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June 2, 2014

Board of Directors
Rockport Housing Authority
P.O. Box 173
Rockport, IN 47635

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 Rockport 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 CITY OF ROCKPORT
ROCKPORT, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2010

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

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Independent Auditor's Report

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

I have audited the accompanying financial statements of Housing Authority of the City of Rockport, 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.

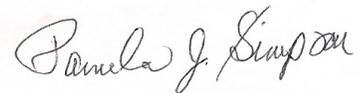
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Rockport, as of September 30, 2010 and the respective changes in financial position and cash flows for the year end in conformity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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 26, 2011, on my consideration of the Housing Authority of the City of Rockport'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 and budgetary comparison information on pages 3 through 7 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 City of Rockport, 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 City of Rockport. 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 City of Rockport. 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
May 26, 2011



Certified Public Accountant

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2010

The management of the Housing Authority of Rockport presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending September 30, 2010. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,763,191 at the close of the fiscal year ended September 30, 2010.

Of this amount, \$529,932 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 57% of the total operating expenses for the fiscal year 2010, which means the Authority could operate about 7 months using the unrestricted assets alone.

The remainder of \$1,233,259 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net assets increased by \$52,856, a 3% change from the prior fiscal year 2009.
- The Authority spent \$280,375 on capital assets additions and renovation construction in progress during the current fiscal year.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2010

REPORTING ON THE HOUSING AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2010?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For reporting purposes all housing funds are reported in one housing enterprise fund.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant two funds, the Low Rent Housing Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately following the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of the report.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2010

REPORTING THE HOUSING AUTHORITY'S MOST SIGNIFICANT FUNDS

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach or Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,763,191 as of September 30, 2010. Of this amount, \$1,233,259 was invested in capital assets, and the remaining \$529,932 was unrestricted. No other assets are currently restricted.

**CONDENSED FINANCIAL STATEMENTS COMPARING
FYE 9/30/2009 WITH FYE 9/30/2010**

| | Condensed Balance Sheet | |
|-------------------------------------|-------------------------|------------------|
| | As of 09/30/2009 | As of 09/30/2010 |
| ASSETS | | |
| Current Assets | \$ 635,569 | \$ 597,974 |
| Capital Assets, Net of Depreciation | 1,122,452 | 1,233,259 |
| Total Assets | 1,758,021 | 1,831,233 |
| LIABILITIES | | |
| Current Liabilities | 42,340 | 67,661 |
| Non-Current Liabilities | 5,346 | 381 |
| Total Liabilities | 47,686 | 68,042 |
| NET ASSETS | | |
| Invested in Capital Assets | 1,122,452 | 1,233,259 |
| Unrestricted | 587,883 | 529,932 |
| Total Net Assets | 1,710,335 | 1,763,191 |
| Total Liabilities and net Assets | 1,758,021 | 1,831,233 |

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

**SEPTEMBER 30, 2010
CONDENSED FINANCIAL STATEMENTS (Continued)**

Condensed Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2010

| | FYE 09/30/2009 | FYE 09/30/2010 |
|---|----------------|----------------|
| OPERATING REVENUES | | |
| Rental Revenues | \$ 282,636 | 290,389 |
| Other Tenant Revenue | 9,117 | 9,500 |
| Total Operating Revenues | 291,753 | 299,889 |
| OPERATING EXPENSES | | |
| Administration | 149,445 | 138,530 |
| Tenant Services | 5,998 | 5,398 |
| Utilities | 167,849 | 158,672 |
| Ordinary maint. and operations | 198,548 | 232,765 |
| General and Other | 53,969 | 76,992 |
| Extraordinary maintenance | 48,383 | 147,825 |
| Depreciation | 229,679 | 169,568 |
| Total Operating Expenses | 853,871 | 929,750 |
| Gain (loss) from operations | (562,118) | (629,861) |
| NON-OPERATING REVENUES | | |
| Federal Grants – Operating | 321,193 | 382,340 |
| Federal Grants – Capital | 283,669 | 258,302 |
| Interest Income and Other Revenue | 47,343 | 42,075 |
| Total Non-Operating Revenue | 652,205 | 682,717 |
| NET INCREASE (DECREASE) IN NET ASSETS | 90,087 | 52,856 |
| NET ASSETS, Beginning of Year | 1,620,248 | 1,710,335 |
| NET ASSETS, End of Year | 1,710,335 | 1,763,191 |

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2010

CONDENSED FINANCIAL STATEMENTS (Continued)

The increase in net assets of \$52,856 accompanied by a decrease in unrestricted assets by \$57,951 from fiscal year 2009.

