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June 24, 2014

Board of Directors
Housing Authority of the City of Anderson
528 W. 11th Street
Anderson, IN 46016

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2011 to March 31, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Anderson, as of March 31, 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

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

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

TWELVE MONTHS ENDED MARCH 31, 2012

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

TABLE OF CONTENTS

Auditor's Report 1

Management's Discussion and Analysis 3

FINANCIAL STATEMENTS

Statement of Net Assets as of March 31, 2012 9

Statement of Revenue, Expenditures and Changes in Net Assets -
Twelve Months Ended March 31, 2012 10

Statement of Cash Flows - Twelve Months Ended March 31, 2012 11

Notes to Financial Statements 13

SUPPLEMENTAL DATA

Schedule of Expenditure of Federal Awards 27

PHA's Statement and Certification of Actual Modernization Cost -
Phase IN36P006501-09 28

Auditor's Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards 29

Auditor's Report on Compliance With Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133 31

Status of Prior Audit Findings 33

Schedule of Findings and Questioned Costs Summary 34

Findings, Recommendations and Replies 35

Schedule of Adjusting Journal Entries 36

Financial Data Schedule - REAC Electronic Submission 38



Independent Auditor's Report

Board of Commissioners
Anderson Housing Authority
Anderson, Indiana

I have audited the accompanying basic financial statements of the Anderson Housing Authority, as of and for the year ended March 31, 2012, as listed in the table of contents. These basic 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 did not audit the financial statements of Anderson Housing, Inc. (a component unit). Those financial statements were reviewed by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for Anderson Housing, Inc., is based on the report of the other auditors.

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 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.

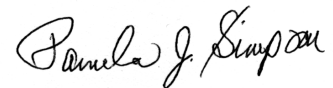
In my opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Anderson Housing Authority, as of March 31, 2012 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 11, 2012, on my consideration of the Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulation, contracts and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedure 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 that collectively comprise Anderson Housing Authority's basic financial statements. The 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 also not a required part of the basic financial statements of the Anderson Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents has been subjected to the auditing procedures and certain 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 basic financial statements as a whole.

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



Certified Public Accountant

Decatur, Illinois
October 11, 2012

Anderson Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2012

As management of Anderson Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2012.

We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Anderson Housing Authority.

Overview of the Financial Statements

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

The Statement of Net Assets

Reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

Net Assets, Invested in Capital Assets, Net of Related Debt:

This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets:

This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets:

Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

Anderson Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2012

Statement of Revenue, Expenses, and Change in Net Assets

Reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions. This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

Statement of Cash Flows

Presents information on the effects changes in assets and liabilities have on cash during the course of the Fiscal Year.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authorities net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

Anderson Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2012

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets

Total Net Assets for FY 2012 were \$5,144,622 and for FY 2011 the amount was \$5,554,482. This represents an overall net decrease of \$409,860, or 7%.

Cash & Investments decreased by \$38,757. Cash decreased because of a decrease in funding for the Public Housing Program.

Receivables decreased by \$137,921. Outstanding funding receivable as of March 2011 was received during FYE 2012.

Capital Assets decreased by \$299,254. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased by \$64,107. Account payable decreased because the Authority tried to pay all invoices prior to the year end. Accrued wages decreased because of the timing of the final payroll periods of the comparative fiscal year.

Non Current Liabilities increased by \$837 because of a slight change in compensated absences liability.

The table below illustrates our analysis:

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>Percent Variance</u>
Cash & Investments	1,043,913	1,082,670	(38,757)	-4%
Receivables (net)	40,537	178,458	(137,921)	-77%
Other Current Assets	42,453	39,651	2,802	7%
Capital Assets	4,315,729	4,614,983	(299,254)	-7%
Total Assets	5,442,632	5,915,762	(473,130)	-8%
Current Liabilities	140,562	204,669	(64,107)	-31%
Noncurrent Liabilities	157,448	156,611	837	1%
Total Liabilities	298,010	361,280	(63,270)	-18%
Net Invested in Capital Assets	4,315,729	4,614,983	(299,254)	-7%
Restricted Net Assets	274,740	323,906	(49,166)	-15%
Unrestricted Net Assets	554,153	615,593	(61,440)	-10%
Total Net Assets	5,144,622	5,554,482	(409,860)	-7%

Anderson Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 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:

Program	Revenues Generated
Business Activities	\$10,091
Component Units	84,122
HOME Investments Partnerships Program	9,710
Capital Fund Program	319,710
Low Rent Public Housing (LIPH)	603,769
Housing Choice Vouchers (HCV)	<u>7,225,090</u>
Total Revenue	<u>\$8,252,492</u>

Total revenues for Fiscal Year 2012 were \$8,252,492 as compared to \$8,410,882 of total revenues for Fiscal Year 2011. Comparatively, fiscal year 2012 revenues decreased by \$158,390 from fiscal year 2011. Operating grants increased because the Authority added Section 8 HCV units and the Authority requisitioned all of the Capital Fund Awards to offset operating expenses. Other government grants decreased because the Authority was utilizing the last of the state of Indiana funding award for construction of units.

