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July 9, 2014

Board of Directors
Marion Housing Authority
601 S. Adams Street
Marion, IN 46953

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2010 to June 30, 2011. 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 Marion Housing Authority, as of June 30, 2011 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 MARION
MARION, INDIANA**

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

TWELVE MONTHS ENDED JUNE 30, 2011

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

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Independent Auditor's Report

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

I have audited the accompanying financial statements of the Housing Authority of the City of Marion, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Marion's management. My responsibility is to express opinions on these 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 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 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 Marion, as of June 30, 2011 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.

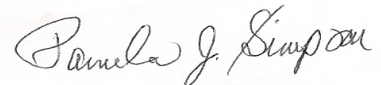
In accordance with *Government Auditing Standards*, I have also issued my report dated February 3, 2012 on my consideration of the Housing Authority of the City of Marion's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Housing Authority of the City of Marion'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 Housing Authority of the City of Marion. 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 Housing Authority of the City of Marion'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.

Decatur, Illinois
February 3, 2012



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**



Mission

As stewards of public funds and trust, the Marion Housing Authority will provide safe, decent, affordable housing opportunities through public and private partnerships, while serving all customers with respect. (2010-2014 Agency Plan)

The Marion Housing Authority owns and manages 100 low income family units, 170 elderly/disabled units, 421 Section 8 vouchers, 35 VASH vouchers, 98 Section 8 New Construction units, 25 Affordable Housing units, 148 market rate units, which also include commercial retail space. The Authority also manages a Family Self-Sufficiency (FSS) program under Section 8 and receives Capital Fund Program (CFP) grants.

As management of the Housing Authority of Marion, Indiana, 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 June 30, 2011. 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 Authority's Executive Director or the Chief Financial Officer at (765) 664-5194 or mha@marionha.com.

Financial Highlights

In addition to the following highlights, more descriptive explanation of the following items is provided later in this report.

- The assets of the Authority exceeded its liabilities as of June 30, 2011 by \$8,904,167 (net assets). This was a decrease of \$2,389,501 from \$11,293,668 as of June 30, 2010. This is a decrease of 21%.
- The Authority's cash balance as of June 30, 2011 was \$898,969, representing an increase of \$434,806, or 93%, from June 30, 2010 balance of \$464,163. However, Unrestricted investments as of June 30, 2011, were \$688,959, a 21% decrease from June 30, 2010 unrestricted investment balance of \$882,216.
- Total fixed assets, net of accumulated depreciation, decreased by 18% from \$13,107,951 as of June 30, 2010 to \$10,715,025 as of June 30, 2011. Fixed assets decreased by \$2,392,926. Related current and long-term debt decreased from \$3,202,492 as of June 30, 2010 to \$2,900,385 as of June 30, 2011 (decrease of 9%).
- The Authority had received HUD grant revenues of \$2,614,517 for operations and \$940,088 of capital grants for the fiscal year ended June 30, 2011. This represents a net increase of \$211,603, or 6% from fiscal year ended June 30, 2010.

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

- Total tenant revenue decreased from \$1,915,452 in 2010 to \$1,775,123 in 2011, or by 7%.
- Total revenue increased from \$5,464,126 in 2010 to \$5,572,866 in 2011, or by 1% overall.
- Total Operating Expenses increased from \$4,837,706 to \$5,437,814 which is an increase of \$600,108 or 12%, from 2010 to 2011. From 2009 to 2010, the net increase was \$1,017,842, or 17%.
- Excess Operating Revenue over Operating Expenses (BTI 970) decreased by \$2,144,793, or 94% from \$2,279,845 in 2010 to \$135,052 in 2011. From \$1,366,253 in 2009 to \$2,279,845 in 2010, this difference was an increase of \$913,592, or by 66%.

Overview of the Financial Statements

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

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

Readers of the Authority’s financial statements would question whether the Authority is more financially stable as a result of the year’s activities as compared to previous years. It is the opinion of the Authority’s management that significant improvements, both in the financial and operational areas, have been achieved in fiscal year 2011.

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with the determination that the Authority has operated efficiently. This analysis includes all assets and liabilities using the accrual basis of accounting, which is a Generally Accepted Accounting Principle (GAAP) used by most private sector companies. Accrual of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority’s net assets and changes in them. The Authority’s net assets are the differences between what the Authority owns (assets) and what the Authority owes (liabilities) as one way to measure the Authority’s financial health. Net assets is further classified as being invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets. Unrestricted net assets are available for obligations where operations cannot provide.

Over time, changes in the Authority’s net assets are an indicator of whether its financial health is improving or deteriorating. Readers need to consider other non-financial factors, such as changes in family/tenant composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority’s capital assets to assess the overall health of the Authority.

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

The Marion, Indiana and Grant County economy suffered greatly in 2004 with the closure of several manufacturing firms. Many of the Authority's clients lost employment and household income, which will eventually result in a decrease in tenant revenue and an increase in Housing Assistance Payments (HAP). As well, the entire nation has since felt the effects of a recession. While the local economy is gradually recovering and some large employers are investing in the community, thus offering more jobs, the rebuilding period from such devastation requires more time than the seven years that have passed since 2004 when Marion first began to feel the effects of the economic downturn that eventually began to affect the entire nation by 2008.

Statement of Net Assets

Total Assets for FYE 2011 were \$12,651,293, FYE 2010 was \$15,473,985 and FYE 2009 was \$15,122,362. This represents a net decrease of \$2,822,692, or 18% from 2010 to 2011. Areas representing this difference are:

Cash – The cash position of the Authority increased by \$434,806, or 93% during FYE 2011. Cash held on hand at June 30, 2011 was \$898,969 and at June 30, 2010 was \$464,163 (net of overdraft).

Other Current Assets – The Authority's current assets at June 30, 2011, totaled \$1,024,707 and were \$1,799,579 at June 30, 2010. The decrease related to an offsetting decrease in invested funds and a positive cash flow realized from operations.

Capital Assets, net of accumulated depreciation, were \$10,715,025 as of June 30, 2011, and \$13,107,951 as of June 30, 2010. The net capital assets increased in value by \$2,392,926. This is primarily due to basis adjustments and the transfer of capital fund assets to Public Housing. Accumulated depreciation decreased the net value of assets by \$3,669,571 during 2011.

Non-Current Assets – The Authority's non-current assets at June 30, 2011 were \$12,592 and were \$102,292 as of June 30, 2010.

The non-current assets are education loans to employees totaling \$12,592. The Authority will assist its employees in additional education that will be beneficial to their position or promotion within the agency. The Authority currently has only one employee using this opportunity to complete their Bachelor's Degree. There are strict stipulations in grades received as well as pay back structure should the employee leave the Authority within three years after receipt of their degree or certification.

Total Liabilities for FYE 2011 were \$3,747,126 and at FYE 2010 were \$4,180,317. This represents a decrease of \$433,191. Areas related to this decrease are:

Current Liabilities – The Authority's current liabilities as of June 30, 2011 totaled \$877,568, and were \$1,257,641 as of June 30, 2010. Current liabilities consists of accounts payable less than 90 days, accrued wages, current portion of accrued compensated absences, interest payable and current portion of principle due on financed property and accounts payable to HUD and other programs, and tenant security deposits. The current portion of long-term debt on financed properties decreased by \$171,645 as of June 30, 2011.

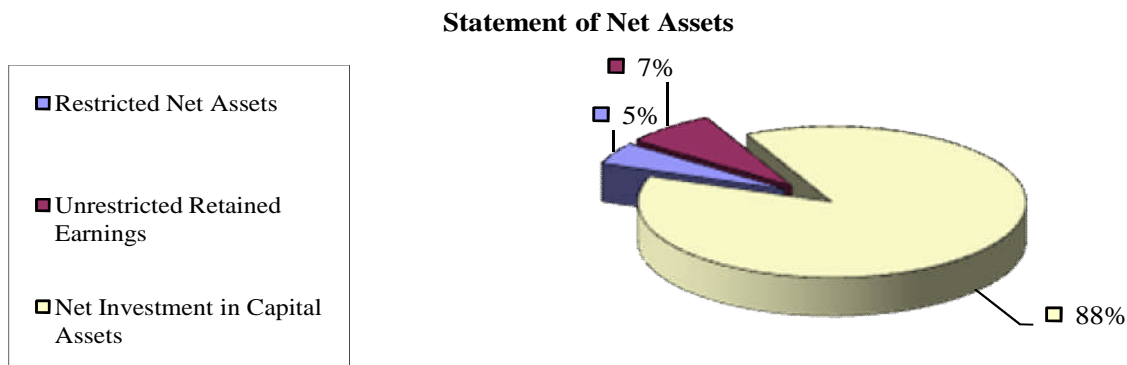
**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

Long-term Liabilities – The Authority’s long-term liabilities as of June 30, 2011, totaled \$2,869,558. As of June 30, 2010, long-term liabilities were \$2,922,676. The Authority’s long-term liabilities decreased by \$53,118. Long-term debt of the Authority consists of mortgages on an affordable housing project (Thomas Jefferson), and the May 2005 purchased 49-unit market rate development (Beckford), and a loan on the 2-unit plus commercial space property (Campus Corner), and the December 2006 purchased 49-unit market rate development (Parkville), and the October 2008 purchased 44-unit market rate development (Sandalwood), and 2 single family homes purchased October & December of 2008 for market rate rentals and the non-current portion of accrued compensated absences. Principle payments are made on the Bond Fund annually each October. The affordable housing development known as Thomas Jefferson Homes and the market rate developments known as Parkville Apartments, Beckford Apartments, Sandalwood Apartments and the market rate homes known as Race & Christy and the market rate/commercial property known as Campus Corner are mortgaged separately with a local financial institution with monthly principal and interest payments.

