mortgage & Investment Corp. for a principal amount of up to \$2,845,700 for the acquisition, rehabilitation, and equipping of the Bethel Townhomes Project. Through December 31, 2021, Bethel Townhome Apartments, LP had drawn \$2,797,121. The loan is collateralized by the Project and insured by HUD and bears interest at 4.51%. The loan requires interest-only payments through January 1, 2020, with monthly principal and interest installments of \$12,812 thereafter through the maturity date of January 1, 2060.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

In 2018, Bethel Townhome Apartments, LP obtained a construction loan through tax-exempt bond financing, City of Indianapolis, Indiana Multifamily Housing Revenue Bonds of 2018, Series B (Bethel Townhomes Project), issued in the original maximum principal drawing amount of \$3,730,000 for the acquisition, rehabilitation, and equipping of the Bethel Townhomes Project. The bond was collateralized by the Bethel Townhomes Project and was paid off in 2021.

In 2018, Indiana Avenue Apartments, LP obtained a construction loan through tax-exempt bond financing, City of Indianapolis, Indiana Multifamily Housing Revenue Bonds of 2018, Series C (Indiana Avenue Apartments Project), issued in the original maximum principal drawing amount of \$7,945,000 for the acquisition, rehabilitation, and equipping of the Indiana Avenue Project. In October 2020, principal was paid with funds from the bond reserves and proceeds from capital contributions and the bonds converted to permanent status with an initial principal balance of \$715,000. At December 31, 2021, the bond had an outstanding principal balance of \$704,913 with unamortized debt issuance costs of \$213,364. The bond is collateralized by the Indiana Avenue Project and matures on October 1, 2050. Accrued interest payable as of December 31, 2021 was \$3,416.

As of December 31, 2021, debt service requirements of the Agency were as follows:

Year Ending	Principal	Interest	Total
2022	\$ 8,619,687	\$ -	\$ 8,619,687
2023	865,181	-	865,181
2024	867,157	-	867,157
2025	802,568	-	802,568
2026	738,092	-	738,092
2027-2031	688,201	-	688,201
2032-2036	761,771	-	761,771
2037-2041	855,871	-	855,871
2042-2046	976,325	-	976,325
2047-2051	2,570,846	3,416	2,574,262
2052-2056	715,126	43,503	758,629
2057-2060	<u>443,776</u>	<u>-</u>	<u>443,776</u>
Total	<u>\$18,904,601</u>	<u>\$ 46,919</u>	<u>\$18,951,520</u>

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

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

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

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

Due to other governmental units represents two agreements with HUD to repay Section 8 overdraws in equal installments over ten-year periods originally beginning in 2006 and 2015. In 2015, HUD amended the agreements and extended the due dates to 2025 and 2040, respectively. In 2020, two additional agreements with HUD were added to repay Section 8 overdraws over fifteen-year and thirty-year periods, which require payments beginning in 2026 and 2022, respectively. Future minimum payments on these repayment agreements as of December 31, 2021, discounted at a rate of 3%, were as follows:

Year Ending	
2022	\$ 215,962
2023	215,962
2024	215,962
2025	215,962
2026	151,408
2027-2031	1,049,473
2032-2036	1,400,805
2037-2041	767,610
2042-2046	416,280
2047-2051	<u>416,386</u>
	5,065,810
Less: Present Value Discount	<u>(1,880,505)</u>
Total	<u>\$ 3,185,305</u>

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

Loans receivable are the result of grant funded affordable or low-income housing capital projects. At December 31, 2021, loans receivable and accrued interest consisted of the following:

	Interest Rate	Principal	Accrued Interest	Unamortized Discount	Allowance for Loan Losses	Net Loans Receivable	Notes
Red Maple Grove:							
Phase I	4.84%	\$ 846,700	\$ 462,794	\$ -	\$ (500,000)	\$ 809,494	(a)
Phase IIA – Perm A	5.36%	772,616	944,192	-	-	1,716,808	(a)
Phase IIA – Perm B	0.00%	3,103,412	-	(2,298,161)	-	805,251	(a)
Phase IIB – Perm A	5.25%	2,078,454	1,785,758	-	-	3,864,212	(a)
Phase IIB – Perm B	0.00%	2,009,813	-	(1,488,188)	-	521,625	(a)
Phase I – Insight (AHP)	0.00%	300,000	-	(132,339)	-	167,661	(b)
Phase I – Insight (INHP)	0.00%	31,650	-	(15,644)	-	16,006	(b)
Phase IIA – Insight (AHP)	0.00%	318,000	-	(237,977)	-	80,023	(b)
Phase IIB – Insight (INHP)	0.00%	15,146	-	(11,336)	-	3,810	(b)
Phase IIB – Insight (AHP)	0.00%	275,000	-	(207,408)	-	67,592	(b)
Second mortgages	0.00%	1,102,308	-	-	(1,103,629)	(1,321)	(c)
Trail Side	0.00%	1,650,987	-	(938,668)	-	712,319	(d)
St. Clair	0.00%	1,574,691	-	(1,173,500)	-	401,191	(e)
Tibbs I	0.00%	200,000	-	-	(200,000)	-	(f)
Tibbs II	5.74%	300,000	-	-	(300,000)	-	(f)
Penn Place, LP	5.00%	1,100,000	238,471	-	-	1,338,471	(g)
Alegiant Prep	0.00%	1,667	-	-	-	1,667	(h)
Total		<u>\$15,680,444</u>	<u>\$3,431,215</u>	<u>\$(6,503,221)</u>	<u>\$(2,103,629)</u>	<u>\$10,504,809</u>	

Details on loans receivable are provided below:

(a) Red Maple Grove Phase I - IIA, and IIB - Agency: The Agency entered into loan agreements with BRINDY - I LP to develop low income housing on Agency owned land with a current principal outstanding balance of \$8,310,995, discounted to \$4,524,646. The balance is due as follows:

- \$346,700 is due along with related accrued interest on June 30, 2044.
- \$3,876,028 is due along with related accrued interest on December 31, 2047.
- \$4,088,267 is due along with related accrued interest on December 31, 2049.

