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June 28, 2019

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

We have reviewed the audit report of the Housing Authority of the City of South Bend, which was opined on by Barton, Gonzalez & Myers, P.A., Certified Public Accountants, for the period October 1, 2017 to September 30, 2018. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the City of South Bend Housing Authority, as of September 30, 2018, 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. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's responses and planned corrective actions may be found on pages 44-46.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

AUDIT REPORT

For the Year Ended September 30, 2018

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

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September 30, 2018

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**Barton,
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Housing Authority of the City of South Bend ("Authority") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of South Bend, as of September 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of South Bend's basic financial statements. The accompanying financial information listed in the Table of Contents as Supplementary Information and the Financial Data Schedule are presented for additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
June 13, 2019

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

Management's Discussion and Analysis

This section of the Housing Authority of the City of South Bend, Indiana's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2018. Please read it in conjunction with the financial statements which begin on page 11.

We are pleased to submit the financial statements of the Authority for the year ended September 30, 2018. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information that complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board.

The management's discussion and analysis section includes information on the past and future accomplishments of the Authority. It focuses on analysis of the financial statements and the improvements in the Authority's management.

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

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments and the Uniform Guidance (Title 2 U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards). Information related to this single audit includes a schedule of expenditures of federal awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

Financial Highlights

- Total assets were approximately \$8.3 million at September 30, 2018, a decrease of approximately \$0.3 million from the September 30, 2017 balance of approximately \$8.6 million. The decrease primarily related to a decrease in net capital assets as a result of current year depreciation expense exceeding current year fixed asset additions.
- Net capital assets were approximately \$6.4 million at September 30, 2018, representing approximately a \$0.4 million decrease from the September 30, 2017, balance of approximately \$6.8 million.
- Net position at September 30, 2018, totaled approximately \$6.0 million and represented an increase in net position of approximately \$0.3 million from the year ending September 30, 2017. The increase was primarily due to a prior period adjustment which increased net position by approximately \$0.4 million. The prior period adjustment was recorded to remove erroneous stale check liabilities that had been recorded several years ago.
- Total liabilities decreased from approximately \$2.9 million at September 30, 2017 to approximately \$2.3 million at September 30, 2018. The decrease was primarily related to the removal of the erroneous stale check liabilities.
- Revenues increased by approximately \$2.7 million from approximately \$19.0 million during fiscal year 2017 to approximately \$21.2 million in fiscal year 2018. The increase was primarily due to an increase in the capital fund spending, which resulted in the drawdown of increased amounts of capital fund grant revenue.
- Operating expenses, excluding depreciation, increased by approximately \$1.7 million, to approximately \$20.2 million for fiscal year 2018, from approximately \$18.5 million for fiscal year 2017. The increase was primarily related to an increase in Housing Assistance Payment expense of approximately \$1.6 million.

Using this Report

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

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

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

Overview of the Financial Reports

The Authority's basic financial statements are presented as a single enterprise fund whose operations include the Public and Indian Housing program, the Section 8 Housing Choice Vouchers program and the Lead Based Paint Hazard Control in Privately-Owned Housing program as follows.

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

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

Public and Indian Housing Program - Under the Public and Indian Housing Program, the Authority rents units it owns to low-income families who meet HUD eligibility guidelines. The Public and Indian Housing Program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of adjusted gross household income.

Public Housing Capital Fund Program (CFP) - The Public Housing Capital Fund Program is the primary funding source for physical improvements to the Authority's public housing properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority's housing stock. HUD awards this grant funding on an annual basis, and gives the Authority up to four years to fully drawdown and spend each grant.

Section 8 Housing Choice Vouchers Program - The Section 8 Housing Choice Vouchers Program (HCV) is the federal government's largest program for assisting low-income families, the elderly, and the disabled, to afford decent, safe, and sanitary housing in the private market. Housing Choice vouchers are administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the voucher program. A housing subsidy is paid to the 3rd party landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

Lead-Based Paint Hazard Control in Privately-Owned Housing Program - Lead-Based Paint Hazard Control (LHC) and the Lead Hazard Reduction (LHRD) grant programs are intended to identify and control lead-based paint hazards in eligible privately-owned housing for rental or owner occupants.

Financial Analysis of the Authority

Net Position

Net position represents the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources. As shown in the table below, the Authority's total net position at September 30, 2018, was approximately \$6.0 million, a 5.6 percent increase from the September 30, 2017, balance of \$5.7 million.

Housing Authority of the City of South Bend
Statement of Net Position
For the year ended September 30,
(in thousands)

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Current Assets	1,914	1,744	170	9.7%
Capital Assets	<u>6,428</u>	<u>6,808</u>	<u>(380)</u>	-5.6%
Total Assets	<u>8,342</u>	<u>8,552</u>	<u>(210)</u>	-2.5%
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	0.0%
Current Liabilities	1,251	1,367	(116)	-8.5%
Noncurrent Liabilities	<u>1,096</u>	<u>1,506</u>	<u>(410)</u>	-27.2%
Total Liabilities	<u>2,347</u>	<u>2,873</u>	<u>(526)</u>	-18.3%
Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	0.0%
Net Investment in Capital Assets	6,428	6,808	(380)	-5.6%
Restricted	1,245	874	371	42.4%
Unrestricted	<u>(1,678)</u>	<u>(2,003)</u>	<u>325</u>	-16.2%
Total Net Position	<u>5,995</u>	<u>5,679</u>	<u>316</u>	5.6%

Current assets increased primarily due to an increase in cash from receipts of Section 8 Housing Assistance Payment revenue from HUD in excess of Housing Assistance Payment expenses. That cash is restricted for future housing assistance payments. Non-current or capital assets decreased due to current year depreciation expense exceeding current year fixed asset additions. Total liabilities decreased due to the removal of erroneous stale check liabilities that were recorded in a prior year.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

The net investment in capital assets is made up of capital assets less any related debt. Unrestricted net position is the remaining portion of equity not considered to be restricted or an investment in capital assets. Those amounts fluctuate based upon the results of operations from year to year.

Capital Assets

Capital assets decreased by approximately \$380,000 from \$6.8 million to \$6.4 million, as shown in the table below:

Housing Authority of the City of South Bend				
Capital Asset Analysis				
	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>Change</u>	Percent Change
Land and Improvements	1,325,275	1,325,275	-	0.0%
Buildings and Improvements	65,101,389	64,484,568	616,821	1.0%
Furniture and Equipment	2,249,609	2,093,864	155,745	7.4%
Less Accumulated Depreciation	<u>(62,247,958)</u>	<u>(61,095,551)</u>	<u>(1,152,407)</u>	1.9%
Total Capital Assets	<u><u>6,428,315</u></u>	<u><u>6,808,156</u></u>	<u><u>(379,841)</u></u>	-5.6%

Depreciation expense was \$1,152,407 for fiscal year 2018. Fixed asset additions totaled \$772,566 for fiscal year 2018. There were no fixed asset disposals in fiscal year 2018. Please refer to the Notes to Financial Statements (Note 7) for additional disclosures concerning capital asset activity.

Debt

The Authority had no outstanding debt at the fiscal year ending September 30, 2018.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

Changes in Net Position

Overall net position increased by approximately \$0.3 million from September 30, 2017 to September 30, 2018 as indicated below:

Housing Authority of the City of South Bend
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended September 30,
(in thousands)

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Operating Revenues	<u>20,499</u>	<u>18,463</u>	<u>2,036</u>	11.0%
Operating Expenses	20,212	18,509	1,703	9.2%
Depreciation	<u>1,152</u>	<u>1,123</u>	<u>29</u>	2.6%
Total Expenses	<u>21,364</u>	<u>19,632</u>	<u>1,732</u>	8.8%
Net Operating Loss	<u>(865)</u>	<u>(1,169)</u>	<u>304</u>	-26.0%
Nonoperating Revenues	2	1	1	100.0%
Contributions – Capital Grants	<u>749</u>	<u>51</u>	<u>698</u>	1,368.6%
Change in Net Position	<u>(114)</u>	<u>(1,117)</u>	<u>1,003</u>	-89.8%
Beginning Net Position	5,679	7,824	(2,145)	-27.4%
Prior Period Adjustments	<u>430</u>	<u>(1,028)</u>	<u>1,458</u>	141.8%
Ending Net Position	<u>5,995</u>	<u>5,679</u>	<u>316</u>	5.6%

Operating revenue increase primarily due to increased Housing Assistance Payment grant revenue provided by HUD. Excess Housing Assistance Payment grant revenue is restricted and can only be used to pay future housing assistance payments. Operating expense increases are discussed on the following page. Capital Grant revenue increased significantly due to the timing of capital projects between fiscal year 2017 and 2018.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

Changes in expenses and their percentage change are shown below:

Housing Authority of the City of South Bend
Schedule of Operating Expenses
For the year ended September 30,
(in thousands)

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Administrative	2,219	1,983	236	11.9%
Tenant Services	5	1	4	400.0%
Utilities	521	557	(36)	-6.5%
Ordinary Maintenance	2,966	3,008	(42)	-1.4%
Protective Services	226	215	11	5.1%
General	679	543	136	25.0%
Casualty Loss	0	162	(162)	-100.0%
Housing Assistance Payments	13,596	12,040	1,556	12.9%
Depreciation	<u>1,152</u>	<u>1,123</u>	<u>29</u>	2.6%
Total Operating Expenses	<u>21,364</u>	<u>19,632</u>	<u>1,732</u>	8.8%

Administrative expense increased primarily due to increased salary and benefits expenses. Housing Assistance Payments expense increased due to increased voucher utilization and other local economic factors.

