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August 21, 2013

Board of Directors
Housing Authority of the City of Crawfordsville
220 E. Main Street
Crawfordsville, IN 47933

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Crawfordsville, as of June 30, 2012 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 Finding 2012-1, Incomplete Section 8 Participant Files, on page 30 of the report. This finding first appeared in the audit report for the period ending June 30, 2010. The condition noted in the finding remains as an unresolved issue as of the date of this report for the period ending June 30, 2012.

The Independent Public Accountant's report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY OF THE
CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED JUNE 30, 2012

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

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Independent Auditor's Report

Board of Directors
Housing Authority of the City of Crawfordsville
Crawfordsville, Indiana

I have audited the accompanying financial statements of the Housing Authority of the City of Crawfordsville, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Crawfordsville's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Housing Authority of the City of Crawfordsville, as of June 30, 2012 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2012 on my consideration of the Housing Authority of the City of Crawfordsville's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with other matters. The purpose of that report is to describe the scope of my 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* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 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. I have applied certain limited procedures on 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.



Certified Public Accountant

Decatur, Illinois
November 30, 2012

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012**

This section of the Housing Authority of the City of Crawfordsville, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of June 30, 2012 were \$483,402. The net assets increased by \$68,413, an increase of 16.5% over the prior year.
- Revenues for the Authority were \$2,429,660 for the year ended June 30, 2012. This was an increase of \$127,786 or 5.6% over the prior year.
- Expenses for the Authority were \$2,361,247 for the year ended June 30, 2012. This was a decrease of \$48,808 or 2.0% from the prior year.
- Rental revenue for the Authority was \$5,760 for the year ended June 30, 2012, same as prior year. HUD operating grants for the Authority was \$2,405,492 for the year ended June 30, 2012, an increase of \$116,100 or 5.1% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2012 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$483,402 at the close of the year ended June 30, 2012 up from \$414,989 in fiscal year 2011. The increase in net assets of \$68,413 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$232 decrease in this category, cash and investments decreased \$2,202, receivables increased \$432, and prepaid expenses increased \$1,538.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012**

FINANCIAL ANALYSIS (CONTINUED)

- Restricted assets consist of cash and investments and increased \$62,366 from FY 2011.
- Capital assets decreased \$6,538 because current year depreciation exceeded capital asset additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities decreased \$12,947 mainly due to a \$14,453 decrease in overpayments due to HUD.
- Noncurrent liabilities increased \$130 due to a \$2,328 increase in noncurrent portion of accrued compensated absences. This increase was partially offset by a \$2,198 decrease in FSS escrow payable.

The unrestricted net assets were \$124,881 as of June 30, 2012. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for six months. The restricted net assets were \$223,124 as of June 30, 2012. This amount is subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 145,334	\$ 145,566	\$ (232)	-0.2%
Restricted assets	226,346	163,980	62,366	38.0%
Capital assets	<u>135,397</u>	<u>141,935</u>	<u>(6,538)</u>	-4.6%
Total Assets	<u>507,077</u>	<u>451,481</u>	<u>55,596</u>	12.3%
Current liabilities	16,042	28,989	(12,947)	-44.7%
Noncurrent liabilities	<u>7,633</u>	<u>7,503</u>	<u>130</u>	1.7%
Total Liabilities	<u>23,675</u>	<u>36,492</u>	<u>(12,817)</u>	-35.1%
Net Assets				
Invested in capital assets, net of related debt	135,397	141,935	(6,538)	-4.6%
Restricted	223,124	158,560	64,564	40.7%
Unrestricted	<u>124,881</u>	<u>114,494</u>	<u>10,387</u>	9.1%
Total Net Assets	<u>\$ 483,402</u>	<u>\$ 414,989</u>	<u>\$ 68,413</u>	16.5%

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012**

FINANCIAL ANALYSIS (CONTINUED)