Compared with the prior fiscal year, total tenant revenues increased \$8,136.

Interest income and other revenues decreased from 2009 by \$5,268.

Compared with the prior fiscal year, total expenses increased, by \$75,879, with the extraordinary maintenance, utility, and depreciation costs all recording increases.

These changes led to an increase in total assets by \$73,212 and an increase in liabilities by \$20,356. With these changes, there is still about \$8.79 of current assets covering each dollar of liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for September 30, 2011 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability or the money it receives. If you have questions about this report, or wish to request additional financial information, contact Helen Garrett, Executive Director, Rockport Housing Authority, Box 173, Rockport, IN 47635.

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

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

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|-----------------------|
| Cash | \$ 76,518 |
| Accounts receivable (net) | 3,640 |
| Accrued interest receivable | 638 |
| Investments | 470,300 |
| Inventory | 17,286 |
| Deferred charges | <u>29,592</u> |
| Total Current Assets | <u>\$ 597,974</u> |

CAPITAL ASSETS

| | |
|--------------------------------|-------------------------|
| Land, buildings and equipment | \$ 5,075,774 |
| Less: Accumulated depreciation | <u>-3,842,515</u> |
| Total Capital Assets | <u>\$ 1,233,259</u> |
| Total Assets | <u>\$ 1,831,233</u> |

LIABILITIES

CURRENT LIABILITIES

| | |
|-------------------------------|----------------------|
| Accounts payable (net) | \$ 32,716 |
| Accrued liabilities | 32,253 |
| Deferred revenue | <u>2,692</u> |
| Total Current Liabilities | <u>\$ 67,661</u> |

NONCURRENT LIABILITIES

| | |
|----------------------------------|-------------------|
| Accrued compensated absences | <u>\$ 381</u> |
| Total Noncurrent Liabilities | <u>\$ 381</u> |

NET ASSETS

| | |
|----------------------------|-------------------------|
| Invested in capital assets | \$ 1,233,259 |
| Unrestricted | <u>529,932</u> |
| Total Net Assets | <u>\$ 1,763,191</u> |

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

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

Operating Income

| | |
|------------------------|-------------------|
| Tenant rental revenue | \$ 290,389 |
| Tenant revenue - other | <u>9,500</u> |
| Total Rental Income | \$ 299,889 |
| HUD grants - operating | 382,340 |
| Other revenue | <u>31,455</u> |
| Total Operating Income | <u>\$ 713,684</u> |

Operating Expenses

| | |
|------------------------------------|-------------------|
| Administration | \$ 138,530 |
| Tenant services | 5,398 |
| Utilities | 158,672 |
| Ordinary maintenance and operation | 232,765 |
| General expense | 76,992 |
| Extraordinary maintenance | 147,825 |
| Depreciation | <u>169,568</u> |
| Total Operating Expenses | <u>\$ 929,750</u> |
| Net Operating Income (Loss) | \$ -216,066 |

Nonoperating Income (Expense)

| | |
|-----------------|--------|
| Interest income | 10,620 |
|-----------------|--------|

Capital Contributions

| | |
|-------------------------------|---------------------|
| Capital fund grants | <u>258,302</u> |
| Changes in net assets | \$ 52,856 |
| Net assets, beginning of year | <u>1,710,335</u> |
| Net assets, end of year | <u>\$ 1,763,191</u> |

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

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

Operating Activities

| | |
|---------------------------------------|-----------------|
| Operating grants | \$ 382,340 |
| Tenant revenue | 298,339 |
| Other revenue | 31,455 |
| Payments to employees | -226,828 |
| Payments to suppliers and contractors | <u>-512,222</u> |

Net Cash Provided (Used) by Operating Activities \$ -26,916

Investing Activities

| | |
|----------------------------------|---------------|
| Investments (purchased) redeemed | \$ -11,960 |
| Interest income | <u>12,243</u> |