(b) Red Maple Grove Phase I - IIA, and IIB - Insight: The Agency, through Insight, made non-interest coupon loans using grant funds to BRINDY-I, LP with a current principal outstanding balance of \$939,796 discounted to \$335,092. The balance is due as follows:

- \$331,650 is due upon demand or December 31, 2036.
- \$318,000 is due upon demand or December 31, 2047.
- \$15,146 is due upon demand or December 31, 2048.
- \$275,000 is due upon demand or December 31, 2049.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

- (c) Red Maple Grove Second Mortgages: From 2009 through 2014, the Agency entered into several second mortgage agreements with individuals to purchase low-income housing properties. These mortgages are subordinate to first mortgages and are not collateralized. These loans are expected to be forgiven. Therefore, a provision for allowance has been recorded for the balance of the loans.
- (d) Trail Side: The Agency entered into a non-interest bearing loan agreement for \$1,650,987 with Trail Side on Mass Ave., LP in 2011. No payments are due until the maturity date of September 1, 2042.
- (e) St. Clair: The Agency entered into a non-interest bearing loan agreement for \$1,574,691 with St. Clair Senior Apartments, LP in 2011. No payments are due until the maturity date of December 31, 2054.
- (f) Tibbs Court: During 1998, the Agency entered into an agreement with Tibbs Court, LLP (Tibbs Court) to utilize HOPE VI federal funds to construct 50 housing units of which 19 will be public housing units. In addition to grant funds expended, the Agency loaned HOPE VI money to Tibbs Court. The loan included a \$200,000 non-interest bearing loan, which is due September 14, 2036, and a \$300,000 interest-bearing loan at 5.74%, which is due September 14, 2038. The entire amount of the loans plus accrued interest is due at the maturity dates. No public housing money can be used to repay the loans. The loans are secured by collateral assignment of the leases and rents of the mortgaged property. At December 31, 2021, the Agency has not accrued any interest revenue on either loan and had recorded an allowance for loan losses against the full principal balances due to uncertainty of collection.
- (g) Penn Place, LP: The Agency has a loan agreement with Penn Place, LP with a simple fixed rate of 5% per annum for the purpose of acquiring, constructing, owning and operating a 38-unit residential rental apartment complex. All principal and interest payments are to be paid from net cash flow with any unpaid amounts being due at the maturity date of December 31, 2054.
- (h) Alegiant Prep: During 2018, Insight provided a tenant improvement allowance of up to \$40,000, which is to be repaid in monthly installments of \$1,667 beginning in 2018. As of December 31, 2021, there is a remaining principal balance of \$1,667.

**NOTE 7 - RISK MANAGEMENT AND CONTINGENCIES**

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

Although the underwriting experience of the Group may result in an increased annual premium charged and/or assessments against each participant's equity contribution account, the Agency's exposure to any net loss allocation is restricted to its equity contribution account balance, plus any additional assessment that may be required. The Agency paid total premiums in 2021 of \$1,135,456. The Agency has an investment of \$316,900 in the Group at December 31, 2021.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 7 - RISK MANAGEMENT AND CONTINGENCIES (CONTINUED)**

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

**NOTE 8 - RELATED PARTY TRANSACTIONS**

As described in Note 1, the Agency is a component unit of the City of Indianapolis. The Agency utilized services from the City of Indianapolis in the ordinary course of business including fleet services and health insurance. In 2021, the Agency paid \$1,351,043 to the City of Indianapolis for fleet services, health insurance, and other services.

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

**NOTE 9 - BENEFIT PLAN**

**Plan Description**

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

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

**Public Employees' Defined Benefit Account**

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

**Eligibility for Pension Benefit Payment**

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

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

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

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

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

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

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

**Contribution Rates**

Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers contribute 11.2% of covered payroll. No member contributions are required. The Agency's contributions to PERF DB were \$519,779 for 2021.

**Benefit Formula and Postretirement Benefit Adjustment**

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

**Public Employees' Defined Contribution Account**

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

**Contribution Rates**

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Agency made no contributions to PERF DC for the year ended December 31, 2021. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

**Benefit Terms**

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

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

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

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

**Significant Actuarial Assumptions**

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

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

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

Asset valuation date:	June 30, 2021	
Liability valuation date and method:	June 30, 2020 - Member census data as of June 30, 2020 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2020 and June 30, 2021. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2020 to the June 30, 2021 measurement date.	
Actuarial cost method:	Entry age normal - level percent of payroll	
Experience study date:	Computed February 2020 and reflects the experience period from July 1, 2014 to June 30, 2019	
Investment rate of return:	6.25%	
COLA:	Beginning January 1, 2024 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%	
Future salary increases, including inflation:	2.65% - 8.65%	
Inflation:	2.00%	
Mortality – Healthy Employees and Retirees:	Base Table M/F Set Forward	PubG-2020 +3/+1
Mortality – Disabled:	Base Table Load	PubG-2010 140%



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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

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

At December 31, 2021, the Agency reported a liability of \$1,059,522 for its proportionate share of the net pension liability. The Agency's proportionate share of the net pension liability was based on the Agency's wages as a proportion of total wages for PERF Hybrid. The proportionate share used at the June 30, 2021 measurement date was 0.08052%.

For the year ended December 31, 2021, the Agency recognized pension income of \$425,724, which includes expenses from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$245,035. At December 31, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to PERF DB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 36,239	\$ 21,155
Net differences between projected and actual earnings on pension plan investments	-	1,375,690
Changes of assumptions	532,946	237,988
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	<u>3,778</u>	<u>678,934</u>
Total that will be recognized in pension expense based on table below	572,963	2,313,767
Pension contribution subsequent to measurement date	<u>245,035</u>	<u>-</u>
Total	<u>\$817,998</u>	<u>\$2,313,767</u>

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

<b>Year Ending December 31,</b>	<b>Amount</b>
2022	\$ (620,538)
2023	(492,400)
2024	(234,630)
2025	<u>(393,236)</u>
	<u>\$ (1,740,804)</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 10 - RISKS AND UNCERTAINTIES**

Management has indicated, as of the date of the statement of net position, conditions exist which create uncertainty about the Agency's ability to continue as a going concern. Specifically, the Agency lacks funding to meet secured debt obligations due over the next twelve months from the date of the statement of net position. This includes making required debt service payments on two loans totaling \$7,750,000, which were due in May 2022. See Note 5. In addition, the Agency has had difficulty managing various properties and meeting cash flow needs. Management of the Agency has evaluated these conditions and determined reduction of these required debt service payments would alleviate this uncertainty. As a result, management has secured short-term extensions of the debt service payments (see Note 5), has worked with certain investors of the properties to outsource property management to third parties, and has plans to reduce the debt service payments through the sale of assets. The Agency has contracted with a broker to sell the real property.

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 11 - CONDENSED COMBINING INFORMATION**

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements. The following summarizes the combining information for the statement of net position as of December 31, 2021:

	The Agency	L and R Housing, LP	TH and B, LP	B and H Housing, LP	Lugar, LP	Eliminations	Agency Subtotal	Insight	IHA Housing Partners I, LP	IHA Housing Partners II, LP	16 Park, LP	Barton Block, LP	Millikan II, LP	Indiana Avenue Apartments, LP	Bethel Townhome Apartments, LP	Eliminations	Insight Total	Eliminations	Agency Total	
<b>ASSETS</b>																				
Current assets	\$ 11,464,714	\$ 3,558,303	\$ 2,720,833	\$ 4,329,399	\$ 1,598,085	\$ (288,393)	\$ 23,382,941	\$ 1,088,873	\$ 225,322	\$ 584,547	\$ 1,130,344	\$ 657,528	\$ 360,890	\$ 343,980	\$ 841,641	\$ (175,102)	\$ 5,058,023	\$ -	\$ 28,440,964	
Due (to)/from	2,477,443	152,782	(373,029)	121,212	(155,533)	-	2,222,875	(79,510)	(307,860)	(112,709)	(301,742)	-	(61,181)	(34,559)	(1,325,314)	-	(2,222,875)	-	-	
Total Current Assets	13,942,157	3,711,085	2,347,804	4,450,611	1,442,552	(288,393)	25,605,816	1,009,363	(82,538)	471,838	828,602	657,528	299,709	309,421	(483,673)	(175,102)	2,835,148	-	28,440,964	
<b>NONCURRENT ASSETS</b>																				
Capital assets, net	32,085,501	11,730,035	14,435,926	15,292,474	21,151,759	-	94,695,695	1,350,056	1,002,894	7,309,139	23,253,957	8,649,201	10,684,945	6,652,940	12,840,558	-	71,743,690	-	166,439,385	
Other noncurrent assets	83,373,915	596,691	640,241	406,341	493,273	(42,250,700)	43,259,761	9,815,607	-	-	1,944,032	449,772	-	374,752	325,268	(6,790,640)	6,118,791	(38,565,230)	10,813,322	
Total Noncurrent Assets	115,459,416	12,326,726	15,076,167	15,698,815	21,645,032	(42,250,700)	137,955,456	11,165,663	1,002,894	7,309,139	25,197,989	9,098,973	10,684,945	7,027,692	13,165,826	(6,790,640)	77,862,481	(38,565,230)	177,252,707	
Total Assets	129,401,573	16,037,811	17,423,971	20,149,426	23,087,584	(42,539,093)	163,561,272	12,175,026	920,356	7,780,977	26,026,591	9,756,501	10,984,654	7,337,113	12,682,153	(6,965,742)	80,697,629	(38,565,230)	205,693,671	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>																				
Deferred outflows from pension	817,998	-	-	-	-	-	817,998	-	-	-	-	-	-	-	-	-	-	-	-	817,998
Total Assets and Deferred Outflows of Resources	\$ 130,219,571	\$ 16,037,811	\$ 17,423,971	\$ 20,149,426	\$ 23,087,584	\$ (42,539,093)	\$ 164,379,270	\$ 12,175,026	\$ 920,356	\$ 7,780,977	\$ 26,026,591	\$ 9,756,501	\$ 10,984,654	\$ 7,337,113	\$ 12,682,153	\$ (6,965,742)	\$ 80,697,629	\$ (38,565,230)	\$ 206,511,669	
<b>LIABILITIES</b>																				
Current liabilities	\$ 1,761,045	\$ 373,165	\$ 244,950	\$ 239,657	\$ 375,969	\$ (184,399)	\$ 2,810,387	\$ 378,542	\$ 80,893	\$ 286,776	\$ 553,991	\$ 274,581	\$ 9,427,081	\$ 695,845	\$ 1,183,131	\$ (2,128,533)	\$ 10,752,307	\$ (143,482)	\$ 13,419,212	
Noncurrent liabilities	12,211,776	10,565,173	10,584,884	9,931,632	10,055,282	(42,354,694)	10,994,053	1,503,605	2,313,216	9,166,633	9,671,075	1,371,319	-	11,108,729	11,909,119	(4,837,209)	42,206,487	(38,421,748)	14,778,792	
Total Current Assets	13,972,821	10,938,338	10,829,834	10,171,289	10,431,251	(42,539,093)	13,804,440	1,882,147	2,394,109	9,453,409	10,225,066	1,645,900	9,427,081	11,804,574	13,092,250	(6,965,742)	52,958,794	(38,565,230)	28,198,004	
<b>DEFERRED INFLOWS OF RESOURCES</b>																				
Deferred inflows from pension	2,313,767	-	-	-	-	-	2,313,767	-	-	-	-	-	-	-	-	-	-	-	-	2,313,767
<b>NET POSITION</b>																				
Net investments in capital assets	27,892,351	1,092,236	3,778,409	5,199,105	11,138,553	40,114,153	89,214,807	(149,944)	(1,309,499)	(1,865,253)	13,059,963	7,246,652	1,813,102	(4,449,583)	903,292	4,837,211	20,085,941	35,427,563	144,728,311	
Restricted for Section 8 vouchers and VASH	4,507,636	-	-	-	-	-	4,507,636	-	-	-	-	-	-	-	-	-	-	-	-	4,507,636
Restricted for reserves and escrow	-	2,243,010	2,201,678	3,938,840	1,497,494	-	9,881,022	-	92,461	531,559	859,343	387,935	324,165	302,730	526,399	-	3,024,592	-	12,905,614	
Restricted for other programs	281,941	-	-	-	-	-	281,941	-	-	-	-	-	-	-	-	-	-	-	-	281,941
Unrestricted	81,251,055	1,764,227	614,050	840,192	20,286	(40,114,153)	44,375,657	10,442,823	(256,715)	(338,738)	1,882,219	476,014	(579,694)	(320,608)	(1,839,788)	(4,837,211)	4,628,302	(35,427,563)	13,576,396	
Total Net Position	113,932,983	5,099,473	6,594,137	9,978,137	12,656,333	-	148,261,063	10,292,879	(1,473,753)	(1,672,432)	15,801,525	8,110,601	1,557,573	(4,467,461)	(410,097)	-	27,738,835	-	175,999,898	
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 130,219,571	\$ 16,037,811	\$ 17,423,971	\$ 20,149,426	\$ 23,087,584	\$ (42,539,093)	\$ 164,379,270	\$ 12,175,026	\$ 920,356	\$ 7,780,977	\$ 26,026,591	\$ 9,756,501	\$ 10,984,654	\$ 7,337,113	\$ 12,682,153	\$ (6,965,742)	\$ 80,697,629	\$ (38,565,230)	\$ 206,511,669	

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

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 11 - CONDENSED COMBINING INFORMATION (CONTINUED)**

The following summarizes the combining information for the statements of revenues, expenses, and changes in net position for the year ended December 31, 2021:

