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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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

September 30, 2013

Board of Directors  
Fayette County Housing Authority  
326 Central Avenue  
Connersville, IN 47331

We have reviewed the audit report prepared by Sailor, Khan & Co., LLC, Independent Public Accountants, for the period October 1, 2011 to September 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 Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Fayette County Housing Authority, as of September 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: the explanatory paragraph in the auditors' opinion, on page i; Note 4 to the financial statements, on page 11; and the two findings, on pages 7 through 9, all of which address a continuing deficit in net assets.

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

STATE BOARD OF ACCOUNTS

FAYETTE COUNTY HOUSING AUTHORITY  
CONNERSVILLE, INDIANA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
AND  
REPORTS ON COMPLIANCE AND  
ON INTERNAL CONTROL

FAYETTE COUNTY HOUSING AUTHORITY  
Connersville, Indiana

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SECTION I  
AUDITOR'S REPORT  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Fayette County Housing Authority  
Connersville, Indiana

We have audited the accompanying financial statements of the Fayette County Housing Authority, Indiana, (Authority) as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

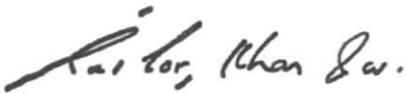
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fayette County Housing Authority, Indiana, as of September 30, 2012, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that the Fayette County Housing Authority will continue as a going concern. As discussed in Note 4 to the financial statements, the Housing Authority has accumulated a large net assets deficit and an amount payable to Department of Housing and Urban Development. Because operations of the Authority could be substantially impeded if this liability were immediately required to be paid, raises substantial doubt about the Authority's ability to continue as a going concern. Management's plan in regard to this situation is also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii to vii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial 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 the 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Sailor, Khan & Co. LLC  
May 22, 2013

## Fayette County Housing Authority

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### Management's Discussion and Analysis (MD&A) September 30, 2012 (Unaudited)

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This section of the Fayette County Housing Authority (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 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 deficit in net assets as of September 30, 2012 was \$282,059. The net assets deficit increased by \$30,539, increasing the Authority's deficit net asset by 12.1% from the prior year.

Revenues for the Authority were \$1,413,761 for the year ended September 30, 2012. This was a decrease of \$4,528 or 0.3% from the prior year.

Expenses for the Authority were \$1,425,974 for the year ended September 30, 2012. This was an increase of \$100,834 or 7.6% from the prior year.

HUD operating grants was \$1,401,287 for the year ended September 30, 2012. This was a decrease of \$6,672 or 0.5% from 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.

#### **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.

**Fayette County Housing Authority**  
**(Unaudited)**  
**Management's Discussion and Analysis (MD&A) - Continued**

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

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in 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 Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities 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 September 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 were less than liabilities by a \$282,059 at the close of the year ended September 30, 2012 which increased the deficit balance of \$251,520 from 2011. The increase in the deficit net assets of \$30,539 was due to a loss in the change in net assets for the year.

The unrestricted net assets were a deficit balance of \$532,399 as of September 30, 2012. This amount may be used to meet the Authority's ongoing obligations. The Authority had \$249,463 in net assets classified as restricted that are 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.

**Fayette County Housing Authority**  
**(Unaudited)**  
**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF NET ASSETS**  
**SEPTEMBER 30,**

|                            | <u>2012</u>         | <u>2011</u>         | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|----------------------------|---------------------|---------------------|--------------------------|---------------------------|
| Current and other assets   | \$ 8,888            | \$ 173,312          | \$ (164,424)             | -94.9%                    |
| Restricted assets          | 193,976             | 120,519             | 73,457                   | 61.0%                     |
| Capital assets             | 877                 | 1,863               | (986)                    | -52.9%                    |
| Total Assets               | <u>203,741</u>      | <u>295,694</u>      | <u>(91,953)</u>          | -31.1%                    |
| Current liabilities        | <u>485,800</u>      | <u>547,214</u>      | <u>(61,414)</u>          | -11.2%                    |
| Total Liabilities          | <u>485,800</u>      | <u>547,214</u>      | <u>(61,414)</u>          | -11.2%                    |
| Net Assets                 |                     |                     |                          |                           |
| Invested in capital assets | 877                 | 1,863               | (986)                    | -52.9%                    |
| Restricted net assets      | 249,463             | 120,519             | 128,944                  | 107.0%                    |
| Unrestricted               | <u>(532,399)</u>    | <u>(373,902)</u>    | <u>(158,497)</u>         | 42.4%                     |
| Total Net Assets           | <u>\$ (282,059)</u> | <u>\$ (251,520)</u> | <u>\$ (30,539)</u>       | 12.1%                     |

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.

As can be seen in the table on the following page total revenues and contributions decreased by \$4,528 due to decreases in HUD operating grants and interest income, which were partially offset by an increase in other income. HUD revenue will often vary from year to year since it is dependent on the federal budget (operating subsidy) and availability and/or use of grant revenues. Interest income decreased due to falling interest rates.