Net Cash Provided (Used) by Investing Activities \$ 283

Capital and Related Financing Activities

| | |
|---------------------------|-----------------|
| Capital fund grants | \$ 258,302 |
| Additions to fixed assets | <u>-280,375</u> |

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -22,073

Net Change in Cash \$ -48,706

Cash Balance at September 30, 2009 125,224

Cash Balance at September 30, 2010 \$ 76,518

**HOUSING AUTHORITY OF THE CITY OF ROCKPORT
ROCKPORT, 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) | \$ -216,066 |
| Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities: | |
| Depreciation | 169,568 |
| (Increase) decrease in accounts receivable | -1,550 |
| (Increase) decrease in deferred charges | -3,175 |
| (Increase) decrease in inventories | 3,951 |
| Increase (decrease) in accounts payable | 11,130 |
| Increase (decrease) in accrued liabilities | 9,431 |
| Increase (decrease) in deferred revenues | <u>-205</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ -26,916</u> |

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

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

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

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

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

(b) Method of Accounting -

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

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

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

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

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Low Rent Public Housing
- * Capital Fund Program
- * Formula Capital Fund Stimulus Grant

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

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

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net assets and have been eliminated in the basic financial statements.

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

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

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2010, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(i) Investments -

Investments are stated at cost which approximates market.

(j) 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 one thousand dollars (\$1,000) 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:

| | | |
|--------------------------|----|-------|
| Buildings | 25 | years |
| Equipment | 3 | years |
| Transportation equipment | 7 | years |
| Furniture and fixtures | 3 | years |
| Leasehold improvements | 10 | years |

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

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

Note 1 - Summary of Significant Accounting Policies

(k) Net Assets -

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

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

(l) Income Tax -

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

(m) Annual Contributions/Subsidies and Other Grants

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

Other grants (such as CFP 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.

- (n) The Housing Authority adopts a budget annually. The budgets is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.
- (o) 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.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

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

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

Note 1 - Summary of Significant Accounting Policies

- (q) Rental income is recognized as rents become due.
- (r) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

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 \$100,000 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.

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

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

Note 2 - Cash and Investments (Continued)

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> |
|----------------|---------------------|---------------------|
| Low Rent | \$ <u>76,518</u> | \$ <u>90,590</u> |

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> |
|----------------|---------------------|---------------------|
| Low Rent | \$ <u>470,300</u> | \$ <u>470,300</u> |

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

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

Note 3 - Compensated Absences

Annual Leave

Annual leave with pay shall be earned by all full time employees at the rate of five-sixths (5/6) day per month. Annual leave may be accumulated by an employee, not to exceed 28 days. An employee who is permanently separated shall be paid for any accumulated annual leave, not to exceed 28 days, provided he/she gives a two week notice to the Executive Director if he/she decides to terminate his/her employment. If he/she fails to give a two week notice he/she forfeits his/her vacation pay. In no event shall an employee be paid for annual leave not taken.

Sick Leave

All full time employees may be paid for absences from work because of self-illness at the rate of one day per calendar month. Sick leave may be accumulated not to exceed 12 days per year. Accumulated sick pay is accumulated beginning the first of the year. Prior year accumulated sick leave is rolled over the end of each calendar year and accumulated to no more than 30 days. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan (PERF of Indiana). The Housing Authority and the participants are required to contribute 8% and 3% of annual covered payroll, respectively. For the fiscal year ended September 30, 2010, actual contributions by the Housing Authority and plan participants were \$16,982 and \$6,368, respectively based on \$212,275 of wages.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

| | | |
|---------------------------------|----|--------------|
| Tenants accounts receivable | \$ | 4,550 |
| Allowance for doubtful accounts | | <u>-910</u> |
| Total | \$ | <u>3,640</u> |

Note 6 - Investments

At September 30, 2010 investments consist of the following:

| | <u>Rate</u> | <u>Cost</u> | <u>Fair Value</u> |
|-------------------------|-------------|-------------------|-------------------|
| Money market | 1.77% | \$ 206,314 | \$ 206,314 |
| Certificate of deposits | 4.17-4.39% | <u>263,986</u> | <u>263,986</u> |
| Total | | <u>\$ 470,300</u> | <u>\$ 470,300</u> |