	The Agency	L and R Housing, LP	TH and B, LP	B and H Housing, LP	Lugar, LP	Eliminations	Agency Subtotal	Insight	IHA Housing Partners I, LP	IHA Housing Partners II, LP	16 Park, LP	Barton Block, LP	Millikan II, LP	Indiana Avenue Apartments, LP	Bethel Townhome Apartments, LP	Eliminations	Insight Total	Eliminations	Agency Total
Operating revenue	\$ 3,529,485	\$ 486,085	\$ 752,529	\$ 782,941	\$ 925,004	\$ -	\$ 6,476,044	\$ 413,287	\$ 185,378	\$ 434,828	\$ 638,145	\$ 435,616	\$ 1,168,125	\$ 646,386	\$ 226,773	\$ -	\$ 4,148,538	\$ -	\$ 10,624,582
Other operating expenses	68,075,082	2,048,433	3,133,667	2,715,636	2,437,196	-	78,410,014	267,715	410,744	811,064	2,051,449	271,820	1,156,974	484,838	854,497	-	6,309,101	-	84,719,115
Depreciation expense	2,356,725	461,026	542,265	547,325	784,175	-	4,691,516	17,749	131,464	449,400	868,221	327,920	539,576	287,925	693,935	-	3,316,190	-	8,007,706
Total operating expenses	70,431,807	2,509,459	3,675,932	3,262,961	3,221,371	-	83,101,530	285,464	542,208	1,260,464	2,919,670	599,740	1,696,550	772,763	1,548,432	-	9,625,291	-	92,726,821
Operating income (loss)	(66,902,322)	(2,023,374)	(2,923,403)	(2,480,020)	(2,296,367)	-	(76,625,486)	127,823	(356,830)	(825,636)	(2,281,525)	(164,124)	(528,425)	(126,377)	(1,321,659)	-	(5,476,753)	-	(82,102,239)
Intergovernmental grants	66,763,087	1,674,350	1,247,824	1,713,170	988,801	-	72,387,232	-	151,290	245,825	1,106,678	42,721	-	131	623,323	-	2,169,968	-	74,557,200
Other non-operating revenues (expenses)	3,857,228	(191,105)	(146,757)	(197,138)	(400,009)	-	2,922,219	137,992	(57,897)	(420,528)	590,912	(42,750)	(533,315)	(416,888)	(915,455)	-	(1,657,929)	-	1,264,290
Total non-operating revenues (expenses)	70,620,315	1,483,245	1,101,067	1,516,032	588,792	-	75,309,451	137,992	93,393	(174,703)	1,697,590	(29)	(533,315)	(416,757)	(292,132)	-	512,039	-	75,821,490
Income (loss) before capital contributions	3,717,993	(540,129)	(1,822,336)	(963,988)	(1,707,575)	-	(1,316,035)	265,815	(263,437)	(1,000,339)	(583,935)	(164,153)	(1,061,740)	(543,134)	(1,613,791)	-	(4,964,714)	-	(6,280,749)
Capital grants and contributions	607,715	-	-	-	-	-	607,715	-	-	-	-	-	92,225	-	3,570,507	-	3,662,732	-	4,270,447
Change in net position	4,325,708	(540,129)	(1,822,336)	(963,988)	(1,707,575)	-	(708,320)	265,815	(263,437)	(1,000,339)	(583,935)	(164,153)	(969,515)	(543,134)	1,956,716	-	(1,301,982)	-	(2,010,302)
Net position, beginning of year	109,607,275	5,639,602	8,416,473	10,942,125	14,363,908	-	148,969,383	10,027,064	(1,210,316)	(672,093)	16,385,460	8,274,754	2,527,088	(3,924,327)	(2,366,813)	-	29,040,817	-	178,010,200
Net position, end of year	\$ 113,932,983	\$ 5,099,473	\$ 6,594,137	\$ 9,978,137	\$ 12,656,333	\$ -	\$ 148,261,063	\$ 10,292,879	\$ (1,473,753)	\$ (1,672,432)	\$ 15,801,525	\$ 8,110,601	\$ 1,557,573	\$ (4,467,461)	\$ (410,097)	\$ -	\$ 27,738,835	\$ -	\$ 175,999,898

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Agency's proportion of the net pension liability	0.08052%	0.09270%	0.11064%	0.11638%	0.11602%	0.11275%	0.10735%	0.10008%	0.10796%
Agency's proportionate share of the net pension liability	\$ 1,059,521	\$ 2,799,905	\$ 3,656,722	\$ 3,953,480	\$ 5,176,283	\$ 5,117,096	\$ 4,372,260	\$ 2,630,037	\$ 3,697,715
Agency's covered-employee payroll	\$ 4,439,141	\$ 5,004,317	\$ 5,764,463	\$ 5,938,354	\$ 5,785,265	\$ 5,403,647	\$ 5,142,029	\$ 4,886,387	\$ 5,183,253
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.87%	55.95%	63.44%	66.58%	89.47%	94.70%	85.03%	53.82%	71.34%
Plan fiduciary net position as a percentage of the total pension liability**	92.51%	81.50%	80.10%	78.90%	76.60%	75.30%	77.30%	84.30%	78.80%

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 519,779	\$ 559,933	\$ 645,668	\$ 664,924	\$ 644,756	\$ 603,028	\$ 558,159	\$ 475,249
Contributions in relation to the contractually required contribution	<u>519,779</u>	<u>559,933</u>	<u>645,668</u>	<u>664,924</u>	<u>644,756</u>	<u>603,028</u>	<u>558,159</u>	<u>475,249</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 4,439,141	\$ 5,004,317	\$ 5,764,463	\$ 5,938,354	\$ 5,785,265	\$ 5,403,647	\$ 5,142,029	\$ 4,886,387
Contributions as a percentage of covered-employee payroll	11.71%	11.19%	11.20%	11.20%	11.14%	11.16%	10.85%	9.73%

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

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**December 31, 2021**

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

**Plan Amendments:** In 2021, HEA 1001-2021 granted a 1% COLA effective January 1, 2022.

**Assumption Changes:** In 2021, several assumptions were updated. These assumption changes include a decrease in the investment rate of return, inflation assumption, and wage inflation assumption.

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

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

Asset valuation date and method:	June 30, 2019
Liability valuation date and method:	June 30, 2018 - Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2018 to the June 30, 2019 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Actuarial amortization method and period:	Level dollar - 20 years, closed
Remaining amortization period (weighted):	23 years
Investment rate of return:	6.75%
COLA:	2020-2021 – 13 <sup>th</sup> check Beginning January 1, 2022 – 0.40% Beginning January 1, 2034 – 0.50% Beginning January 1, 2039 – 0.60%
Future salary increases, including inflation:	2.5% - 4.25%
Inflation:	2.25%

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

**Trends:** In 2021, there were no significant trends in contributions to the Plan.

## **SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2021**

	<b>Federal Assistance Listing Number</b>	<b>Federal Expenditures</b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	\$ 62,863,710
COVID-19 - Section 8 Housing Choice Vouchers	14.871	708,093
COVID-19 - Section 8 Housing Choice Vouchers - Emergency Housing Voucher	14.871	774,929
Mainstream Vouchers	14.879	<u>367,137</u>
Total Housing Voucher Cluster		<u>64,713,869</u>
 Public and Indian Housing	 14.850	 1,557,890
COVID-19 - Public and Indian Housing	14.850	<u>272,054</u>
Total Public and Indian Housing		<u>1,829,944</u>
 Public Housing Capital Fund	 14.872	 <u>607,715</u>
 Family Self-Sufficiency Program	 14.896	 <u>188,650</u>
 HOME Investment Partnerships Program	 14.239	 <u>30,624</u>
 <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		 <u><u>\$ 67,370,802</u></u>

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

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2021**

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

**Basis of Presentation:** The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal financial assistance activity of Indianapolis Housing Agency (the Agency) for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Agency, it is not intended to and does not present the net position, revenues, expenses, and changes in net position, or cash flows of the Agency.