**Fayette County Housing Authority**  
**(Unaudited)**  
**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30,**

|                                | <u>2012</u>         | <u>2011</u>         | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|--------------------------------|---------------------|---------------------|--------------------------|---------------------------|
| <b>Revenues</b>                |                     |                     |                          |                           |
| Operating - non-operating:     |                     |                     |                          |                           |
| HUD operating grants           | \$ 1,401,287        | \$ 1,407,959        | \$ (6,672)               | -0.5%                     |
| Interest income                | 103                 | 221                 | (118)                    | -53.4%                    |
| Other income                   | <u>12,371</u>       | <u>10,109</u>       | <u>2,262</u>             | <u>22.4%</u>              |
| Total Revenues                 | <u>1,413,761</u>    | <u>1,418,289</u>    | <u>(4,528)</u>           | <u>-0.3%</u>              |
| <b>Expenses</b>                |                     |                     |                          |                           |
| Personal services              | 89,048              | 109,853             | (20,805)                 | -18.9%                    |
| Utilities                      | 3,502               | 2,905               | 597                      | 20.6%                     |
| Operations and maintenance     | 3,631               | 3,851               | (220)                    | -5.7%                     |
| Insurance                      | 4,880               | 3,233               | 1,647                    | 50.9%                     |
| Other supplies and expenses    | 41,952              | 44,223              | (2,271)                  | -5.1%                     |
| Housing assistance payments    | 1,281,975           | 1,159,924           | 122,051                  | 10.5%                     |
| Depreciation                   | <u>986</u>          | <u>1,151</u>        | <u>(165)</u>             | <u>-14.3%</u>             |
| Total Expenses                 | <u>1,425,974</u>    | <u>1,325,140</u>    | <u>100,834</u>           | <u>7.6%</u>               |
| Change in net assets           | (12,213)            | 93,149              | (105,362)                |                           |
| Beginning net assets           | (251,520)           | (344,669)           | 93,149                   |                           |
| Prior period adjustments       | <u>(18,326)</u>     | <u>----</u>         | <u>(18,326)</u>          |                           |
| Beginning net assets, adjusted | <u>(269,846)</u>    | <u>(344,669)</u>    | <u>74,823</u>            |                           |
| Ending net assets              | <u>\$ (282,059)</u> | <u>\$ (251,520)</u> | <u>\$ (30,539)</u>       |                           |

Total expenses for the Authority increased by \$100,834 due to increases in housing assistance payments, insurance and utilities, which were partially offset by decreases in personal services, operations and maintenance, other supplies and expenses and depreciation. Housing assistance payments increased due to an increase in the payments made to home owners. Utilities increased due to rising utilities rates. Insurance increased due to rising premiums. Personal services decreased primarily due to the Authority taking the steps to close the office part time during the year in an attempt to save money.

**Fayette County Housing Authority  
(Unaudited)  
Management's Discussion and Analysis (MD&A) - Continued**

**CAPITAL ASSETS**

*Capital Assets* - The Fayette County Housing Authority's investment in capital assets, as of September 30, 2012 amounts to \$877 (net of accumulated depreciation).

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
SEPTEMBER 30,**

|   | <u>2012</u>   | <u>2011</u>     | <u>Dollar Change</u> |
|---|---------------|-----------------|----------------------|
| Furniture, equipment and machinery-administration | \$ 17,997     | \$ 41,592       | \$ (23,595)          |
| Accumulated depreciation                          | <u>17,120</u> | <u>39,729</u>   | <u>(22,609)</u>      |
| Total   | <u>\$ 877</u> | <u>\$ 1,863</u> | <u>\$ (986)</u>      |

The total decrease in the Authority's capital assets for the current fiscal year was \$986 or 52.9% in terms of net book value.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2013 Federal budget.

**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 Ms. Amanda Caldwell, Executive Director; Fayette County Housing Authority; 326 Central Avenue; Connersville, Indiana 47331; (765) 825-4668.

SECTION II  
FINANCIAL STATEMENTS  
AND  
NOTES TO FINANCIAL STATEMENTS

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

STATEMENT OF NET ASSETS

September 30, 2012

**ASSETS**

Current Assets:

Receivable - net of allowances:

Accounts

\$ 8,582.00

Prepaid expenses

305.68

Total Current Assets

8,887.68

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents

193,975.80

Total restricted assets

193,975.80

Capital assets:

Other capital assets, net of depreciation

877.33

Total capital assets- net

877.33

Total Noncurrent Assets

194,853.13

Total Assets

\$ 203,740.81

See notes to financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

STATEMENT OF NET ASSETS (CONTINUED)

September 30, 2012

**LIABILITIES**

Current Liabilities:

|                                      |                   |
|--------------------------------------|-------------------|
| Accounts Payable                     | \$ 481,367.12     |
| Accrued salaries, wages and benefits | 2,591.94          |
| Accrued compensated absences         | <u>1,841.07</u>   |
| Total Current Liabilities            | <u>485,800.13</u> |
| Total Liabilities                    | <u>485,800.13</u> |