Capital/Net Assets – As capital assets are depreciated, they will be expensed through Net Investment in Capital Assets. The Unrestricted Retained Earnings balance represents what the Authority has available for obligations if revenue from operations is not sufficient. The Authority has \$669,616 available as unrestricted funds as of June 30, 2011. This is a decrease from \$1,040,032 as of June 30, 2010, or 35%.

	2011	2010	Net Change
Cash (Net of Overdrafts)	898,969	464,163	434,806
Other Current Assets	1,024,707	1,799,579	(774,872)
Interfunds	-	-	-
Capital Assets, net of depreciation	10,715,025	13,107,951	(2,392,926)
Non-Current Assets	12,592	102,292	(89,700)
Total Assets	<u>12,651,293</u>	<u>15,473,985</u>	<u>(2,822,692)</u>
Current Liabilities	877,568	1,257,641	(380,073)
Interfunds	-	-	-
Long-Term Liabilities	2,869,558	2,922,676	(53,118)
Total Liabilities	<u>3,747,126</u>	<u>4,180,317</u>	<u>(433,191)</u>
Net Investment in Capital Assets	7,814,640	9,430,856	(1,616,216)
Restricted Net Assets	419,911	822,780	(402,869)
Unrestricted Retained Earnings	669,616	1,040,032	(370,416)
Total Net Assets	<u>8,904,167</u>	<u>11,293,668</u>	<u>(2,389,501)</u>
Total Liabilities and Net Assets	<u><u>12,651,293</u></u>	<u><u>15,473,985</u></u>	<u><u>(2,822,692)</u></u>

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

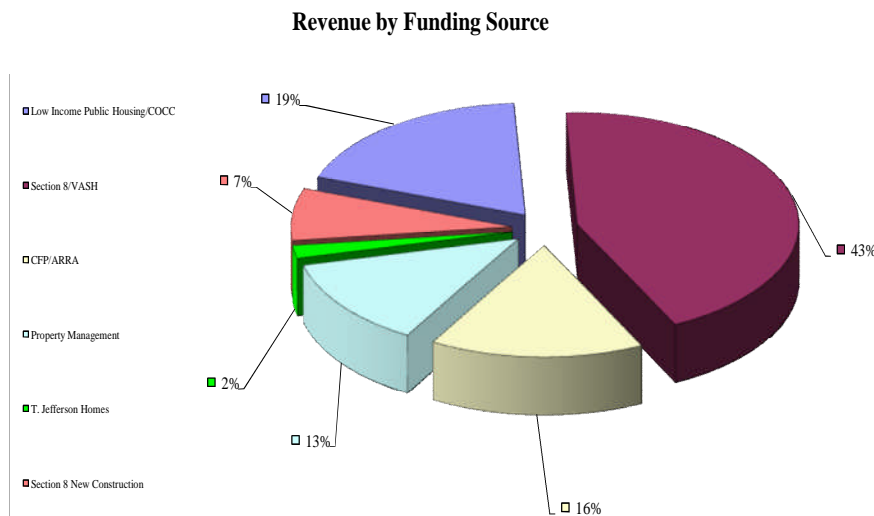


Statement of Activities

The Authority administers the following programs and the revenues generated from these programs during FYE 2011 were as follows:

Low Income Public Housing		\$ 1,073,456
COCC		48,407
Section 8		
Vouchers	\$ 2,078,560	
New Construction	454,173	
Veterans Affairs Supportive Housing	93,278	
Total Section 8		2,626,011
Capital Grants		765,429
ARRA Grant		175,357
Business Activities, State, Local		
Market Units/Component Units	\$ 770,336	
T. Jefferson Homes	113,870	
Total Non-HUD Activities		884,206
Total Revenues		\$ 5,572,866

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**



In FYE 2010 and FYE 2011, total revenues were \$5,464,126 and \$5,572,866, respectively. The increase of \$108,740 in the Authority's revenues was due to a combination of factors. Tenant revenue reflected a decrease of \$140,329 over FYE 2010. HUD Operating grants decreased by \$280,294 and HUD Capital Grants increased by \$491,897 from FYE 2010 to FYE 2011.

Administrative salaries reflected a decrease of \$65,956 from FYE 2010 to FYE 2011. Due to the implementation of Asset-Based Management, the agency reorganized several positions as positions became available.

Utility expenses for FYE 2011 decreased by \$56,054 or 13% overall. The largest portion of the increase was for electricity. In 2006, the City of Marion instituted a substantial rate increase for water and sewer expenses.

Maintenance labor increased in FYE 2011 by \$69,996, or 18%, over FYE 2010. The Authority continues to contract out work related to painting and seasonal labor in lieu of full-time employment staffing. The PHA also continued Protective Service positions at a part-time level. The Authority has allotted 40 hours per week for protective services by sworn in officers of the Marion Police Department. Two individuals shared these hours during FYE 2011. The decrease in labor expenses was \$3,209 due to a decrease in hours of protective services as one of the officers retired. The position was not filled due to budget constraints.

The insurance premiums (commercial, property, liability) for the Authority experienced a 12% increase from \$145,609 in FYE 2010 to \$164,126 in FYE 2011. One major claim was filed during FYE 2011 due to a roof damage caused by hail.

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

The table below illustrates the changes in the income statement revenue.

	<u>2011</u>	<u>2010</u>	<u>Net Change</u>
Tenant Rental Revenue	\$ 1,775,123	\$ 1,915,452	\$ (140,329)
Operating Subsidy	2,614,517	2,894,811	(280,294)
Capital Grants	940,088	448,191	491,897
Interest Income	34,885	11,042	23,843
Other Revenue	<u>208,253</u>	<u>194,630</u>	<u>13,623</u>
Total Operating Revenue	\$ 5,572,866	\$ 5,464,126	\$ 108,740

The table on the following page illustrates the changes in the income statement expenses.

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

	2011	2010	Net Change
Operating Expenses			
Administrative	953,501	1,222,370	(268,869)
Tenant Services	6,046	6,504	(458)
Utilities	358,644	414,698	(56,054)
Maintenance	-		-
Labor	439,709	369,713	69,996
Materials	168,424	188,549	(20,125)
Contract Costs	189,633	201,387	(11,754)
Employee Benefits	151,483	161,203	(9,720)
Extraordinary Maintenance	-		-
Protective Services	15,238	18,447	(3,209)
Housing Assistance Payments	1,797,362	1,653,425	143,937
Other Operating Expenses			
Insurance Premiums	164,126	145,609	18,517
Payments in Lieu of Taxes	127,954	146,320	(18,366)
Bad Debt Expense	1,595	17,970	(16,375)
Interest Expense	165,853	168,687	(2,834)
Compensated Absences	46,118	85,742	(39,624)
Severance Expense	50,612		50,612
Casualty Losses - Non-Capitalized	-	-	-
Other General Expense	53,472	37,082	16,390
Depreciation	748,044	-	748,044
Total Operating Expenses	\$ 5,437,814	\$ 4,837,706	\$ 600,108
Operating Income (Loss)	\$ 135,052	\$ 626,420	\$ (491,368)
Capital Grants Received		-	-
Prior Period Adjustments	(2,524,553)	1,177	(2,525,730)
Change in Net Assets	\$ (2,389,501)	\$ 627,597	\$ (3,017,098)

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

ANALYSIS OF CAPITAL ASSET ACTIVITY

	2011	2010	Net Change	Percent Variance
Land	3,178,436	468,631	2,709,805	578.2%
Buildings	17,355,327	17,044,416	310,911	1.8%
Equipment and Furniture	115,105	79,200	35,905	45.3%
Furniture, Equipment, & Machinery - Admin	434,004	407,467	26,537	6.5%
Leasehold Improvements	165,153	2,559,947	(2,394,794)	-93.5%
Construction in Process	1,839,220	1,250,939	588,281	47.0%
Total Fixed Assets	<u>23,087,245</u>	<u>21,810,600</u>	<u>1,276,645</u>	<u>5.9%</u>
Accumulated Depreciation	12,372,220	8,702,649	3,669,571	42.2%
Net Fixed Assets	<u><u>10,715,025</u></u>	<u><u>13,107,951</u></u>	<u><u>(2,392,926)</u></u>	<u><u>-18.3%</u></u>

OUTSTANDING DEBT, AT YEAR END

	<u>2010</u>	<u>Added/(Retired)</u>	<u>2011</u>
Notes Payable – Short Term	\$ 302,386	\$ (171,645)	\$ 130,741
Notes Payable – Long Term	<u>2,900,106</u>	<u>(130,462)</u>	<u>2,769,644</u>
Total	<u><u>\$ 3,202,492</u></u>	<u><u>\$ (302,107)</u></u>	<u><u>\$ 2,900,385</u></u>

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2011**

ASSETS

CURRENT ASSETS

Cash	\$ 579,438
Accounts receivable (interfund eliminated)	202,881
Investments	688,959
Inventory	13,506
Deferred charges	<u>85,273</u>

Total Current Assets \$ 1,570,057

RESTRICTED ASSETS

Restricted cash	\$ 319,531
Restricted deposits and debt service funds	<u>34,088</u>