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

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

Various component units of the Agency directly receive federally-subsidized rental income payments or Project Based Rental Assistance (PBRA). Federally-subsidized rental income payments are transacted through Housing Assistance Payment ("HAP") agreements with HUD in which HUD has agreed to pay the difference between the contract rent, as defined in the HAP agreement, and that portion of such rent payable by qualified tenants. PBRA payments received from HUD are based on the terms outlined in the related HAP contract. The total amount received by component units through HAP contracts during 2021 was \$8,234,248. This funding is subject to compliance audits at the component unit level for L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; 16 Park, LP; and Bethel Townhome Apartments, LP, by other auditors and those audits disclosed no instances of noncompliance. This funding is not included on the Schedule.

There were no amounts provided to subrecipients during 2021.

**NOTE 2 - INDIRECT COST RATE**

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

## **OTHER REPORTS**

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

Board of Commissioners  
Indianapolis Housing Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Indianapolis Housing Agency (the Agency), a component unit of the City of Indianapolis, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 19, 2022. Our report includes a reference to other auditors who audited the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP, as described in our report on the Agency's financial statements. The financial statements of IHA Housing Partners I, LP; IHA Housing Partners II, LP; Barton Block, LP; Indiana Avenue Apartments, LP were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; and Indiana Avenue Apartments, LP or that are reported on separately by those auditors who audited the financial statements of those entities. This report also does not include the results of the other auditors' testing of internal control over financial reporting or compliance on other matters that are reported on separately by those auditors who audited the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; Bethel Townhome Apartments, LP; and 16 Park, LP.

**Report on Internal Control over Financial Reporting**

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

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

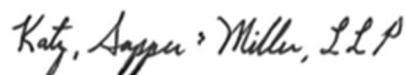
As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Indianapolis, Indiana  
July 19, 2022

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

Board of Commissioners  
Indianapolis Housing Agency

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

***Qualified Opinion***

We have audited Indianapolis Housing Agency's (the Agency's), a component unit of the City of Indianapolis, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2021. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Agency's basic financial statements include the operations of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP, as described in our report on the Agency's financial statements, which expended \$7,610,925 in federal awards which is not included in the Agency's schedule of expenditures of federal awards during the year ended December 31, 2021. Our audit, described below, did not include the operations of these components because this funding is subject to compliance audits at the component unit level by other auditors.

***Qualified Opinion on the Housing Voucher Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Housing Voucher Cluster for the year ended December 31, 2021.

### ***Basis for Qualified Opinion***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

### ***Matters Giving Rise to Qualified Opinion on the Housing Voucher Cluster***

As described in the accompanying schedule of findings and questioned costs, the Agency did not comply with requirements regarding the Housing Voucher Cluster as described in the following items:

- 2021-004 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles
- 2021-005 for Eligibility; Reporting – Special Reporting *HUD-50058*; and Special Tests and Provisions: *Selection from the Waiting List, Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payments*
- 2021-006 for Special Tests and Provisions – Depository Agreements
- 2021-007 for Special Tests and Provisions – Housing Quality Standards Inspections
- 2021-008 for Special Tests and Provisions – CARES Act Funding – Emergency Housing Voucher
- 2021-009 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles
- 2021-010 for Reporting
- 2021-011 for Reporting – *Financial Reports*; Special Tests and Provisions – CARES Act Funding

Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to the Agency's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-005 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
July 19, 2022

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2021**

**SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?      yes      ✓ no

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major program:

<b>AL Numbers</b>	<b>Name of Federal Program</b>
14.871 & 14.879	Housing Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs: \$2,021,124

Auditee qualified as low-risk auditee?      yes      ✓ no

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended December 31, 2021**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2021-001 Material Weakness – Finance Department Controls – Appropriate Finance Department Oversight, Completion and Review of Account Reconciliations, and Journal Entries**

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

*Condition and Context:* The finance department has experienced significant turnover starting in 2020 through the date the financial statements were available to be issued. The Agency was able to hire key roles within the finance department during 2021, however these key roles have since turned over. Also, given the size and complexities of the Agency, necessary changes to correct financial department controls and operational deficiencies required time to implement. Due to the turnover and ongoing implications of the lack of appropriate staffing, the Agency did not maintain proper internal controls over financial reporting to prevent and detect and correct misstatements on a timely basis. The lack of proper internal controls can be summarized in three areas 1) lack of oversight to maintain internal controls over financial reporting, 2) completion and review of account reconciliations, and 3) journal entries. Instances of each deficiency in internal control over financial reporting are listed below.

- 1) Lack of Appropriate Financial Department Oversight
  - a) The finance department is not always aware of grant awards until cash is received.
  - b) Instances were noted where purchases are occurring without proper prior approval.
  - c) Procurement policies were not properly followed or could not be adequately demonstrated based on documentation retained.
  - d) Improper reconciliation, review, approval, and retention of payroll records which resulted in noncompliance noted in finding 2021-009 below.
    - i) Employee timecards are not appropriately reviewed and reconciled to payroll reports.
    - ii) Payroll data such as timecards and payroll reports are not appropriately retained.
    - iii) Review of timecard data is not being completed by an immediate supervisor.
    - iv) Payroll Department Allocations were not set up timely in the system and regularly require manual adjustment to be properly stated.
- 2) Completion and Review of Account Reconciliations
  - a) Bank reconciliations were not completed timely or accurately and were not reviewed by another individual.
  - b) Bank reconciliations contain outstanding reconciling items aged greater than one year.
  - c) Accounts receivable balances in the general ledger were not being reconciled to subledger detail. In addition, since reconciliations had not been completed there was no timely review of the reconciliations as outlined in the Agency's policies and procedures.

**2021-001 Material Weakness – Finance Department Controls – Appropriate Finance Department Oversight, Completion and Review of Account Reconciliations, and Journal Entries (Continued)**

- d) Accounts payable balances in the general ledger were not being reconciled to subledger detail. In addition, since reconciliations had not been completed there was no timely review of the reconciliation as outlined in the Agency's policies and procedures.
  - e) Depository agreements for bank accounts established to maintain federal funds were not appropriately reviewed.
  - f) The general ledger was not reconciled to required reports submitted to the Department of Housing and Urban Development (HUD) including HUD report HUD-52681B *Voucher for Payment of Annual Contributions and Operating Statement* (the VMS report).
- 3) Journal Entries
- a) Material journal entries were required to reconcile opening general ledger balances to the 2020 audited financial statement amounts and the 2020 audited FDS submission, as well as, to properly state the 2021 general ledger balances. These entries impacted cash, receivables, deferred outflows, net capital assets, interfund balances, accrued expenses, unearned revenues, loans and interest payable, net pension liability, deferred inflows, net position, operating expenses, and non-operating revenues and expenses.
  - b) The Schedule of Expenditures of Federal Awards (SEFA) originally provided by the Agency was incomplete and inaccurate. Material adjustments were necessary to properly report expenditures of federal awards on the SEFA. Specifically, CARES Act funding for both Low Income Public Housing and Housing Choice Voucher programs was improperly understated due to unrecognized expenditures and the corresponding revenues. In addition, the SEFA originally provided by the Agency had not reported CARES Act and Emergency Housing Voucher funding properly.
  - c) Material reclassifications were made internally between federal programs to appropriately classify amounts reported on the SEFA.
  - d) Then Agency contracted a third-party consultant in order to provide adjustments needed to appropriately reconcile the differences in the accounts noted above. The consultant was necessary due to the turnover noted above and the lack of Agency knowledge caused by such turnover.