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>	<u>Percentage Change</u>
Total Tenant Revenue	78,631	68,556	10,075	15%
HUD Operating Grants	8,084,002	7,705,123	378,879	5%
HUD Capital Grants	0	132,409	(132,409)	-100%
Other Government Grants	69,178	466,039	(396,861)	-85%
Investment Income	1,498	2,165	(667)	-31%
Fraud Recovery	200	40	160	400%
Gain/loss on Sale of Capital Assets	2,717	1,032	1,685	163%
Other Revenue	16,266	35,518	(19,252)	-54%
Total Revenue	<u>8,252,492</u>	<u>8,410,882</u>	<u>(158,390)</u>	<u>-2%</u>

Anderson Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2012

Analysis of Entity Wide Expenditures

Total Expenses for Fiscal Year 2012 were \$8,662,352 as compared to the \$8,037,602 of total expenses for Fiscal Year 2011. This represents an increase of \$624,750, or 8%.

Administrative expenditures decreased by \$9,106. Salaries decreased by approximately \$47,839 and benefits increased by approximately \$39,000 due to increasing health insurance costs.

Maintenance expenditures increased by \$170,903. The increase in maintenance was due to an increase in materials and contracts related to Capital Fund activities.

General expenditures increased by \$53,716. The increase was due to an increase in compensated absence expenses.

Housing Assistance Payments increased by \$380,228. Housing Assistance Payments increased because the Authority was awarded additional vouchers called enhanced vouchers by HUD.

The table below illustrates our analysis:

	<u>2012</u>	<u>2011</u>	<u>net Change</u>	<u>Percentage Change</u>
Administrative	901,833	910,939	(9,106)	-1%
Tenant Services	651	901	(250)	-28%
Utilities	103,241	94,163	9,078	10%
Maintenance	502,319	331,416	170,903	52%
Protective Services	2,205	3,476	(1,271)	-37%
General Expense	194,940	141,224	53,716	38%
Extraordinary Maintenance	0	3,144	(3,144)	-100%
Casualty Losses	1,018	0	1,018	100%
Housing Assistance Payments	6,618,675	6,238,447	380,228	6%
Depreciation Expense	337,470	313,892	23,578	8%
Total Expenses	<u>8,662,352</u>	<u>8,037,602</u>	<u>624,750</u>	<u>8%</u>

Anderson Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2012

Analysis of Capital Asset Activity

The table below illustrates the changes in Capital Assets throughout the fiscal year:

	2012	2011	Net Change	Percentage Variance
Land	350,848	355,148	(4,300)	-1%
Buildings	8,791,683	8,192,650	599,033	7%
Furniture, Equipment, & Machinery - Dwelling	398,730	398,730	0	0%
Furniture, Equipment, & Machinery - Administrative	982,767	1,087,275	(104,508)	-10%
Work in Process	0	556,517	(556,517)	-100%
Total Fixed Assets	10,524,028	10,590,320	(66,292)	-1%
Accumulated Depreciation	6,208,299	5,975,337	232,962	4%
Net Fixed Assets	4,315,729	4,614,983	(299,254)	-7%

The Authority's work in process decreased by a net amount of \$556,517. The Authority transferred completed improvements and equipment to other Capital Asset line items.

Accumulated Depreciation increased because of current year depreciation expense, offset by the disposal of vehicles no longer owned.

Outstanding Debt

The Housing Authority had no long term debt during fiscal year ended June 30, 2011 or June 30, 2012.

Special Conditions and Economic Factors

Management is not aware of any facts, decisions, or conditions that would have a significant effect on the future operation of the Authority.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to Executive Director, Anderson Housing Authority

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

**STATEMENT OF NET ASSETS
AS OF MARCH 31, 2012**

<u>ASSETS</u>	Proprietary Funds	Component Unit
CURRENT ASSETS		
Cash	\$ 340,297	\$ 106,770
Accounts receivable (interfund eliminated)	39,936	601
Accrued interest receivable	48	0
Investments	266,683	0
Inventory	3,423	0
Deferred charges	<u>38,982</u>	<u>0</u>
Total Current Assets	<u>\$ 689,369</u>	<u>\$ 107,371</u>
RESTRICTED ASSETS		
Cash	<u>\$ 329,882</u>	<u>\$ 281</u>
Total Restricted Assets	<u>\$ 329,882</u>	<u>\$ 281</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 9,884,805	\$ 639,223
Less: Accumulated depreciation	<u>-6,154,349</u>	<u>-53,950</u>
Net Capital Assets	<u>\$ 3,730,456</u>	<u>\$ 585,273</u>
Total Assets	<u>\$ 4,749,707</u>	<u>\$ 692,925</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable (interfund eliminated)	\$ 44,186	\$ 7,800
Accrued liabilities	33,153	0
Deferred revenue	<u>55,142</u>	<u>281</u>
Total Current Liabilities	<u>\$ 132,481</u>	<u>\$ 8,081</u>
NONCURRENT LIABILITIES		
Accrued liabilities	<u>\$ 157,448</u>	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 157,448</u>	<u>\$ 0</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 3,730,456	\$ 585,273
Restricted	274,740	0
Unrestricted	<u>454,582</u>	<u>99,571</u>
Total Net Assets	<u>\$ 4,459,778</u>	<u>\$ 684,844</u>