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating - capital contributions:				
Rental revenue	\$ 5,760	\$ 5,760	\$ -	0.0%
HUD PHA operating grants	2,405,492	2,289,392	116,100	5.1%
Other income	15,985	970	15,015	1547.9%
Investment income	2,423	5,752	(3,329)	-57.9%
Total Revenues	<u>2,429,660</u>	<u>2,301,874</u>	<u>127,786</u>	5.6%
Expenses				
Administration	221,472	228,069	(6,597)	-2.9%
Utilities	295	2,284	(1,989)	-87.1%
Ordinary maintenance & operation	3,436	4,460	(1,024)	-23.0%
General expense	10,147	15,238	(5,091)	-33.4%
Depreciation	6,638	6,691	(53)	-0.8%
Housing assistance payments	2,119,259	2,153,313	(34,054)	-1.6%
Total Expenses	<u>2,361,247</u>	<u>2,410,055</u>	<u>(48,808)</u>	-2.0%
Excess (deficiency) before prior period adjustments	68,413	(108,181)	176,594	
Prior period adjustments	-	-	-	
Change in net assets	<u>68,413</u>	<u>(108,181)</u>	<u>176,594</u>	
Beginning net assets	414,989	523,170	(108,181)	
Ending net assets	<u>\$ 483,402</u>	<u>\$ 414,989</u>	<u>\$ 68,413</u>	

As can be seen in the table above, total revenues increased \$127,786 due to the reasons noted below.

- Of the \$116,100 increase in HUD operating grants, housing choice voucher program assistance received from HUD increased \$110,820 and program assistance for supportive housing for persons with disabilities increased \$5,280.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012**

FINANCIAL ANALYSIS (CONTINUED)

- Other income was higher in FY 2012 for fraud recovery revenue.
- Investment income decreased \$3,329 or 57.9% primarily due to lower interest rates on deposit accounts.

Total expenses decreased \$48,808 due to the reasons noted below.

- Administration decreased \$6,597 or 2.9% from FY 2011 mainly due to a decrease in administrative wages and benefits of \$7,245 or 4.5%.
- Of the \$1,989 decrease in utilities, water decreased \$1,296, electricity increased \$72, and sewer decreased \$765.
- Ordinary maintenance and operation decreased \$1,024 or 23.0% due to a decrease in maintenance materials of \$271 and a decrease contracted maintenance services of \$753.
- General expense decreased \$5,091 or 33.4% due to a \$501 decrease in insurance, \$549 decrease in other general expenses, and a \$4,041 decrease in expense for compensated absences.
- The Authority had a \$53 or 0.8% decrease in depreciation which is the write-off of capital assets over their estimated useful life.
- Housing assistance payments decreased \$34,054 or 1.6% due to a 2.6% decrease in number of vouchers issued and outstanding during FY 2012.

The Authority is authorized to assist 477 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for fiscal year ended June 30, 2012 was 95.8%, down from 98.6% in FY 2011.

The Authority is authorized to assist 20 households with the Supportive Housing for Persons with Disabilities Program. The lease-up rate for fiscal year ended June 30, 2012 was 98.3%, up from 94.2% in FY 2011.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2012**

CAPITAL ASSETS

The Housing Authority of the City of Crawfordsville, Indiana's investment in capital assets, net of related debt, as of June 30, 2012 amounts to \$135,397 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

Capital Assets – The total decrease in the Authority's capital assets for the current fiscal year was 4.6% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues were \$100 for the year. Depreciation charges for the year totaled \$6,638. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Ending
Capital assets	\$141,935	\$100	\$(6,638)	\$135,397

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority is eligible to receive \$980,485 for housing assistance payments for the months of July through December 2012 in the Housing Choice Voucher Program. The Authority also has \$223,124 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$374.96 for FY 2012, the Authority will have sufficient funding and reserves to lease 100.0% of its authorized vouchers from July through December 2012. HUD has not established funding levels for the remaining six months of next fiscal year. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2013 and adjusted for pro-ratio which is currently at 79.739%.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Executive Director, Housing Authority of the City of Crawfordsville, 220 East Main Street, P.O. Box 421, Crawfordsville, Indiana 47933.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2012**

ASSETS

CURRENT ASSETS

Cash	\$ 76,326
Accounts receivable (interfund eliminated)	14,689
Accrued interest receivable	112
Investments	48,030
Deferred charges	<u>6,177</u>