Total Restricted Assets \$ 353,619

CAPITAL ASSETS

Land, buildings and equipment	\$ 23,087,245
Less: Accumulated depreciation	<u>-12,372,220</u>

Total Capital Assets \$ 10,715,025

OTHER ASSETS

Notes receivable	<u>\$ 12,592</u>
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Total Other Assets \$ 12,592

Net Assets \$ 12,651,293

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 349,554
Notes payable	130,741
Accrued liabilities	175,001
Deferred revenue	<u>222,272</u>

Total Current Liabilities \$ 877,568

NONCURRENT LIABILITIES

Accrued compensated absences	\$ 84,154
Notes payable	2,769,644
Trust and deposit liabilities	<u>15,760</u>

Total Noncurrent Liabilities \$ 2,869,558

NET ASSETS

Invested in capital assets	\$ 7,814,640
Restricted	419,911
Unrestricted	<u>669,616</u>

Total Net Assets \$ 8,904,167

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

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

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2011**

Operating Income

Tenant revenue	\$ 1,698,845
Tenant revenue - other	<u>76,278</u>
Total Tenant Income	\$ 1,775,123
HUD grants - operating	2,614,517
Other revenue	<u>208,253</u>
Total Operating Income	<u>\$ 4,597,893</u>

Operating Expenses

Administrative	\$ 953,501
Tenant services	6,046
Utilities	358,644
Ordinary maintenance and operation	949,249
General expense	443,877
Protective services	15,238
Housing assistance payments	1,797,362
Depreciation	<u>748,044</u>
Total Operating Expenses	<u>\$ 5,271,961</u>
Net Operating Income (Loss)	<u>\$ -674,068</u>

Nonoperating Income (Expense)

Interest expense	\$ -165,853
Interest income	34,885

Capital Contributions

Capital fund grants	<u>940,088</u>
Changes in net assets	\$ 135,052
Net assets, beginning of year	11,293,668
Prior period adjustments	<u>-2,524,553</u>
Net assets, end of year	<u>\$ 8,904,167</u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2011**

Operating Activities

Operating grants	\$ 2,557,909
Tenant revenue	1,805,281
Other revenue	208,253
Housing assistance payments	-1,797,362
Payments to employees	-1,096,026
Payments to suppliers and contractors	<u>-4,077,608</u>

Net Cash Provided (Used) by Operating Activities \$ -2,399,553

Investing Activities

Investments (purchased) redeemed	\$ 688,917
Interest income	<u>34,885</u>

Net Cash Provided (Used) by Investing Activities \$ 723,802

Capital and Related Financing Activities

HUD grants - capital	\$ 940,088
(Additions) deletions to fixed assets	1,644,882
Interest expense	-172,306
Retirement of debt	<u>-302,107</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ 2,110,557

Net Change in Cash \$ 434,806

Cash Balance at June 30, 2010 464,163

Cash Balance at June 30, 2011 \$ 898,969

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2011**

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

Net operating income (loss)	\$ -674,068
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Adjustments to net assets	-2,524,553
Depreciation	748,044
(Increase) decrease in accounts receivable	150,538
(Increase) decrease in deferred charges	-66,796
(Increase) decrease in inventories	2,213
(Increase) decrease in other assets	89,700
Increase (decrease) in accounts payable	40,512
Increase (decrease) in accrued liabilities	-201,899
Increase (decrease) in deferred revenues	43,566
Increase (decrease) in other liabilities	<u>-6,810</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -2,399,553</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Marion was established by the City of Marion 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 Marion 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 Marion 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(b) Component Units

The financial statements of the Housing Authority of the City of Marion previously included a component unit, the Affordable Housing Corporation of Marion, Indiana. The Affordable Housing Corporation of Marion, Indiana (AHC) is a not-for-profit corporation established July 24, 1995 by the Housing Authority of the City of Marion to provide residential dwelling accommodations for low and moderate income persons and families. In accordance with GASB #14, the Marion Housing Authority has concluded that the AHC is not closely related and there is no financial dependency between the two agencies, therefore those statements have not been included in the current year report. Now, Marion Development Investment Corporation (MDIC) serves as the only component unit.

Marion Development and Investment Corporation was organized by the Marion Housing Authority as a not-for-profit corporation. It was organized as a separate entity to acquire, hold and maintain residential property to generate income to provide support for the purposes of the Housing Authority for the City of Marion (to provide residential housing for low and moderate income families). Marion Development and Investment Corporation has not received their legal not-for-profit status (as determined by the Internal Revenue Service).

(c) 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.

(d) 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(e) 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 (Amps)
- * Housing Choice Vouchers
- * Capital Fund Program
- * State and Local
- * New Construction
- * A.R.R.A. - Formula Capital Stimulus Grant
- * Business Activities
- * Component Unit
- * HUD - Veterans Affairs Supportive Housing
- * Central Office Cost Center (COCC)

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.

(f) 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.

(g) 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.

(h) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2011, 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Inventories and Materials -

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

(j) Investments -

Investments are stated at cost which approximates market.

(k) 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 (\$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	40	years
Equipment	10	years
Transportation equipment	5	years
Furniture and fixtures	10	years
Leasehold improvements	15	years

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(l) 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."

(m) Income Tax -

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

(n) 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.

- (o) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

- (p) 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (q) 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.
- (r) Rental income is recognized as rents become due.
- (s) 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.

Custodial Credit Risk

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent (Amps) and COCC	\$ 194,390	\$ 257,421
Voucher	194,842	202,090
New Construction-Hilltop Towers	209,747	211,321
State & Local-Thomas Jefferson Homes	24,740	24,365
Business Activities	142,497	144,313
Component Unit	8,064	8,730
Veterans Affairs Supportive Housing	<u>124,689</u>	<u>124,689</u>
Total	<u>\$ 898,969</u>	<u>\$ 972,929</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

Based on the three levels of risk, all of the Housing Authority's investments are classified as Category 1.

<u>Fund</u>	<u>Rate</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent (Amps)	various	<u>\$ 688,959</u>	<u>\$ 688,959</u>
New Construction - Hilltop Towers (restricted)		<u>\$ 34,088</u>	<u>\$ 34,088</u>

Note 3 - Compensated Absences

Annual Leave

Employees meeting certain service requirements will not be required to use annual leave in excess of one (1) year's accrual. These employees may "sell" their accrued leave back to the PHA for monetary compensation according to the following schedule:

After completing:

5 years of service, employee may sell 1 week of accrued leave (40 hours)

10 years of service, employee may sell 2 weeks of accrued leave (80 hours)

15 years of service, employee may sell 3 weeks of accrued leave (120 hours)

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Annual Leave (Continued)

Employees are limited to these transactions to two (2) times per fiscal year and during specific time frames.

May 1 through May 15 to receive payment by June 15

November 1 through November 15 to receive payment by December 15

Employees will be paid for unused annual leave upon resignation, retirement or in case of death to the employee's beneficiary.

Annual leave will not be granted in increments of less than 1 hour.

Part-time, temporary and/or seasonal employees shall not earn annual leave.

Sick Leave

Sick leave credits shall accrue for regular and probationary full-time employees. Sick leave is earned at the rate of nine (9) days per year (earned at 2.769 hours per pay period) of active employment. Sick leave shall not accrue for any pay period during which an employee is on injury leave, or in a non-pay status over fifty percent (50%) of the standard number of working hours for his/her type of job.

Sick leave may be accumulated to a maximum and not to exceed 60 working days (480 hours).

Any accrued time over 480 hours may be sold back to the PHA for monetary compensation at a maximum of 5 working days, or 40 hours, per fiscal year.

Employees are limited to these transactions to two (2) times per fiscal year and during specific time frames.

May 1 through May 15 to receive payment by June 15

November 1 through November 15 to receive payment by December 15

If an employee has no accumulated sick leave, annual leave must be used.

Accrued unused sick leave hours are not compensated at separation of employment from the PHA unless the individual is a regular full-time employee who has had continuous service with the PHA for five (5) or more years, is leaving in good standing and payment is approved by the Executive Director.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Vacation

Employees are granted vacation benefits in varying amounts as follows:

1st year: 6.5 working days vacation (2 hours accrued per pay period).

2nd through 5th year of continuous service: 13 working days vacation per year (4 hours accrued per pay period).

6th through 10th year of continuous service: 16.25 working days vacation per year (5 hours accrued per pay period).

11th through 15th year of continuous service: 20.3125 working days vacation per year (6.25 hours accrued per pay period).

16th year of continuous service or more: 22.75 working days vacation per year (7 hours accrued per pay period).