Budgetary Controls

Budgetary control is exercised over programs through internal control methods that ensure compliance with legal provisions incorporated in annual program budgets approved by HUD and the Board of Commissioners. The activities of the Authority's enterprise fund are included in the annual budgeting process. Capital fund budgets for the Authority's CFP grants are adopted through detailed Five-year capital plans and then updated through annual capital plans.

Economic Factors

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

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Management's Discussion and Analysis

Fiscal Year Ending September 30, 2018

Contacting the Authority's Management

The financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tonya Robinson, Executive Director, Housing Authority of the City of South Bend, Indiana, 510 Alonzo Watson, South Bend, Indiana 46601 or call 574-235-9346.

Housing Authority of the City of South Bend
South Bend, Indiana

Statement of Net Position - Proprietary Fund Type

September 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	\$ 188,556
Cash and cash equivalents - restricted	1,316,231
Accounts receivable - HUD	199,799
Accounts receivable - other, net of allowance of \$41,967	197,476
Prepaid expenses	12,163
Total current assets	1,914,225
Noncurrent Assets:	
Capital Assets	
Nondepreciable capital assets	1,325,275
Depreciable capital assets, net	5,103,040
Total noncurrent assets	6,428,315
Total assets	8,342,540
Deferred Outflows of Resources	
Total assets and deferred outflows of resources	\$ 8,342,540
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Current Liabilities:	
Accounts payable other and accrued liabilities	\$ 748,422
Accounts payable - HUD (current)	152,435
Accrued compensated absences	88,143
Tenant security deposits	189,817
Due to other governments	1,310
Unearned revenue	57,367
Other current liabilities	13,598
Total current liabilities	1,251,092
Noncurrent Liabilities:	
Accounts payable - HUD (long term)	994,415
Other noncurrent liabilities	101,503
Total noncurrent liabilities	1,095,918
Total liabilities	2,347,010
Deferred Inflows of Resources	
Total liabilities, deferred inflows of resources, and net position	\$ 8,342,540
Net Position:	
Net investment in capital assets	6,428,315
Restricted net position	1,245,160
Unrestricted net position	(1,677,945)
Total net position	5,995,530
Total liabilities, deferred inflows of resources, and net position	\$ 8,342,540

See auditor's report.

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of South Bend
South Bend, Indiana

Statement of Revenues, Expenses and Changes in Fund
Net Position - Proprietary Fund Type

For the Year Ended September 30, 2018

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Operating revenues:	
Tenant rental revenue	\$ 1,898,562
HUD operating grants	17,882,159
Other revenue	718,387
Total operating revenues	<u>20,499,108</u>
Operating expenses:	
Administration	2,219,103
Tenant services	4,504
Utilities	520,745
Ordinary maintenance	2,965,505
Protective services	226,364
General expenses	678,585
Housing assistance payments	13,596,031
Depreciation	1,152,407
Total operating expenses	<u>21,363,244</u>
Net operating loss	<u>(864,136)</u>
Nonoperating revenue and expense:	
Interest income	1,572
Nonoperating revenue	<u>1,572</u>
Net loss before capital fund grant	(862,564)
Capital fund grants	<u>748,521</u>
Decrease in net position	(114,043)
Net position, beginning of year (restated)	<u>6,109,573</u>
Net position, end of year	<u><u>\$ 5,995,530</u></u>

See auditor's report.

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of South Bend
South Bend, Indiana

Statement of Cash Flows - Proprietary Fund Type

For the Year Ended September 30, 2018

<u>Cash flows from operating activities:</u>	
Cash received from tenants and others	\$ 2,620,933
Cash paid for housing assistance payments	(13,582,889)
Cash paid for goods and services	(4,970,550)
Cash paid to employees for services	(1,703,775)
HUD PHA grants received	17,721,624
Net cash provided by operating activities	85,343
<u>Cash flows from capital and related financing activities:</u>	
Proceeds from capital grants	1,004,911
Acquisition of capital assets	(772,566)
Net cash provided by capital and related financing activities	232,345
<u>Cash flows from investing activities:</u>	
Interest on investments	1,572
Cash flows provided by investing activities	1,572
Net increase in cash and cash equivalents	319,260
Cash and cash equivalents, beginning of year	1,185,527
Cash and cash equivalents, end of year	\$ 1,504,787
<u>Reconciliation of operating loss to net cash provided by operating activities:</u>	
Net operating loss:	\$ (864,136)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation	1,152,407
Increase in tenants, accounts receivable - government and other	(186,690)
Decrease in prepaid expenses	54,578
Decrease in supplies inventory	24,395
Increase in accrued compensated absences	14,227
Decrease in accounts payable, accrued liabilities and security deposits	(171,990)
Increase in other current liabilities	13,142
Increase in unearned revenue	14,730
Increase in other liabilities	34,680
Total adjustments	949,479
Net cash provided by operating activities	\$ 85,343

See auditor's report.

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 1: Summary of Significant Accounting Policies:

Reporting Entity

The Housing Authority of the City of South Bend ("Authority") is a public body corporate and politic created under the Housing Authority Act of the State of Indiana to provide Public and Indian Housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development ("HUD") and other Federal Agencies. The primary purpose of the Authority is to provide safe, decent, sanitary and affordable housing to citizens of the City of South Bend, Indiana.

The Governmental Accounting Standards Board ("GASB") Statement No. 61, "The Financial Reporting Entity: Omnibus", an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of these statements, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The five-member Board of Commissioners of the Authority is appointed to two-year terms by the Mayor of the City of South Bend, but the Authority designates its own management. The City of South Bend is not financially accountable for the Authority as it cannot impose its will on the Authority, and there is no potential for the Authority to provide financial benefits to, or impose financial burdens on, the City of South Bend. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of South Bend.

The Authority has included as a blended component unit the activity for the 100% A.W. Foundation, Inc. (the "Foundation"), a nonprofit organization. The Foundation has not been required to file separate financial statements. The Foundation is shown as a blended component unit because the Authority has financial accountability and controls its board of directors and management.

The Foundation is a separate legal entity incorporated in the State of Indiana as a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation is to develop programs and services that would benefit the residents of the Authority. Three of the five commissioners of the Authority serve on the Board of Directors of the Foundation.

A significant portion of the funds held by the Foundation were from a bond issuance by the Authority for a project in 2002, which resulted in recaptured savings in the amount of \$553,500. The funds are to be used to provide affordable housing to low-income families or persons within the Authority's jurisdiction. Effective September 2018, the Authority elected to dissolve the Foundation and transfer its assets to the Authority. The Foundation's total cash and investment balance as of September 30, 2018 was \$26,122 (of which the remaining amounts will be transferred to the Authority in fiscal year 2019).

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Description of a Public Housing Authority

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs.

Programs Administered by the Authority - The Authority administers annual contribution contracts to provide low-income housing with primary financial support from HUD. Programs administered by the Authority are as follows:

Public and Indian Housing - The Authority owns, operates, and maintains 814 units of Public Housing in nine (9) developments and various scattered sites throughout the city. The Authority does not have any properties outside of St. Joseph County or in any other surrounding area. Under the Public and Indian Housing Program, low income tenants pay monthly rents which are determined by their need for assistance. HUD pays operating subsidies to the housing authority to enable the authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

Section 8 Housing Choice Vouchers Program (HCV) - the Section 8 Housing Choice Vouchers Program provides rental supplements to the owners of existing private housing who rent to qualified individuals. The Authority processes all applicants for the Section 8 Housing Choice Vouchers Program, places approved applicants in housing, and pays the owner of the private housing a monthly rental supplement. Under the conditions of an annual contributions contract, HUD reimburses the Authority for the rental supplements and the administrative cost of managing the program, up to a per unit limit established in the annual contributions contract. As of September 30, 2018, the Authority administered 2,124 tenant-based vouchers authorized by Section 8.