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

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

Note 7 - Fixed Assets

| | |
|----------------------------------|-------------------|
| Balance as of September 30, 2010 | \$ 1,233,259 |
| Balance as of September 30, 2009 | <u>1,122,452</u> |
| Net Increase (Decrease) | <u>\$ 110,807</u> |

Reconciliation

| | |
|------------------------------------|-------------------|
| Property betterments and additions | \$ 280,375 |
| Current year depreciation expense | <u>-169,568</u> * |
| Net Increase (Decrease) | <u>\$ 110,807</u> |

| <u>Analysis</u> | <u>10/01/2009 Balance</u> | <u>Additions/ Transfers</u> | <u>Deletions/ Transfers</u> | <u>09/30/2010 Balance</u> |
|--------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Land | \$ 164,342 | \$ 0 | \$ 0 | \$ 164,342 |
| Buildings | 4,483,820 | 0 | 0 | 4,483,820 |
| Equipment and furniture | 147,237 | 22,073 | 0 | 169,310 |
| Construction in process | <u>0</u> | <u>258,302</u> | <u>0</u> | <u>258,302</u> |
| Total | \$ 4,795,399 | \$ 280,375 | \$ 0 | \$ 5,075,774 |
| Accumulated depreciation | <u>-3,672,947</u> | <u>-169,568</u> * | <u>0</u> | <u>-3,842,515</u> |
| Net Assets | <u>\$ 1,122,452</u> | <u>\$ 110,807</u> | <u>\$ 0</u> | <u>\$ 1,233,259</u> |

*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

| | |
|---------------------------|------------------|
| Vendors and contractors | \$ 16,771 |
| Tenants security deposits | <u>15,945</u> |
| Subtotal | <u>\$ 32,716</u> |

Note 9 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

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

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

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

| | |
|------------------------------|---------------|
| Accrued compensated absences | \$ 6,007 |
| Accrued wages | 5,649 |
| Payment in lieu of taxes | <u>20,597</u> |
| Total Current Portion | \$ 32,253 |

Noncurrent Portion:

| | |
|------------------------------|------------------|
| Accrued compensated absences | <u>381</u> |
| Total | <u>\$ 32,634</u> |

Note 11 - Deferred Revenue

This classification consists of the following accounts:

| | |
|----------------------|-----------------|
| Tenants prepaid rent | <u>\$ 2,692</u> |
|----------------------|-----------------|

Note 12 - 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 13 Contracts/Commitments

As of September 30, 2010, the Housing Authority had entered into the following pending construction projects in progress:

| | <u>Funds Approved</u> | <u>Funds Expended To Date</u> |
|------------|---------------------------|-----------------------------------|
| CFP 501-09 | <u>\$ 171,278</u> | <u>\$ 87,390</u> |

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

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

Note 14 - 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 or the risk pool coverage in the current or past three years.

Note 15 - Economic Dependency

The Housing Authority received most of its revenue (65%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE CITY OF ROCKPORT
ROCKPORT, 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: | | | | | | |
| Public and Indian Housing* | 14.850a | C-748 | FYE 09/30/10 | \$ 343,288 | \$ 343,288 | \$ 343,288 |
| Public Housing - Capital Fund | 14.872 | C-748 | FYE 09/30/10 | \$ 343,455 | \$ 87,562 | \$ 87,562 |
| Capital Fund - Stimulus Grant | 14.885 | C-748 | FYE 09/30/10 | \$ 217,942 | \$ 209,792 | \$ 209,792 |
| Total Housing Assistance | | | | <u>\$ 904,685</u> | <u>\$ 640,642</u> | <u>\$ 640,642</u> |

*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P024501-07**

1. The Actual Modernization Costs of Phase IN36P024501-07 are as follows:

| | |
|--------------------------|--------------------|
| Funds approved | \$ 175,863 |
| Funds expended | <u>175,863</u> |
| Excess of Funds Approved | <u><u>\$ 0</u></u> |
| Funds advanced | |
| Project notes, non-HUD | \$ 175,863 |
| Funds expended | <u>175,863</u> |
| Excess of Funds Advanced | <u><u>\$ 0</u></u> |

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated April 29, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

I have audited the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2010, and have issued my report thereon dated May 26, 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 City of Rockport'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 City of Rockport's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Rockport'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.