Total Current Assets \$ 145,334

RESTRICTED ASSETS

Cash	\$ 3,222
Investments	<u>223,124</u>

Total Restricted Assets \$ 226,346

CAPITAL ASSETS

Land, buildings and equipment	\$ 231,846
Less: Accumulated depreciation	<u>-96,449</u>

Net Capital Assets \$ 135,397

Total Assets \$ 507,077

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 12,344
Accrued liabilities	<u>3,698</u>

Total Current Liabilities \$ 16,042

NONCURRENT LIABILITIES

Accrued liabilities	\$ 4,411
FSS escrow	<u>3,222</u>

Total Noncurrent Liabilities \$ 7,633

NET ASSETS

Invested in capital assets	\$ 135,397
Restricted	223,124
Unrestricted	<u>124,881</u>

Total Net Assets \$ 483,402

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

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2012**

Operating Income

Tenant rental revenue	\$ <u>5,760</u>
Total Rental Income	\$ 5,760
HUD PHA operating grants	2,405,492
Fraud recovery	<u>15,985</u>
Total Operating Income	<u>\$ 2,427,237</u>

Operating Expenses

Administration	\$ 221,472
Utilities	295
Ordinary maintenance	3,436
General expense	10,147
Housing assistance payments	2,119,259
Depreciation	<u>6,638</u>
Total Operating Expenses	<u>\$ 2,361,247</u>
Net Operating Income (Loss)	<u>\$ 65,990</u>

Nonoperating Income (Expense)

Interest income	\$ <u>2,423</u>
Total Nonoperating Income (Expense)	<u>\$ 2,423</u>
Changes in net assets	\$ 68,413
Net assets, beginning of year	<u>414,989</u>
Net assets, end of year	<u><u>\$ 483,402</u></u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2012**

Operating Activities

Operating grants	\$ 2,404,371
Tenant revenue	5,761
Other revenue	15,985
Housing assistance payments	-2,119,259
Payments to employees	-118,830
Payments to suppliers and contractors	<u>-130,194</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 57,834</u>

Investing Activities

Investments (purchased) redeemed	\$ -1,088
Interest income	<u>2,430</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,342</u>

Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -100</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -100</u>
Net Change in Cash	\$ 59,076
Cash Balance at June 30, 2011	<u>20,472</u>
Cash Balance at June 30, 2012	<u><u>\$ 79,548</u></u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2012**

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Net operating income (loss)	\$ 65,990
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	6,638
(Increase) decrease in accounts receivable	-439
(Increase) decrease in deferred charges	-1,538
Increase (decrease) in accounts payable	-9,430
Increase (decrease) in accrued liabilities	-1,189
Increase (decrease) in other liabilities	<u>-2,198</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 57,834</u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Crawfordsville was established by the City of Crawfordsville pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Crawfordsville and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Crawfordsville is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Housing Choice Vouchers
- * Business Activities
- * Supportive Housing for Persons with Disabilities

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Investments -

Investments are stated at cost which approximates market.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) nonexpendable equipment, and
- 2) property betterments and additions
- 3) improvements.

<u>Category of Assets</u>	<u>Estimated Life</u>
Building	10 - 40 Years
Furniture and equipment	5 - 10 Years

(k) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Income Tax -

The Authority, organized as a non-profit corporation subsidized by the Federal government, is exempt from Federal and State income taxes.

(j) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

(k) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

(l) The preparation of financial statements on an accrual basis require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

(q) Rental income is recognized as rents become due.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	\$ 76,058	\$ 83,073
Business Activities	<u>3,490</u>	<u>3,490</u>
Total	<u>\$ 79,548</u>	<u>\$ 86,563</u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

Based on the three levels of risk, all of the Housing Authority's investments are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Voucher	\$ 254,517	\$ 254,517
Business Activities	<u>16,637</u>	<u>16,637</u>
Total	<u>\$ 271,154</u>	<u>\$ 271,154</u>

Note 3 - Defined Contribution Plan

The Housing Authority established a Simplified Employee Pension Plan (SEP) and makes contributions for employees. Employees who are at least 21 years old and worked in at least 3 years of the last 5 and making more than \$200 in compensation are eligible for the contribution. In the current year the Housing Authority made \$14,396 of contribution on behalf of the employees. Total annual payroll expense was \$117,630.