**NET ASSETS**

|   |                      |
|---|----------------------|
| Invested in capital assets, net of related debt | 877.33               |
| Restricted for:                                 |                      |
| HAP   | 249,462.37           |
| Unrestricted                                    | <u>(532,399.02)</u>  |
| Total Net Assets                                | <u>(282,059.32)</u>  |
| Total Liabilities and Net Assets                | <u>\$ 203,740.81</u> |

See notes to financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended September 30, 2012

**Operating Revenues:**

|                                 |                     |
|---------------------------------|---------------------|
| Operating subsidies- HUD grants | \$ 1,401,287.00     |
| Other revenues                  | <u>12,371.33</u>    |
| Total operating revenues        | <u>1,413,658.33</u> |

**Operating Expenses:**

|                             |                     |
|-----------------------------|---------------------|
| Personal services           | 89,047.99           |
| Utilities                   | 3,502.44            |
| Operations and maintenance  | 3,630.63            |
| Insurance                   | 4,880.49            |
| Other supplies and expenses | 41,952.02           |
| Housing assistance payments | 1,281,975.00        |
| Depreciation                | <u>985.55</u>       |
| Total operating expenses    | <u>1,425,974.12</u> |

|                         |                    |
|-------------------------|--------------------|
| Operating income (loss) | <u>(12,315.79)</u> |
|-------------------------|--------------------|

**Non-operating revenues (expenses):**

|                                       |               |
|---------------------------------------|---------------|
| Interest and investment earnings      | <u>102.72</u> |
| Net non-operating revenues (expenses) | <u>102.72</u> |

|                      |             |
|----------------------|-------------|
| Change in net assets | (12,213.07) |
|----------------------|-------------|

|                                 |                    |
|---------------------------------|--------------------|
| Net assets at beginning of year | (251,519.90)       |
| Prior period error corrections  | <u>(18,326.35)</u> |

|  |                     |
|--|---------------------|
| Net assets adjusted at beginning of year | <u>(269,846.25)</u> |
|--|---------------------|

|                           |                        |
|---------------------------|------------------------|
| Net assets at end of year | <u>\$ (282,059.32)</u> |
|---------------------------|------------------------|

See notes to financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connorsville, Indiana

**STATEMENT OF CASH FLOWS**

For Year Ended September 30, 2012

|   |                              |
|---|------------------------------|
| <b>Cash flows from operating activities:</b>  |                              |
| Cash received from tenants  | \$ (67,259.76)               |
| Cash received from HUD grants- operating  | 1,317,018.65                 |
| Cash received from other operating activities   | 161,641.86                   |
| Cash payments for goods and services  | (1,333,170.30)               |
| Cash payments to employees-salaries   | (83,105.72)                  |
| Cash payments for employee benefit contributions  | <u>(6,181.00)</u>            |
| Net cash provided (used) by operating activities  | <u>(11,056.27)</u>           |
| <b>Cash flows from investing activities:</b>  |                              |
| Interest and dividends  | <u>102.72</u>                |
| Net cash provided (used) from investing activities  | <u>102.72</u>                |
| Net increase (decrease) in cash and cash equivalents  | (10,953.55)                  |
| Cash and cash equivalents at beginning of year  | <u>204,929.35</u>            |
| Cash and cash equivalents at end of year  | \$ <u><u>193,975.80</u></u>  |
| Cash and cash equivalents   | \$ -----                     |
| Restricted cash and cash equivalents  | <u>193,975.80</u>            |
| Total cash and cash equivalents at end of year  | \$ <u><u>193,975.80</u></u>  |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                              |
| Operating income (loss)   | \$ (12,315.79)               |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities:        |                              |
| Depreciation expense  | 985.55                       |
| Allowance for doubtful accounts   | (1,545.58)                   |
| Changes in assets and liabilities:  |                              |
| Receivables   | 83,556.35                    |
| Prepaid expenses  | 2,352.16                     |
| Accounts and other payables   | (83,850.23)                  |
| Compensated absences  | 772.66                       |
| Accrued expenses  | <u>(1,011.39)</u>            |
| Net cash provided (used) by operating activities  | \$ <u><u>(11,056.27)</u></u> |

See notes to financial statements



FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1b. Basis of Presentation (Continued)**

Following is a description of the Authority's programs:

| <b>Program</b>          | <b>Brief Description</b>  |
|-------------------------|---|
| Housing Choice Vouchers | Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market. |

**1c. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1d. Assets, Liabilities, and Equity**

**Cash**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

FAYETTE COUNTY HOUSING AUTHORITY

Connerville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity (Continued)**

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Budgets and Budgetary Accounting**

The Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

**Estimates and Assumptions**

The Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

|   |             |
|---|-------------|
| Furniture, equipment and machinery - administration | 3 - 7 years |
|---|-------------|

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2012

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1d. Assets, Liabilities, and Equity (Continued)**

**Restricted Assets**

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Housing Choice Vouchers which is a HUD program.