The beginning date for calculating each year's authorized vacation is the employee's anniversary date. No employee shall be eligible for vacation until after six (6) months of continuous employment. Vacation earned in a given fiscal year must be used in the following fiscal year or it will be forfeited. All employees who retire or whose employment is terminated shall be entitled to payment for accumulated vacation time not to exceed one (1) year.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan administered by American United Life. The Housing Authority and the participants are required to contribute 7% and 5% of annual covered payroll, respectively. For the fiscal year ended June 30, 2011, actual contributions by the Housing Authority and plan participants were consistent with prior year. Total pension plan contributions were \$47,545 related to \$1,084,658 of salary and wage expense.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 43,751
Allowance for doubtful accounts	-885
Accounts receivable - HUD	29,436
Other	<u>130,559</u>
Subtotal	\$ 202,881
Interfund	<u>1,265,826</u>
Total	<u>\$ 1,468,707</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 6 - Investments

At June 30, 2011 investments consist of the following:

<u>Low Rent</u>	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposit	various	\$ 688,959	\$ 688,959
Total Unrestricted		<u>\$ 688,959</u>	<u>\$ 688,959</u>
 <u>New Construction - Hilltop Towers</u>			
Certificate of deposit	1.25%	\$ 34,088	\$ 34,088
Total Restricted		<u>\$ 34,088</u>	<u>\$ 34,088</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 28,899
Other	<u>56,374</u>
Total	<u>\$ 85,273</u>

Note 8 - Fixed Assets

Balance as of June 30, 2011	\$ 10,715,025
Balance as of June 30, 2010	<u>13,107,951</u>
Net Increase (Decrease)	<u>\$ -2,392,926</u>

Reconciliation

Property betterments and additions	\$ 940,088
Replacement of equipment	3,597
Depreciation	-748,044
Adjustments to basis	-2,614,337
Soft costs capitalized	<u>25,770</u>
Net Increase (Decrease)	<u>\$ -2,392,926</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

	07/01/2010	Additions/	Deletions/	06/30/2011
	<u>Balance</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Balance</u>
Land	\$ 468,631	\$ 2,709,805	\$ 0	\$ 3,178,436
Buildings	17,044,416	310,911	0	17,355,327
Equipment and furniture	486,667	62,442	0	549,109
Leasehold improvements	2,559,947	0	2,394,794	165,153
Construction in progress	<u>1,250,939</u>	<u>588,281</u>	<u>0</u>	<u>1,839,220</u>
 Total Assets	 \$ 21,810,600	 \$ 3,671,439	 \$ 2,394,794	 \$ 23,087,245
 Accumulated depreciation	 <u>-8,702,649</u>	 <u>0</u>	 <u>3,669,571</u>	 <u>* -12,372,220</u>
 Total Net Assets	 <u>\$ 13,107,951</u>	 <u>\$ 3,671,439</u>	 <u>\$ 6,064,365</u>	 <u>\$ 10,715,025</u>

Note: No current depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 70,062
Tenants security deposits	124,695
Accounts payable - other	<u>154,797</u>
Subtotal	\$ 349,554
 Interfund	 <u>1,265,826</u>
 Total	 <u>\$ 1,615,380</u>

Note 10 - Notes Payable- HUD

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 MARION
MARION, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued payroll and payroll taxes	\$ 29,723
Accrued compensated absences	9,351
Accrued interest payable	9,140
Payment in lieu of taxes	119,287
Accrued liabilities - other	<u>7,500</u>
 Total Current Portion	 \$ 175,001

Noncurrent Portion:

Accrued compensated absences	<u>84,154</u>
 Total	 <u>\$ 259,155</u>

Note 12 - Trust and Deposit Liabilities

This classification consists of the following:

FSS escrow accounts	<u>\$ 15,760</u>
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Note 13 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2011:

	07/01/2010			06/30/2011
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absences	\$ 0	\$ 84,154	\$ 0	\$ 84,154
Notes payable	2,900,106	0	130,462	2,769,644
FSS escrow	<u>22,570</u>	<u>0</u>	<u>6,810</u>	<u>15,760</u>
 Total	 <u>\$ 2,922,676</u>	 <u>\$ 84,154</u>	 <u>\$ 137,272</u>	 <u>\$ 2,869,558</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 14 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 26,475
Deferred revenue - CFP	97,263
Other	<u>98,534</u>
 Total	 <u><u>\$ 222,272</u></u>

Note 15 - Long Term Debt

<u>Program</u>	<u>Rate</u>	<u>Due Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
MDIC	variable	variable	\$ 1,962	\$ 58,006	\$ 59,968
Business Activities	variable	variable	109,590	2,511,728	2,621,318
Thomas Jefferson Homes	8.23%	12/11/19	<u>19,189</u>	<u>199,910</u>	<u>219,099</u>
 Total			 <u><u>\$ 130,741</u></u>	 <u><u>\$ 2,769,644</u></u>	 <u><u>\$ 2,900,385</u></u>

Debt service requirements for the long term debt for the next five years are as follows:

<u>Due Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 130,741	\$ 156,261
2013	134,493	148,584
2014	138,522	140,440
2015	142,846	131,802
2016	147,488	122,636
Thereafter	2,206,295	

Note 16 - 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 a variable rate determined by HUD on a monthly basis (effective January 1, 2011).

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 17 - 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 18 - 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 19 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Reconciliation of fixed assets - asset management	\$ -2,614,337
Adjustment to correct variances	283,806
Write off invalid accounts	-199,498
Adjustment of payables	5,277
Difference in beginning balance for security deposits	<u>199</u>
Total	<u>\$ -2,524,553</u>

Note 20 Contracts/Commitments

As of June 30, 2011, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-10	\$ 458,866	\$ 28,308
CFP 501-09	462,472	351,877
Stimulus Grant 501-09	<u>588,766</u>	<u>485,271</u>
Total	<u>\$ 1,510,104</u>	<u>\$ 865,456</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2011
(CONTINUED)**

Note 22 - 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 23 - Economic Dependency

The Housing Authority received most of its revenue (63%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 24 - Legal Proceedings

In the fiscal year, there were five former employees who filed complaints with the EEOC on the basis of discrimination. Only one of the five were noted to have no substantial impact on the Housing Authority. The other cases have not yet been determined.

SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2011**

<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-2001	FYE 06/30/11	\$ 460,160	\$ 460,160	\$ 460,160
Housing Choice Voucher Program*	14.871	IN041VO	FYE 06/30/11	\$ 2,061,047	\$ 2,061,047	\$ 2,061,047
Public Housing - Capital Funds*	14.872	C-2001	FYE 06/30/11	\$ 1,813,988	\$ 764,991	\$ 764,991
Veterans Affairs Supportive Housing	14.VASH	C-2001	FYE 06/30/11	\$ 93,278	\$ 93,278	\$ 93,278
Formula Capital Fund Stimulus Grant	14.885	C-2001	FYE 06/30/11	\$ 588,766	\$ 175,129	\$ 175,129
Total Assistance				\$ 5,017,239	\$ 3,554,605	\$ 3,554,605

*Denotes major program.



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

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

I have audited the financial statements of Housing Authority of the City of Marion as of and for the year ended June 30, 2011, and have issued my report thereon dated February 3, 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 Marion'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 Marion's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Marion'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 a 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2011-1).

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. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting (2011-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

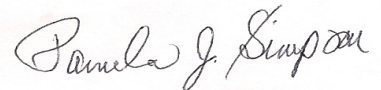
As part of obtaining reasonable assurance about whether Housing Authority of the City of Marion's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 Marion in a separate letter dated February 3, 2012.

Housing Authority of the City of Marion's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Housing Authority of the City of Marion's response and, accordingly, I express no opinion on it.

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

Decatur, Illinois
February 3, 2012



Certified Public Accountant



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 Marion
Marion, Indiana

Compliance

I have audited Housing Authority of the City of Marion'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 Marion's major federal programs for the year ended June 30, 2011. Housing Authority of the City of Marion'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 Marion's management. My responsibility is to express an opinion on Housing Authority of the City of Marion'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, *Audits of States, Local Governments and Non-Profit Organizations*. 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 Marion'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 Marion's compliance with those requirements.

In my opinion, Housing Authority of the City of Marion 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 June 30, 2011. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

Management of Housing Authority of the City of Marion 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 Marion'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 Marion's internal control over compliance.

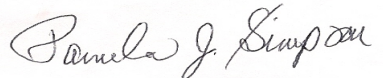
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items (2011-1). A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Housing Authority of the City of Marion's responses to the finding identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Housing Authority of the City of Marion's responses and, accordingly, I express no opinion on the responses.

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
February 3, 2012


Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2010 contained five findings.

Section II - Financial Statement Findings

Finding 2010-1: Incomplete Depreciation Schedules

Condition and Criteria: Asset based management (mandated by HUD 24CFR990) requires a separate financial statement and supporting subsidiary records for each Asset Management Project Grouping (AMP) designation. The separate Central Office Cost Center (COCC) is also required to maintain a separate set of financial statements. Complete detailed schedules and depreciation expense were recorded in 2011. This finding is considered closed.

Finding 2010-2: SAS 12 - Internal Control Lacking

The Authority is required to have internal controls over their financial statements. Several accounts lacked adequate support. This finding continues, see Finding 2011-1.

Finding 2010-3 Cash Disbursements/Procurement

Sound, adequate internal controls as well as HUD rules and regulations require adequate accounting and record keeping for all expenditures. While testing the purchasing and disbursement system in place, it was noted that a purchase order system was not used as described in the procurement policy. Most purchases lacked purchase orders. Some paid invoices could not be located and others lacked proper documentation. Additionally it was noted that payment of some bills was completed electronically, which lacked all required approvals for payment. None of these problems were noted in 2011. This finding is considered closed.

Finding 2010-4 Improper Use of Agency Credit Card and Charge Accounts

Condition and Criteria: The Housing Authority did not have a policy in place until late in the fiscal year that prohibited employees from using the Housing Authority credit cards or charge accounts for personal purchases. In some instances the personal charges were not properly reimbursed or paid for by the individual, however, in other instances the charges were paid by the employee. No personal charges were noted currently. This finding is considered closed.