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

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED MARCH 31, 2012**

<u>Operating Income</u>	Proprietary <u>Funds</u>	Component <u>Unit</u>
Tenant rental revenue	\$ 59,717	\$ 11,306
Tenant revenue - other	<u>7,608</u>	<u>0</u>
Total Rental Income	\$ 67,325	\$ 11,306
HUD grants - operating	8,084,002	0
Other government grants	0	69,178
Fraud recovery	200	0
Other revenue	15,397	869
Gain loss on sale of capital assets	<u>0</u>	<u>2,717</u>
Total Operating Income	<u>\$ 8,166,924</u>	<u>\$ 84,070</u>
 <u>Operating Expenses</u>		
Administration	\$ 892,667	\$ 9,166
Tenant services	651	0
Utilities	95,750	7,491
Ordinary maintenance and operation	486,404	15,915
Protective services	2,205	0
General expense	190,219	4,721
Casualty losses - non capitalized	1,018	0
Housing assistance payments	6,618,675	0
Depreciation	<u>321,517</u>	<u>15,953</u>
Total Operating Expenses	<u>\$ 8,609,106</u>	<u>\$ 53,246</u>
Net Operating Income (Loss)	\$ -442,182	\$ 30,824
 <u>Nonoperating Income (Expense)</u>		
Interest income	<u>1,446</u>	<u>52</u>
Changes in net assets	\$ -440,736	\$ 30,876
Net assets, beginning of year	<u>4,900,514</u>	<u>653,968</u>
Net assets, end of year	<u>\$ 4,459,778</u>	<u>\$ 684,844</u>

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

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2012**

<u>Operating Activities</u>	Proprietary Funds	Component Unit
Operating grants	\$ 8,196,023	\$ 69,178
Tenant revenue	72,126	13,087
Other revenue	15,597	3,586
Housing assistance payments	-6,618,675	0
Payments to employees	-717,355	0
Payments to suppliers and contractors	<u>-1,004,248</u>	<u>-31,379</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -56,532</u>	<u>\$ 54,472</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -1,412	\$ 0
Interest income	<u>1,467</u>	<u>52</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 55</u>	<u>\$ 52</u>
 <u>Capital and Related Financing Activities</u>		
(Additions) deletions to fixed assets	<u>\$ 0</u>	<u>\$ -38,216</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>	<u>\$ -38,216</u>
Net Change in Cash	\$ -56,477	\$ 16,308
Cash Balance at March 31, 2011	<u>726,656</u>	<u>90,743</u>
Cash Balance at March 31, 2012	<u><u>\$ 670,179</u></u>	<u><u>\$ 107,051</u></u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2012**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Proprietary Funds</u>	<u>Component Unit</u>
Net operating income (loss)	\$ -442,182	\$ 30,824
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	321,517	15,953
(Increase) decrease in accounts receivable	58,991	78,930
(Increase) decrease in deferred charges	-2,906	0
(Increase) decrease in inventory	83	0
Increase (decrease) in accounts payable	-16,597	-71,516
Increase (decrease) in accrued liabilities	-30,473	0
Increase (decrease) in deferred revenues	<u>55,035</u>	<u>281</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -56,532</u>	<u>\$ 54,472</u>

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Anderson was established by the City of Anderson 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 Anderson 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 Anderson is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements.

The Housing Authority has one component unit. Anderson Housing, Inc. (AHI) was formed in 1995 for the purpose of providing affordable housing to low income individuals. During 1997, AHI began operating a homeless shelter, primarily to aid families whose homes have been destroyed by fire. A second shelter was added in 2000.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 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:

- * Low Rent Public Housing
- * Housing Choice Vouchers
- * Component Unit - (Homeless Shelters) - Anderson Housing, Inc.
- * Business Activities
- * Capital Fund Program
- * HOME Investment Partnerships Program

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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2012, 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.

(g) Inventories and Materials

Inventories and materials are stated at cost which approximates market determined on average cost.

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is five thousand dollars (\$5,000) 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Fixed Assets - Continued

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	10 - 40 years
Equipment	3 - 15 years

(j) 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."

(k) Income Tax -

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(l) 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.

(m) The Housing Authority adopts a budget annually. The budget is presented to the Board of Commissioners for approval.

(n) 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.

(o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions 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.

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk

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

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

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

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

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

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

- Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.
- Category 3 - Deposits which are not collateralized or insured.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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	\$ 235,874	\$ 243,331
Voucher	368,138	377,035
Business Activities	<u>66,167</u>	<u>66,167</u>
Total	<u>\$ 670,179</u>	<u>\$ 686,533</u>
Component Unit	<u>\$ 107,051</u>	<u>\$ 107,051</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>\$ 266,683</u>	<u>\$ 266,683</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 3 - Compensated Absences

Sick Time

Full-time employees shall accrue sick time days at a rate of one and one-quarter (1.25) days per month worked commencing with the month following of employment. Part-time employees shall accrued sick time on a pro-rated basis (based on percentage of normal week, which the employees work). Temporary employees shall not accrue sick time.

Earned sick leave time may be accumulated and carried from year to year. An employee may accumulate up to, but not exceed, one hundred and eighty (180) days.

Newly hired employees shall begin accumulating sick leave time commencing with the month following their first full month of employment.