Public Housing Capital Fund Program (CFP) - the Authority's capital funds are received from the Federal Government through a formula driven computation. These funds are used to upgrade the facilities at various developments to give the residents a decent and safe living environment. Each year's grant funds must be entirely obligated within two years of inception of the grant and entirely expended within four years.

Basis of Presentation

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, net position, revenues and expenses.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Basis of Presentation (Continued)

The Authority accounts for its operation in one fund type, the enterprise fund that reflects the business type activities of the Authority. An enterprise fund is used to account for operations (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 primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Housing Authority of the City of South Bend maintains one enterprise fund which includes the following programs: the Public and Indian Housing Program, Section 8 Housing Choice Vouchers Program, Public Housing Capital Fund Program, Resident Opportunity and Supporting Services – Service Coordinators Program, Business Activities, and the Lead Based Paint Hazard Control in Privately Owned Housing Program.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statement of net position. Enterprise fund type equity (i.e., net total position) is segregated into net investment in capital assets, restricted net position and unrestricted net position components. Operating activities for this fund present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The financial statements for the Authority have been presented on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. Payments of outstanding debt and accrued interest by HUD which have been earned by the Authority, but not yet realized, are recorded as revenue. Operating income reported includes rental income, other tenant charges, operating grants and other revenue for the continuing operations of the fund. Operating expenses are the costs of providing goods and services. Other revenues and expenses are classified as non-operating in the financial statements. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority considers restricted funds to have been spent first.

As permitted, the Authority has elected to apply only the applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its operations.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Public and Indian Housing Program and the Section 8 Housing Choice Vouchers Program. Capital fund budgets are annual per HUD and are required as a condition of receiving grants. Appropriations are authorized at the function level. Management may transfer budget authorization between functions. Budgeted amounts are as originally adopted or as amended by the Board.

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Fair Value of Financial Instruments

The carrying amount of the Authority's financial instruments at September 30, 2018, including cash, investments, accounts receivable, accounts payable and debt closely approximates fair value.

Accounts Receivable – HUD

Grants receivable consist of amounts due from HUD for reimbursement of expenses or costs incurred by the Authority as of year-end or other grant amounts earned but not yet received.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Accounts Receivable - Tenant and Bad Debts

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when consumed rather than when purchased. There was no inventory recorded as of September 30, 2018.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition. Assets are depreciated on a straight-line basis over the following years:

Buildings	40 years
Building improvements	10 years
Furniture, equipment, machinery and vehicles	3-10 years

The Authority capitalizes purchases with an initial cost that exceeds \$1,000 and a useful life greater than one year.

Impairment of Long-Lived Assets

In accordance with GASB No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the current year.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, computed in accordance with GASB No. 16. A liability for compensated absences that is attributable to services already rendered and not contingent on a specific event that is outside of the control of the Authority and its employees is accounted for in the period in which such services are rendered or in which such events take place.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Net Position

Net Investment in Capital Assets represents funds received for development and modernization of the Authority's dwelling units. Capital assets purchased through operations and grant programs are included in this amount.

Restricted Net Position represents the difference between the assets and liabilities that are constrained in use by creditors or by grantors, contributors, or laws or regulations of governments. The Authority's restricted net position is comprised primarily of cash and investments that are held for use in the Section 8 Housing Choice Vouchers program for Housing Assistance Payments.

Unrestricted Net Position represents the assets remaining after deducting liabilities, net investment in capital assets and restricted net position. It provides a basis of assessing the liquidity and financial flexibility of the Authority.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Income Taxes

Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. The Authority is exempt from state and local property taxes. Interest paid on obligations issued by the Authority is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Authority are tax deductible contributions, pursuant to Sections 170(b)(1)(A)(v) and 170(c)(1) of the Internal Revenue Code of 1986, as amended.

NOTE 2: Stewardship, Compliance, and Accountability

The Authority believes it has met its responsibilities regarding stewardship, compliance and accountability for its fund.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 3: Deposits and Investments

The Authority's deposits include deposits with financial institutions. The carrying amount of the Authority's deposits for cash and investments, including restricted amounts, was \$1,504,787.

Cash and Cash Equivalents - It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation ("FDIC") insurance. However, public funds deposited in approved financial institutions which exceed the limits of coverage provided by FDIC are covered by the Indiana Public Deposit Insurance Fund ("PDIF"). The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

HUD Deposit and Investment Restrictions - HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured program. HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

Investments - Investments (if any) are secured by and up to the amount of FDIC insurance. Investments are stated at cost, which approximates fair value.

Risks - Concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in a mutual fund, or external investment pools).

Credit risk of investments is the risk that an issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality rating of investments in debt securities, as described by a national statistical rating organization such as Standard & Poor's (S&P). The Authority's policy provides that investments in corporate bonds and other fixed income securities must have a rating of A or better.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy is to select investments of varied maturities to mitigate this risk.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 3: Deposits and Investments (Continued)

The following charts show the Authority's exposure to these risks:

	<u>Carrying Amount</u>	<u>Balance Deposited with the Financial Institution</u>	<u>Covered by FDIC or PDIF Insurance</u>	<u>Under Secured Amount (not insured or collateralized)</u>
<u>Authority:</u>				
Bank deposits held	\$ 1,406,231	\$ 1,421,721	\$ 1,421,721	\$ -
Money market funds and savings	72,438	72,438	72,438	-
<u>Foundation:</u>				
Money market funds and savings	26,118	26,118	26,118	-
Total	<u><u>\$ 1,504,787</u></u>	<u><u>\$ 1,520,277</u></u>	<u><u>\$ 1,520,277</u></u>	<u><u>\$ -</u></u>

Cash and investments are reported on the statement of net assets as follows:

Cash and cash equivalents	\$ 188,556
Cash and cash equivalents - restricted	1,316,231
Total cash and cash equivalents	<u><u>\$ 1,504,787</u></u>

Restricted cash and investments as of September 30, 2018, consisted of the following:

Tenant security deposits	\$ 189,592
Section 8 HAP restricted cash	1,018,912
Section 8 FSS restricted cash	101,503
Section 8 Accounts Payable - HUD	6,224
Total	<u><u>\$ 1,316,231</u></u>

Regulations of HUD require that security deposits be reported as restricted assets of the Authority.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 4: Inter-program Amounts

At September 30, 2018, inter-program receivables and payables consisted of the following:

Intercompany:

	Due from	Due to
Program:		
COCC	\$ 2,499,836	\$ -
Public Housing low rent program	2,996,080	3,685,873
Lead-based paint program	198,080	758,086
Section 8 – Housing Choice Voucher	-	1,232,290
Component Unit	-	17,747
	\$ 5,693,996	\$ 5,693,996

These inter-program receivables and payables have been eliminated on the financial statements.

NOTE 5: Other Receivables

Other receivables consist of the following:

	Low-rent Public Housing	Section 8 HCV	Total
Tenant receivables	\$ 65,052	\$ 41,268	\$ 106,320
Less allowance for doubtful accounts	(31,650)	(10,317)	(41,967)
HCV Port-in receivables	-	130,559	130,559
Miscellaneous	2,564	-	2,564
	\$ 35,966	\$ 161,510	\$ 197,476

NOTE 6: Accounts Receivable - HUD

Amounts due from the U.S. Department of Housing and Urban Development as of September 30, 2018 are composed of the following:

Amounts due for the Capital Fund Program	\$ 9,230
Amounts due for Ross Program	693
Amounts due for Section 8 administrative funding	64,439
Amount due for Public Housing operating subsidy	125,437
	\$ 199,799

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 7: Capital Assets

The capital assets (at cost) of the Housing Authority of the City of South Bend at September 30, 2018 consisted of the following:

	Balance at September 30, 2017	Additions	Deletions	Transfers/ Reclassifications	Balance at September 30, 2018
Nondepreciable capital assets:					
Land	\$ 1,325,275	\$ -	\$ -	\$ -	\$ 1,325,275
	<u>1,325,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,275</u>
Depreciable capital assets:					
Buildings and improvements	64,484,568	616,821	-	-	65,101,389
Furniture, equipment, vehicles	2,093,864	155,745	-	-	2,249,609
	<u>66,578,432</u>	<u>772,566</u>	<u>-</u>	<u>-</u>	<u>67,350,998</u>
Accumulated Depreciation:					
Buildings and improvements	(59,073,320)	(1,103,632)	-	-	(60,176,952)
Furniture, equipment, vehicles	(2,022,231)	(48,775)	-	-	(2,071,006)
	<u>(61,095,551)</u>	<u>(1,152,407)</u>	<u>-</u>	<u>-</u>	<u>(62,247,958)</u>
Total Capital Assets, net	<u>\$ 6,808,156</u>	<u>\$ (379,841)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,428,315</u>

NOTE 8: Retirement Plan

The Authority maintains the Housing Authority of the City of South Bend, Indiana Employees Retirement Plan (the "Plan"), which is a defined contribution retirement plan administered by Fidelity Investments. The Board of Commissioners of the Authority has the authority to establish or amend plan provisions and contribution requirements. The Board of Commissioners approved an amendment to the plan at the end of February 2014 to become a profit sharing plan providing for discretionary employer contributions to be determined annually by the Authority. The Plan covers all permanent full-time employees who worked for at least six months and at least 20 hours weekly.