Finding 2010-5 - Lack of Accounting for Expendable Inventory Items

Condition and Criteria: At the end of the fiscal year, the Housing Authority had not taken a physical count of the maintenance materials inventory on hand. The dollar amount of the expendable inventory recorded has not been adjusted for more than two years. Counts were taken and recorded currently. This finding is considered closed.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? X yes no

* Significant deficiency (ies) identified? X yes none reported

Noncompliance material to financial statements noted X yes 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? X yes 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

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

Auditee qualified as low-risk auditee? yes X no

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

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

Section II - Financial Statement Findings

There was one financial statement findings discussed with Steve Sapp, Executive Director and Leah Howard, Director of Finance during the course of the audit and at a conference held February 3, 2012.

Finding 2011-1: SAS 12 - Internal Control Lacking (repeat from prior year)

Condition and Criteria: The Authority is required to have internal controls over their financial statements. The following account balances lacked adequate support or reconciliations:

- Tenant's accounts receivable
- Tenant security deposits
- Vendor and contractor accounts payable

Questioned Costs: None

Effect: There was inadequate support or documentation for several general ledger account balances requiring an excessive number of journal entries to be posted after the end of the fiscal year.

Cause: An adequate internal control system had not yet been developed and the system previously in place was outdated due to changed in software and personnel. The new software contained errors at conversion and some of those have not yet been identified or corrected.

Auditor's Recommendation: The Authority should develop and standardize the internal controls over financial statement preparation. The standardized procedures should be documented in a written manual and reviewed with all personnel. The standardized controls should encompass all aspects of financial statement preparation and reflect the current systems, software and personnel in place. Additionally, software errors must be corrected.

Grantee Response: A former CFO was to have documented the procedures in place by developing a formal, written guidebook. The guidebook did not properly reflect the procedures, systems or personnel involved. As a result, there were not any policies in place that required monthly reconciliations of the general ledger accounts to subsidiary ledgers or other supporting documentation. All internal control policies/procedures are currently being reviewed and revised by the new Executive Director and the new Director of Finance. A new, formal written internal control document will be developed and reviewed by all members of management. Staff will receive copies of the manual and instructed on proper procedures as required. Reconciliations of accounts will be performed monthly.

Section III - Federal Award Findings

There were no federal award findings discussed with Steve Sapp, Executive Director and Leah Howard, Director of Finance during the course of the audit or at a conference held February 3, 2012.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>Amp 1</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Fees and costs	1430	\$ 157.38		1430
A/P - Central Administration	2116.01	157.38		2116.01
Fees and costs	1430		\$ 157.38	1430
A/P - Central Administration	2116.01		157.38	2116.01
(To reverse JE#9095 per PHA; adjustment should have been for CFRG not CFP 501-09)				
(2)				
Accrued payroll and taxes	2135	\$ 364.11		2135
Administrative salaries	4110		\$ 472.45	2809.01
Maintenance salaries	4410	54.88		2809.01
Security law enforcement	4580	53.46		2809.01
Accrued payroll and taxes	2135		1,787.97	2135
Administrative salaries	4110	500.07		2809.01
Maintenance salaries	4410	1,245.76		2809.01
Security law enforcement	4580	42.12		2809.01
(To adjust current year accrued wages)				
(3)				
Administrative salaries	4110		\$ 1,040.39	2809.01
Maintenance salaries	4410		2,213.10	2809.01
Compensated absence expense	----	\$ 3,253.49		2809.01
Administrative salaries	4110		817.45	2809.01
Maintenance salaries	4410		1,738.87	2809.01
Compensated absence expense	----	2,556.32		2809.01
(To reclassify compensated absence for amount earned)				
(4)				
Operating transfers in	5211	\$ 49,630.00		2809.01
Undesignated fund balance	2809.01		\$ 49,630.00	2809.01
(To reclassify HUD repayment receivable)				
(5)				
A/R - HUD	1135.01	\$ 3,642.34		1135.01
A/R - 12 th /Upton, Houck	1129.01		\$ 1,173.51	1129.01
A/R - Coulton/Curfman	1129.01		585.43	1129.01
A/R - Norman Manor	1129.03		564.90	1129.03
A/R - Riverside Apartments	1129.04		668.97	1129.04
A/R - Martin Boots Apartments	1129.05		649.53	1129.05
(To reclassify receivables)				
(6)				
A/R - HUD	1135.01	\$ 71,702.61		1135.01
Accrued PILOT	2137.01	7,224.92		2137
Deferred revenue	2360		\$ 71,702.61	2360
Undesignated fund balance	2809.01		7,224.92	2809.01
(To reclassify the deferred revenue for CFP 501-06 and adjust PILOT to actual)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>Amp 1 (Continued)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(7)				
2007-HUD PHA operating grants	3401.00	\$ 24,815.12		2809.01
2008-Undesignated fund balance	2809.01	41,603.32		2809.01
2009-A/R-HUD	1135.01	19,833.73		1135.01
2009- HUD PHA operating grants	3401.00	20,980.46		2809.01
2010-A/R-HUD	1135.01	10,000.01		1135.01
2009S-A/R-HUD	1135.01	4,201.69		1135.01
2009S-Undesignated fund balance	2809.01	5,682.98		2809.01
2007-A/R - HUD	1135.01		\$ 24,815.12	1135.01
2008-A/R - 12 th /Upton, Houck	1129.01		11,398.13	1129.01
2008-/R - Coulton/Curfman	1129.01		2,061.22	1129.01
2008-A/R - Norman Manor	1129.03		185..56	1129.03
2008-A/R - Riverside Apartments	1129.04		135.61	1129.04
2008-A/R - Martin Boots Apartments	1129.05		1,439.68	1129.05
2008-A/R - HUD	1135.01		4,586.25	1135.01
2008-HUD PHA operating grants	3401		18,718.92	2809.01
2008-Deferred revenues	2360		3,077.95	2360
2009-Undesignated fund balance	2809.01		40,814.19	2809.01
2010-HUD PHA operating grants	3401		10,000.01	2809.01
2009S-HUD PHA operating grants	3401		9,844.67	2809.01

(To adjust accounts to actual per prior period adjustments and equity analysis)

Amp 2

(1)				
Undesignated fund balance	2809.01	\$216,526.00		2809.01
Acc Dep - building	1405-01-100	225,269.00		1405-01-100
Acc Dep - building improve	1405-01-200	5,594.00		1405-01-200
Acc Dep - site improvement	1405-01-300	3,250.00		1405-01-300
Acc Dep - dwelling	1405-02-100	4,619.00		1405-02-100
Acc Dep - office equipment	1405-03-100	29,573.00		1405-03-100
Acc Dep - vehicles	1405-04-100	50,255.00		1405-04-100
Acc Dep - computers/software	1405-06-100	137,625.00		1405-06-100
Land	1400-05-100		\$ 13,144.00	1400-05-200
Land improvements	1400-05-100		3,250.00	1400-05-100
Building	1400-06-200		366,865.00	1400-06-200
Building improvements	1400-06-200		6,824.00	1400-06-100
Furniture/fixtures - dwelling	1400-07-100		39,306.00	1400-07-100
Office machines/equipment	1400-08-100		31,372.00	1400-08-100
Vehicles	1400-09-100		50,255.00	1400-09-100
Computer s/software	1400-11-100		140,067.00	1400-11-100
Depreciation - building	5100-01-100		15,084.00	2809.01
Depreciation - bldg improve	5100-01-300		189.00	2809.01
Depreciation - furn/fixtures	5100-02-100		3,931.00	2809.01
Depreciation - office equipment	5100-02-200		600.00	2809.01
Other machines/equipment	5100-04-100		1,824.00	2809.01

(To reverse JE#9329 and #9331 per PHA; adjustments should have been for COCC not Amp 2)