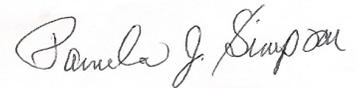
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 City of Rockport'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 Housing Authority of the City of Rockport in a separate letter dated May 26, 2011.

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.



Certified Public Accountant

Decatur, Illinois
May 26, 2011

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

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

Compliance

I have audited Housing Authority of the City of Rockport's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Rockport's major federal programs for the year ended September 30, 2010. Housing Authority of the City of Rockport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Rockport's management. My responsibility is to express an opinion on Housing Authority of the City of Rockport's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Rockport's compliance with those requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Housing Authority of the City of Rockport's compliance with those requirements.

In my opinion, Housing Authority of the City of Rockport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The results of my auditing procedures disclosed instances of noncompliance with those requirements.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Decatur, Illinois
May 26, 2011



Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

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

**HOUSING AUTHORITY OF THE CITY OF ROCKPORT
ROCKPORT, 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 Circular A-133? _____ yes X_____ no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 14.850a | Public and Indian Housing |

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 CITY OF ROCKPORT
ROCKPORT, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held May 26, 2011.

Section III - Federal Awards Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held May 26, 2011.

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

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

| <u>Low Rent</u> | <u>Audit Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting Account Number</u> |
|--|---------------------------------|--------------|---------------|-----------------------------------|
| (1) | | | | |
| Accrued interest receivable | 1145 | \$ 2,261.18 | | 1145 |
| Development costs | 1400.2 | .46 | | 1400.2 |
| Unreserved surplus | 2810 | 1.99 | | 2810 |
| PILOT | 2137 | | \$.55 | 2137 |
| Investments | 1162 | | .08 | 1162 |
| Tenants accounts receivable | 1122 | | 2.00 | 1220 |
| Interest income | 3610 | | 2,261.00 | 2810 |
| (To post prior year audit adjustments) | | | | |
| (2) | | | | |
| Accrued interest receivable | 1145 | | \$ 1,623.11 | 1145 |
| Interest income | 3610 | \$ 1,623.11 | | 2810 |
| (To reverse prior year accrued interest and set up current year accrued interest) | | | | |
| (3) | | | | |
| Prepaid insurance | 1211 | \$ 2,986.50 | | 1211 |
| Insurance expense | 4510 | | \$ 2,986.50 | 2810 |
| (To add prepaid portion of workers comp insurance to prepaid) | | | | |
| (4) | | | | |
| Maintenance materials | 4420 | | \$ 9,780.00 | 2810 |
| Contract costs | 4430 | \$ 9,780.00 | | 2810 |
| (To reclassify check for elevator repair to maintenance materials instead of contract cost) | | | | |
| (5) | | | | |
| Compensated absence expense | 4530 | \$ 14,721.59 | | 2810 |
| Compensated absence liability | 2133 | | \$ 5,647.34 | 2133 |
| Admin wages | 4110 | | 3,898.65 | 2810 |
| Maintenance labor | 4410 | | 5,165.60 | 2810 |
| (To correct compensated absence and compensated absence expense to actual) | | | | |
| (6) | | | | |
| Extraordinary maintenance | 4610 | | \$ 19,073.00 | 2810 |
| Fixed assets | 1400.02 | \$ 19,073.00 | | 1400.02 |
| (To reclassify capital item bought with operating funds that should be set up as fixed assets per discussion with executive director, (computers, water boiler and capitalization policy). | | | | |

Rockport Housing Authority (IN024)