Participants' benefits in the Authority matching contributions are fully vested after five years of participation. All employees are 100 percent vested when they reach their 55th birthday, regardless of their years of service. The Plan's assets are accumulated in pooled investments maintained by Fidelity Investments.

The Authority did not make any discretionary contributions during the year ended September 30, 2018.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
 South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 9: Noncurrent Liabilities

For the year ended September 30, 2018, the change in noncurrent liabilities is as follows:

	September 30, 2017		Additions	Payments / Adjustments	September 30, 2018	
	Long-Term Portion	Current Portion			Long-Term Portion	Current Portion
Accrued compensated absences	\$ -	73,916	\$ 14,502	\$ (275)	\$ -	\$ 88,143
Accounts Payable HUD	1,008,815	156,369	3,866	(22,200)	994,415	152,435
Other liabilities	497,156	-	34,805	(430,458)	101,503	-
	<u>\$ 1,505,971</u>	<u>\$ 230,285</u>	<u>\$ 53,173</u>	<u>\$ (452,933)</u>	<u>\$ 1,095,918</u>	<u>\$ 240,578</u>

Accounts Payable HUD

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

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

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 9: Noncurrent Liabilities (Continued)

The repayment agreements approved by HUD and current amounts payable back to HUD for the ineligible CFP grant reimbursements are summarized below.

<u>Due to Hud For</u>	<u>Sept 30, 2017</u>	<u>Plus Current Amounts</u>	<u>Less Current Payments</u>	<u>Due at Sept 30, 2018</u>	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Begin Date</u>	<u>Payment Terms</u>
NRA	\$ 506,861	\$ -	\$ (11,000)	\$ 495,861	\$ 12,000	\$ 483,861	5/1/2017	\$1,000 per month until paid off 01/01/2060
Unsupported payments	411,382	-	-	411,382	-	411,382	1/1/2060	\$1,000 per month until paid off (34 years)
Ineligible payments	79,884	-	-	79,884	-	79,884	5/1/2094	\$500 per month until paid off
FSS	23,888	-	(2,200)	21,688	2,400	19,288	10/01/17	\$200 per month until paid off
	<u>1,022,015</u>	<u>-</u>	<u>(13,200)</u>	<u>1,008,815</u>	<u>14,400</u>	<u>994,415</u>		
<u>Other Amounts</u>								
Interest	2,358	3,866	-	6,224	6,224	-		
CFP ineligible costs	<u>140,811</u>	<u>0</u>	<u>(9,000)</u>	<u>131,811</u>	<u>131,811</u>	<u>-</u>		
	<u>\$ 1,165,184</u>	<u>\$ 3,866</u>	<u>\$ (22,200)</u>	<u>\$ 1,146,850</u>	<u>\$ 152,435</u>	<u>\$ 994,415</u>		

NOTE 10: Schedule of Changes in Net Position:

	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance, beginning of year	\$ 6,808,156	\$ 874,130	\$ (2,003,046)	\$ 5,679,240
Adjustments to restate beginning balance	-	370,357	59,976	430,333
Balance, beginning of year - restated	6,808,156	1,244,487	(1,943,070)	6,109,573
Decrease in net position	-	-	(114,043)	(114,043)
Changes in net investment in capital assets	(379,841)	-	379,841	-
Changes in restricted net position	-	673	(673)	-
Balance, end of year	<u>\$ 6,428,315</u>	<u>\$ 1,245,160</u>	<u>\$ (1,677,945)</u>	<u>\$ 5,995,530</u>

During September 30, 2018 the Authority recorded a prior period adjustment in the amount of \$430,333 for the removal of the erroneous stale dated check liability.

NOTE 11: Risk Management

The Authority carries commercial insurance against all risks of loss, including property and general liability, auto, worker's comp, fidelity and public officials' liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 12: Economic Dependency

The Authority received approximately 88% of its revenues from HUD during the fiscal year. If the amount of revenues received from HUD falls below critical levels, the Authority's operating results could be adversely affected.

NOTE 13: Commitments and Contingencies

Examinations - The Authority is subject to possible examinations made by Federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years.

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

Commitments - The Authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning and other services. Such commitments are monthly or annual. The Authority's funding contracts require the fulfillment of certain conditions as set forth in the agreements. Failure to fulfill the conditions could result in the return of funds to grantors. Management believes the Authority has substantially complied with the provisions of its contracts. Accordingly, no additional amounts are expected to be returned for noncompliance.

Claims and Judgments - The Authority is the defendant in various lawsuits filed against the Authority. Although the Authority will vigorously defend itself in any legal and administrative proceeding, the outcome of any proceeding arising out of the conduct of the Authority's business, including litigation with tenants, employment-related lawsuits, contractual disputes, class actions, purported class actions and actions brought by governmental authorities, cannot be predicted with certainty. The likelihood that the Authority will sustain a material loss in excess of amounts covered by insurance, and the amount of any such loss, cannot be estimated at this time, and therefore, no liability for such potential loss has been accrued.

NOTE 14: Subsequent Events

Management for the Authority has evaluated subsequent events after September 30, 2018, and through June 13, 2019, the date which the financial statements were available to be issued, and no events were identified that would require recognition or disclosure within these financial statements.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Notes to Financial Statements

September 30, 2018

NOTE 15: Segment Information – 100% A.W. Foundation, Inc.

The following condensed component unit information represents 100% A.W. Foundation, Inc., a blended component unit of the Authority, as of and for the year ended September 30, 2018.

Condensed Statement of Net Position

Assets	
Current assets	\$ 26,122
Total assets	<u>\$ 26,122</u>
Liabilities	
Current liabilities	\$ 17,747
Total liabilities	<u>17,747</u>
Net position	
Unrestricted	8,375
Total net position	<u>8,375</u>
Total liabilities and net position	<u>\$ 26,122</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues and (expenses):	
Operating revenues	\$ 2,492
Depreciation	-
Operating expenses	(215)
Net operating income	<u>2,277</u>
Nonoperating revenues and (expenses)	
Interest income	186
Change in net position	<u>2,463</u>
Beginning net position	395,912
Equity transfer	(390,000)
Ending net position	<u>\$ 8,375</u>

Condensed Statement of Cash Flows

Net cash provided by:	
Operating activities	\$ (387,518)
Net decrease in cash	<u>(387,518)</u>
Beginning cash	413,640
Ending cash	<u>\$ 26,122</u>

Housing Authority of the City of South Bend
South Bend, Indiana

Statement and Certification of Actual Capital Fund Program Costs

September 30, 2018

Annual Contributions Contract C977

1. The capital fund program costs of IN 36 are as follows:

	<u>P015501-16</u>	<u>Sub-Total</u>
Funds approved	\$ 1,233,005	\$ 1,233,005
Funds expended	<u>1,233,005</u>	<u>1,233,005</u>
Funds remaining	<u>\$ -</u>	<u>\$ -</u>
Funds advanced	\$ 1,233,005	\$ 1,233,005
Funds expended	<u>1,233,005</u>	<u>1,233,005</u>
Excess of funds advanced	<u>\$ -</u>	<u>\$ -</u>

2. Costs incurred during the current audit period

	\$ 34,535	\$ 34,535
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3. All costs have been paid and all related liabilities should be discharged through payment.

4. The Actual Modernization Cost Certificate, submitted to HUD, is in agreement with the Authority's records.

See auditor's report.