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>Amp 2</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(2)				
Administrative salaries	4110		\$ 1,279.10	2809.01
Maintenance salaries	4410		1,612.17	2809.01
Security law enforcement	4580	\$ 66.42		2809.01
Accrued payroll and taxes	2135	2,824.85		2135
Administrative salaries	4110	1,046.28		2809.01
Maintenance salaries	4410	511.82		2809.01
Security law enforcement	4580	49.09		2809.01
Accrued payroll and taxes	2135		1,607.19	2135
Administrative salaries	4110	735.53		2809.01
Maintenance salaries	4410	791.30		2809.01
Security law enforcement	4580	48.11		2809.01
Accrued payroll and taxes	2135		1,5874.94	2135
(To adjust current year accrued payroll)				
(3)				
Administrative salaries	4110		\$ 1,627.56	2809.01
Maintenance salaries	4410		2,636.35	2809.01
Compensated absence expense	----	\$ 4,263.91		2809.01
Administrative salaries	4110		1,202.85	2809.01
Maintenance salaries	4410		1,783.17	2809.01
Compensated absence expense	----	2,986.02		2809.01
Administrative salaries	4110		1,179.08	2809.01
Maintenance salaries	4410		1,748.41	2809.01
Compensated absence expense	----	2,927.49		2809.01
(To adjust compensated absence for amount earned)				
(4)				
Operating transfers in	5211	\$ 84,370.00		2809.01
Undesignated fund balance	2809.01		\$ 84,370.00	2809.01
(To reclassify HUD repayment receivable)				
(5)				
A/R - Noah's investors	1129-100-100	\$ 9,630.00		2809.01
Interprogram - due to/from	1295		\$ 9,630.00	1295
(To adjust accounts to actual)				
<u>COCC</u>				
(1)				
A/P - vendor/contractor	2111	\$ 174.18		2111
Undesignated fund balance	2809.01	174.18		2809.01
Sponsorships	4190.21		\$ 348.36	2809.01
(To reverse posting of prior year audit adjustment posted twice)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>COCC (Continued)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(2)				
A/R - voucher	1129.06	\$ 680.39		1129.06
A/R - Prop Mgmt activities	1129.16		\$ 680.39	1129.16
(To reclassify JE #7079 to proper accounts)				
(3)				
A/R - Capital Funds 2009	1129-13-109	\$ 157.38		1129-13-109
A/R - Capital Funds 2009S	1129-13-129		\$ 157.38	1129-13-129
(To reverse JE #9095 per PHA; adjustment should have been for Stimulus Grant and not CFP 501-09)				
(4)				
Administrative salaries	4110	\$ 3,141.43		2809.01
Maintenance salaries	4410		\$ 26.80	2809.01
Security law enforcement	4580		336.86	2809.01
Accrued payroll/payroll taxes	2135		2,777.67	2135
(To adjust current year accrued payroll)				
(5)				
Land	1400-05-100	\$ 13,144.00		1400-05-200
Land improvements	1400-05-100	3,250.00		1400-05-100
Building	1400-06-200	366,865.00		1400-06-200
Building improvements	1400-06-200	6,824.00		1400-06-100
Furniture/fixtures - dwelling	1400-07-100	39,306.00		1400-07-100
Office machines/equipment	1400-08-100	31,372.00		1400-08-100
Vehicles	1400-09-100	50,255.00		1400-09-100
Computer s/software	1400-11-100	140,067.00		1400-11-100
Depreciation - building	5100-01-100	15,084.00		2809.01
Depreciation - bldg improve	5100-01-300	189.00		2809.01
Depreciation - furn/fixtures	5100-02-100	3,931.00		2809.01
Depreciation - office equipment	5100-02-200	600.00		2809.01
Other machines/equipment	5100-04-100	1,824.00		2809.01
Undesignated fund balance	2809.01		\$216,526.00	2809.01
Acc Dep - building	1405-01-100		225,269.00	1405-01-100
Acc Dep - building improve	1405-01-200		5,594.00	1405-01-200
Acc Dep - site improvement	1405-01-300		3,250.00	1405-01-300
Acc Dep - dwelling	1405-02-100		4,619.00	1405-02-100
Acc Dep - office equipment	1405-03-100		29,573.00	1405-03-100
Acc Dep - vehicles	1405-04-100		50,255.00	1405-04-100
Acc Dep - computers/software	1405-06-100		137,625.00	1405-06-100
(To reverse JE#9329 and #9331 per PHA; adjustments should have been for COCC not Amp 2)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>COCC (Continued)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(6)				
Administrative salaries	4110		\$ 1,179.08	2809.01
Maintenance salaries	4410		1,748.41	2809.01
Compensated absence expense	----	\$ 2,927.49		2809.01
(To reclassify compensated absence for amount earned)				
(7)				
Undesignated fund balance	2809.01	\$ 84,370.00		2809.01
Operating transfers in	5211		\$ 84,370.00	2809.01
(To reclassify HUD repayment receivable)				
(8)				
A/R - CFP 2005	1129-13-105	\$ 18,209.78		1129-13-105
A/R - CFP 2008	1129-13-108	116,899.16		1129-13-108
A/R - CFP 2010	1129-13-110	531.70	\$ 10.12	1129-13-110
Interprogram	1295		135,630.52	1295
(To correct JE #9967 posted backwards per analysis of interfund accounts)				
(9)				
Interprogram due to/from	1295	\$ 1,111.79		1295
Undesignated fund balance	2809.01	100,000.00		2809.01
A/R - Parkville Apartments	1129.000		\$ 111.79	1129.09
Notes/loan receivable - current	1140		162,042.52	1140
A./R - MDIC	1129.18		1,000.00	1129.18
(To write off receivable per Board resolution and court ruling)				
(10)				
A/R - other government	2116.02	\$ 53,931.43		2116.02
N/R - continuing education	1143	2,292.52		1143
N/R - Sandalwood	1140.06	59,750.00		1140.06
A/R - Thomas Jefferson	1129.08		\$ 53,931.43	1129.08
(To reclassify interfunds and adjust accounts to actual)				
<u>Voucher</u>				
(1)				
Housing assistance payments	4715	\$ 170.00		2809.01
A/P - vendors	2111	100.93		2111
Miscellaneous other income	3650		\$ 161.28	2809.01
Tenant utility payments	4715.01		70.00	2809.01
Office supplies	4190.04		39.65	2809.01
(To correcting posting of prior year journal entries to payables)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>Voucher (Continued)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(2)				
Undesignated fund balance - VO	2809.01	\$ 680.39		2809.01
Undesignated fund balance - port	2809.01	680.39		2809.01
A/P - COCC - VO	2116.01		\$ 680.39	2116.01
A/R - Prop Mgmt activities - port	4190.04		680.39	1129.16
(To reclassify JE#9077 to proper accounts and reverse prior year JE#6153)				
(3)				
Admin salaries	4110	\$ 1,186.57		2809.01
Accrued payroll and taxes	2135		\$ 1,186.57	2135
(To adjust current year accrued payroll)				
(4)				
Admin salaries	4110		\$ 8,190.19	2809.01
Compensated absence expense	----	\$ 8,190.19		2809.01
(To reclassify earned portion of compensated absence)				
(5)				
Operating transfers in	5211	\$ 43,790.00		2809.01
Undesignated fund balance	2809.01		\$ 43,790.00	2809.01
(To reclassify HUD repayment receivable)				
(6)				
HUD PHA operating grants	3401	\$ 10.00		2809.01
Port In HAP earned	3410.06	150,332.00		2809.01
Section 8 port in admin fee	3410.04	33,115.00		2809.01
A/R - HUD	1135.01		\$ 4,591.00	1135.01
Section 8 HAP earned	3410.01		150,342.00	2809.01
Section 8 admin fee income	3410.02		28,524.00	2809.01
(To reclassify revenues to proper accounts)				
<u>State and Local</u>				
(1)				
Undesignated fund balance	2809.01	\$ 40.00		2809.01
A/R - tenants	1122		\$ 40.00	1122
(To post prior year audit adjustment #2)				
(2)				
A/R - Affordable Housing	1123		\$ 2,217.86	1123
Affordable Housing prepaid	2240.01	\$ 17.00		2240.01
Undesignated fund balance	2809.01	2,200.86		2809.01
(To adjust receivable)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>State and Local</u> (Cont'd)	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(3)				
Notes payable	2310.10		\$ 1,539.67	2310.01
Interest expense	4851	\$ 1,539.67		2809.01
(To correct notes payable to actual per bank at 06/30/2011)				
(4)				
Admin salaries	4110		\$ 2.56	2809.01
Maintenance salaries	4410	\$ 318.95		2809.01
Labor - protective services	4580	2.27		2809.01
Accrued payroll and taxes	2135		318.66	2135
(To adjust current year accrued payroll)				
(5)				
Admin salaries	4110		\$ 527.01	2809.01
Maintenance salaries	4410		432.53	2809.01
Compensated absence expense	4110	\$ 959.54		2809.01
(To reclassify earned portion of compensated absence expense)				
(6)				
A/P - Central Admin	2116.01	\$ 53,931.43		2116.01
N/R - 12 th /Upton, Houck	1140.06	25,000.00		1140.06
N/R - Coulton/Curfman	1140.05	500.00		1140.05
N/R - Norman Manor	1140.09	72,500.00		1140.09
N/R - Riverside Apartments	1140.08	25,482.99		1140.08
A/R - Martin Boots Apartments	1135.03		\$ 53,931.43	1135.03
Notes/Loans Receivable - current	1140		123,482.99	1140
(To adjust interfunds and loans to actual accounts)				
<u>MDIC</u>				
(1)				
Bond payable	2310.10	\$175,000.00		2310.10
Undesignated fund balance	2809.01		\$175,000.00	2809.01
(To record retirement of bond - debt amortization accounts previously recorded as closed)				
(2)				
Tenant assistance	3405	\$ 2,816.00		2809.01
Unrestricted fund balance	2809.01	22,686.00		2809.01
A/R - subsidies	1123		\$ 25,502.00	1123
(To adjust subsidy reserve and receivable per analysis)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>MDIC</u> (Continued)	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(3)				
Administrative salaries	4110	\$ 506.23		2809.01
Maintenance salaries	4410	321.70		2809.01
Security Law Enforcement	4580		\$ 9.72	2809.01
Accrued payroll and taxes	2135		818.21	2135
(To adjust current year accrued payroll)				
(4)				
Administrative salaries	4110		\$ 2,242.22	2809.01
Maintenance salaries	4410		1,792.64	2809.01
Compensated absence expense	----	\$ 4,034.86		2809.01
(To reclassify earned portion of compensated absence expense)				
(5)				
Interest expense	4851	\$ 3,018.75		2809.01
Accrued interest payable	2131	5,865.00		2131
Undesignated fund balance	2809.01		\$ 8,883.75	2809.01
(To adjust interest expense for bond)				
(6)				
N/R - Beckford	1140.07	\$ 78,824.50		1140.07
Notes/Loans receivable - current	1140		\$ 78,824.50	1140
A/R - Sandalwood	1129.19	3,650.00		1129.19
Interprogram - due to/from	1295		3,650.00	1295
(To adjust interfunds and loans to proper accounts)				
(7)				
Administrative salaries	4110		\$ 49.76	2809.01
Maintenance salaries	4410		3,667.68	2809.01
Accrued payroll/payroll taxes	2135	\$ 3,717.44		2135
(To adjust current year accrued payroll)				
(8)				
Notes payable - long term	2310		\$ 62,740.41	2310
Loan payable 2	2310.20	\$ 59,792.10		2310.20
Interest expense	4851		2,435.54	2809.01
Notes payable	2310.10	5,383.85		2310.10
(To reclassify bank transactions and adjust to confirmed balance)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>MDIC (Continued)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(9)				
Extraordinary maintenance	4610		\$ 8,117.97	2809.01
Miscellaneous income	3650	\$ 8,117.97		2809.01
Accrued liabilities - other	2136	8,117.97		2136
Deferred revenue	2290		8,117.97	2290
(To reclassify of insurance proceeds for work not yet completed)				
(10)				
N/R from Sandalwood	1140.06	\$ 41,000.00		1140.06
A/R - Sandalwood Apartments	1129.19		\$ 41,000.00	1129.19
A/P - Central Admin	2116.01	1,000.00		2116.01
Interprogram - due to/from	1295		1,000.00	1295
(To reclassify interfunds and loans to proper accounts)				
<u>Business Activities</u>				
(1)				
Note payable - SW	2310.10	\$150,719.84		2310.10
Current portion of long term debt -PV	2130.10	12,500.00		2130
Notes payable - long term - SW	2310		\$150,719.84	2310
Notes payable - long term - PV	2310		12,500.00	2310
(To adjust interfunds to actual)				
(2)				
A/R - Affordable Housing - BK	1123		\$ 16.96	1123
Affordable Housing prepaid - BK	2240.01	\$ 285.96		2240.01
Prior period adjustments - BK	2809.01		269.00	2809.01
A/R - Affordable Housing - PV	1123		1,054.50	1123
Affordable Housing prepaid - PV	2240.01	223.96		2240.01
Prior period adjustments - PV	2809.01	830.54		2809.01
(To correct receivable balances)				
(3)				
A/P - COCC - PM	2116.01	\$ 680.39		2116.01
A/P - Property Management	2115.04	680.39		2115.04
Undesignated fund balance - PM	2809.01		\$ 680.39	2809.01
Retained earnings - PM	2809.02		680.39	2809.02
(To reclassify JE #9020 and JE #9278 to proper accounts)				
(4)				
A/P - other - SW	2115	\$ 12,500.00		2115
A/P - Thomas Jefferson - SW	2115.06		\$ 12,500.00	2115.06
(To reclassify prior year balance)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>Business Activities</u> (Cont'd)	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(5)				
Deferred revenue - BK	2290		\$ 90,415.53	2290
Accrued liabilities - other - BK	2136	\$ 90,415.53		2136
Extraordinary maintenance - BK	4610		90,415.53	2809.01
Miscellaneous income - BK	3650	90,415.53		2809.01
(To reclassify posting of insurance proceeds for work not yet completed)				
(6)				
Administrative salaries - PV	4110		\$ 8.06	2809.01
Maintenance salaries - PV	4410	\$ 250.32		2809.01
Accrued payroll and taxes - PV	2135		242.26	2135
Administrative salaries - BK	4110	25.26		2809.01
Maintenance salaries - BK	4410	25.21		2809.01
Security law enforcement - BK	4580		7.78	2809.01
Accrued payroll and taxes - BK	2135		42.69	2135
Administrative salaries - CC	4110		31.49	2809.01
Maintenance salaries - CC	4410		4.10	2809.01
Security law enforcement - CC	4580		4.21	2809.01
Accrued payroll and taxes - CC	2135	39.80		2135
Administrative salaries - SW	4110		97.20	2809.01
Maintenance salaries - SW	4410		127.62	2809.01
Accrued payroll and taxes - SW	2135	224.82		2135
(To adjust current year accrued payroll)				
(7)				
Administrative salaries - BK	4110		\$ 882.82	2809.01
Maintenance salaries - BK	4410		1,927.55	2809.01
Compensated absence expense - BK	----	\$ 2,810.37		2809.01
Administrative salaries - PV	4110		888.82	2809.01
Maintenance salaries - PV	4410		1,403.79	2809.01
Compensated absence expense - PV	----	2,292.61		2809.01
Administrative salaries - SW	4110		218.40	2809.01
Maintenance salaries - SW	4410		684.67	2809.01
Compensated absence expense - SW	----	903.07		2809.01
(To adjust accrued compensated absence expense)				
(8)				
Current portion of long term debt-PV	2130	\$ 41,400.00		2130
Undesignated fund balance - PV	2809.01		\$ 41,400.00	2809.01
(To reverse JE #8980 written to adjust note)				
(9)				
Vendor payable - SW	2111	\$ 6,952.96		2111
Interest expense - SW	4851		\$ 6,952.96	2809.01
(To adjust vendor payable)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2011**