ROCKPORT, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2010

| | Project Total | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | Total |
|---|---------------|--|--------------|--------------|
| 111 Cash - Unrestricted | \$60,573 | | \$60,573 | \$60,573 |
| 112 Cash - Restricted - Modernization and Development | | | | |
| 113 Cash - Other Restricted | | | | |
| 114 Cash - Tenant Security Deposits | \$15,945 | | \$15,945 | \$15,945 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | |
| 100 Total Cash | \$76,518 | \$0 | \$76,518 | \$76,518 |
| 121 Accounts Receivable - PHA Projects | | | | |
| 122 Accounts Receivable - HUD Other Projects | | | | |
| 124 Accounts Receivable - Other Government | | | | |
| 125 Accounts Receivable - Miscellaneous | | | | |
| 126 Accounts Receivable - Tenants | \$4,550 | | \$4,550 | \$4,550 |
| 126.1 Allowance for Doubtful Accounts - Tenants | -\$910 | | -\$910 | -\$910 |
| 126.2 Allowance for Doubtful Accounts - Other | | | | |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | |
| 128 Fraud Recovery | | | | |
| 128.1 Allowance for Doubtful Accounts - Fraud | | | | |
| 129 Accrued Interest Receivable | \$638 | | \$638 | \$638 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$4,278 | \$0 | \$4,278 | \$4,278 |
| 131 Investments - Unrestricted | \$470,300 | | \$470,300 | \$470,300 |
| 132 Investments - Restricted | | | | |
| 135 Investments - Restricted for Payment of Current Liability | | | | |
| 142 Prepaid Expenses and Other Assets | \$29,592 | | \$29,592 | \$29,592 |
| 143 Inventories | \$17,286 | | \$17,286 | \$17,286 |
| 143.1 Allowance for Obsolete Inventories | \$0 | | \$0 | \$0 |
| 144 Inter Program Due From | | | | |
| 145 Assets Held for Sale | | | | |
| 150 Total Current Assets | \$597,974 | \$0 | \$597,974 | \$597,974 |
| 161 Land | \$164,342 | | \$164,342 | \$164,342 |
| 162 Buildings | \$4,483,820 | | \$4,483,820 | \$4,483,820 |
| 163 Furniture, Equipment & Machinery - Dwellings | | | | |
| 164 Furniture, Equipment & Machinery - Administration | \$169,310 | \$0 | \$169,310 | \$169,310 |
| 165 Leasehold Improvements | | | | |
| 166 Accumulated Depreciation | -\$3,842,515 | \$0 | -\$3,842,515 | -\$3,842,515 |
| 167 Construction in Progress | \$258,302 | \$0 | \$258,302 | \$258,302 |
| 168 Infrastructure | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$1,233,259 | \$0 | \$1,233,259 | \$1,233,259 |
| 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 | \$1,233,259 | \$0 | \$1,233,259 | \$1,233,259 |
| 190 Total Assets | \$1,831,233 | \$0 | \$1,831,233 | \$1,831,233 |

Rockport Housing Authority (IN024)

ROCKPORT, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2010

| | Project Total | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | Total |
|---|---------------|--|-------------|-------------|
| 311 Bank Overdraft | | | | |
| 312 Accounts Payable <= 90 Days | \$16,771 | | \$16,771 | \$16,771 |
| 313 Accounts Payable >90 Days Past Due | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | \$5,649 | | \$5,649 | \$5,649 |
| 322 Accrued Compensated Absences - Current Portion | \$6,007 | | \$6,007 | \$6,007 |
| 324 Accrued Contingency Liability | | | | |
| 325 Accrued Interest Payable | | | | |
| 331 Accounts Payable - HUD PHA Programs | | | | |
| 332 Account Payable - PHA Projects | | | | |
| 333 Accounts Payable - Other Government | \$20,597 | | \$20,597 | \$20,597 |
| 341 Tenant Security Deposits | \$15,945 | | \$15,945 | \$15,945 |
| 342 Deferred Revenues | \$2,692 | | \$2,692 | \$2,692 |
| 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 | \$67,661 | \$0 | \$67,661 | \$67,661 |
| 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 | \$381 | | \$381 | \$381 |
| 355 Loan Liability - Non Current | | | | |
| 356 FASB 5 Liabilities | | | | |
| 357 Accrued Pension and OPEB Liabilities | | | | |
| 350 Total Non-Current Liabilities | \$381 | \$0 | \$381 | \$381 |
| 300 Total Liabilities | \$68,042 | \$0 | \$68,042 | \$68,042 |
| 508.1 Invested In Capital Assets, Net of Related Debt | \$1,233,259 | \$0 | \$1,233,259 | \$1,233,259 |
| 509.2 Fund Balance Reserved | | | | |
| 511.2 Unreserved, Designated Fund Balance | | | | |
| 511.1 Restricted Net Assets | | \$0 | \$0 | \$0 |
| 512.1 Unrestricted Net Assets | \$529,932 | \$0 | \$529,932 | \$529,932 |
| 512.2 Unreserved, Undesignated Fund Balance | | | | |
| 513 Total Equity/Net Assets | \$1,763,191 | \$0 | \$1,763,191 | \$1,763,191 |
| 600 Total Liabilities and Equity/Net Assets | \$1,831,233 | \$0 | \$1,831,233 | \$1,831,233 |