Note 4 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - miscellaneous	\$ 3,783
Fraud recovery	12,240
Allowance for fraud recovery	<u>-1,334</u>
Subtotal	\$ 14,689
 Interfund	 <u>620</u>
Total	 <u>\$ 15,309</u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 6 - Investments

At June 30, 2012 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of Deposit	0.30-1.52%	\$ 254,517	\$ 254,517
Money Market	0.10%	<u>16,637</u>	<u>16,637</u>
Total		<u>\$ 271,154</u>	<u>\$ 271,154</u>

Note 7 - Deferred Charges

This classification includes the following account:

Prepaid insurance	\$ 1,317
Prepaid office rent	850
Prepaid software support	<u>4,010</u>
Total	<u>\$ 6,177</u>

Note 8 - Capital Assets

Balance as of June 30, 2012	\$ 135,397
Balance as of June 30, 2011	<u>141,935</u>
Net Increase (Decrease)	<u>\$ -6,538</u>

Reconciliation

Replacement of equipment	\$ 100
Current year depreciation expense	<u>-6,638</u> *
Net Increase (Decrease)	<u>\$ -6,538</u>

Analysis

	<u>07/01/2011 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2012 Balance</u>
Land	\$ 22,000	\$ 0	\$ 0	\$ 22,000
Buildings	180,548	0	0	180,548
Equipment and furniture	<u>29,198</u>	<u>100</u>	<u>0</u>	<u>29,298</u>
Total Assets	\$ 231,746	\$ 100	\$ 0	\$ 231,846
Accumulated depreciation	<u>-89,811</u>	<u>0</u> *	<u>6,638</u>	<u>-96,449</u>
Net Assets	<u>\$ 141,935</u>	<u>\$ 100</u>	<u>\$ 6,638</u>	<u>\$ 135,397</u>

*Current year depreciation recognized.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 10,671
Tenants security deposits	443
Accounts payable - HUD	<u>1,230</u>
Subtotal	\$ 12,344
Interfund	<u>620</u>
Total	<u>\$ 12,964</u>

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages/payroll taxes	\$ 2,565
Accrued compensated absences	1,103
Accrued liabilities - other	<u>30</u>
Total Current Portion	\$ 3,698

Noncurrent Portion:

Accrued compensated absences	<u>4,411</u>
Total	<u>\$ 8,109</u>

Note 11 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2012:

	07/01/2011			06/30/2012
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
FSS escrow	\$ 5,420	\$ 0	\$ 2,198	\$ 3,222
Accrued compensated absence	<u>2,083</u>	<u>2,328</u>	<u>0</u>	<u>4,411</u>
Total	<u>\$ 7,503</u>	<u>\$ 2,328</u>	<u>\$ 2,198</u>	<u>\$ 7,633</u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 12 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is variable as determined by HUD based on prior period usage of vouchers.

Note 13 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 14 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 15 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage in the current or past three years.

Note 16 - Economic Dependency

The Housing Authority received most of its revenue (99%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice Vouchers*	14.871	C-2012V	FYE 06/30/12	\$ 2,330,394	\$ 2,330,394	\$ 2,275,997
Supportive Housing for Persons with Disabilities	14.181	C-2099	FYE 06/30/12	\$ 75,098	\$ 75,098	\$ 75,098
Total Housing Assistance				<u>\$ 2,405,492</u>	<u>\$ 2,405,492</u>	<u>\$ 2,351,095</u>

*Denotes major program.



**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 Crawfordsville
Crawfordsville, Indiana

I have audited the financial statements of the Housing Authority of the City of Crawfordsville as of and for the year ended June 30, 2012, and have issued my report thereon dated November 30, 2012. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Authority of the City of Crawfordsville's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Crawfordsville's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Housing Authority of the City of Crawfordsville in a separate letter dated November 30, 2012.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
November 30, 2012



Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

I have audited the Housing Authority of the City of Crawfordsville's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Crawfordsville's major federal programs for the year ended June 30, 2012. The Housing Authority of the City of Crawfordsville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Crawfordsville's management. My responsibility is to express an opinion on the Housing Authority of the City of Crawfordsville's compliance based on my audit.

I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Housing Authority of the City of Crawfordsville's compliance with those requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Authority of the City of Crawfordsville's compliance with those requirements.