Housing Authority of the City of South Bend
 South Bend, Indiana

Statement of Capital Fund Program Costs - Uncompleted

September 30, 2018

Annual Contributions Contract C977

1. The capital fund program costs of IN 36 are as follows:

	<u>P015501-17</u>	<u>R015502-18</u>	<u>Total</u>
Funds approved	\$ 1,275,711	\$ 1,981,715	\$ 3,257,426
Funds expended	<u>1,242,625</u>	<u>597,684</u>	<u>1,840,309</u>
Funds remaining	<u>\$ 33,086</u>	<u>\$ 1,384,031</u>	<u>\$ 1,417,117</u>
Funds advanced	\$ 1,233,395	\$ 597,684	\$ 1,831,079
Funds expended	<u>1,242,625</u>	<u>597,684</u>	<u>1,840,309</u>
Excess of funds advanced	<u>\$ (9,230)</u>	<u>\$ -</u>	<u>\$ (9,230)</u>

2. Costs incurred during the current
 audit period

	\$ 1,023,650	\$ 597,684	\$ 1,624,334
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See auditor's report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of South Bend (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 13, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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

Compliance and Other Matters

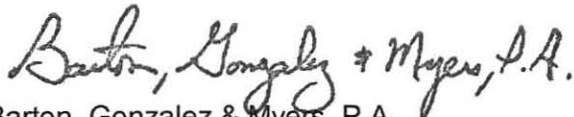
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Housing Authority of the City of South Bend's Response to Findings

The Housing Authority of the City of South Bend's response to the findings identified in our audit is described in the accompanying corrective action plan. The Housing Authority of the City of South Bend's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
June 13, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of South Bend's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Public and Indian Housing Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority of the City of South Bend did not comply with requirements regarding CFDA 14.850 Public and Indian Housing Program as described in finding number 2018-002 for reporting. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of South Bend to comply with the requirements applicable to that program.

Qualified Opinion on Public and Indian Housing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Public and Indian Housing Program for the year ended September 30, 2018.

Basis for Qualified Opinion on Section 8 Housing Choice Vouchers Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority of the City of South Bend did not comply with requirements regarding CFDA 14.871 Section 8 Housing Choice Vouchers Program as described in finding numbers 2018-002 for reporting and 2018-004 for activities allowed or unallowed. Compliance with such requirements is necessary, in our opinion, for Housing Authority of the City of South Bend to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Vouchers Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Vouchers Program for the year ended September 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-04 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. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-003 that we consider to be a significant deficiency.

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

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.



Barton, Gonzalez & Myers, P.A.
Certified Public Accountants
June 13, 2019

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
 South Bend, Indiana

Schedule of Findings and Questioned Costs

September 30, 2018

Section I - Summary of Auditor's Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major program:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes

Identification of major programs and type of reports issued on compliance for major programs:

<u>CFDA#</u>	<u>Major Program Description</u>	<u>Type Report</u>
14.871	Section 8 Housing Choice Vouchers	Qualified
14.850	Public and Indian Housing Program	Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Did the Authority qualify as a low-risk auditee?	No
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HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Schedule of Findings and Questioned Costs

September 30, 2018

Section II - Financial Statement Findings:

The findings related to this area for the year ended September 30, 2018 are as follows.

2018-001 Inadequate Controls Over Financial Reporting

Material Weakness in Internal Control

This is a repeat finding of 2017-001 from September 30, 2017 (initially occurred as Finding 2012-10 from September 30, 2012)

Condition: The Authority did not have adequate controls over the period-end financial reporting process to detect material misstatements. The Authority did not properly record entries related to HUD receivables, port-in receivables, accounts payable, net position, and related revenue and expense accounts.

Criteria: The Authority should have the necessary controls over the period-end financial reporting process to detect material misstatements without Auditor detection.

Questioned Cost: None

Effect: As a result of the audit, the Authority decreased receivables from HUD by \$111,674 (Public Housing), decreased receivables from HCV port-ins by \$146,067 (HCV), reduced accounts payable by \$140,853 (\$21,128 for COCC, \$59,862 for Public Housing and \$59,863 for HCV), and reduced net position by \$133,812.

Cause: The Authority did not have the necessary controls over the period-end financial reporting process to detect material misstatements and experienced significant turnover and illness for those employees responsible for accounting and financial reporting.

Recommendation: The Authority should establish controls to ensure that appropriate year-end adjustments are recorded so that the financial statements are fairly presented.

Views of Responsible Officials of the Auditee: We concur with the recommendation, and took significant steps during fiscal year 2018 to implement that recommendation. There were twelve auditor-proposed adjusting journal entries recorded during the fiscal year 2017 audit, but only three auditor-proposed adjusting journal entries recorded during the fiscal year 2018 audit. Further, the net effects of those entries reduced net position as a percentage of total revenue by less than 0.7%. We do not feel that represents material misstatements to the financial statements.

That said, we are continuing to evaluate and improve our control structure and processes in an effort to ensure there will be zero auditor-proposed adjusting entries as part of the fiscal year 2019 audit. As noted above, there was significant turnover within our accounting department and operation during fiscal year 2018. After August 2018 both a new Director of Finance and accounting consultant were hired to assist with the 2018 fiscal year end accounting, and ongoing accounting and operations. Those individuals are continuing to recommend and implement accounting control and process improvements to ensure the September 30, 2019 financial statements are 100% accurate prior to the performance of the independent audit.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Schedule of Findings and Questioned Costs

September 30, 2018

Section III - Federal Awards:

The findings related to this area for the year ended September 30, 2018 are as follows.

2018-002 Reporting – Inaccurate FDS Submission

Public and Indian Housing Program – CFDA 14.850

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2017-002 from September 30, 2017 (initially occurred as Finding 2012-10 from September 30, 2012)

Condition: In addition to the adjustments affecting Public Housing and HCV as noted in Finding 2018-001, the Authority's unaudited FDS filing was materially misstated when compared to the audited FDS filing. It should be noted that the unaudited FDS filing was submitted within the timeframe specified by HUD, which was not the case in the prior year.

Criteria: The Real Estate Assessment Center ("REAC") requires an accurate submission of the unaudited FDS information.

Questioned Cost: None

Effect: The Authority submitted a materially incorrect unaudited FDS, therefore, was noncompliant with this reporting requirement.

Cause: The Authority experienced significant turnover among key personnel in the Finance Department in recent fiscal years and did not have the necessary resources and control procedures in place to properly prepare the financial information required for the submission of an acceptable unaudited FDS.

Recommendation: The Authority should make every effort to file its REAC submissions accurately.

Views of Responsible Officials of the Auditee: We concur with the recommendation. Due to the significant turnover experienced within the accounting department during fiscal year 2018 we were not able to accurately close the books before the HUD specified unaudited FDS filing deadline of November 30, 2018. We are very focused on ensuring there is adequate staffing and sufficient processes in place in order to be able to close the books prior to submitting a materially accurate unaudited FDS submission by November 30, 2019 for fiscal year 2019. As part of that, we are currently in the process of issuing a Request for Proposal in order to hire a new fee accountant to assist the Director of Finance with having the General Ledger up-to-date and ready to close in advance of the fiscal year 2019 unaudited FDS submission deadline.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Schedule of Findings and Questioned Costs

September 30, 2018

2018-003 Eligibility – Tenant Files

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Significant Deficiency in Internal Control Other Matter to be Reported Under the Uniform Guidance

This is a repeat finding of 2017-004 from September 30, 2017 (initially occurred as Finding 2012-5 from September 30, 2012)

Condition: 25 tenant files were selected for testing (out of approximately 2000 vouchers) and the following was noted:

- 1 file missing rent reasonableness
- 1 file missing EIV
- 2 files with income calculation errors
- 1 file missing a signed 9886 form

As part of our new admissions testing, we also noted the following:

- 1 instance where four HUD 214 Affidavit forms weren't fully completed documenting citizenship

Criteria: 24 CFR 982.516 requires internal controls to be in place to ensure compliance with HUD requirements, as well as complete and accurate tenant files. In addition, the Authority's administrative plan also requires following proper procedures for determination of HAP and documentation in the tenant files.

Questioned Costs: None.

Effect: The Authority is not in compliance with all of the HUD requirements regarding eligibility and tenant recertifications, which could result in incorrect total tenant payments for rent and HAP payment to landlords.

Cause: The Authority had turnover in staff and staff may need more training. In addition, review procedures should be used to reduce errors.

Recommendation: The Authority should improve review procedures and increase training to employees and reviewers to insure that the Authority is in compliance with HUD rules for verification of tenant information and calculation of tenant rents.

Views of Responsible Officials of the Auditee: We concur with the recommendation. We are implementing review procedures and providing training to insure that the applicable HUD regulations are being followed for tenant certification.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Schedule of Findings and Questioned Costs

September 30, 2018

2018-004 Activities Allowed or Unallowed – Use of HCV FSS Escrow and HAP Monies

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2017-007 from September 30, 2017

Condition: The Authority does not have sufficient cash in the HCV program to cover the FSS escrow liability and the HAP restricted net position (RNP), as well as an amount due to HUD (for interest) and is short approximately \$226,248. Total cash in the HCV program of \$1,126,639 is insufficient to cover the FSS escrow liability (\$101,503), HAP RNP (\$1,245,160) and accrued interest owed to HUD (\$6,224) totaling \$1,352,887.