This finding is a repeat finding of 2020-001. The material journal entries, adjustments to the SEFA, and improper implementation of procurement procedures are repeat findings of 2019-001 and 2019-002, respectively.

*Cause and Effect:* The deficiencies noted above resulted in undetected or uncorrected material misstatements along with significant additional work by finance department staff and a third-party consultant to reconcile and correct errors noted. The lack of appropriate oversight in the finance department also may have a pervasive effect on the Agency's ability to maintain compliance over its federal award programs, as described in finding 2021-003 and resulted in findings 2021-004 through 2021-011. This deficiency could also result in improper reporting to the Board of Commissioners or third parties.

*Recommendation:* The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department. The Agency should look for outside assistance while it works to fill needed key roles such as continuing to work with the third-party consultant on a recurring and consistent basis. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as designed by the Agency. The Agency should review these policies and procedures to ensure the processes are appropriate to prevent and detect and correct material misstatements in financial reporting.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

## **2021-002 Material Weakness – Segregation of Duties – Cash Disbursements**

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

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

- 1) The Deputy Executive Director, Chief Financial Officer, and/or Controller approves cash disbursements for payment but there is no final review of approved disbursements to the actual payments.
- 2) Multiple individuals who have access to print checks also have access to the Executive Director's saved signature.
- 3) The Agency's blank check stock is stored in a locked room but personnel access to the room is not restricted.
- 4) The Agency does not have a policy which requires dual signature on checks over a determined dollar threshold. A policy of this nature would provide additional review on larger cash disbursements.
- 5) There are individuals who have access to set up new vendors in the account payable system, which does not require approval, that also have the ability to process and approve cash disbursements.
- 6) The former Executive Director approved his own employee expense reimbursements and credit card invoices. There was no third party approval process in place for the Executive Director during 2021.

This finding is a repeat finding of 2020-002.

*Cause and Effect:* The lack of appropriate segregation of duties around the cash disbursement transaction cycle creates an opportunity for personnel to make accidental errors or perpetrate fraud or misappropriation of assets and may lead to material misstatements in the financial statements. As noted above in finding 2021-001, material journal entries were necessary to properly state account balances in the financial statements.

*Recommendation:* As noted above in finding 2021-001, The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department and seek outside assistance while working to implement this solution. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as they are designed by the agency. The Agency should then look to review the internal controls over cash disbursements for areas to implement proper segregation of duties.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

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

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

#### **2021-003 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

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

## **Material Weakness in Internal Control over Compliance – Appropriate Internal Control Structure Related to Compliance Requirements (Continued)**

*Condition and Context:* This finding has a pervasive effect on the Agency's ability to maintain compliance over its award programs. The condition and context described in finding 2021-001 also relates to this finding. In addition to the condition and context noted above the following deficiencies were identified which stemmed from the deficiencies noted above and had an impact solely on internal control over compliance.

- a) Compliance requirements for new funding received during 2021 were not appropriately followed due to lack of knowledge surrounding new program requirements.
  - i) Assistance listing required for Emergency Housing Voucher (EHV) program reporting was not appropriately reported on the SEFA.
  - ii) EHV Funds were not appropriately segregated and tracked separately, as required in PIH Notice 2021-25.
  - iii) Significant adjustments were needed to appropriately record EHV funding on the SEFA.
- b) Existing compliance requirements are not appropriately reviewed by management.
  - i) Review was not completed to support tenants waitlist progression through the Housing Choice Voucher program.
  - ii) Housing Choice Voucher tenant files are not appropriately reviewed to ensure documentation retained supports compliance requirements.
  - iii) HUD reporting is not regularly reconciled to the trial balance.
  - iv) Lack of controls in place to prevent transfers and use of restricted funds for unallowable purposes.

This finding is a repeat finding of 2020-003.

*Cause and Effect:* As detailed above in finding 2021-001, in our opinion, the predominate reason for the finding is due to the lack of appropriate oversight in the finance department and the finance department not following the written policies of the Agency do to staffing constraints. The material weakness resulted in the noncompliance findings described below, as well as the material adjustments to the SEFA noted in finding 2021-001.

*Recommendation:* See finding 2021-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

### **2021-004 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

*Criteria:* 24 CFR 982.155 indicates Housing Choice Voucher Program (HCVP) administrative reserves must be used to pay program administrative expenses. HUD has indicated in PIH Notice 2005-01 HCVP administrative reserves are restricted solely for the HCVP and no other Agency administrative expenses.

*Condition and Context:* The Agency used HCVP administrative reserves to cover Agency payroll expenses during 2021 and through the date the financial statements were available to be issued. The Agency also made errors in initially recording restricted funds received in the general ledger which resulted in journal entries and bank transfers necessary to appropriately record amounts received. Additionally, the former Executive Director changed the allocation of his compensation from 100% to the central office cost center (COCC) to 62.90% to the HVCP, 17.10% to Agency properties (1.90% to each property) and 20% to the COCC. The condition and context described in finding 2021-002 also relates to this finding. The specific HCVP administrative reserves used to cover non-HCVP Agency payroll expenses were advanced as noted below.

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

- \$500,000 advanced on October 15, 2021. Repaid to HCVP on November 22, 2021.
- \$500,000 advanced on January 21, 2022. Amount not repaid as of the date the financial statements were available to be issued.
- \$200,000 advanced on March 10, 2022. Amount not repaid as of the date the financial statements were available to be issued.
- \$100,762 of the former Executive Director compensation retroactively allocated to HVCP during 2021. Amount not repaid as of the date the financial statements were available to be issued.

*Cause and Effect:* The predominate reason for the finding is due to cash flow concerns specific to payment of payroll and lack of controls surrounding transfer of funds from restricted accounts. This finding resulted in noncompliance with allowable use of HAP.

*Known Questioned Costs:* \$600,762 and \$700,000 of HCV administrative reserves used to non-HCVP cover payroll expenses during 2021 and 2022, respectively, through the date the financial statements were available to be issued.

*Recommendation:* See finding 2021-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

### **2021-005 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

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

*Condition and Context:* We selected a sample of 60 tenant files for testing Eligibility; Reporting – Special Reporting HUD-50058, Family Report; and Special Tests and Provisions: Selection for Waiting List, Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payment. Our sample was not statistically valid. Of the items selected we noted the following:

- 1) 2 of the 60 tenant files selected for testing were not able to be located.
- 2) 2 of the 60 tenant files selected for testing were missing documentation related to eligibility requirements.
- 3) 8 of the 60 tenant files selected for testing used improper income to determine eligibility, reasonable rent, and HAP.
- 4) 27 of the 60 tenant files selected for testing were missing documentation related to housing quality standards inspections.

We also requested supporting documentation to show progression of tenants being moved through the waitlist and into the Housing Choice Voucher program. Management was unable to provide this information due to system limitations and lack of appropriate tracking of this data throughout the year.

