



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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May 30, 2014

Board of Directors
Rockville Housing Authority
P.O. Box 88
105 W. High Street
Rockville, IN 47872

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2009 to September 30, 2010. 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 Rockville Housing Authority, as of September 30, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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 TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2010

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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Independent Auditor's Report

Board of Directors
Housing Authority of the Town of Rockville
Rockville, Indiana

I have audited the accompanying financial statements of Housing Authority of the Town of Rockville, as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic 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 General 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 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 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.

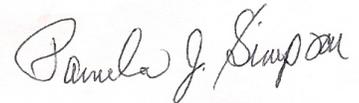
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the Town of Rockville, as of September 30, 2010 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 2, 2011, on my consideration of the Housing Authority of the Town of Rockville's internal control over financial reporting and my 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 my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

The Management's Discussion and Analysis on pages 3 through 6, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Housing Authority of the Town of Rockville, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Housing Authority of the Town of Rockville. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority of the Town of Rockville. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
June 2, 2011

Handwritten signature of Pamela J. Simpson in black ink.

Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

As management of the Housing Authority of the City of Rockville, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended (FYE) September 30, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$193,508 (net assets).

The Authority's cash balance at September 30, 2010, was \$143,611 representing a decrease of \$40,159 from September 30, 2009.

The Authority had operating revenues of \$496,798, Department of Housing and Urban Development (HUD) grants of \$496,732, and interest income of \$66 for the year ended September 30, 2010.

As of September 30, 2010, the Authority's investment in capital assets was \$2,908 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
-
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

**HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

FUTURE EVENTS (NEW BUSINESS)

The Authority no longer submits an estimated operating budget. HUD will determine total operating revenues for the Housing Choice Voucher Program.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets

Total Current Assets for FYE 2010 were \$191,537, and at FYE 2009, the amount was \$236,333. This represents a decrease of \$44,796.

Net Capital Assets decreased \$480 from \$3,398 at FYE 2009 to \$2,908 at FYE 2010.

Revenues decreased by \$34,366. At FYE 2010 and FYE 2009, total revenues were \$496,798 and \$531,164 respectively.

Total Expenses increased by \$52,733. Total expenses were \$543,011 in FYE 2010 and \$490,278 in FYE 2009.

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>Percentage Change</u>
Cash	143,611	183,770	(40,159)	-22%
Other Current Assets	47,926	52,563	(4,637)	-9%
Capital Assets	2,908	3,388	(480)	-14%
Total Assets	<u>194,445</u>	<u>239,721</u>	<u>(45,276)</u>	<u>-19%</u>
Current Liabilities	937	0	937	100%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	<u>937</u>	<u>0</u>	<u>937</u>	<u>100%</u>
Net Invested in Capital Assets	2,908	3,388	(480)	-14%
Restricted Net Assets	72,583	101,689	(29,106)	-29%
Unrestricted Net Assets	118,017	134,644	(16,627)	-12%
Total Net Assets	<u><u>193,508</u></u>	<u><u>239,721</u></u>	<u><u>(46,213)</u></u>	<u><u>-19%</u></u>

**HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2009 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Section 8 Vouchers	\$496,790
Business Activities	\$ 8

Total revenues for Fiscal Year Ending September 30, 2010 were \$497,558 as compared to the total revenues for Fiscal Year Ending September 30, 2009 of \$531,164. Comparatively, Fiscal Year Ending 2009 revenues exceeded Fiscal Year Ending 2010 by \$34,366.

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>Percentage Change</u>
HUD Operating Grants	496,732	531,050	(34,318)	-7%
Investment Income	66	114	(48)	-42%
Total Revenue	<u>496,798</u>	<u>531,164</u>	<u>(34,366)</u>	<u>-7%</u>

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending September 30, 2010 were \$543,011 as compared to \$490,278 of total expenditures for Fiscal Year Ending September 30, 2009. Comparatively, Fiscal Year Ending 2010 expenditures exceeded Fiscal Year Ending 2009 expenditures by \$52,663. Changes by major expense category will be presented below.