Criteria: The FSS program is a program that enables HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies by setting aside monies for future use. An interest-bearing escrow account is established by the PHA for each participating family. Any increases in the family's rent as a result of increased earned income during the family's participation in the program result in a credit to the family's escrow account and thus the monies are restricted. In addition, HUD enters into Annual Contributions Contracts (ACCs) with PHAs under which the Department of Housing and Urban Development (HUD) provides funds to the PHAs to administer the HCV program locally. HUD provides funds both for administration of the program (which are unrestricted for use in the HCV program) and for payments to landlords (which are restricted and classified as RNP). RNP is the balance of unspent HAP any given point in time and cash should be sufficient to cover the RNP balance. HAP RNP monies may not be used to cover administrative expenses nor may HAP RNP be loaned, advanced, or transferred to other component units or other programs such as Public and Indian Housing.

Questioned Costs: \$226,248.

Effect: The Authority is not in compliance with applicable regulations regarding eligible use of HCV FSS escrow deposits and HCV RNP monies.

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

Recommendation: The Authority should set aside enough cash to cover the FSS liability and HAP RNP once it has enough cash available.

Views of Responsible Officials of the Auditee: We concur with the recommendation and will set aside enough cash to cover the FSS escrows and HCV RNP once the cash becomes available.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Summary Schedule of Prior Year Findings

September 30, 2018

The prior audit report for the year ended September 30, 2017 contained the following findings:

2017-001 Inadequate Controls Over Financial Reporting

Material Weakness in Internal Control

This is a repeat finding of 2016-001 from September 30, 2016 (initially occurred as Finding 2012-10 from September 30, 2012)

Condition: The Authority did not have adequate controls over the period-end financial reporting process to detect material misstatements. The Authority did not properly record entries related to HUD receivables, accounts payable, accounts payable-HUD, net position, and related revenue and expense accounts.

Recommendation: The Authority should establish controls to ensure that appropriate year-end adjustments are recorded so that the financial statements are fairly presented.

Current Status: The finding was not corrected and will be repeated. See current year finding 2018-001.

2017-002 Reporting – FDS and Late Submission

Public and Indian Housing Program – CFDA 14.850

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2016-002 from September 30, 2016 (initially occurred as Finding 2012-10 from September 30, 2012)

Condition: The Authority failed to submit the unaudited Financial Data Schedule ("FDS") within the time frames specified by HUD. The Authority submitted the unaudited REAC on December 27, 2017 (and it was due by November 30, 2017).

Recommendation: The Authority should make every effort to file its REAC submissions timely.

Current Status: The finding was cleared for the late submission of the unaudited Financial Data Schedule. However, the Authority submitted a materially incorrect unaudited FDS, therefore, was noncompliant with this reporting requirement. See current year finding 2018-002.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Summary Schedule of Prior Year Findings

September 30, 2018

2017-003 Special Tests and Provisions – Waiting List and New Admissions

Public and Indian Housing Program – CFDA 14.850

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2016-004 from September 30, 2016 (initially occurred as Finding 2014-004 from September 30, 2014)

Condition: Out of 15 new admissions tested (out of a population of 149), we noted the following:

- 10 instances where the tenant's preference points on the application did not agree to the amount listed on the waiting list.
- 3 instances where the tenant's date/time on the application did not agree to the date/time listed on the waiting list.
- 1 instance where a tenant was admitted to the program, but did not qualify due to having income in excess of HUD income limits.

In addition, 40 applicants were selected from the waiting list for testing and the following was noted:

- 3 instances where the tenant's date/time on the application did not agree to the date/time listed on the waiting list.
- 1 instance where an applicant was not listed on the waiting list.

As a result, applicants are not being selected for housing in the proper order.

In addition, we noted that the waiting lists from which applicants are selected were not printed timely and/or placed in the tenant's file to prove that the applicant was properly selected from the waiting list. We also noticed that the preference points were not printed on the waiting list. This caused difficulty to test whether or not tenants were properly selected from the waiting list.

Recommendation: The Authority should improve review procedures and increase training to employees and reviewers to insure that the Authority is in compliance with HUD rules for waiting lists and new admissions including preferences. In addition, the Authority should implement a review procedure to make sure that all tenants are admitted in the proper order, and that all eligible applicants are included on the waiting list.

Current Status: The finding was cleared.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Summary Schedule of Prior Year Findings

September 30, 2018

2017-004 Eligibility – Tenant Files

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Significant Deficiency in Internal Control Other Matter to be Reported Under the Uniform Guidance

This is a repeat finding of 2016-005 from September 30, 2016 (initially occurred as Finding 2012-5 from September 30, 2012)

Condition: 25 tenant files were selected for testing (out of approximately 2000 vouchers) and the following was noted:

- 2 files with income calculation errors on the Form 50058
- 1 file where an incorrect utility allowance was used
- 1 instance of the EIV report documentation not included in the file.

As part of our new admissions testing (25 files files tested out of approximately 483 new admissions), we also noted the following:

- 1 instance where a HUD 214 Affidavit (documenting citizenship) was not included in the tenant's file.
- 1 instance where a criminal background was missing from the tenant's file.

Recommendation: The Authority should improve review procedures and increase training to employees and reviewers to insure that the Authority is in compliance with HUD rules for verification of tenant information and calculation of tenant rents.

Current Status: The finding was not corrected and will be repeated. See current year finding 2018-003.

2017-005 Activities Allowed or Unallowed – Interprogram Activity

Public and Indian Housing Program – CFDA 14.850

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2016-011 from September 30, 2016 (initially occurred as Finding 2014-014 from September 30, 2014)

Condition: The Authority has loaned monies from the Public and Indian Housing Program to the COCC. As of September 30, 2017 these loans totaled \$95,000.

Recommendation: The Authority should develop a plan based on budgeting and monitoring of COCC and HCV expenses to have the ability to reimburse funds to the Public and Indian Housing Program.

Current Status: The finding was cleared.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Summary Schedule of Prior Year Findings

September 30, 2018

2017-006 Activities Allowed or Unallowed – Use of Tenant Security Deposits

Public and Indian Housing Program – CFDA 14.850

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2016-012 from September 30, 2016 (initially occurred as Finding 2015-012 from September 30, 2015)

Condition: The Authority does not have enough cash to cover tenant security deposits of \$190,754.

Recommendation: The Authority should set aside enough cash to cover the security deposit liability once it has enough cash available.

Current Status: The finding was cleared.

2017-007 Activities Allowed or Unallowed – Use of HCV FSS Escrow and HAP Monies

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Material Weakness in Internal Control Material Noncompliance

Condition: The Authority does not have sufficient cash in the HCV program to cover the FSS escrow liability and the HAP restricted net position (RNP), as well as an amount due to HUD (for interest) and is short approximately \$70,799. Total cash in the HCV program of \$326,375 is insufficient to cover the FSS escrow liability (\$66,698), HAP RNP (\$328,118) and accrued interest owed to HUD (\$2,358) totaling \$397,174.

Recommendation: The Authority should set aside enough cash to cover the FSS liability and HAP RNP once it has enough cash available.

Current Status: Current Status: The finding was not corrected and will be repeated. See current year finding 2018-004.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Corrective Action Plan

September 30, 2018

The following is the corrective action planned by the Authority regarding the current findings:

Finding
No.

2018-001 Inadequate Controls Over Financial Reporting

Material Weakness in Internal Control

This is a repeat finding of 2017-001 from September 30, 2017 (initially occurred as Finding 2012-10 from September 30, 2012)

Condition: The Authority did not have adequate controls over the period-end financial reporting process to detect material misstatements. The Authority did not properly record entries related to HUD receivables, port-in receivables, accounts payable, net position, and related revenue and expense accounts.

Recommendation: The Authority should establish controls to ensure that appropriate year-end adjustments are recorded so that the financial statements are fairly presented.

Action Taken: We are continuing to evaluate and improve our control structure and processes in an effort to ensure there will be zero auditor-proposed adjusting entries as part of the fiscal year 2019 audit. After August 2018 both a new Director of Finance and accounting consultant were hired to assist with the 2018 fiscal year end accounting, and ongoing accounting and operations. Those individuals are continuing to recommend and implement accounting control and process improvements to ensure the September 30, 2019 financial statements are 100% accurate prior to the performance of the independent audit.