<u>Business Activities (Cont'd)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(10)				
Other misc admin expense - PM	4190	\$ 309.28		2809.01
A/R - PHA projects - PM	1135.02		\$ 309.28	1135.02
(To write off balance from 2008 - not collected)				
(11)				
Interprogram - due to/from - Noah's	1295	\$ 6,806.54		1295
Interprogram - due to/from - SW	1295	3,650.00		1295
A/P - Central Admin - PK	2116.01	111.79		2116.01
Interprogram - due to/from - PK	1295		\$ 111.79	1295
A/P - Hilltop - SW	2115.03		3,650.00	2115.03
A/P - Amp 2 - Noah's	2115.02		6,806.54	2115.02
Note payable - long term - BK	2310	78,824.50		2310
Note payable - long term - SW	2310	125,750.00		2310
Note payable - long term - CC	2310	500.00		2310
Note payable - long term - PV	2310	72,500.00		2310
Note payable - long term - PM	2310	25,482.99		2310
Note payable - Hilltop - BK	2350		78,824.50	2350
Loan payable to Central Office - SW	2310.09		59,750.00	2310.09
Note payable - MDIC - SW	----		41,000.00	----
Loan payable to TJ - SW	2310.11		25,000.00	2310.11
Loan payable to TJ - CC	2310.11		5,000.00	2310.11
Loan payable to TJ - PV	2310.11		72,500.00	2310.11
Loan payable to TJ - PM	2310.11		25,482.99	2310.11
(To reclassify interfunds and loans)				

Housing Authority of the City of Marion, IN (IN041)
MARION, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14,182 NYC S/R Section 8 Programs	6 Component Units	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	14,158 HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$72,651	\$189,254	\$7,564	\$15,730	\$110,547				\$58,997	\$454,743		\$454,743
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted	\$62,742	\$20,483	\$500	\$9,010	\$31,950	\$184,842		\$124,689		\$319,531		\$319,531
114 Cash - Tenant Security Deposits										\$124,685		\$124,685
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	\$135,393	\$209,747	\$8,064	\$24,740	\$142,497	\$184,842	\$0	\$124,689	\$58,997	\$698,969	\$0	\$698,969
121 Accounts Receivable - PHA Projects						\$1,298				\$29,436		\$29,436
122 Accounts Receivable - HUD Other Projects												
124 Accounts Receivable - Other Government												
125 Accounts Receivable - Miscellaneous	\$18,535	\$12,024	\$100,000		\$0					\$130,559		\$130,559
126 Accounts Receivable - Tenants	\$13,541	\$16,154	\$160	\$2,089	\$11,460	\$337				\$43,751		\$43,751
126.1 Allowance for Doubtful Accounts - Tenants	\$0	-\$865	\$0	\$0	\$0	\$0				-\$865		-\$865
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$10,035	\$189,125	\$41,000	\$134,041		\$10,035			\$125,587	\$510,823	-\$510,823	\$0
128 Fraud Recovery												
128.1 Allowance for Doubtful Accounts - Fraud												
129 Accrued Interest Receivable												
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$70,249	\$218,438	\$141,160	\$136,140	\$11,450	\$11,670	\$0	\$0	\$125,587	\$713,704	-\$510,823	\$202,881
131 Investments - Unrestricted	\$988,959									\$988,959		\$988,959
132 Investments - Restricted		\$34,088								\$34,088		\$34,088
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets	\$40,123	\$5,760	\$7,525	\$4,461	\$14,333	\$10,043			\$3,008	\$65,273		\$65,273
143 Inventories									\$13,506	\$13,506		\$13,506
143.1 Allowance for Obsolete Inventories									\$0	\$0		\$0
144 Inter Program Due From	\$229,914	\$27,584		\$74,525	\$29,916	\$9,235			\$895,642	\$1,265,826	-\$1,265,826	\$0
145 Assets Held for Sale												
150 Total Current Assets	\$1,164,638	\$493,647	\$156,749	\$239,866	\$198,206	\$224,780	\$0	\$124,689	\$1,097,740	\$3,700,325	-\$1,776,549	\$1,923,676
161 Land	\$2,480,959	\$99,131		\$574,927	\$7,025				\$16,394	\$3,178,436		\$3,178,436
162 Buildings	\$9,615,646	\$2,207,332	\$38,353	\$1,561,859	\$3,559,448				\$373,689	\$17,356,327		\$17,356,327
163 Furniture, Equipment & Machinery - Dwellings	\$28,987	\$43,934			\$2,678				\$39,306	\$115,105		\$115,105
164 Furniture, Equipment & Machinery - Administration	\$139,197	\$37,951		\$9,944	\$93,895	\$35,162			\$221,684	\$434,004		\$434,004
165 Leasehold Improvements		\$71,624								\$165,153		\$165,153
166 Accumulated Depreciation	-\$8,805,242	-\$1,856,150	-\$2,818	-\$838,816	-\$375,547	-\$36,362			-\$456,185	-\$12,372,220		-\$12,372,220
167 Construction in Progress	\$1,839,220									\$1,839,220		\$1,839,220
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,298,767	\$603,822	\$35,435	\$1,306,914	\$3,273,511	\$1,678	\$0	\$0	\$194,898	\$10,715,025	\$0	\$10,715,025
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	\$5,422,732	\$603,822	\$35,435	\$1,306,914	\$3,273,511	\$25,388	\$0	\$0	\$207,490	\$10,875,302	-\$147,685	\$10,727,617
190 Total Assets	\$6,587,370	\$1,097,469	\$192,184	\$1,546,780	\$3,471,717	\$250,168	\$0	\$124,689	\$1,305,230	\$14,575,627	-\$1,924,334	\$12,651,293