An employee whose sick time exceeds the maximum accumulation may convert the excess sick time to vacation time at a rate of two sick days for one vacation day. To convert sick time, the employee must submit a written request to the Executive Director or designee. Sick time converted to vacation must be used within the next calendar year.

Upon termination of employment, the employee shall be paid for one-half (1/2) of their accumulated sick time not to exceed a maximum of (90) days. Sick leave shall be calculated on the employee's current rate of pay.

An employee "terminated for cause" will not be eligible to received payment of sick leave time accumulated.

Personal Days

Employees shall receive four (4) personal days per year. This is subject to change relative to the Anderson Housing Authority's Board of Commissioners yearly review.

Vacation Leave

1 year - 4 years	2 weeks
5 years - 9 years	3 weeks
10 years - 19 years	4 weeks
20 years and over	5 weeks

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 4 - Defined Contribution Plan

All employees of the Anderson Housing Authority are covered by a retirement program Public Employees Retirement Fund (PERF) established and maintained by the State of Indiana except: employees not considered full time (positions requiring 1,000 or more hours of work per year.)

PERF pays benefits to cover employees or their survivor upon retirement, death and in certain cases of serious illness or injury. Contributions for the year ended March 31, 2012 were \$62,786 paid by the Housing Authority and \$19,920 paid by the employees. Total annual payroll expense was \$664,005.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

	<u>Proprietary Funds</u>	<u>Component Unit</u>
Accounts receivable - HUD other projects	\$ 34,172	\$ 0
Accounts receivable - miscellaneous	5,249	601
Accounts receivable - tenants	1,571	0
Allowance for doubtful accounts - tenants	<u>-1,056</u>	<u>0</u>
Subtotal	\$ 39,936	\$ 601
Interfund	<u>9,165</u>	<u>0</u>
Total	<u>\$ 49,101</u>	<u>\$ 601</u>

Note 6 - Investments

At March 31, 2012 investments consist of the following:

	<u>Rate</u>		
Certificates of deposit	0.25-0.525%	<u>\$ 266,683</u>	<u>\$ 0</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid Insurance	<u>\$ 38,982</u>	<u>\$ 0</u>
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**HOUSING AUTHORITY OF THE CITY OF ANDERSON
ANDERSON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

<u>Note 8 - Fixed Assets</u>	<u>Proprietary Funds</u>	<u>Component Unit</u>
Balance at March 31, 2012	\$ 3,730,456	\$ 585,273
Balance at March 31, 2011	<u>4,051,973</u>	<u>563,010</u>
Net Increase (Decrease)	<u>\$ -321,517</u>	<u>\$ 22,263</u>

Reconciliation

Additions	\$ 0	\$ 38,216
Depreciation expense	<u>-321,517 *</u>	<u>-15,953 *</u>
Net Increase (Decrease)	<u>\$ -321,517</u>	<u>\$ 22,263</u>

Analysis

<u>Proprietary Funds</u>	<u>04/01/2011 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>03/31/2012 Balance</u>
Land	\$ 324,548	\$ 0	\$ 0	\$ 324,548
Buildings	8,095,987	84,773	0	8,180,760
Equipment and furniture	1,484,005	0	104,508	1,379,497
Construction in progress	<u>84,773</u>	<u>0</u>	<u>84,773</u>	<u>0</u>
Total Assets	\$ 9,989,313	\$ 84,773	\$ 189,281	\$ 9,884,805
Accumulated depreciation	<u>-5,937,340</u>	<u>104,508</u>	<u>321,517 *</u>	<u>-6,154,349</u>
Net Assets	<u>\$ 4,051,973</u>	<u>\$ 189,281</u>	<u>\$ 510,798</u>	<u>\$ 3,730,456</u>
 <u>Component Unit</u>	 <u>04/01/2011 Balance</u>	 <u>Additions/ Transfers</u>	 <u>Deletions/ Transfers</u>	 <u>03/31/2012 Balance</u>
Land	\$ 30,600	\$ 0	\$ 4,300	\$ 26,300
Buildings	96,663	514,260	0	610,923
Equipment and furniture	2,000	0	0	2,000
Construction in progress	<u>471,744</u>	<u>0</u>	<u>471,744</u>	<u>0</u>
Total Assets	\$ 601,007	\$ 514,260	\$ 476,044	\$ 639,223
Accumulated depreciation	<u>-37,997</u>	<u>0</u>	<u>15,953 *</u>	<u>-53,950</u>
Net Assets	<u>\$ 563,010</u>	<u>\$ 514,260</u>	<u>\$ 491,997</u>	<u>\$ 585,273</u>

*Depreciation expense recognized in the current year.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

	Proprietary <u>Funds</u>	Component <u>Unit</u>
Vendors and contractors	\$ 8,421	\$ 6,300
Tenants security deposits	35,380	1,500
Other current liabilities	<u>385</u>	<u>0</u>
Subtotal	\$ 44,186	\$ 7,800
Interfund	<u>9,165</u>	<u>0</u>
Total	<u>\$ 53,351</u>	<u>\$ 7,800</u>

Note 10 - 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.