Administrative expenditures increased by \$2,450 or 4%.

Housing Assistance Payments increased by \$50,085 or 12%.

The table below illustrates our analysis:

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	69,772	67,322	2,450	4%
General Expense	1,632	1,573	59	4%
Housing Assistance Payments	471,057	420,972	50,085	12%
Depreciation Expense	550	411	139	34%
Total Expenses	<u>543,011</u>	<u>490,278</u>	<u>52,733</u>	<u>11%</u>

**HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010**

Analysis of Capital Asset Activity

Equipment & Furniture decreased \$129 due to a \$199 disposal and a \$70 addition.

Accumulated Depreciation increased by \$351 or 2%. This is the amount of current year depreciation expense netted against dispositions.

	2010	2009	Variance	Percentage Change
Furniture and Equipment	18,705	18,834	-129	-1%
Total Fixed Assets	18,705	18,834	-129	-1%
Accumulated Depreciation	15,797	15,446	351	2%
Net Fixed Assets	2,908	3,388	-480	-14%

Outstanding Debt Activity

The current liabilities for Fiscal Year Ending September 30, 2010 were \$937 and \$0 for Fiscal Year Ending September 30, 2009.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AT SEPTEMBER 30, 2010**

ASSETS

CURRENT ASSETS

Cash \$ 118,954

Total Current Assets \$ 118,954

RESTRICTED ASSETS

Cash \$ 24,657

Investments 47,926

Total Restricted Assets \$ 72,583

CAPITAL ASSETS

Land, buildings and equipment \$ 18,705

Less: Accumulated depreciation -15,797

Net Capital Assets \$ 2,908

Total Assets \$ 194,445

LIABILITIES

Accounts payable \$ 937

Total Liabilities \$ 937

NET ASSETS

Invested in capital assets \$ 2,908

Restricted net assets 72,583

Unrestricted net assets 118,017

Total Net Assets \$ 193,508

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

Operating Income

HUD grants - operating	\$ <u>496,732</u>
Total Operating Income	\$ <u>496,732</u>

Operating Expenses

Administration	\$ 69,772
General expense	1,632
Housing assistance payments	471,057
Depreciation	<u>550</u>
Total Operating Expenses	\$ <u>543,011</u>
Net Operating Income (Loss)	\$ -46,279

Nonoperating Income (Expense)

Interest income	<u>66</u>
Changes in net assets	\$ -46,213
Net assets, beginning of year	<u>239,721</u>
Net assets, end of year	<u>\$ 193,508</u>

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

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

Operating Activities

Operating grants	\$ 501,417
Housing assistance payments	-471,057
Payments to employees	-41,602
Payments to suppliers and contractors	<u>-28,865</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -40,107</u>

Investing Activities

Investments (purchased) redeemed	\$ -48
Interest income	<u>66</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 18</u>

Capital and Related Financing Activities

Additions (deletions) to fixed assets	<u>\$ -70</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -70</u>
Net Change in Cash	\$ -40,159
Cash Balance at September 30, 2009	<u>183,770</u>
Cash Balance at September 30, 2010	<u><u>\$ 143,611</u></u>

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

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

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

Net operating income (loss)	\$ -46,279
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	550
(Increase) decrease in accounts receivable	4,685
Increase (decrease) in accounts payable	<u>937</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -40,107</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the Town of Rockville was established by the Town of Rockville 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 Town of Rockville and concluded that the Town of Rockville 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 Town government. Debt incurred by the Authority is not an obligation of the Town; the Town 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 Town of Rockville 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.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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.

(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

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 (no formal policy adopted), the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of six (6) months or less when purchased to be cash equivalents.

(f) Investments -

Investments are stated at cost which approximates market.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(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) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Equipment	5 years
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(h) 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 TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(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 an internal budget annually.