As described in item (2012-1) in the accompanying schedule of findings and questioned costs, the Housing Authority of the City of Crawfordsville did not comply with requirements regarding adequate documentation of eligibility and calculation of assistance payments that are applicable to it's the Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for the Housing Authority of the City of Crawfordsville to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of the City of Crawfordsville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Housing Authority of the City of Crawfordsville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Authority of the City of Crawfordsville's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control over compliance.

My 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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 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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item (2012-1) 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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item (2012-1) to be significant deficiencies.

The Housing Authority of the City of Crawfordsville's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Authority of the City of Crawfordsville's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
November 30, 2012



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2011 contained one finding.

Finding 2011-1: Incomplete Section 8 Participant Files

HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). Not all files examined contained the required documentation. This finding continues.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? X yes _____ no

* Significant deficiency (ies) identified? X yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
CRAWFORDSVILLE, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Patricia Perkins, Executive Director during the course of the audit and at an exit conference held November 30, 2012.

Section III - Federal Award Findings

There was one federal award audit findings discussed with Patricia Perkins, Executive Director during the course of the audit and at an exit conference held November 30, 2012.

Finding 2012-1: Incomplete Section 8 Participant Files

Condition and Criteria: HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). During my current year test of participant eligibility (40 files examined) I noted incomplete documentation and incorrect calculations of HAP in ten (10) of those files. Additionally it was noted that many files examined did not contain properly completed Section 214 declarations, copies of birth certificates or proper rent comparability forms.

Effect: It cannot be determined if the Section 8 participants were eligible or if HAP assistance was calculated in accordance with HUD regulations.

Cause: Adequate quality control procedures had not been implemented to assure that only eligible participants were provided Housing Assistance. The procedures in place did not provide adequate assurance that correct data was collected and used in accurate assistance payment calculations for each eligible participant

Auditor's Recommendation: I recommend that quality control procedures be reviewed and revised to ensure that all required documentation is maintained in each file to support eligibility. Procedures should be developed to ensure that all intake staff are familiar with the policies established in the Housing Authority's Section 8 Admin Plan and that they are trained in the proper procedures for applying those policies and HUD regulations.

Grantee Response: The Section 8 Department has undergone a staffing change. The Section 8 administrative plan will be reviewed by all staff (three Housing Authority employees). Additionally, it will be requested that the Board of Commissioners approve additional training for the current Section 8 intake staff. The Housing Authority Executive Director will review the current quality control procedures and perform more quality control checks of files. This corrective action is expected to be completed by June 30, 2013.

Housing Authority of the City of Crawfordsvil (IN047)

Crawfordsville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14.871 Housing Choice Vouchers	1 Business Activities	14.181 Supportive Housing for Persons with Disabilities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$72,836	\$3,047		\$75,883		\$75,883
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$3,222			\$3,222		\$3,222
114 Cash - Tenant Security Deposits		\$443		\$443		\$443
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$76,058	\$3,490	\$0	\$79,548	\$0	\$79,548
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$3,783			\$3,783		\$3,783
126 Accounts Receivable - Tenants						
126.1 Allowance for Doubtful Accounts - Tenants						
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery	\$12,240			\$12,240		\$12,240
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,334			-\$1,334		-\$1,334
129 Accrued Interest Receivable	\$112			\$112		\$112
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$14,801	\$0	\$0	\$14,801	\$0	\$14,801
131 Investments - Unrestricted	\$31,393	\$16,637		\$48,030		\$48,030
132 Investments - Restricted	\$223,124			\$223,124		\$223,124
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$5,798	\$379		\$6,177		\$6,177
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From	\$381		\$239	\$620	-\$620	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$351,555	\$20,506	\$239	\$372,300	-\$620	\$371,680
161 Land		\$22,000		\$22,000		\$22,000
162 Buildings		\$180,548		\$180,548		\$180,548
163 Furniture, Equipment & Machinery - Dwellings		\$723		\$723		\$723
164 Furniture, Equipment & Machinery - Administration	\$26,135	\$2,440		\$28,575		\$28,575
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$17,995	-\$78,454		-\$96,449		-\$96,449
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,140	\$127,257	\$0	\$135,397	\$0	\$135,397
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	\$8,140	\$127,257	\$0	\$135,397	\$0	\$135,397
190 Total Assets	\$359,695	\$147,763	\$239	\$507,697	-\$620	\$507,077