This is a repeat finding of 2020-005 and 2019-005.

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

*Cause and Effect:* The two missing tenant files resulted in an inability to make a determination on compliance for these tenants. Unsupported tenant eligibility determinations could impact future federal funding. The use of improper income related to eligibility resulted in noncompliance as relates to eligibility, rent reasonableness, and HAP. The inability to provide data to support the progression of the tenant waitlist resulted in an inability to make a determination on compliance for all tenants selected and could result in tenants being improperly added to the program.

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

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

**2021-006 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

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

*Condition and Context:* We reviewed the depository agreement on file with HUD compared to the cash accounts listed in the general ledger and identified 19 accounts which were anticipated to be included in the depository agreement with HUD. We noted 10 cash accounts listed in the general ledger which were excluded from the HUD depository agreement. We noted 2 of the accounts which were excluded from the depository agreement were opened in 2021.

This is a repeat finding of 2020-006.

*Cause and Effect:* As described in item 2021-003, the Agency has not maintained appropriate internal controls over compliance. As a result, the Agency did not properly review the HUD depository agreement for compliance with compliance requirements and improperly excluded cash accounts from the agreement and/or failed to update the depository agreement with HUD in a timely manner.

*Recommendation:* See finding 2021-001, specifically the recommendation relating to appropriate oversight in the finance department. We recommend that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

*Views of Responsible Officials and Planned Corrective Actions:* Management indicated that the appropriate depository agreements were updated during 2022 prior to the date the financial statements were available to be issued.

**2021-007 Housing Choice Voucher Cluster – Assistance Listing No. 14.871 & 14.879**

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

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

*Condition and Context:* We reviewed the 2021 failed inspection listing provided by management and selected a sample of 60 failed inspections for testing. Our sample was not statistically valid. We noted 33 deficiencies that were required to be corrected within 30 days which were not met. Furthermore, we noted 33 properties that had multiple failed inspections which were not moved to abatement.

This is a repeat finding of 2020-007.

*Cause and Effect:* As described in item 2021-003, the Agency has not maintained appropriate internal controls over compliance. As a result, the Agency did not properly review the failed inspections and activity around the inspections resulting in violation not being corrected in the required timeframe, as well as properties not being correctly transferred to abatement upon multiple failed inspections.

*Recommendation:* See finding 2021-001. Additionally, we recommend the Agency review current procedures surrounding housing quality inspection standards to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

**2021-008 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

**Noncompliance – Special Tests and Provisions: *CARES Act Funding - Emergency Housing Voucher***

*Criteria:* PIH Notice 2021-25 requires EHV funds to be reported by management under Assistance Listing No. 14.871 Housing Choice Voucher Program. PIH Notice 2021-25 also requires Emergency Housing Voucher Funds to be tracked by the four different fee types (Preliminary Fee, Placement Fee/ Expenditure Issuance Reporting Fee, On-going Administrative Fee, Services Fee) by amounts received, the amount of expense incurred by fee type, and how much is unspent.

*Condition and Context:* The SEFA provided by management improperly classified the EHV Assistance Listing No. Management was also unaware of PIH 2021-15 guidance regarding the policies needed to appropriately account and track the fees, by fee type as required above.

*Cause and Effect:* As described in 2021-003, the Agency has not maintained appropriate internal controls over compliance. As a result, the Agency does not have staffing in the finance department with appropriate program knowledge to review and ensure compliance with PIH Notices issued throughout the year.

*Recommendation:* We recommend that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

## **2021-009 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

*Criteria:* 2 CFR 200.403 (g) requires adequate documentation to be retained to support allowable activities/costs.

*Condition and Context:* We selected 10 employees that had time allocated to the Housing Choice Voucher program and requested supporting documentation for their payroll costs during 9 pay periods throughout the year. Our sample was not statistically valid. We reviewed timecards and allocations of payroll costs to various programs, noting that 2 employees had timecards that did not agree to the payroll reports. It was noted that the payroll administrator was reviewing and approving the timecards, rather than a direct supervisor over the Section 8 program. Additionally, management indicated that timecards and payroll reports were not universally available due to system limitations and employee turnover.

*Cause and Effect:* As described in 2021-001 and 2021-003, the Agency has not maintained appropriate internal controls over compliance. Lack of appropriate supervisory review and approval, along with managements review of record retention resulted in the noncompliance.

*Recommendation:* We recommend the review and approval of timecards be completed by a direct supervisor, that payroll records be regularly reviewed against timecards, and all supporting documentation for program costs be retained internally.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

## **2021-010 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

### **Noncompliance - Reporting**

*Criteria:* HUD-52681-B is required to be submitted monthly electronically via the VMS. HUD relies on the audit of these key line items below to determine the reasonableness of the data submitted for the purpose of calculating funding under the program.

*Condition and Context:* We obtained a summary of monthly VMS reporting from management noting that the key line items were unable to be reconciled to the trial balance by management. Specifically, HAP expenses reported on the trial balance are overstated by \$1,766,928 relative to the HUD reporting.

*Cause and Effect:* As described in 2021-001, the Agency has not maintained appropriate internal controls over compliance. Lack of regular reconciliation of HAP expenses to the HUD reporting referenced above resulted in the inability to reconcile at year end.

*Recommendation:* We recommend that monthly VMS reporting be reconciled to the trial balance to ensure accurate reporting.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

## **2021-011 Housing Voucher Cluster – Assistance Listing Nos.14.871 & 14.879**

### **Noncompliance – Reporting: *Financial Reports; Special Tests and Provisions: CARES Act Funding***

*Criteria:* 4 CFR section 5.801 requires PHAs to submit timely GAAP-based unaudited and audited financial information electronically to HUD. Additionally, PIH Notice 2020-24 and 2021-25 added on specific FDS reporting requirements for COVID-19 and Emergency Housing Voucher programs, respectively.

**Noncompliance – Reporting: *Financial Reports; Special Tests and Provisions: CARES Act Funding* (Continued)**

*Condition and Context:* To determine whether the FDS reporting was derived from the trial balance, we attempted to reconcile the unaudited FDS submission to the trial balance based on the fund codes utilized to separately track these programs. Significant adjustments were needed in addition to assistance from the third-party consultant in order to reconcile the data. Significant adjustments were needed between unaudited and audited FDS reporting.

*Cause and Effect:* As described in 2021-001, the Agency has not maintained appropriate internal controls over compliance. As a result, the Agency does not have staffing in the finance department with appropriate program knowledge to ensure compliance with the recognition criteria for federal awards.

*Recommendation:* We recommend that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

*Views of Responsible Officials and Planned Corrective Actions:* The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.



## **CORRECTIVE ACTION PLAN Year Ended December 31, 2021**

July 19, 2022

Department of Housing and Urban Development

Indianapolis Housing Agency (the Agency) respectfully submits the following corrective action plan for the year ended December 31, 2021.