(l) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

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.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 2 - Cash and Investments

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	\$ 62,403	\$ 68,403
Business Activities	<u>81,208</u>	<u>81,208</u>
Total	<u>\$ 143,611</u>	<u>\$ 149,611</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(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	\$ <u>47,926</u>	\$ <u>47,926</u>

Note 3 - Compensated Absences

All full-time personnel will earn vacation days at the rate of one week after the first year of employment, two weeks after the second year of employment and three weeks after the third year of employment. Maximum accumulation of vacation leave is three weeks. Upon termination of employment, an employee shall be compensated for the unused portion of earned vacation which the employee is eligible to use and earned vacation in the year of termination which has not been used. Compensation for unused vacation earned during the year of termination will be on a prorated basis. One paid sick day per month will be allowed. No payments shall be made in lieu of unused sick leave. Sick days which are unused are not carried over from year to year.

The estimated portion of the liability for vested vacation and sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs.

Note 4 - Investments

At September 30, 2010 investments consist of the following:

<u>Voucher</u>	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings	0.10%	\$ <u>47,926</u>	\$ <u>47,926</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 5 - Fixed Assets

Balance as of September 30, 2010	\$ 2,908
Balance as of September 30, 2009	<u>3,388</u>
Net Increase (Decrease)	<u>\$ -480</u>

Reconciliation

Replacement of nonexpendable equipment	\$ 70
Current year depreciation expense	<u>-550</u> *
Net Increase (Decrease)	<u>\$ -480</u>

<u>Analysis</u>	<u>10/01/2009 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2010 Balance</u>
Equipment and furniture	\$ <u>18,834</u>	\$ <u>70</u>	\$ <u>199</u>	\$ <u>18,705</u>
Accumulated depreciation	<u>-15,446</u>	<u>-550</u>	<u>-199</u> *	<u>-15,797</u>
Net Capital Assets	<u>\$ 3,388</u>	<u>\$ -480</u>	<u>\$ 0</u>	<u>\$ 2,908</u>

*Current year depreciation expense recognized.

Note 6- Accounts Payable

This classification includes the following accounts:

Accounts payable - HUD	<u>\$ 937</u>
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Note 7 - 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.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 8 - 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 9 - 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 10 - Economic Dependency

The Housing Authority received most of its revenue (99.9%) 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 TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

<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 Voucher Program*	14.871	C-2043V	FYE 09/30/10	\$ <u>496,732</u>	\$ <u>496,732</u>	\$ <u>496,732</u>
Total Housing Assistance				\$ <u>496,732</u>	\$ <u>496,732</u>	\$ <u>496,732</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 Town of Rockville
Rockville, Indiana

I have audited the financial statements of Housing Authority of the Town of Rockville as of and for the year ended September 30, 2010, and have issued my report thereon dated June 2, 2011. 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 Housing Authority of the Town of Rockville'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 Housing Authority of the Town of Rockville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the Town of Rockville'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 Housing Authority of the Town of Rockville'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*.

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
June 2, 2011

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2009 contained no findings.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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? _____ yes X_____ no

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

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) of OMB Circular A-133? _____ yes X_____ 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? X_____ yes _____ no

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings were discussed with Judith Holaday, Executive Director, during the course of the audit and at an exit conference held June 2, 2011.

Section III - Federal Awards Findings

There were no audit findings were discussed with Judith Holaday, Executive Director, during the course of the audit and at an exit conference held June 2, 2011.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
HUD grant - admin	3402	\$ 760.00		2806
Accounts payable - HUD	2118		\$ 760.00	2118
(To record admin fee due HUD for August and September 2010)				
(2)				
Accumulated depreciation	1400.5	\$ 199.00		1400.5
Land, structures and equipment	1400.4		\$ 199.00	1400.4
(To record disposal of TOWA calculator)				
(3)				
Land, structures and equipment	1400.4	\$ 69.99		1400.4
Office expense	4190		\$ 69.99	2806
(To record purchase of Sharp calculator 5-1-10, check #37507)				
<u>Business Activities</u>				
(1)				
Depreciation expense	4800	\$ 139.74		2806
Accumulated depreciation	1400.5		\$ 139.74	1400.5
(To take a full year depreciation on computer)				