**Compensated Absences**

The Housing Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Authority had no related debt.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**1e. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

**NOTE 2 - Stewardship, Compliance, and Accountability**

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

**2a. Program Accounting Requirements**

The Authority complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

| <b>Program</b>          | <b>Required By</b>                               |
|-------------------------|--|
| Housing Choice Vouchers | U.S. Department of Housing and Urban Development |

**2b. Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Authority must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Authority are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**NOTE 3 - Detail Notes on Transaction Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3a. Cash**

**Deposits**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it or the Authority will not be able to recover collateral securities in the possession of an outside party. As of September 30, 2012, the Authority's bank balances of \$197,027.60, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Authority's name.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3b. Restricted Assets**

The restricted assets as of September 30, 2012, are as follows:

| Type of Restricted Assets | Cash<br>Including Time<br>Deposits | Investments    | Total                |
|---------------------------|------------------------------------|----------------|----------------------|
| Unspent HAP               | \$ 193,975.80                      | \$ ----        | \$ 193,975.80        |
|                           | <u>\$ 193,975.80</u>               | <u>\$ ----</u> | <u>\$ 193,975.80</u> |

Restricted assets are considered non-current since their utilization in the next operating cycle is neither required nor expected.

**3c. Accounts Receivable**

Receivables detail at September 30, 2012, is as follows:

|                                 |                    |
|---------------------------------|--------------------|
| Fraud recovery                  | \$ 75,841.76       |
| Allowance for doubtful accounts | <u>(67,259.76)</u> |
| Fraud recovery - net            | <u>\$ 8,582.00</u> |

**3d. Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

|   | Balance<br>October 1,<br>2011 | Additions        | (Deductions)          | Balance<br>September 30,<br>2012 |
|---|-------------------------------|------------------|-----------------------|----------------------------------|
| Furniture, equipment and machinery-<br>administration | \$ 41,591.71                  | \$ ----          | \$ (23,594.74)        | \$ 17,996.97                     |
| Accumulated depreciation                              | <u>39,728.83</u>              | <u>\$ 985.55</u> | <u>\$ (23,594.74)</u> | <u>17,119.64</u>                 |
| Total   | <u>\$ 1,862.88</u>            |                  |                       | <u>\$ 877.33</u>                 |

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3e. Accounts Payable**

Payable detail at September 30, 2012, is as follows:

|                                    |    |                          |
|------------------------------------|----|--------------------------|
| Accounts payable - vendors         | \$ | 418.12                   |
| Accounts payable - HUD PHA program |    | <u>480,949.00</u>        |
|                                    | \$ | <u><u>481,367.12</u></u> |

**3f. Compensated Absences**

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at September 30, 2012 is \$1,841.07.

**NOTE 4 - Going Concern**

The Housing Authority has accumulated a large deficit in its net assets and has an amount of \$480,949.00 owed to HUD. The Housing Authority does not have a plan in writing to begin to liquidate the liability and reduce the deficit. The Housing Authority does plan to increase lease up thereby increasing income. The Housing Authority intends to provide benefits (healthcare, retirement, etc), if the income increases. If a 'profit' is still shown once these benefits have been provided, that profit may then be used by the Housing Authority to reduce the debt owed to HUD. Payments made to HUD from October 2000 through September 30, 2007 had been made in the form of HUD's offset towards the PHA account under an unwritten understanding. Subsequent offsets will most likely not be made due to Fayette County Housing Authority's lack of available funding. If offsets were made to recover the debt, Fayette County Housing Authority would be unable to operate and pay HAP payments. The financial statements do not include any adjustments that may be necessary should the PHA be unable to continue as a going concern.

The Housing Authority's unrestricted net assets (equity) is a deficit of \$532,399.02. Coupled with the Housing Authority's investment in capital assets and restricted net assets the Housing Authority has a total net asset (equity) deficit of \$282,059.32.

**NOTE 5 - Other Notes**

**5a. Employee Retirement Plan**

The Authority does not provide a retirement plan for it's employees.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2012

**NOTE 5 - Other Notes (Continued)**

**5b. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Authority manages these various risks of loss as follows:

| <b>Type of Loss</b>                                 | <b>Method Managed</b>   |
|---|---|
| a. Torts, errors and omissions                      | Purchased insurance with Auto Owners Insurance Company.   |
| b. Injuries to employees<br>(workers' compensation) | Purchased insurance with Auto Owners Insurance Company. Claims are administered by First Financial Insurance Company. |
| c. Physical property loss and<br>natural disasters  | Purchased commercial insurance with \$250 deductibles.  |

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**5c. Economic Dependency**

The Fayette County Housing Authority receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Authority receives could be reduced significantly and have an adverse impact on its operations.

