



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43553

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

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, 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 Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Rockville 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.

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

STATE BOARD OF ACCOUNTS

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2012

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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Independent Auditor's Report

Board of Directors
Rockville Housing Authority
Rockville, Indiana

I have audited the accompanying financial statements of Rockville Housing 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 Rockville Housing 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 Rockville Housing Authority, as of September 30, 2012 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

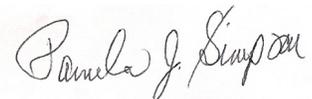
In accordance with *Government Auditing Standards*, I have also issued my report dated June 3, 2013, on my consideration of the Rockville Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

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

Decatur, Illinois
June 3, 2013



Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

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, 2012. 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 \$127,662 (net assets).

The Authority's cash balance at September 30, 2012, was \$124,826 representing a decrease of \$21,004 from September 30, 2011.

The Authority had operating revenues of \$424,260, Department of Housing and Urban Development (HUD) grants of \$424,210, and interest income of \$50 for the year ended September 30, 2012.

As of September 30, 2012, the Authority's investment in capital assets was \$2,105 (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, 2012

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 2012 were \$127,662, and at FYE 2011, the amount was \$196,162. This represents a decrease of \$68,500.

Net Capital Assets decreased \$253 from \$2,358 at FYE 2011 to \$2,105 at FYE 2012.

Revenues decreased by \$88,705. At FYE 2012 and FYE 2011, total revenues were \$424,260 and \$512,965 respectively.

Total Expenses decreased by \$26,631. Total expenses were \$488,220 in FYE 2012 and \$514,851 in FYE 2011.

	<u>2012</u>	<u>2011</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	124,826	145,830	(21,004)	-14%
Other Current Assets	731	47,974	(47,243)	-99%
Capital Assets	2,105	2,358	(253)	-11%
Total Assets	127,662	196,162	(68,500)	-35%
Current Liabilities	0	4,540	(4,540)	-100%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	0	4,540	(4,540)	-100%
Net Invested in Capital Assets	2,105	2,358	(253)	-11%
Restricted Net Assets	30,920	85,957	(55,037)	-64%
Unrestricted Net Assets	94,637	103,307	(8,670)	-8%
Total Net Assets	127,662	191,622	(63,960)	-33%

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2012

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2012 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Section 8 Vouchers	\$424,252
Business Activities	\$ 8

Total revenues for Fiscal Year Ending September 30, 2012 were \$424,260 as compared to the total revenues for Fiscal Year Ending September 30, 2011 of \$512,965. Comparatively, Fiscal Year Ending 2011 revenues exceeded Fiscal Year Ending 2012 revenues by \$88,705.

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage Change</u>
HUD Operating Grants	424,210	512,903	(88,693)	-17%
Investment Income	50	62	(12)	-19%
Total Revenue	424,260	512,965	(88,705)	-17%

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending September 30, 2012 were \$488,220 as compared to \$514,852 of total expenditures for Fiscal Year Ending September 30, 2011. Changes by major expense category will be presented below.

Administrative expenditures decreased by \$2,984 or 5%.

Housing Assistance Payments decreased by \$23,657 or 6%.

The table below illustrates our analysis:

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	60,630	63,614	(2,984)	-5%
General Expense	1,853	1,844	9	1%
Housing Assistance Payments	425,186	448,843	(23,657)	-5%
Depreciation Expense	551	550	1	0%
Total Expenses	488,220	514,851	(26,631)	-5%

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2012

Analysis of Capital Asset Activity

Equipment & Furniture increased by \$298.

Accumulated Depreciation increased by \$551. This is the amount of current year depreciation expense combined with dispositions.

	2012	2011	Variance	Percentage Change
Equipment and Furniture	19,004	18,705	299	2%
Total Fixed Assets	19,004	18,705	299	2%
Accumulated Depreciation	16,899	16,347	552	3%
Net Fixed Assets	2,105	2,358	(253)	-11%

Outstanding Debt Activity

There was no outstanding debt for Year Ending September 30, 2012 or Fiscal Year Ending September 30, 2011.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AT SEPTEMBER 30, 2012**

ASSETS

CURRENT ASSETS

Cash	\$ 93,906
Accounts receivable	<u>731</u>
Total Current Assets	<u>\$ 94,637</u>

RESTRICTED ASSETS

Cash	<u>\$ 30,920</u>
Total Restricted Assets	<u>\$ 30,920</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 19,004
Less: Accumulated depreciation	<u>-16,899</u>
Net Capital Assets	<u>\$ 2,105</u>
Total Assets	<u>\$ 127,662</u>