Note 11 - Accrued Liabilities

	Proprietary <u>Funds</u>
<u>Current Portion:</u>	
Accrued compensated absences	\$ 17,494
Accrued wages/payroll taxes payable	13,717
Accrued liabilities - other	<u>1,942</u>
Total Current Portion	\$ 33,153
<u>Noncurrent Portion:</u>	
Accrued compensated absences	<u>157,448</u>
Total	<u>\$ 190,601</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2012:

	04/01/2011			03/31/2012
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absence	\$ 156,611	\$ 837	\$ 0	\$ 157,448

Note 13 - Deferred Revenue

This classification consists of the following accounts:

	Proprietary <u>Funds</u>	Component <u>Unit</u>
Tenants prepaid rent	\$ 1,798	\$ 281
Other deferred revenues	<u>53,344</u>	<u>0</u>
Total	<u>\$ 55,142</u>	<u>\$ 281</u>

Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on an annual basis.

Note 15 - Allocation of Costs

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

Note 16 - 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2012
(CONTINUED)**

Note 17 - Contracts/Commitments

As of March 31, 2012, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-11	<u>\$ 175,847</u>	<u>\$ 122,503</u>

Note 18 - 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 20 - Economic Dependency

The Housing Authority received most of its revenue (98%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

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

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE TWELVE MONTHS ENDED MARCH 31, 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>						
<u>Direct Programs:</u>						
Public and Indian Housing*	14.850a	C-2057	FYE 03/31/12	\$ 530,092	\$ 530,092	\$ 530,092
Public Housing - Capital Funds*	14.872	C-2057	FYE 03/31/12	\$ 602,535	\$ 319,710	\$ 319,710
Housing Choice Voucher Program*	14.871	C-2012	FYE 03/31/12	\$ 7,224,490	\$ 7,224,490	\$ 7,224,490
HOME Investments Partnerships Program	14.239	C-2012	FYE 03/31/12	\$ 9,710	\$ 9,710	\$ 9,710
Total Assistance				<u>\$ 8,366,827</u>	<u>\$ 8,084,002</u>	<u>\$ 8,084,002</u>

*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P006501-09**

1. The Actual Modernization Costs of Phase IN36P006501-09 are as follows:

Funds approved	\$ 213,703
Funds expended	<u>213,703</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 213,703
Funds expended	<u>213,703</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 August 24, 2011, 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 Anderson
Anderson, Indiana

I have audited the financial statements of Housing Authority of the City of Anderson as of and for the year ended March 31, 2012, and have issued my report thereon dated October 11, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Housing Authority of the City of Anderson'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 Anderson's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Anderson'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 Anderson'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 Anderson in a separate letter dated October 11, 2012.

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



Certified Public Accountant

Decatur, Illinois
October 11, 2012



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

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

Compliance

I have audited Housing Authority of the City of Anderson'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 Anderson's major federal programs for the year ended March 31, 2012. Housing Authority of the City of Anderson'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 Anderson's management. My responsibility is to express an opinion on Housing Authority of the City of Anderson'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 Anderson'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 Anderson's compliance with those requirements.

In my opinion, Housing Authority of the City of Anderson 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 March 31, 2012. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

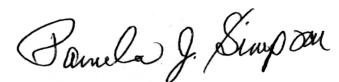
Internal Control Over Compliance

Management of Housing Authority of the City of Anderson 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 Anderson'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 Anderson'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.



Certified Public Accountant

Decatur, Illinois
October 11, 2012

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2011 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED MARCH 31, 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: 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
14.871	Housing Choice Voucher Program
14.872	Public Housing Capital Funds Program

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

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

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

FINDINGS, RECOMMENDATIONS AND REPLIES

Section II - Financial Statement Findings

There were no financial statement audit findings were discussed with Cindy Mummert, Executive Director, during the course of the audit or at an exit conference held October 11, 2012.