**5d. Contingencies**

**Contingencies**

The Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

The Authority has not signed a repayment agreement with the U.S. Department of Housing and Urban Development. The ultimate amount of an executed repayment agreement, if any, cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended September 30, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| <u>Fiscal<br/>Year</u> | <u>Federal Grantor</u>           | <u>Federal<br/>CFDA No.</u> | <u>Expenditures</u>    |
|------------------------|----------------------------------|-----------------------------|------------------------|
|                        | <u>U.S. Department of HUD</u>    |                             |                        |
|                        | <u>Low Income Public Housing</u> |                             |                        |
|                        | <u>Major - Direct Program</u>    |                             |                        |
| 2012                   | Housing Choice Vouchers          | 14.871                      | \$ <u>1,401,287.00</u> |
|                        | <b>Total</b>                     |                             | \$ <u>1,401,287.00</u> |

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1 - Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

EXHIBIT A  
FINANCIAL DATE SCHEDULE

Housing Authority of the County of Fayette (IN073)  
Connersville, IN

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|  | 14.871 Housing<br>Choice Vouchers | Subtotal  | Total     |
|--|-----------------------------------|-----------|-----------|
| 111 Cash - Unrestricted  |                                   |           |           |
| 112 Cash - Restricted - Modernization and Development          |                                   |           |           |
| 113 Cash - Other Restricted                                    | \$193,976                         | \$193,976 | \$193,976 |
| 114 Cash - Tenant Security Deposits                            |                                   |           |           |
| 115 Cash - Restricted for Payment of Current Liabilities       |                                   |           |           |
| 100 Total Cash   | \$193,976                         | \$193,976 | \$193,976 |
| 121 Accounts Receivable - PHA Projects                         |                                   |           |           |
| 122 Accounts Receivable - HUD Other Projects                   |                                   |           |           |
| 124 Accounts Receivable - Other Government                     |                                   |           |           |
| 125 Accounts Receivable - Miscellaneous                        |                                   |           |           |
| 126 Accounts Receivable - Tenants                              |                                   |           |           |
| 126.1 Allowance for Doubtful Accounts - Tenants                |                                   |           |           |
| 126.2 Allowance for Doubtful Accounts - Other                  |                                   |           |           |
| 127 Notes, Loans, & Mortgages Receivable - Current             |                                   |           |           |
| 128 Fraud Recovery   | \$75,842                          | \$75,842  | \$75,842  |
| 128.1 Allowance for Doubtful Accounts - Fraud                  | -\$67,260                         | -\$67,260 | -\$67,260 |
| 129 Accrued Interest Receivable                                |                                   |           |           |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$8,582                           | \$8,582   | \$8,582   |
| 131 Investments - Unrestricted                                 |                                   |           |           |
| 132 Investments - Restricted                                   |                                   |           |           |
| 135 Investments - Restricted for Payment of Current Liability  |                                   |           |           |
| 142 Prepaid Expenses and Other Assets                          | \$306                             | \$306     | \$306     |
| 143 Inventories  |                                   |           |           |

Housing Authority of the County of Fayette (IN073)  
 Connersville, IN  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|   | 14.871 Housing<br>Choice Vouchers | Subtotal  | Total     |
|---|-----------------------------------|-----------|-----------|
| 143.1 Allowance for Obsolete Inventories                          |                                   |           |           |
| 144 Inter Program Due From  |                                   |           |           |
| 145 Assets Held for Sale  |                                   |           |           |
| 150 Total Current Assets  | \$202,864                         | \$202,864 | \$202,864 |
| 161 Land  |                                   |           |           |
| 162 Buildings   |                                   |           |           |
| 163 Furniture, Equipment & Machinery - Dwellings                  |                                   |           |           |
| 164 Furniture, Equipment & Machinery - Administration             | \$17,997                          | \$17,997  | \$17,997  |
| 165 Leasehold Improvements  |                                   |           |           |
| 166 Accumulated Depreciation                                      | -\$17,120                         | -\$17,120 | -\$17,120 |
| 167 Construction in Progress                                      |                                   |           |           |
| 168 Infrastructure  |                                   |           |           |
| 160 Total Capital Assets, Net of Accumulated Depreciation         | \$877                             | \$877     | \$877     |
| 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                                      | \$877                             | \$877     | \$877     |
| 190 Total Assets  | \$203,741                         | \$203,741 | \$203,741 |
| 311 Bank Overdraft  |                                   |           |           |
| 312 Accounts Payable <= 90 Days                                   | \$419                             | \$419     | \$419     |