NET ASSETS

Invested in capital assets	\$ 2,105
Restricted net assets	30,920
Unrestricted net assets	<u>94,637</u>
Total Net Assets	<u><u>\$ 127,662</u></u>

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Operating Income

HUD grants - operating	\$ <u>424,210</u>
Total Operating Income	\$ <u>424,210</u>

Operating Expenses

Administration	\$ 60,630
General expense	1,853
Housing assistance payments	425,186
Depreciation	<u>551</u>
Total Operating Expenses	\$ <u>488,220</u>
Net Operating Income (Loss)	\$ -64,010

Nonoperating Income (Expense)

Interest income	<u>50</u>
Changes in net assets	\$ -63,960
Net assets, beginning of year	<u>191,622</u>
Net assets, end of year	<u>\$ 127,662</u>

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Operating Activities

Operating grants	\$ 423,479
Housing assistance payments	-425,186
Payments to employees	-40,748
Payments to suppliers and contractors	<u>-26,275</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -68,730</u>

Investing Activities

Investments (purchased) redeemed	\$ 47,974
Interest income	<u>50</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 48,024</u>

Capital and Related Financing Activities

Additions (deletions) to fixed assets	<u>\$ -298</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -298</u>
Net Change in Cash	\$ -21,004
Cash Balance at September 30, 2011	<u>145,830</u>
Cash Balance at September 30, 2012	<u><u>\$ 124,826</u></u>

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

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities</u>	
Net operating income (loss)	\$ -64,010
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	551
(Increase) decrease in accounts receivable	-731
Increase (decrease) in accounts payable	<u>-4,540</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -68,730</u>

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

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Rockville Housing Authority 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 Rockville Housing Authority 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.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(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.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(f) 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 has no formal capitalization policy.

(g) 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."

(h) Income Tax -

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

(i) 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.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

- (j) The Housing Authority adopts an internal budget annually.
- (k) 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.

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.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Note 2 - Cash and Investments

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	\$ 43,601	\$ 44,971
Business Activities	<u>81,225</u>	<u>81,225</u>
Total	<u>\$ 124,826</u>	<u>\$ 126,196</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.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Note 4 - Fixed Assets

Balance as of September 30, 2012	\$ 2,105
Balance as of September 30, 2011	<u>2,358</u>
Net Increase (Decrease)	<u>\$ -253</u>

Reconciliation

Property betterments and additions	\$ 298
Current year depreciation expense	<u>-551</u> *
Net Increase (Decrease)	<u>\$ -253</u>

<u>Analysis</u>	10/01/2011 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	09/30/2012 <u>Balance</u>
Equipment and furniture	\$ <u>18,705</u>	\$ <u>299</u>	\$ <u>0</u>	\$ <u>19,004</u>
Accumulated depreciation	<u>-16,347</u>	<u>-551</u> *	<u>1</u>	<u>-16,899</u>
Net Capital Assets	<u>\$ 2,358</u>	<u>\$ 252</u>	<u>\$ 1</u>	<u>\$ 2,105</u>

*Current year depreciation expense recognized.

Note 6 - 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.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Note 7 - 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 8 - 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

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice Voucher Program	14.871	C-2043V	FYE 09/30/12	\$ 424,210	\$ 424,210	\$ 424,210
Total Housing Assistance				<u>\$ 424,210</u>	<u>\$ 424,210</u>	<u>\$ 424,210</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
Rockville Housing Authority
Rockville, Indiana

I have audited the financial statements of Rockville Housing Authority as of and for the year ended September 30, 2012, and have issued my report thereon dated June 3, 2013. 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

Management of Rockville Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Rockville Housing Authority'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 Rockville Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Rockville Housing 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 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. I identified no deficiencies in internal control over financial reporting, that I consider to be significant deficiencies in internal control over financial reporting. 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.

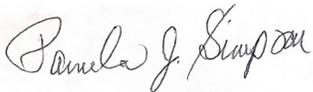
Compliance and Other Matters

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

I noted certain matters that I reported to management of Rockville Housing Authority in a separate letter dated June 3, 2013.

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.

Decatur, Illinois
June 3, 2013



Certified Public Accountant

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2011 contained no findings.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

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

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

Noncompliance material to financial statements noted? _____ yes X_____ no

Federal Awards

Internal control over major programs:

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

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

Type of auditor's report issued on compliance for major programs: Not Applicable

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>
NONE	NONE

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

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

**ROCKVILLE HOUSING AUTHORITY
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 3, 2013.

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 3, 2013.