2018-002 Reporting – Inaccurate FDS Submission

Public and Indian Housing Program – CFDA 14.850

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2017-002 from September 30, 2017 (initially occurred as Finding 2012-10 from September 30, 2012)

Condition: In addition to the adjustments affecting Public Housing and HCV as noted in Finding 2018-001, the Authority's unaudited FDS filing was materially misstated when compared to the audited FDS filing. It should be noted that the unaudited FDS filing was submitted within the timeframe specified by HUD, which was not the case in the prior year.

Recommendation: The Authority should make every effort to file its REAC submissions accurately.

Action Taken: We are very focused on ensuring there is adequate staffing and sufficient processes in place in order to be able to close the books prior to submitting a materially accurate unaudited FDS submission by November 30, 2019 for fiscal year 2019. As part of that, we are currently in the process of issuing a Request for Proposal in order to hire a new fee accountant to assist the Director of Finance with having the General Ledger up-to-date and ready to close in advance of the fiscal year 2019 unaudited FDS submission deadline.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Corrective Action Plan

September 30, 2018

2018-003 Eligibility – Tenant Files

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Significant Deficiency in Internal Control Other Matter to be Reported Under the Uniform Guidance

This is a repeat finding of 2017-004 from September 30, 2017 (initially occurred as Finding 2012-5 from September 30, 2012)

Condition: 25 tenant files were selected for testing (out of approximately 2000 vouchers) and the following was noted:

- 1 file missing rent reasonableness
- 1 file missing EIV
- 2 files with income calculation errors
- 1 file missing a signed 9886 form

As part of our new admissions testing, we also noted the following:

- 1 instance where four HUD 214 Affidavit forms weren't fully completed documenting citizenship

Recommendation: The Authority should improve review procedures and increase training to employees and reviewers to insure that the Authority is in compliance with HUD rules for verification of tenant information and calculation of tenant rents.

Action Taken: We concur with the recommendation. We are implementing review procedures and have provided training to ensure that the applicable HUD regulations are being followed for tenant certification. The Housing Authority will hire a Compliance Specialist by July 1, 2019. The Compliance Specialist will review Public Housing and HCV files to ensure accuracy.

2018-004 Activities Allowed or Unallowed – Use of HCV FSS Escrow and HAP Monies

Section 8 Housing Choice Vouchers Program – CFDA Number 14.871

Material Weakness in Internal Control Material Noncompliance

This is a repeat finding of 2017-007 from September 30, 2017

Condition: The Authority does not have sufficient cash in the HCV program to cover the FSS escrow liability and the HAP restricted net position (RNP), as well as an amount due to HUD (for interest) and is short approximately \$226,248. Total cash in the HCV program of \$1,126,639 is insufficient to cover the FSS escrow liability (\$101,503), HAP RNP (\$1,245,160) and accrued interest owed to HUD (\$6,224) totaling \$1,352,887.

Recommendation: The Authority should set aside enough cash to cover the FSS liability and HAP RNP once it has enough cash available.

HOUSING AUTHORITY OF THE CITY OF SOUTH BEND
South Bend, Indiana

Corrective Action Plan

September 30, 2018

2018-004 Activities Allowed or Unallowed – Use of HCV FSS Escrow and HAP Monies (continued)

Action Taken: We concur with the recommendation and will set aside enough cash to cover the FSS escrows and HCV NRP once the cash becomes available. The COCC will give back \$1,000 per month starting July 1, 2019, to the HCV Program, from its management fees to cover the deficit of \$226,248, until it is paid in full.

Effective Date: June 13, 2019

Contact Information

Tonya Robinson, Executive Director
Housing Authority of the City of South Bend
501 Alonzo Watson Drive
South Bend, IN 46601
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Housing Authority of the City of South Bend
South Bend, Indiana

Schedule of Expenditures of Federal Awards

For the twelve months ended September 30, 2018

<u>FEDERAL GRANTOR</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Disbursements or Expenditures</u>
U. S. Department of HUD			
Public Housing:			
Public and Indian Housing	* + 14.850	\$ 2,313,368	\$ 2,313,368
Public Housing Capital Fund Program	* 14.872	4,490,431	1,658,869
Resident Opportunity and Supportive Services - Service Coordinators	** 14.870	38,736	38,736
<u>Housing Voucher Cluster:</u>			
Section 8 Housing Choice Vouchers	* + 14.871	14,619,707	14,619,707
TOTAL		<u>\$ 21,462,242</u>	<u>\$ 18,630,680</u>

This schedule includes the federal grant activity of the Housing Authority of the City of South Bend and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance (Title 2 U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The Authority has not elected to use the 10% de minimis cost rate.

* Type A Program

** Type B Program

+ Major Program

See auditor's report.

Financial Data Schedule

Housing Authority of South Bend (IN015)
south Bend, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$75,635	\$41,067			\$26,122	\$45,732	\$188,556		\$188,556
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted				\$1,126,639			\$1,126,639		\$1,126,639
114 Cash - Tenant Security Deposits	\$189,592						\$189,592		\$189,592
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$265,227	\$41,067	\$0	\$1,126,639	\$26,122	\$45,732	\$1,504,787	\$0	\$1,504,787
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$134,667		\$693	\$64,439			\$199,799		\$199,799
124 Accounts Receivable - Other Government				\$130,559			\$130,559		\$130,559
125 Accounts Receivable - Miscellaneous	\$2,564						\$2,564		\$2,564
126 Accounts Receivable - Tenants	\$37,141						\$37,141		\$37,141
126.1 Allowance for Doubtful Accounts - Tenants	-\$14,850						-\$14,850		-\$14,850
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery	\$27,911			\$41,268			\$69,179		\$69,179
128.1 Allowance for Doubtful Accounts - Fraud	-\$16,800			-\$10,317			-\$27,117		-\$27,117
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$170,633	\$0	\$693	\$225,949	\$0	\$0	\$397,275	\$0	\$397,275
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$4,605			\$2,923		\$4,635	\$12,163		\$12,163
143 Inventories									
143.1 Allowance for Obsolete Inventories									
144 Inter Program Due From	\$2,996,080	\$198,080		\$0		\$2,499,836	\$5,693,996	-\$5,693,996	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$3,436,545	\$239,147	\$693	\$1,355,511	\$26,122	\$2,550,203	\$7,608,221	-\$5,693,996	\$1,914,225
161 Land	\$1,325,275						\$1,325,275		\$1,325,275
162 Buildings	\$64,531,352					\$570,037	\$65,101,389		\$65,101,389
163 Furniture, Equipment & Machinery - Dwellings	\$661,682						\$661,682		\$661,682
164 Furniture, Equipment & Machinery - Administration	\$1,096,129			\$301,566		\$190,232	\$1,587,927		\$1,587,927
165 Leasehold Improvements									
166 Accumulated Depreciation	-\$61,236,340			-\$271,411		-\$740,207	-\$62,247,958		-\$62,247,958
167 Construction in Progress									
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,378,098	\$0	\$0	\$30,155	\$0	\$20,062	\$6,428,315	\$0	\$6,428,315
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current									
174 Other Assets									
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$6,378,098	\$0	\$0	\$30,155	\$0	\$20,062	\$6,428,315	\$0	\$6,428,315
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$9,814,643	\$239,147	\$693	\$1,385,666	\$26,122	\$2,570,265	\$14,036,536	-\$5,693,996	\$8,342,540
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$634,999			\$15,852		\$60,717	\$711,568		\$711,568
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$20,305	\$373	\$693	\$8,524		\$6,959	\$36,854		\$36,854
322 Accrued Compensated Absences - Current Portion	\$41,525	\$1,023		\$14,823		\$29,872	\$88,143		\$88,143
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs	\$131,811			\$6,224		\$14,400	\$152,435		\$152,435
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$1,310						\$1,310		\$1,310
341 Tenant Security Deposits	\$189,817						\$189,817		\$189,817
342 Unearned Revenue	\$57,367						\$57,367		\$57,367
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$456	\$13,142					\$13,598		\$13,598
346 Accrued Liabilities - Other									
347 Inter Program - Due To	\$3,885,873	\$758,086		\$1,232,290	\$17,747		\$5,693,996	-\$5,693,996	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$4,763,463	\$773,524	\$693	\$1,277,713	\$17,747	\$111,948	\$6,945,088	-\$5,693,996	\$1,251,092
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other				\$101,503		\$994,415	\$1,095,918		\$1,095,918
354 Accrued Compensated Absences - Non Current									
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$101,503	\$0	\$994,415	\$1,095,918	\$0	\$1,095,918