Housing Authority of the County of Fayette (IN073)  
Connersville, IN

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|  | 14,871 Housing<br>Choice Vouchers | Subtotal  | Total     |
|--|-----------------------------------|-----------|-----------|
| 313 Accounts Payable >90 Days Past Due                                 |                                   |           |           |
| 321 Accrued Wage/Payroll Taxes Payable                                 | \$2,592                           | \$2,592   | \$2,592   |
| 322 Accrued Compensated Absences - Current Portion                     | \$1,841                           | \$1,841   | \$1,841   |
| 324 Accrued Contingency Liability                                      |                                   |           |           |
| 325 Accrued Interest Payable   |                                   |           |           |
| 331 Accounts Payable - HUD PHA Programs                                | \$480,949                         | \$480,949 | \$480,949 |
| 332 Account Payable - PHA Projects                                     |                                   |           |           |
| 333 Accounts Payable - Other Government                                |                                   |           |           |
| 341 Tenant Security Deposits   |                                   |           |           |
| 342 Deferred Revenues  |                                   |           |           |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage      |                                   |           |           |
| 344 Current Portion of Long-term Debt - Operating Borrowings           |                                   |           |           |
| 345 Other Current Liabilities  |                                   |           |           |
| 346 Accrued Liabilities - Other  |                                   |           |           |
| 347 Inter Program - Due To   |                                   |           |           |
| 348 Loan Liability - Current   |                                   |           |           |
| 310 Total Current Liabilities  | \$485,801                         | \$485,801 | \$485,801 |
| 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                                    |                                   |           |           |
| 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       |

Housing Authority of the County of Fayette (IN073)  
 Connersville, IN

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|   | 14.871 Housing<br>Choice Vouchers | Subtotal   | Total      |
|---|-----------------------------------|------------|------------|
| 300 Total Liabilities                                 | \$485,801                         | \$485,801  | \$485,801  |
| 508.1 Invested In Capital Assets, Net of Related Debt | \$877                             | \$877      | \$877      |
| 511.1 Restricted Net Assets                           | \$249,462                         | \$249,462  | \$249,462  |
| 512.1 Unrestricted Net Assets                         | -\$532,399                        | -\$532,399 | -\$532,399 |
| 513 Total Equity/Net Assets                           | -\$282,060                        | -\$282,060 | -\$282,060 |
| 600 Total Liabilities and Equity/Net Assets           | \$203,741                         | \$203,741  | \$203,741  |

Housing Authority of the County of Fayette (IN073)  
 Connersville, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|   | 14,871 Housing<br>Choice Vouchers | Subtotal    | Total       |
|---|-----------------------------------|-------------|-------------|
| 70300 Net Tenant Rental Revenue                         |                                   |             |             |
| 70400 Tenant Revenue - Other                            |                                   |             |             |
| 70500 Total Tenant Revenue                              | \$0                               | \$0         | \$0         |
| 70600 HUD PHA Operating Grants                          | \$1,401,287                       | \$1,401,287 | \$1,401,287 |
| 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                                 |                                   |             |             |
| 70800 Other Government Grants                           |                                   |             |             |
| 71100 Investment Income - Unrestricted                  | \$1                               | \$1         | \$1         |
| 71200 Mortgage Interest Income                          |                                   |             |             |
| 71300 Proceeds from Disposition of Assets Held for Sale |                                   |             |             |
| 71310 Cost of Sale of Assets                            |                                   |             |             |
| 71400 Fraud Recovery                                    | \$12,370                          | \$12,370    | \$12,370    |
| 71500 Other Revenue                                     | \$1                               | \$1         | \$1         |
| 71600 Gain or Loss on Sale of Capital Assets            |                                   |             |             |
| 72000 Investment Income - Restricted                    | \$102                             | \$102       | \$102       |
| 70000 Total Revenue                                     | \$1,413,761                       | \$1,413,761 | \$1,413,761 |
| 91100 Administrative Salaries                           | \$82,094                          | \$82,094    | \$82,094    |

Housing Authority of the County of Fayette (IN073)  
Connersville, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|  | 14,871 Housing<br>Choice Vouchers | Subtotal  | Total     |
|--|-----------------------------------|-----------|-----------|
| 91200 Auditing Fees                                    | \$9,350                           | \$9,350   | \$9,350   |
| 91300 Management Fee                                   |                                   |           |           |
| 91310 Book-keeping Fee                                 |                                   |           |           |
| 91400 Advertising and Marketing                        |                                   |           |           |
| 91500 Employee Benefit contributions - Administrative  | \$6,181                           | \$6,181   | \$6,181   |
| 91600 Office Expenses                                  | \$20,401                          | \$20,401  | \$20,401  |
| 91700 Legal Expense                                    | \$1,470                           | \$1,470   | \$1,470   |
| 91800 Travel   | \$683                             | \$683     | \$683     |
| 91810 Allocated Overhead                               |                                   |           |           |
| 91900 Other  | \$10,048                          | \$10,048  | \$10,048  |
| 91000 Total Operating - Administrative                 | \$130,227                         | \$130,227 | \$130,227 |
| 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       |
| 93100 Water  | \$477                             | \$477     | \$477     |
| 93200 Electricity                                      | \$1,723                           | \$1,723   | \$1,723   |
| 93300 Gas  | \$1,302                           | \$1,302   | \$1,302   |
| 93400 Fuel   |                                   |           |           |
| 93500 Labor  |                                   |           |           |
| 93600 Sewer  |                                   |           |           |
| 93700 Employee Benefit Contributions - Utilities       |                                   |           |           |