Rockport Housing Authority (IN024)
 ROCKPORT, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2010

| | Project Total | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | Total |
|---|---------------|--|-----------|-----------|
| 70300 Net Tenant Rental Revenue | \$290,389 | | \$290,389 | \$290,389 |
| 70400 Tenant Revenue - Other | \$9,500 | | \$9,500 | \$9,500 |
| 70500 Total Tenant Revenue | \$299,889 | \$0 | \$299,889 | \$299,889 |
| 70600 HUD PHA Operating Grants | \$343,288 | \$39,052 | \$382,340 | \$382,340 |
| 70610 Capital Grants | \$87,562 | \$170,740 | \$258,302 | \$258,302 |
| 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 | \$10,620 | | \$10,620 | \$10,620 |
| 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 | \$31,455 | | \$31,455 | \$31,455 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | |
| 72000 Investment Income - Restricted | | | | |
| 70000 Total Revenue | \$772,814 | \$209,792 | \$982,606 | \$982,606 |
| 91100 Administrative Salaries | \$82,559 | | \$82,559 | \$82,559 |
| 91200 Auditing Fees | \$3,440 | | \$3,440 | \$3,440 |
| 91300 Management Fee | | | | |
| 91310 Book-keeping Fee | \$4,270 | | \$4,270 | \$4,270 |
| 91400 Advertising and Marketing | | | | |
| 91500 Employee Benefit contributions - Administrative | \$16,272 | | \$16,272 | \$16,272 |
| 91600 Office Expenses | \$29,971 | | \$29,971 | \$29,971 |
| 91700 Legal Expense | \$1,006 | | \$1,006 | \$1,006 |
| 91800 Travel | \$475 | | \$475 | \$475 |
| 91810 Allocated Overhead | | | | |
| 91900 Other | \$537 | | \$537 | \$537 |
| 91000 Total Operating - Administrative | \$138,530 | \$0 | \$138,530 | \$138,530 |
| 92000 Asset Management Fee | | | | |
| 92100 Tenant Services - Salaries | \$1,300 | | \$1,300 | \$1,300 |
| 92200 Relocation Costs | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | \$99 | | \$99 | \$99 |
| 92400 Tenant Services - Other | \$3,999 | | \$3,999 | \$3,999 |
| 92500 Total Tenant Services | \$5,398 | \$0 | \$5,398 | \$5,398 |

Rockport Housing Authority (IN024)
 ROCKPORT, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2010