Housing Authority of the City of Crawfordsvil (IN047)

Crawfordsville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14.871 Housing Choice Vouchers	1 Business Activities	14.181 Supportive Housing for Persons with Disabilities	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$9,585	\$1,086		\$10,671		\$10,671
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$2,565			\$2,565		\$2,565
322 Accrued Compensated Absences - Current Portion	\$1,103			\$1,103		\$1,103
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs	\$716		\$514	\$1,230		\$1,230
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits		\$443		\$443		\$443
342 Deferred Revenues						
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other		\$30		\$30		\$30
347 Inter Program - Due To	\$239	\$381		\$620	-\$620	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$14,208	\$1,940	\$514	\$16,662	-\$620	\$16,042
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	\$3,222			\$3,222		\$3,222
354 Accrued Compensated Absences - Non Current	\$4,411			\$4,411		\$4,411
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$7,633	\$0	\$0	\$7,633	\$0	\$7,633
300 Total Liabilities	\$21,841	\$1,940	\$514	\$24,295	-\$620	\$23,675
508.1 Invested In Capital Assets, Net of Related Debt	\$8,140	\$127,257		\$135,397		\$135,397
511.1 Restricted Net Assets	\$223,124			\$223,124		\$223,124
512.1 Unrestricted Net Assets	\$106,590	\$18,566	-\$275	\$124,881		\$124,881
513 Total Equity/Net Assets	\$337,854	\$145,823	-\$275	\$483,402	\$0	\$483,402
600 Total Liabilities and Equity/Net Assets	\$359,695	\$147,763	\$239	\$507,697	-\$620	\$507,077

Housing Authority of the City of Crawfordsvil (IN047)

Crawfordsville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14.871 Housing Choice Vouchers	1 Business Activities	14.181 Supportive Housing for Persons with Disabilities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$5,760		\$5,760		\$5,760
70400 Tenant Revenue - Other						
70500 Total Tenant Revenue	\$0	\$5,760	\$0	\$5,760	\$0	\$5,760
70600 HUD PHA Operating Grants	\$2,330,394		\$75,098	\$2,405,492		\$2,405,492
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$1,221	\$1		\$1,222		\$1,222
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery	\$15,985			\$15,985		\$15,985
71500 Other Revenue						
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted	\$1,201			\$1,201		\$1,201
70000 Total Revenue	\$2,348,801	\$5,761	\$75,098	\$2,429,660	\$0	\$2,429,660
91100 Administrative Salaries	\$100,008		\$11,362	\$111,370		\$111,370
91200 Auditing Fees	\$3,625			\$3,625		\$3,625
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$461			\$461		\$461
91500 Employee Benefit contributions - Administrative	\$42,632			\$42,632		\$42,632
91600 Office Expenses	\$29,843			\$29,843		\$29,843
91700 Legal Expense		\$164		\$164		\$164
91800 Travel	\$37			\$37		\$37
91810 Allocated Overhead						
91900 Other	\$33,093	\$247		\$33,340		\$33,340
91000 Total Operating - Administrative	\$209,699	\$411	\$11,362	\$221,472	\$0	\$221,472
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other						
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0

Housing Authority of the City of Crawfordsvil (IN047)