Housing Authority of the County of Fayette (IN073)  
Connersville, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|   | 14,871 Housing<br>Choice Vouchers | Subtotal | Total   |
|---|-----------------------------------|----------|---------|
| 93800 Other Utilities Expense                                   |                                   |          |         |
| 93000 Total Utilities   | \$3,502                           | \$3,502  | \$3,502 |
| 94100 Ordinary Maintenance and Operations - Labor               |                                   |          |         |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$3,631                           | \$3,631  | \$3,631 |
| 94300 Ordinary Maintenance and Operations Contracts             |                                   |          |         |
| 94500 Employee Benefit Contributions - Ordinary Maintenance     |                                   |          |         |
| 94000 Total Maintenance   | \$3,631                           | \$3,631  | \$3,631 |
| 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     |
| 96110 Property Insurance  |                                   |          |         |
| 96120 Liability Insurance                                       | \$3,488                           | \$3,488  | \$3,488 |
| 96130 Workmen's Compensation                                    | \$1,226                           | \$1,226  | \$1,226 |
| 96140 All Other Insurance                                       | \$166                             | \$166    | \$166   |
| 96100 Total insurance Premiums                                  | \$4,880                           | \$4,880  | \$4,880 |
| 96200 Other General Expenses                                    |                                   |          |         |
| 96210 Compensated Absences                                      | \$773                             | \$773    | \$773   |
| 96300 Payments in Lieu of Taxes                                 |                                   |          |         |
| 96400 Bad debt - Tenant Rents                                   |                                   |          |         |
| 96500 Bad debt - Mortgages                                      |                                   |          |         |

Housing Authority of the County of Fayette (IN073)  
Connersville, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|   | 14.871 Housing<br>Choice Vouchers | Subtotal    | Total       |
|---|-----------------------------------|-------------|-------------|
| 96600 Bad debt - Other                                    |                                   |             |             |
| 96800 Severance Expense                                   |                                   |             |             |
| 96000 Total Other General Expenses                        | \$773                             | \$773       | \$773       |
| 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         |
| 96900 Total Operating Expenses                            | \$143,013                         | \$143,013   | \$143,013   |
| 97000 Excess of Operating Revenue over Operating Expenses | \$1,270,748                       | \$1,270,748 | \$1,270,748 |
| 97100 Extraordinary Maintenance                           |                                   |             |             |
| 97200 Casualty Losses - Non-capitalized                   |                                   |             |             |
| 97300 Housing Assistance Payments                         | \$1,281,975                       | \$1,281,975 | \$1,281,975 |
| 97350 HAP Portability-In                                  |                                   |             |             |
| 97400 Depreciation Expense                                | \$986                             | \$986       | \$986       |
| 97500 Fraud Losses  |                                   |             |             |
| 97600 Capital Outlays - Governmental Funds                |                                   |             |             |
| 97700 Debt Principal Payment - Governmental Funds         |                                   |             |             |
| 97800 Dwelling Units Rent Expense                         |                                   |             |             |
| 90000 Total Expenses                                      | \$1,425,974                       | \$1,425,974 | \$1,425,974 |
| 10010 Operating Transfer In                               |                                   |             |             |
| 10020 Operating transfer Out                              |                                   |             |             |

Housing Authority of the County of Fayette (IN073)  
Connersville, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|  | 14,871 Housing<br>Choice Vouchers | Subtotal   | Total      |
|--|-----------------------------------|------------|------------|
| 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)                         | \$0                               | \$0        | \$0        |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total      | -\$12,213                         | -\$12,213  | -\$12,213  |
| 11020 Required Annual Debt Principal Payments                      | \$0                               | \$0        | \$0        |
| 11030 Beginning Equity   | -\$251,520                        | -\$251,520 | -\$251,520 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of | -\$18,327                         | -\$18,327  | -\$18,327  |
| 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                                    | -\$531,522                        | -\$531,522 | -\$531,522 |
| 11180 Housing Assistance Payments Equity                           | \$249,462                         | \$249,462  | \$249,462  |
| 11190 Unit Months Available  | 4512                              | 4512       | 4512       |

Housing Authority of the County of Fayette (IN073)  
 Connersville, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

|  | 14.871 Housing<br>Choice Vouchers | Subtotal | Total |
|--|-----------------------------------|----------|-------|
| 11210 Number of Unit Months Leased                     | 3938                              | 3938     | 3938  |
| 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                 |                                   |          |       |