Housing Authority of South Bend (IN015)

south Bend, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14,900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
300 Total Liabilities	\$4,763,463	\$773,524	\$693	\$1,379,216	\$17,747	\$1,106,363	\$8,041,006	-\$5,693,996	\$2,347,010
400 Deferred Inflow of Resources									
508.4 Net Investment in Capital Assets	\$6,378,098	\$0	\$0	\$30,155		\$20,062	\$6,428,315		\$6,428,315
511.4 Restricted Net Position		\$0	\$0	\$1,245,160			\$1,245,160		\$1,245,160
512.4 Unrestricted Net Position	-\$1,326,918	-\$534,377	\$0	-\$1,268,865	\$8,375	\$1,443,840	-\$1,677,945		-\$1,677,945
513 Total Equity - Net Assets / Position	\$5,051,180	-\$534,377	\$0	\$6,450	\$8,375	\$1,463,902	\$5,995,530	\$0	\$5,995,530
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$9,814,643	\$239,147	\$693	\$1,385,666	\$26,122	\$2,570,265	\$14,036,536	-\$5,693,996	\$8,342,540

Housing Authority of South Bend (IN015)
south Bend, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,788,193						\$1,788,193		\$1,788,193
70400 Tenant Revenue - Other	\$110,369						\$110,369		\$110,369
70500 Total Tenant Revenue	\$1,898,562	\$0	\$0	\$0	\$0	\$0	\$1,898,562	\$0	\$1,898,562
70600 HUD PHA Operating Grants	\$3,223,716		\$38,736	\$14,619,707			\$17,882,159		\$17,882,159
70610 Capital Grants	\$748,521						\$748,521		\$748,521
70710 Management Fee						\$1,094,672	\$1,094,672	-\$1,094,672	\$0
70720 Asset Management Fee									
70730 Book Keeping Fee						\$250,042	\$250,042	-\$250,042	\$0
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$1,344,714	\$1,344,714	-\$1,344,714	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted	\$267			\$500	\$186	\$619	\$1,572		\$1,572
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery				\$7,758			\$7,758		\$7,758
71500 Other Revenue	\$78,875	\$300		\$606,960	\$2,492	\$22,002	\$710,629		\$710,629
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted									
70000 Total Revenue	\$5,949,941	\$300	\$38,736	\$15,234,925	\$2,678	\$1,367,335	\$22,593,915	-\$1,344,714	\$21,249,201
91100 Administrative Salaries	\$396,376	\$17,742	\$34,104	\$407,028		\$380,159	\$1,235,409		\$1,235,409
91200 Auditing Fees	\$10,920			\$7,394		\$4,410	\$22,724		\$22,724
91300 Management Fee	\$806,108			\$288,564			\$1,094,672	-\$1,094,672	\$0
91310 Book-keeping Fee	\$69,690			\$180,352			\$250,042	-\$250,042	\$0
91400 Advertising and Marketing									
91500 Employee Benefit Contributions - Administrative	\$96,247	\$3,198	\$4,108	\$78,400		\$92,256	\$274,207		\$274,207
91600 Office Expenses	\$195,705	\$1,733		\$138,830	\$215	\$86,640	\$423,123		\$423,123
91700 Legal Expense	\$25,671			\$6,946		\$1,869	\$34,486		\$34,486
91800 Travel	\$968			\$5,031		\$1,485	\$7,484		\$7,484
91810 Allocated Overhead									
91900 Other	\$45,372	\$663	\$524	\$17,517		\$157,594	\$221,670		\$221,670
91000 Total Operating - Administrative	\$1,647,057	\$23,334	\$38,736	\$1,130,062	\$215	\$724,413	\$3,583,817	-\$1,344,714	\$2,219,103
92000 Asset Management Fee									
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$4,504						\$4,504		\$4,504
92500 Total Tenant Services	\$4,504	\$0	\$0	\$0	\$0	\$0	\$4,504	\$0	\$4,504
93100 Water	\$189,180					\$649	\$189,829		\$189,829
93200 Electricity	\$247,438					\$4,420	\$251,858		\$251,858
93300 Gas	\$78,075						\$78,075		\$78,075
93400 Fuel	\$983						\$983		\$983
93500 Labor									
93600 Sewer									
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$515,676	\$0	\$0	\$0	\$0	\$5,069	\$520,745	\$0	\$520,745
94100 Ordinary Maintenance and Operations - Labor	\$375,583						\$375,583		\$375,583
94200 Ordinary Maintenance and Operations - Materials and Other	\$338,786					\$542	\$339,328		\$339,328
94300 Ordinary Maintenance and Operations Contracts	\$2,173,503			\$3,787		\$10,337	\$2,187,627		\$2,187,627
94500 Employee Benefit Contributions - Ordinary Maintenance	\$62,967						\$62,967		\$62,967
94000 Total Maintenance	\$2,950,839	\$0	\$0	\$3,787	\$0	\$10,879	\$2,965,505	\$0	\$2,965,505
95100 Protective Services - Labor	\$92,507						\$92,507		\$92,507
95200 Protective Services - Other Contract Costs	\$125,495						\$125,495		\$125,495
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services	\$8,362						\$8,362		\$8,362
95000 Total Protective Services	\$226,364	\$0	\$0	\$0	\$0	\$0	\$226,364	\$0	\$226,364
96110 Property Insurance	\$160,364			\$107,912		\$25,819	\$294,095		\$294,095
96120 Liability Insurance	\$69,327			\$69,931		\$24,332	\$163,590		\$163,590
96130 Workmen's Compensation	\$25,988	\$1,111		\$12,487		\$6,965	\$46,551		\$46,551
96140 All Other Insurance	\$6,964			\$6,764		\$3,374	\$17,102		\$17,102
96100 Total Insurance Premiums	\$262,643	\$1,111	\$0	\$197,094	\$0	\$60,490	\$521,338	\$0	\$521,338
96200 Other General Expenses		\$33,247		\$6,714		\$909	\$40,870		\$40,870
96210 Compensated Absences	\$10,978	\$636				\$2,888	\$14,502		\$14,502
96300 Payments in Lieu of Taxes									
96400 Bad debt - Tenant Rents	\$101,875						\$101,875		\$101,875
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$112,853	\$33,883	\$0	\$6,714	\$0	\$3,797	\$157,247	\$0	\$157,247

Housing Authority of South Bend (IN015)
south Bend, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2018

	Project Total	14.900 Lead-Based Paint Hazard Control in Privately-Owned Housing	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$5,719,936	\$58,328	\$38,736	\$1,337,657	\$215	\$804,648	\$7,959,520	-\$1,344,714	\$6,614,806
97000 Excess of Operating Revenue over Operating Expenses	\$230,005	-\$58,028	\$0	\$13,897,268	\$2,463	\$562,687	\$14,634,395	\$0	\$14,634,395
97100 Extraordinary Maintenance									
97200 Casuality Losses - Non-capitalized									
97300 Housing Assistance Payments				\$13,039,347			\$13,039,347		\$13,039,347
97350 HAP Portability-In				\$556,684			\$556,684		\$556,684
97400 Depreciation Expense	\$1,138,300			\$6,693		\$7,414	\$1,152,407		\$1,152,407
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$6,858,236	\$58,328	\$38,736	\$14,940,361	\$215	\$812,062	\$22,707,958	-\$1,344,714	\$21,363,244
10010 Operating Transfer In	\$910,351						\$910,351	-\$910,351	\$0
10020 Operating transfer Out	-\$910,351						-\$910,351	\$910,351	\$0
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit	\$50,000					-\$50,000	\$0		\$0
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In	\$250,000					\$140,000	\$390,000	-\$390,000	\$0
10094 Transfers between Project and Program - Out						-\$390,000	-\$390,000	\$390,000	\$0
10100 Total Other financing Sources (Uses)	\$300,000	\$0	\$0	\$0		-\$390,000	\$90,000	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$608,295	-\$58,028	\$0	\$294,544	-\$387,537	\$645,273	-\$114,043	\$0	-\$114,043
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$5,602,752	-\$476,349	\$0	-\$658,451	\$395,912	\$815,376	\$5,679,240		\$5,679,240
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$58,723			\$370,357		\$3,253	\$430,333		\$430,333
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity				-\$1,238,710			-\$1,238,710		-\$1,238,710
11180 Housing Assistance Payments Equity				\$1,245,160			\$1,245,160		\$1,245,160
11190 Unit Months Available	9617			25488			35105		35105
11210 Number of Unit Months Leased	9179			24547			33726		33726
11270 Excess Cash	-\$1,732,320						-\$1,732,320		-\$1,732,320
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$616,820					\$0	\$616,820		\$616,820
11630 Furniture & Equipment - Dwelling Purchases	\$4,688					\$0	\$4,688		\$4,688
11640 Furniture & Equipment - Administrative Purchases	\$133,338					\$0	\$133,338		\$133,338
11650 Leasehold Improvements Purchases	\$0					\$0	\$0		\$0
11660 Infrastructure Purchases	\$0					\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$0		\$0