Name and address of independent public accounting firm:

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

Audit period: Year ended December 31, 2021

The findings from the schedule of findings and questioned costs for the year ended December 31, 2021, are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

### **FINANCIAL STATEMENT FINDINGS**

#### **2021-001 Material Weakness – Finance Department Controls – Appropriate Finance Department Oversight, Completion and Review of Account Reconciliations, and Journal Entries**

Repeat finding 2020-001, 2019-001, and 2019-002

*Recommendation:* The auditor recommends the Agency should consider addressing the deficiencies noted by first hiring the appropriate key roles to the finance department. The Agency should look for outside assistance while it works to fill needed key roles such as continuing to work with the third-party consultant on a recurring and consistent basis. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as designed by the Agency. The Agency should review these policies and procedures to ensure the processes are appropriate to prevent and detect and correct material misstatements in financial reporting.

*Planned Corrective Action:* We agree with the recommendation; are working to aggressively fill vacant positions in the financial division with public housing authority (PHA) experienced and qualified individuals; will additionally employ the services of a Fee Accountant to augment the oversight of the financials consistently and correctly and plan to have the corrective action implemented by the end of the Agency's fiscal year 2022.

**2021-002 Material Weakness – Segregation of Duties – Cash Disbursements**

Repeat finding 2020-002

*Recommendation:* As noted above in finding 2021-001, the auditor recommends the Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department and seek outside assistance while working to implement this solution. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as they are designed by the agency. The Agency should then look to review the internal controls over cash disbursements for areas to implement proper segregation of duties.

*Planned Corrective Action:* We agree with the recommendation the Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and is aggressively working to fill open positions with PHA/Affordable Housing qualified staff. The Agency plans to have this corrective action fully implemented in 2022.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Department of Housing and Urban Development**

**2021-003 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

Repeat finding 2020-003

*Recommendation:* See finding 2021-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

*Planned Corrective Action:* The Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The Agency believes employee retention will allow for appropriate compliance knowledge to be obtained. The Agency continues to work with an external accountant to assist with program specific requirements and plans in 2022, to implement consistent methods for oversight and support utilizing the same.

**2021-004 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

*Recommendation:* See finding 2021-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

*Planned Corrective Action:* We agree with the recommendation; are working to aggressively fill vacant positions in the financial division with PHA experienced and qualified individuals; will additionally employ the services of a Fee Accountant to augment the oversight of the financials consistently and correctly and plan to have the corrective action implemented by the end of the Agency's fiscal year 2022.

**2021-005 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

Repeat finding 2020-005 and 2019-005

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

*Planned Corrective Action:* We agree with the recommendation; are working to aggressively fill vacant positions in the financial division with PHA experienced and qualified individuals; will additionally employ the services of a Fee Accountant to augment the oversight of the financials consistently and correctly and plan to have the corrective action implemented by the end of the Agency's fiscal year 2022.

**2021-006 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

Repeat finding 2020-006

*Recommendation:* See finding 2021-001, specifically the recommendation relating to appropriate oversight in the finance department. The auditor recommends that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

*Planned Corrective Action:* We agree with the recommendation have already corrected this finding through the entering into of appropriate depository agreement during the 2022 fiscal year.

**2021-007 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

Repeat finding 2020-007

*Recommendation:* See finding 2021-001. Additionally, the auditor recommends the Agency review current procedures surrounding housing quality inspection standards to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

*Planned Corrective Action:* We agree with the recommendation and the Agency is working to establish appropriate controls, with several being instituted and many more underway during the 2022 fiscal year under new leadership. The Agency is procuring assistance to conduct an analysis/assessment of its Housing Choice Voucher (HCV) division's workflow, staffing and practices, and procedures and has issued an RFP to that end. Additionally, additional staff are being recruited to lighten caseloads, and better manage required duties. Funding is also being secured for training and certification of the same.

**2021-008 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

**Noncompliance – Special Tests and Provisions: *CARES Act Funding - Emergency Housing Voucher***

*Recommendation:* The auditor recommends that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

*Planned Corrective Action:* We agree with the recommendation; are working to aggressively fill vacant positions in the financial division with PHA experienced and qualified individuals; will additionally employ the services of a Fee Accountant to augment the oversight of the financials consistently and correctly and plan to have the corrective action implemented by the end of the Agency's fiscal year 2022. The Interim Executive Director has purchased a subscription for a clipping service to ensure ongoing awareness of regulatory changes, PIH Notice Issuance and other critical guidance is provided on an ongoing basis internally. Training is being requested through the Department of Housing and Urban Development along with utilization of contractual support in that area as well.

**2021-009 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

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

*Recommendation:* The auditor recommends the review and approval of timecards be completed by a direct supervisor, that payroll records be regularly reviewed against timecards, and all supporting documentation for program costs be retained internally.

*Planned Corrective Action:* We agree with the recommendation and plan to have corrective actions fully implemented by the end of fiscal year 2022.

**2021-010 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879**

**Noncompliance – Reporting**

*Recommendation:* The auditor recommends that monthly VMS reporting be reconciled to the trial balance to ensure accurate reporting.

*Planned Corrective Action:* We agree with the recommendation; are working to aggressively fill vacant positions in the financial division with PHA experienced and qualified individuals; will additionally employ the services of a Fee Accountant to augment the oversight of the financials consistently and correctly and plan to have the corrective action implemented by the end of the Agency's fiscal year 2022.

**2021-011 Housing Voucher Cluster – Assistance Listing Nos.14.871 & 14.879**

**Noncompliance – Reporting: *Financial Reports; Special Tests and Provisions: CARES Act Funding***

*Recommendation:* The auditor recommends that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

*Planned Corrective Action:* We agree with the recommendation; are working to aggressively fill vacant positions in the financial division with PHA experienced and qualified individuals; will additionally employ the services of a Fee Accountant to augment the oversight of the financials consistently and correctly and plan to have the corrective action implemented by the end of the Agency's fiscal year 2022.

If the Department of Housing and Urban Development has questions regarding this plan, please call Marcia E. Lewis at (317) 261-7205.

Sincerely yours,



Ms. Marcia E. Lewis  
Interim Executive Director



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

### FINANCIAL STATEMENT FINDINGS

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

Repeat finding 2019-001 and 2019-002

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

*Status:* The Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and is working to fill open positions.

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

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

*Status:* The Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and is working to fill open positions.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

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

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

*Status:* The Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The Agency believes employee retention will allow for appropriate compliance knowledge to be obtained. The Agency continues to work with an external accountant to assist with program specific requirements.

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

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

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

*Status:* The Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and is working to fill open positions.

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

**Repeat finding 2019-005**

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

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

*Status:* The Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The recommendation has not been fully implemented, as the Agency continues to experience turnover in the finance department and is working to fill open positions.

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

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

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

*Status:* The Agency entered into the appropriate depository agreements during the 2022 fiscal year.

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

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

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

*Status:* The Agency is working to establish appropriate controls, with several being instituted during the 2022 fiscal year under new leadership. The recommendation has not been fully implemented, as the Agency continues to experience turnover in the finance department and is working to fill open positions.

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

Sincerely yours,



Marcia E. Lewis  
Executive Director  
Indianapolis Housing Agency