Section III - Federal Award Findings

There were no federal award audit findings or questioned costs were discussed with Cindy Mummert, Executive Director, during the course of the audit or at an exit conference held October 11, 2012.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2012**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Dwelling rents	3110	\$ 1,798.09		2806
Prepaid rents	2240		\$ 1,798.09	2240
(To adjust for prepayments per schedule provided by Housing Authority)				
(2)				
Admin wages	4110		\$ 21,146.14	n/a
Compensated absence	4120	\$ 34,599.34		n/a
Maintenance wages	4410		13,453.20	n/a
(To adjust compensated absence to amount earned during year)				
(3)				
Furniture, equipment - admin	1400.9		\$ 91,285.64	1400.9
Accumulated depreciation	1400.5	\$ 91,285.64		1400.5
(To remove vehicles from book and depreciation schedule that PHA no longer owns)				
(4)				
Furniture, equipment - admin	1400.9		\$ 47,591.36	already
Accumulated depreciation	1400.5	\$ 38,321.51		posted
Depreciation expense	4800		14,277.40	by
Due to/from Section 8	1157	23,547.25		PHA
(To transfer vehicle now used exclusively on Section 8 that was originally purchased by LIPH)				
<u>Voucher</u>				
(1)				
HAP reserve	2806.01	\$ 94,598.22		2806.01
Unrestricted net assets	2806		\$ 94,598.22	2806
(To reverse PHA journal entry #1815)				
(2)				
HAP reserve	2806.01	\$ 13,087.00		2806.01
Unrestricted net assets	2806		\$ 13,087.00	2806
(To post adjustment to NRA per 09/30/2011 concurrence)				
(3)				
Interfund Section 8	1157		\$ 819.00	1157
HAP payments	4715.01	\$ 760.00		2806.01
Tenant utility refunds	4715.03	59.00		2806.01
(To correct HAP payment for two tenants that were on TBRA program that were moved to Voucher program at 08/31/2011, but HAP was charged for September to TBRA and not Voucher)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2012**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(4)				
Admin wages	4110		\$ 45,818.81	n/a
Compensated absence	4120	\$ 45,818.81		n/a
(To adjust compensated absence to amount earned during year)				
(5)				
Furniture, equipment - admin	1400.9	\$ 47,591.36		already
Accumulated depreciation	1400.5		\$ 38,321.51	posted
Depreciation expense	4800	14,277.40		by
Due to/from Section 8	1157		23,547.25	PHA
(To transfer vehicle now used exclusively on Section 8 that was originally purchased by LIPH)				
(6)				
Travel	4150		\$ 146.98	2806
A/R - other (employee)	1129	\$ 146.98		1129
(To record employee travel advance reimbursement to PHA collected subsequent to year end)				
<u>TBRA</u>				
(1)				
HAP	4715.01		\$ 760.00	2806
Tenant utility refunds	4715.03		59.00	2806
Due to/from Section 8	1157	819.00		1157
A/R - other	1129		819.00	1129
HAP grant	3401.01	819.00		2806
(To correct account receivable)				

Housing Authority of the City of Anderson (IN006)
ANDERSON, IN

Entry Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	6 Component Units	1 Business Activities	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$145,352	\$105,270	\$66,167		\$93,398	\$410,187		\$410,187
112 Cash - Restricted - Modernization and Development	\$53,344				\$274,740	\$53,344		\$53,344
113 Cash - Other Restricted								\$274,740
114 Cash - Tenant Security Deposits	\$35,330	\$1,500				\$36,830		\$36,830
115 Cash - Restricted for Payment of Current Liabilities	\$1,798	\$281				\$2,079		\$2,079
100 Total Cash	\$235,874	\$107,051	\$66,167	\$0	\$368,138	\$777,230	\$0	\$777,230
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects					\$34,172	\$34,172		\$34,172
123 Accounts Receivable - Other Government								
124 Accounts Receivable - Miscellaneous		\$601	\$5,102		\$147	\$5,850		\$5,850
125 Accounts Receivable - Tenants	\$1,571					\$1,571		\$1,571
126 Allowance for Doubtful Accounts - Tenants	-\$1,056	\$0	\$0	\$0	\$0	-\$1,056		-\$1,056
127 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery								
128.1 Allowance for Doubtful Accounts - Fraud								
129 Accrued Interest Receivable	\$48					\$48		\$48
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$563	\$601	\$5,102	\$0	\$34,319	\$40,585	\$0	\$40,585
131 Investments - Unrestricted	\$266,683					\$266,683		\$266,683
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability					\$6,302	\$38,982		\$38,982
142 Prepaid Expenses and Other Assets	\$32,680					\$32,680		\$32,680
143 Inventories	\$3,803					\$3,803		\$3,803
143.1 Allowance for Obsolete Inventories	-\$380					-\$380		-\$380
144 Inter Program Due From					\$8,780	\$9,165	-\$9,165	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$539,223	\$107,652	\$71,269	\$385	\$417,539	\$1,136,068	-\$9,165	\$1,126,903
161 Land	\$324,548	\$26,300				\$350,848		\$350,848
162 Buildings	\$8,174,412	\$510,923	\$5,348			\$8,791,683		\$8,791,683
163 Furniture, Equipment & Machinery - Dwellings	\$398,730					\$398,730		\$398,730
164 Furniture, Equipment & Machinery - Administration	\$918,555	\$2,000				\$920,555		\$920,555
165 Leasehold Improvements								
166 Accumulated Depreciation	-\$6,099,943	-\$53,950	-\$1,464		-\$52,942	-\$6,208,299		-\$6,208,299
167 Construction in Progress								
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,716,302	\$885,273	\$4,884	\$0	\$9,270	\$4,315,729	\$0	\$4,315,729
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	\$3,716,302	\$885,273	\$4,884	\$0	\$9,270	\$4,315,729	\$0	\$4,315,729
190 Total Assets	\$4,255,525	\$692,925	\$76,153	\$385	\$426,809	\$5,451,797	-\$9,165	\$5,442,632