Rockville Housing Authority (IN048)
Rockville, IN
Entity Wide Balance Sheet Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$37,746	\$81,208	\$118,954	\$118,954
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$24,657		\$24,657	\$24,657
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$62,403	\$81,208	\$143,611	\$143,611
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	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$0
131 Investments - Unrestricted				
132 Investments - Restricted	\$47,926		\$47,926	\$47,926
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets				
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$110,329	\$81,208	\$191,537	\$191,537
161 Land				
162 Buildings				
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$14,261	\$4,444	\$18,705	\$18,705
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$12,531	-\$3,266	-\$15,797	-\$15,797
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,730	\$1,178	\$2,908	\$2,908
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	\$1,730	\$1,178	\$2,908	\$2,908
190 Total Assets	\$112,059	\$82,386	\$194,445	\$194,445

Entity Wide Balance Sheet Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days				
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable				
322 Accrued Compensated Absences - Current Portion				
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs	\$937		\$937	\$937
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	\$937	\$0	\$937	\$937
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	\$0
300 Total Liabilities	\$937	\$0	\$937	\$937
508.1 Invested In Capital Assets, Net of Related Debt	\$1,730	\$1,178	\$2,908	\$2,908
509.2 Fund Balance Reserved				
511.2 Unreserved, Designated Fund Balance				
511.1 Restricted Net Assets	\$72,583		\$72,583	\$72,583
512.1 Unrestricted Net Assets	\$36,809	\$81,208	\$118,017	\$118,017
512.2 Unreserved, Undesignated Fund Balance				
513 Total Equity/Net Assets	\$111,122	\$82,386	\$193,508	\$193,508
600 Total Liabilities and Equity/Net Assets	\$112,059	\$82,386	\$194,445	\$194,445

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue				
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$496,732		\$496,732	\$496,732
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	\$10	\$8	\$18	\$18
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue				
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted	\$48		\$48	\$48
70000 Total Revenue	\$496,790	\$8	\$496,798	\$496,798
91100 Administrative Salaries	\$41,602		\$41,602	\$41,602
91200 Auditing Fees	\$2,605		\$2,605	\$2,605
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$7,303		\$7,303	\$7,303
91600 Office Expenses	\$17,687		\$17,687	\$17,687
91700 Legal Expense				
91800 Travel	\$495		\$495	\$495
91810 Allocated Overhead				
91900 Other		\$80	\$80	\$80
91000 Total Operating - Administrative	\$69,692	\$80	\$69,772	\$69,772
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

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
93100 Water				
93200 Electricity				
93300 Gas				
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$0	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor				
94200 Ordinary Maintenance and Operations - Materials and Other				
94300 Ordinary Maintenance and Operations Contracts				
94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$0	\$0	\$0	\$0
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
96110 Property Insurance				
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance	\$1,632		\$1,632	\$1,632
96100 Total insurance Premiums	\$1,632	\$0	\$1,632	\$1,632
96200 Other General Expenses				
96210 Compensated Absences				
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	\$0	\$0	\$0	\$0

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$71,324	\$80	\$71,404	\$71,404
97000 Excess of Operating Revenue over Operating Expenses	\$425,466	-\$72	\$425,394	\$425,394
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$471,057		\$471,057	\$471,057
97350 HAP Portability-In				
97400 Depreciation Expense	\$191	\$359	\$550	\$550
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$542,572	\$439	\$543,011	\$543,011
10010 Operating Transfer In				
10020 Operating transfer Out				
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$45,782	-\$431	-\$46,213	-\$46,213

Rockville, IN

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$156,904	\$82,817	\$239,721	\$239,721
11040 Prior Period Adjustments, Equity Transfers and Correction of				
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	\$38,539		\$38,539	\$38,539
11180 Housing Assistance Payments Equity	\$72,583		\$72,583	\$72,583
11190 Unit Months Available	1428		1428	1428
11210 Number of Unit Months Leased	1403		1403	1403
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				