| | Project Total | 14,885 Formula Capital Fund Stimulus Grant | Subtotal | Total |
|---|---------------|--|-----------|-----------|
| 93100 Water | \$21,604 | | \$21,604 | \$21,604 |
| 93200 Electricity | \$80,661 | | \$80,661 | \$80,661 |
| 93300 Gas | \$29,237 | | \$29,237 | \$29,237 |
| 93400 Fuel | | | | |
| 93500 Labor | | | | |
| 93600 Sewer | | | | |
| 93700 Employee Benefit Contributions - Utilities | | | | |
| 93800 Other Utilities Expense | \$27,170 | | \$27,170 | \$27,170 |
| 93000 Total Utilities | \$158,672 | \$0 | \$158,672 | \$158,672 |
| 94100 Ordinary Maintenance and Operations - Labor | \$128,701 | | \$128,701 | \$128,701 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$47,608 | | \$47,608 | \$47,608 |
| 94300 Ordinary Maintenance and Operations Contracts | \$30,849 | | \$30,849 | \$30,849 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$25,607 | | \$25,607 | \$25,607 |
| 94000 Total Maintenance | \$232,765 | \$0 | \$232,765 | \$232,765 |
| 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 | \$37,826 | | \$37,826 | \$37,826 |
| 96120 Liability Insurance | | | | |
| 96130 Workmen's Compensation | | | | |
| 96140 All Other Insurance | | | | |
| 96100 Total insurance Premiums | \$37,826 | \$0 | \$37,826 | \$37,826 |
| 96200 Other General Expenses | | | | |
| 96210 Compensated Absences | \$15,453 | | \$15,453 | \$15,453 |
| 96300 Payments in Lieu of Taxes | \$21,709 | | \$21,709 | \$21,709 |
| 96400 Bad debt - Tenant Rents | \$2,004 | | \$2,004 | \$2,004 |
| 96500 Bad debt - Mortgages | | | | |
| 96600 Bad debt - Other | | | | |
| 96800 Severance Expense | | | | |
| 96000 Total Other General Expenses | \$39,166 | \$0 | \$39,166 | \$39,166 |
| 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 | \$612,357 | \$0 | \$612,357 | \$612,357 |
| 97000 Excess of Operating Revenue over Operating Expenses | \$160,457 | \$209,792 | \$370,249 | \$370,249 |

Rockport Housing Authority (IN024)
 ROCKPORT, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2010

| | Project Total | 14.885 Formula Capital Fund Stimulus Grant | Subtotal | Total |
|---|---------------|--|-------------|-------------|
| 97100 Extraordinary Maintenance | \$108,773 | \$39,052 | \$147,825 | \$147,825 |
| 97200 Casualty Losses - Non-capitalized | | | | |
| 97300 Housing Assistance Payments | | | | |
| 97350 HAP Portability-In | | | | |
| 97400 Depreciation Expense | \$164,434 | \$5,134 | \$169,568 | \$169,568 |
| 97500 Fraud Losses | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | |
| 97800 Dwelling Units Rent Expense | | | | |
| 90000 Total Expenses | \$885,564 | \$44,186 | \$929,750 | \$929,750 |
| 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 | -\$112,750 | \$165,606 | \$52,856 | \$52,856 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 |
| 11030 Beginning Equity | \$1,702,635 | \$7,700 | \$1,710,335 | \$1,710,335 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$173,306 | -\$173,306 | \$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 | | | | |
| 11180 Housing Assistance Payments Equity | | | | |
| 11190 Unit Months Available | 1728 | | 1728 | 1728 |
| 11210 Number of Unit Months Leased | 1703 | | 1703 | 1703 |
| 11270 Excess Cash | \$432,406 | | \$432,406 | \$432,406 |
| 11610 Land Purchases | \$0 | | \$0 | \$0 |
| 11620 Building Purchases | \$519,170 | | \$519,170 | \$519,170 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$0 | | \$0 | \$0 |
| 11640 Furniture & Equipment - Administrative Purchases | \$0 | | \$0 | \$0 |
| 11650 Leasehold Improvements Purchases | \$0 | | \$0 | \$0 |
| 11660 Infrastructure Purchases | \$0 | | \$0 | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | \$0 | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | \$0 | \$0 |

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2010, 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 Housing Authority of the City of Rockport's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control.

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

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

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

1. During my review of the Housing Authority, it was noted that the depreciation schedule does not reconcile to general ledger. The schedule still contains items that were disposed of per the general ledger during prior years. Housing Authority should take a physical count of inventory that includes all assets and reconcile physical inventory counts to the depreciation schedule and general ledger.
2. Fee accountant must expand chart of accounts to HUD's new chart of account to include: (a) contract cost categories, (b) insurance expense categories, (c) correct equity accounts and compensated absence expense and (d) the correct equity accounts.
3. Bank reconciliations uses matching deposit in transit against outstanding check that PHA has written off instead of removing checks from listing. The bank reconciliation should accurately reflect actual reconciling transactions.

4. The variance of security deposits versus the general ledger account is getting a larger variance. PHA should reconcile schedule to general ledger at year end additional unresolved variance will result in future findings.

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
May 26, 2011