Housing Authority of the City of Anderson (IN006)
ANDERSON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	6 Component Units	1 Business Activities	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft								
312 Accounts Payable - ≤ 90 Days	\$7,028	\$5,300			\$1,393	\$14,721		\$14,721
313 Accounts Payable > 90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable	\$6,292				\$7,425	\$13,717		\$13,717
322 Accrued Compensated Absences - Current Portion	\$7,727				\$9,767	\$17,494		\$17,494
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	\$35,380	\$1,500				\$36,880		\$36,880
342 Deferred Revenues	\$55,142	\$281				\$55,423		\$55,423
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	\$1,942			\$385		\$385		\$385
347 Inter Program - Due To	\$8,750				\$385	\$9,165		\$1,942
348 Loan Liability - Current								\$0
310 Total Current Liabilities	\$122,291	\$8,081	\$0	\$385	\$18,970	\$149,727	-\$9,165	\$140,562
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	\$69,546				\$37,902	\$157,448		\$157,448
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OFEB Liabilities								
350 Total Non-Current Liabilities	\$69,546	\$0	\$0	\$0	\$37,902	\$157,448	\$0	\$157,448
300 Total Liabilities	\$191,837	\$8,081	\$0	\$385	\$106,872	\$307,175	-\$9,165	\$298,010
508.1 Invested In Capital Assets, Net of Related Debt	\$3,716,302	\$565,273	\$4,884		\$9,270	\$4,315,729		\$4,315,729
511.1 Restricted Net Assets								
512.1 Unrestricted Net Assets	\$347,386	\$99,571	\$71,269	\$0	\$274,740	\$274,740		\$274,740
513 Total Equity/Net Assets	\$4,063,688	\$684,844	\$76,153	\$0	\$35,927	\$554,153		\$554,153
600 Total Liabilities and Equity/Net Assets	\$4,255,525	\$692,925	\$76,153	\$385	\$426,809	\$5,451,797	-\$9,165	\$5,442,632

Housing Authority of the City of Anderson (IN006)
ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	6 Component Units	1 Business Activities	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$59,717	\$11,306				\$71,023		\$71,023
70400 Tenant Revenue - Other	\$7,608					\$7,608		\$7,608
70500 Total Tenant Revenue	\$67,325	\$11,306	\$0	\$0	\$0	\$78,631	\$0	\$78,631
70600 HUD PHA Operating Grants	\$849,802			\$9,710	\$7,224,490	\$8,084,002		\$8,084,002
70610 Capital Grants								
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue						\$0	\$0	\$0
70800 Other Government Grants		\$69,178				\$69,178		\$69,178
71100 Investment Income - Unrestricted	\$1,372	\$52	\$74			\$1,498		\$1,498
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery					\$200	\$200		\$200
71500 Other Revenue	\$4,980	\$869	\$10,017		\$400	\$16,266		\$16,266
71600 Gain or Loss on Sale of Capital Assets		\$2,717				\$2,717		\$2,717
72000 Investment Income - Restricted								
70000 Total Revenue	\$923,479	\$84,122	\$10,091	\$9,710	\$7,225,090	\$8,252,492	\$0	\$8,252,492
91100 Administrative Salaries	\$133,631			\$3,000	\$340,559	\$477,240		\$477,240
91200 Auditing Fees	\$4,332	\$6,300			\$3,325	\$13,957		\$13,957
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing	\$563				\$72	\$635		\$635
91500 Employee Benefit Contributions - Administrative	\$65,414				\$156,549	\$241,963		\$241,963
91600 Office Expenses	\$30,492				\$46,791	\$77,283		\$77,283
91700 Legal Expense	\$1,033	\$130			\$4,587	\$5,750		\$5,750
91800 Travel	\$7,528				\$8,884	\$16,412		\$16,412
91810 Allocated Overhead								
91900 Other	\$30,651	\$2,736	\$9,000		\$26,176	\$68,593		\$68,593
91000 Total Operating - Administrative	\$293,724	\$9,166	\$9,000	\$3,000	\$586,943	\$901,833	\$0	\$901,833
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other	\$651					\$651		\$651
92500 Total Tenant Services	\$651	\$0	\$0	\$0	\$0	\$651	\$0	\$651

Housing Authority of the City of Anderson (IN006)
ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	6 Component Units	1 Business Activities	14.239 HOME Investment Partnerships Program	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water	\$61,361	\$7,491				\$68,852		\$68,852
93200 Electricity	\$27,016					\$27,016		\$27,016
93300 Gas	\$7,194				\$179	\$7,373		\$7,373
93400 Fuel								
93500 Labor								
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	\$95,571	\$7,491	\$0	\$0	\$179	\$103,241	\$0	\$103,241
94100 Ordinary Maintenance and Operations - Labor	\$135,720					\$135,720		\$135,720
94200 Ordinary Maintenance and Operations - Materials and Other	\$67,849					\$67,849		\$67,849
94300 Ordinary Maintenance and Operations Contracts	\$248,747	\$15,915			\$5,446	\$270,108		\$270,108
94500 Employee Benefit Contributions - Ordinary Maintenance	\$8,642					\$8,642		\$8,642
94000 Total Maintenance	\$480,958	\$15,915	\$0	\$0	\$5,446	\$502,319	\$0	\$502,319
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$2,205					\$2,205		\$2,205
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$2,205	\$0	\$0	\$0	\$0	\$2,205	\$0	\$2,205
96110 Property Insurance					\$3,475	\$3,475		\$3,475
96120 Liability Insurance	\$4,866				\$4,997	\$4,997		\$4,997
96130 Workmen's Compensation					\$7,171	\$7,171		\$7,171
96140 All Other Insurance	\$68,999	\$4,721				\$73,720		\$73,720
96100 Total Insurance Premiums	\$73,865	\$4,721	\$0	\$0	\$15,643	\$94,229	\$0	\$94,229
96200 Other General Expenses	\$5,191				\$2,459	\$7,650		\$7,650
96210 Compensated Absences	\$35,321				\$46,027	\$81,348		\$81,348
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents	\$11,713					\$11,713		\$11,713
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96500 Severance Expense								
96000 Total Other General Expenses	\$52,225	\$0	\$0	\$0	\$48,486	\$100,711	\$0	\$100,711
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$995,199	\$37,293	\$9,000	\$3,000	\$656,697	\$1,705,189	\$0	\$1,705,189
97000 Excess of Operating Revenue over Operating Expenses	-\$75,720	\$46,529	\$1,091	\$6,710	\$6,565,393	\$6,547,303	\$0	\$6,547,303