Crawfordsville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14,871 Housing Choice Vouchers	1 Business Activities	14,181 Supportive Housing for Persons with Disabilities	Subtotal	ELIM	Total
93100 Water						
93200 Electricity		\$285		\$285		\$285
93300 Gas						
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense		\$10		\$10		\$10
93000 Total Utilities	\$0	\$295	\$0	\$295	\$0	\$295
94100 Ordinary Maintenance and Operations - Labor						
94200 Ordinary Maintenance and Operations - Materials and Other		\$46		\$46		\$46
94300 Ordinary Maintenance and Operations Contracts		\$3,390		\$3,390		\$3,390
94500 Employee Benefit Contributions - Ordinary Maintenance						
94000 Total Maintenance	\$0	\$3,436	\$0	\$3,436	\$0	\$3,436
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$372	\$1,220		\$1,592		\$1,592
96120 Liability Insurance	\$372			\$372		\$372
96130 Workmen's Compensation	\$568			\$568		\$568
96140 All Other Insurance	\$336			\$336		\$336
96100 Total Insurance Premiums	\$1,648	\$1,220	\$0	\$2,868	\$0	\$2,868
96200 Other General Expenses	\$1,019			\$1,019		\$1,019
96210 Compensated Absences	\$6,260			\$6,260		\$6,260
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents						
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$7,279	\$0	\$0	\$7,279	\$0	\$7,279
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
96900 Total Operating Expenses	\$218,626	\$5,362	\$11,362	\$235,350	\$0	\$235,350
97000 Excess of Operating Revenue over Operating Expenses	\$2,130,175	\$399	\$63,736	\$2,194,310	\$0	\$2,194,310

Housing Authority of the City of Crawfordsvil (IN047)

Crawfordsville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14,871 Housing Choice Vouchers	1 Business Activities	14,181 Supportive Housing for Persons with Disabilities	Subtotal	ELIM	Total
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments	\$2,055,523		\$63,736	\$2,119,259		\$2,119,259
97350 HAP Portability-In						
97400 Depreciation Expense	\$1,848	\$4,790		\$6,638		\$6,638
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$2,275,997	\$10,152	\$75,098	\$2,361,247	\$0	\$2,361,247
10010 Operating Transfer In		\$17,447		\$17,447	-\$17,447	\$0
10020 Operating transfer Out	-\$17,447			-\$17,447	\$17,447	\$0
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
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						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	-\$17,447	\$17,447	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$55,357	\$13,056	\$0	\$68,413	\$0	\$68,413
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$282,497	\$132,767	-\$275	\$414,989		\$414,989
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0		\$0		\$0
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	\$114,730			\$114,730		\$114,730
11180 Housing Assistance Payments Equity	\$223,124			\$223,124		\$223,124
11190 Unit Months Available	5724	48	240	6012		6012
11210 Number of Unit Months Leased	5482	48	236	5766		5766
11270 Excess Cash						
11610 Land Purchases						
11620 Building Purchases						
11630 Furniture & Equipment - Dwelling Purchases						
11640 Furniture & Equipment - Administrative Purchases						
11650 Leasehold Improvements Purchases						
11660 Infrastructure Purchases						
13510 CFFP Debt Service Payments						
13901 Replacement Housing Factor Funds						

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

In planning and performing my audit of the financial statements of the Housing Authority of the City of Crawfordsville as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

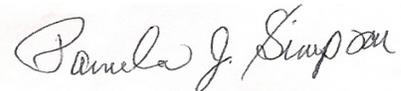
My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. During this fiscal year there was a transfer of \$17,447 from the Voucher program to Business Activities. However, the board minutes reflect an approval \$14,750 (which was the pre 2004 Admin Equity balance at the beginning of the year). The excess transfer must be returned to the Voucher program..
2. During review of the SEMAP submission, I noted that the test of the waiting list selection was not documented in detail. The documentation should be expanded in accordance with HUD guidelines.

3. The PHA should maintain accrued compensated absence records for all employees (for tracking vacation and sick days), This tracking should then be compared to the detail that is maintained within the payroll system and discrepancies investigated and corrected.
4. Per HUD requirements and the terms of a fully executed HUD depository agreements, all bank accounts holding HUD funds must be interest bearing. However, it was noted that Hoosier Heartland Bank is not paying interest on the checking account on deposit there. The bank should be contacted and terms of the account revised.
5. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
6. During my review of insurance coverage, I noted that the Housing Authority maintains a 'position' surety bond. While this type of bond coverage is allowable, it only provides surety coverage for those individuals/positions named in the bond. I suggest that the Housing Authority investigate the possibility of adding a more comprehensive blanket bond for surety/bonding insurance purposes so that all employees are covered.
7. The Housing Authority's current capitalization policy states a threshold of \$500 cost, however in the current year an addition was capitalized that fell below the capitalization threshold. A review of the depreciation schedule and current policy is suggested.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois
November 30, 2012



Certified Public Accountant