SECTION III  
REPORTS ON COMPLIANCE  
AND  
ON INTERNAL CONTROL

**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  
Fayette County Housing Authority  
Connersville, Indiana

We have audited the financial statements of the Fayette County Housing Authority, Indiana, (Authority) as of and for the year ended September 30, 2012, and have issued our report thereon dated May 22, 2013. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

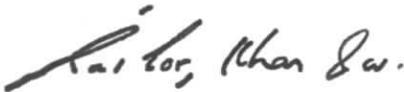
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. The deficiency is shown on page 7. *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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs. The deficiency is shown on page 7.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and uses of management, the Board of Commissioners, others within the Authority, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC  
May 22, 2013

**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  
Fayette County Housing Authority  
Connersville, Indiana

**Compliance**

We have audited the Fayette County Housing Authority, Indiana, (Authority) 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 Authority's major federal programs for the year ended September 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority 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 September 30, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs shown on page 8.

**Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Authority'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 our 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, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs shown on page 8. *A significant deficiency in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Authority's written response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Fayette County Housing Authority, Indiana's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC  
May 22, 2013

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

**SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS**

September 30, 2012

The prior audit report for the year ended September 30, 2011 contained one significant deficiency:

**Finding:** Excess Deficit  
**Status:** Not implemented - see current findings #1 and #2

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2012

**SECTION I - SUMMARY OF AUDITOR RESULTS**

Financial Statement:

|  |             |
|--|-------------|
| Type of auditor's report issued:   | Unqualified |
| Internal control over financial reporting:   |             |
| ▶ Material weakness(es) identified?  | No          |
| ▶ Significant deficiency (ies) identified that are not considered to be material weaknesses? | Yes         |
| Noncompliance material to financial statements noted?  | No          |
| Is a "going concern" explanatory paragraph included in audit report?                         | Yes         |

Federal Awards:

|  |             |
|--|-------------|
| Internal control over major programs:  |             |
| ▶ Material weakness(es) identified?  | No          |
| ▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?                       | Yes         |
| Type of auditor's report issued on compliance for major programs:  | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133? | Yes         |
| Identification of major programs:  |             |

**CFDA**

**Number(s)   Name of Federal Program**

14-871   Section 8 Housing Choice Vouchers

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee?                                   | Yes       |

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

September 30, 2012

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The current audit report for the year ended September 30, 2012 disclosed the following Financial Statement audit finding:

1. Excess Deficit

Criteria:

We noted that a large deficit in net assets continues to exist from prior years.

Condition:

Under the terms of the annual contributions contract, each project shall be developed and administered to promote efficiency, economy, and stability.

Questioned Costs:

None.

Effect:

The PHA has accumulated a large deficit in its net assets.

Cause:

The PHA over-requisitioned funds annually in an effort to cover prior year deficits in the years prior to fiscal year ended September 30, 2002.

Recommendation:

We recommend the current administration monitor its expenses carefully. Reduction in excess deficit reserve largely depends upon PHA's efforts to increase its units leased to the maximum, thus increasing its income and ensuring that expenses are incurred to the extent of routine PHA operations. In addition, any amounts recovered from the former employee or the related corporation should be used towards the repayment of amount owed to HUD.

Management's Response/Action Plan:

The Authority is currently leased to capacity based off the HAP funding for this agency. Expenses are monitored and kept to a minimum. Any funds received from the prior administration and/or related corporations have and will continue to be used as repayment.

Person Responsible - Amanda Caldwell, Executive Director and FCHA Board.

Date of Completion - ongoing.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

September 30, 2012

**SECTION III - FEDERAL AWARD FINDINGS**

The current audit report for the year ended September 30, 2012 disclosed the following Federal Awards audit finding:

2. Excess Deficit (same as financial statement finding #1)

Federal Award Finding

14.871 Housing Choice Vouchers

Criteria:

We noted that a large deficit in net assets continues to exist from prior years.

Condition:

Under the terms of the annual contributions contract, each project shall be developed and administered to promote efficiency, economy, and stability.

Questioned Costs:

None.

Effect:

The PHA has accumulated a large deficit in its net assets.

Cause:

The PHA over-requisitioned funds annually in an effort to cover prior year deficits in the years prior to fiscal year ended September 30, 2002.

Recommendation:

We recommend the current administration monitor its expenses carefully. Reduction in excess deficit reserve largely depends upon PHA's efforts to increase its units leased to the maximum, thus increasing its income and ensuring that expenses are incurred to the extent of routine PHA operations. In addition, any amounts recovered from the former employee or the related corporation should be used towards the repayment of amount owed to HUD.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

September 30, 2012

**SECTION III - FEDERAL AWARD FINDINGS**

2. Excess Deficit (same as financial statement finding #1) (Continued)

Management's Response/Action Plan:

The Authority is currently leased to capacity based off the HAP funding for this agency. Expenses are monitored and kept to a minimum. Any funds received from the prior administration and/or related corporations have and will continue to be used as repayment.

Person Responsible - Amanda Caldwell, Executive Director and FCHA Board.

Date of Completion - ongoing.