Housing Authority of the City of Anderson (IN006)
ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	Project Total	6 Component Units	1 Business Activities	14,239 HOME Investment Partnerships Program	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized	\$1,018					\$1,018		\$1,018
97300 Housing Assistance Payments				\$6,710	\$5,611,965	\$6,618,675		\$6,618,675
97350 HAP Portability-In								
97400 Depreciation Expense	\$306,816	\$15,963	\$424		\$14,277	\$337,470		\$337,470
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$1,307,033	\$53,246	\$9,424	\$9,710	\$7,282,939	\$8,662,352	\$0	\$8,662,352
10010 Operating Transfer In	\$50,000					\$50,000	\$50,000	\$0
10020 Operating transfer Out	-\$50,000					-\$50,000	\$50,000	\$0
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$383,554	\$30,876	\$667	\$0	-\$57,849	-\$409,860	\$0	-\$409,860
11020 Required Annual Debt Principal Payments	\$0		\$0		\$0	\$0		\$0
11030 Beginning Equity	\$4,447,242	\$653,968	\$75,496	\$0	\$377,786	\$5,554,482		\$5,554,482
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 Termination Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity					\$45,197	\$45,197		\$45,197
11180 Housing Assistance Payments Equity					\$274,740	\$274,740		\$274,740
11190 Unit Months Available	1632			15	14354	16001		16001
11210 Number of Unit Months Leased	1509			15	13412	14936		14936
11270 Excess Cash	\$266,695					\$266,695		\$266,695
11610 Land Purchases	\$0					\$0		\$0
11620 Building Purchases	\$0					\$0		\$0
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 CFFB Debt Service Payments	\$0					\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0		\$0

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Anderson as of and for the year ended March 31, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Anderson's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Anderson'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.

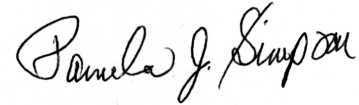
My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies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

1. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
2. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice.

3. While reviewing the Housing Authority's chart of accounts, it came to my attention that the authority has not expanded their chart of accounts to reflect HUD's suggested Chart of Accounts (per HUD handbook 7510.1 and changes identified in the GAAP Conversion Guide to the Financial Data Schedule Cross Walk Guide). The Financial Data Schedule (FDS) was created to standardize the financial information reported by Public Housing Authorities (PHAs) to the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (REAC). REAC currently requires PHAs to report their accounting information using Generally Accepted Accounting Principles (GAAP). REAC uses the FDS to analyze PHA financial data in conjunction with other performance measurements, to help ensure the success of PHA programs. The most recent Cross Walk Guide, the handbook and the Conversion Guide can be easily accessed on line and will describe a complete definition of each line/account required.
4. During my review, it was noted that PHA should report compensated absence expense on the Financial Data Schedule (FDS) per FDS Crosswalk guide. The compensated absence expense must be reported separate from wages and salaries.
5. The suggestion was made to acquire a blanket bond because it would cover theft of "assets" as well as cash collected from tenants.
6. During my review of fixed assets, I determined that some assets were recorded in the wrong program (because of a previous transfer of ownership). Depreciation schedules should be reviewed to determine that all assets listed are still being used by the agency. Obsolete or assets that have been disposed should be removed from the listing and the general ledger control accounts. The cost of assets and improvements paid for with CFP funds should be proper programs and categories.
7. Interfund receivables and payables arising from short term borrowings (payment of payroll and/or vendor payables from one control account) should be reconciled and repaid on a timely basis.
8. The Department of Housing and Urban Development requires that all funds on deposit with financial institutions must be insured or continuously collateralized (see specific requirements as detailed on form HUD-51999). The Housing Authority should monitor bank accounts to be sure all accounts at an institution exceeding insured limits are properly collateralized.
9. Agency policy requires that all travel vouchers are properly supported with receipts. During my test of travel expenditures, we found some supporting documents missing.
10. For detailed reporting required by HUD/REAC, benefits should be properly allocated between administration and maintenance. Currently benefits are recorded in one account.

11. The Housing Authority has no fraud recovery receivables recorded on their general ledger. Although the agency has discovered instances where HAP is due back to the agency, the policy does not include the recording of the receivable. Revenue from the recovery is recorded only if received. The Housing Authority should review this policy and pursue collections of the fraud receivables.

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.

Handwritten signature of Pamela J. Simpson in black ink.

Certified Public Accountant

Decatur, Illinois
October 11, 2012