**ROCKVILLE HOUSING AUTHORITY
ROCKVILLE, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2012**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Retained earnings	2806	\$ 2,336.00		2806
Accounts payable - HUD	2118		\$ 2,336.00	2118
(To post prior year audit adjustments)				
(2)				
A/R - HUD	2118	\$ 2,618.00		2118
A/R - HUD admin fees		731.00		2806
Admin fee subsidy	3402		\$ 3,349.00	3402
(To reverse accounts payable and set up admin fee accounts receivable)				
(3)				
Unrestricted net assets	2806	\$ 836.00		2806
Admin fee subsidy	3402		\$ 836.00	3402
(To correct prior period adjustments)				

Rockville Housing Authority (IN048)

Rockville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2012

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$12,681	\$81,225	\$93,906	\$93,906
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$30,920		\$30,920	\$30,920
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$43,601	\$81,225	\$124,826	\$124,826
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$731		\$731	\$731
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	\$731	\$0	\$731	\$731
131 Investments - Unrestricted				
132 Investments - Restricted				
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	\$44,332	\$81,225	\$125,557	\$125,557
161 Land				
162 Buildings				
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$14,560	\$4,444	\$19,004	\$19,004
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$12,913	-\$3,986	-\$16,899	-\$16,899
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,647	\$458	\$2,105	\$2,105
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	\$1,647	\$458	\$2,105	\$2,105
190 Total Assets	\$45,979	\$81,683	\$127,662	\$127,662

Rockville Housing Authority (IN048)

Rockville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2012

	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				
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 Revenue Bonds				
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	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0
508.1 Invested In Capital Assets, Net of Related Debt	\$1,647	\$458	\$2,105	\$2,105
511.1 Restricted Net Assets	\$30,920		\$30,920	\$30,920
512.1 Unrestricted Net Assets	\$13,412	\$81,225	\$94,637	\$94,637
513 Total Equity/Net Assets	\$45,979	\$81,683	\$127,662	\$127,662
600 Total Liabilities and Equity/Net Assets	\$45,979	\$81,683	\$127,662	\$127,662

Rockville Housing Authority (IN048)

Rockville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2012

	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	\$424,210		\$424,210	\$424,210
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	\$6	\$8	\$14	\$14
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	\$36		\$36	\$36
70000 Total Revenue	\$424,252	\$8	\$424,260	\$424,260
91100 Administrative Salaries	\$40,748		\$40,748	\$40,748
91200 Auditing Fees	\$2,645		\$2,645	\$2,645
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$1,326		\$1,326	\$1,326
91600 Office Expenses	\$15,543		\$15,543	\$15,543
91700 Legal Expense				
91800 Travel	\$368		\$368	\$368
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$60,630	\$0	\$60,630	\$60,630
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

Rockville Housing Authority (IN048)
 Rockville, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2012

	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	\$1,853		\$1,853	\$1,853
96100 Total insurance Premiums	\$1,853	\$0	\$1,853	\$1,853
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
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	\$62,483	\$0	\$62,483	\$62,483
97000 Excess of Operating Revenue over Operating Expenses	\$361,769	\$8	\$361,777	\$361,777

Rockville Housing Authority (IN048)
 Rockville, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2012

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$425,186		\$425,186	\$425,186
97350 HAP Portability-In				
97400 Depreciation Expense	\$191	\$360	\$551	\$551
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$487,860	\$360	\$488,220	\$488,220
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 Expenses	-\$63,608	-\$352	-\$63,960	-\$63,960
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$109,587	\$82,035	\$191,622	\$191,622
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0	\$0
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity	\$15,059		\$15,059	\$15,059
11180 Housing Assistance Payments Equity	\$30,920		\$30,920	\$30,920
11190 Unit Months Available	1428		1428	1428
11210 Number of Unit Months Leased	1307		1307	1307
11270 Excess Cash				
11610 Land Purchases				
11620 Building Purchases				
11630 Furniture & Equipment - Dwelling Purchases				
11640 Furniture & Equipment - Administrative Purchases				
11650 Leasehold Improvements Purchases				
11660 Infrastructure Purchases				
13510 CFFP Debt Service Payments				
13901 Replacement Housing Factor Funds				



Board of Commissioners
Rockville Housing Authority
Rockville, Indiana

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

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

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

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

1. Generally accepted accounting principles require the adoption of a formal capitalization policy. The Housing Authority has followed an informal policy, but they need to adopt a formal, written policy. Once the formal policy as been adopted, a new detailed depreciation schedule that coincides with adopted policy should be developed.

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

Certified Public Accountant

Decatur, Illinois
June 3, 2013