Housing Authority of the City of Marion, IN (IN041)
MARION, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14,182 N/C S/R Section 8 Programs	6 Component Units	2 State/Local	1 Business Activities	14,871 Housing Choice Vouchers	14,865 Formula Capital Fund Stimulus Grant	14, VSH HUD- VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
311 Bank Overdraft												
312 Accounts Payable <= 90 Days	\$32,461	\$13,833	\$5,857	\$399	\$6,933				\$10,476	\$70,082		\$70,082
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	\$9,420	\$3,432		\$991	\$3,125	\$3,906			\$8,849	\$29,723		\$29,723
322 Accrued Compensated Absences - Current Portion	\$2,688	\$725		\$155	\$1,011	\$1,857			\$2,935	\$9,351		\$9,351
324 Accrued Contingency Liability												
325 Accrued Interest Payable				\$1,503	\$7,837				\$0	\$9,140		\$9,140
331 Accounts Payable - HUD PHA Programs	\$0											
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	\$35,578	\$16,618	\$2,185		\$3,886					\$19,287		\$19,287
341 Tenant Security Deposits	\$62,742	\$20,493	\$500	\$5,010	\$1,850					\$124,685		\$124,685
342 Deferred Revenues	\$98,343	\$10,082	\$8,118	\$3,018	\$101,484	\$217				\$222,272		\$222,272
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			\$1,962	\$19,189	\$109,580					\$130,741		\$130,741
344 Current Portion of Long-term Debt - Operating Borrowings			\$31,323		\$352,858	\$6,572			\$120,070	\$510,823	-\$510,823	\$0
345 Other Current Liabilities	\$8,892								\$145,805	\$154,797		\$154,797
346 Accrued Liabilities - Other	\$2,089	\$762		\$187	\$1,103	\$3,272			\$77	\$7,500		\$7,500
347 Inter Program - Due To	\$22,374	\$209,216	\$219,454	\$477	\$490,347	\$108,538			\$215,470	\$1,285,928	-\$1,285,928	\$0
348 Loan Liability - Current												
310 Total Current Liabilities	\$276,977	\$275,161	\$269,509	\$34,879	\$1,163,944	\$124,082	\$0	\$0	\$503,685	\$2,694,217	-\$1,776,649	\$877,568
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue												
352 Long-term Debt, Net of Current - Operating Borrowings			\$58,006	\$199,911	\$2,511,737				\$0	\$2,769,644		\$2,769,644
353 Non-current Liabilities - Other									\$147,685	\$147,685	-\$147,685	\$0
354 Accrued Compensated Absences - Non Current										\$15,760		\$15,760
355 Loan Liability - Non Current	\$25,716	\$6,523		\$1,396	\$9,087	\$14,011			\$26,411	\$84,154		\$84,154
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities												
350 Total Non-Current Liabilities	\$25,716	\$6,523	\$58,006	\$201,307	\$2,520,824	\$29,771	\$0	\$0	\$174,096	\$3,017,243	-\$147,685	\$2,869,558
300 Total Liabilities	\$303,693	\$281,684	\$327,515	\$236,186	\$3,690,768	\$163,853	\$0	\$0	\$677,781	\$5,671,460	-\$1,924,334	\$3,747,126
508.1 Invested in Capital Assets, Net of Related Debt	\$5,288,767	\$603,822	-\$55,856	\$1,087,814	\$289,336	-\$4,884			-\$72,857	\$7,156,132	\$658,508	\$7,814,640
508.2 Fund Balance Reserved												
511.2 Unreserved, Designated Fund Balance												
511.1 Restricted Net Assets												
512.1 Unrestricted Net Assets	\$884,910	\$211,863	-\$79,475	\$222,780	-\$16,387	\$295,222	\$124,689			\$419,911		\$419,911
512.2 Unreserved, Undesignated Fund Balance	\$6,263,877	\$615,785	-\$135,331	\$1,310,584	\$219,051	-\$96,355	\$0	\$0	\$700,306	\$1,328,124	-\$658,508	\$669,616
513 Total Equity/Net Assets	\$6,567,370	\$1,097,469	-\$182,184	\$1,546,780	\$3,471,717	-\$250,188	\$0	\$0	\$1,305,230	\$14,575,627	-\$1,924,334	\$12,651,293
600 Total Liabilities and Equity/Net Assets	\$6,567,370	\$1,097,469	-\$182,184	\$1,546,780	\$3,471,717	-\$250,188	\$0	\$0	\$1,305,230	\$14,575,627	-\$1,924,334	\$12,651,293

Housing Authority of the City of Marion, IN (IN041)
MARION, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.182 N/C S/R Section B Programs	6 Component Units	2 State/Local	1 Business Activities	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	14.153 HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$541,377	\$435,944	\$9,255	\$107,083	\$605,186					\$1,696,845		\$1,696,845
70400 Tenant Revenue - Other	\$18,330	\$7,706	\$2,032	\$4,021	\$41,189					\$76,278		\$76,278
70500 Total Tenant Revenue	\$559,707	\$443,650	\$11,287	\$111,104	\$649,375	\$0	\$0	\$0	\$0	\$1,775,123	\$0	\$1,775,123
70600 HUD PHA Operating Grants	\$460,192					\$2,061,047	\$175,129	\$93,278		\$2,614,517		\$2,614,517
70710 Capital Grants	\$764,959								\$294,805	\$940,068	-\$294,805	\$640,068
70720 Asset Management Fee									\$44,160	\$44,160	-\$44,160	\$0
70730 Book Keeping Fee									\$70,290	\$70,290	-\$70,290	\$0
70740 Front Line Service Fee												
70750 Other Fees									\$77,002	\$77,002	-\$77,002	\$0
70700 Total Fee Revenue									\$486,057	\$486,057	-\$486,057	\$0
70800 Other Government Grants					\$59	\$149	\$1		\$26	\$14,249		\$14,249
71100 Investment Income - Unrestricted	\$13,319	\$666	\$7	\$22	\$59							
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	\$29,089	\$7,430	\$89,386	\$1,212	\$17,219	\$16,549	\$227		\$48,131	\$208,253		\$208,253
71600 Gain or Loss on Sale of Capital Assets												
72000 Investment Income - Restricted	\$11,609	\$2,427		\$1,532	\$4,003	\$915			\$250	\$20,636		\$20,636
70000 Total Revenue	\$1,838,865	\$454,173	\$99,680	\$113,870	\$670,856	\$2,076,580	\$175,357	\$93,278	\$534,464	\$6,059,923	-\$486,057	\$5,572,866
91100 Administrative Salaries	\$140,207	\$95,187	\$1,030	\$11,774	\$47,075	\$117,357			\$210,693	\$593,583		\$593,593
91200 Auditing Fees	\$2,098	\$3,426	\$132	\$757	\$4,968	\$10,180			\$649	\$22,210		\$22,210
91300 Management Fee	\$149,288	\$34,077		\$9,040	\$44,728	\$9,472			\$294,605	\$294,605	-\$294,605	\$0
91310 Book-keeping Fee	\$24,300	\$9,820			\$9,170	\$37,170			\$70,290	\$70,290	-\$70,290	\$0
91400 Advertising and Marketing	\$561	\$574	\$9		\$1,354	\$175			\$341	\$3,014		\$3,014
91500 Employee Benefit Contributions - Administrative	\$54,727	\$20,344	\$208	\$5,632	\$17,885	\$49,815			\$73,257	\$221,868		\$221,868
91600 Office Expenses	\$49,424	\$5,173	\$3,487	\$4,728	\$15,942	\$40,529			\$37,746	\$160,429	-\$49,029	\$111,400
91700 Legal Expense	\$912	\$1,948	\$74	\$112	\$550	\$390			\$6,549	\$10,535		\$10,535
91800 Travel	\$477	\$20		\$261		\$40			\$93	\$981		\$981
91810 Allocated Overhead												
91900 Other	\$8,434	\$938	\$7,301	\$356	\$6,895	\$3,757			\$302	\$27,973	-\$27,973	\$0
91000 Total Operating - Administrative	\$429,428	\$134,507	\$12,241	\$31,680	\$138,787	\$318,885	\$0	\$0	\$329,690	\$1,395,398	-\$441,897	\$953,501

Housing Authority of the City of Marion, IN (IN041)
MARION, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.182 NYC S/R Section 8 Programs	6 Component Units	2 State/Local	1 Business Activities	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee	\$32,400	\$11,760								\$44,160	-\$44,160	\$0
92100 Tenant Services - Salaries										\$1,450		\$1,450
92200 Relocation Costs		\$1,450										
92300 Employee Benefit Contributions - Tenant Services					\$3				-\$766	\$4,596		\$4,596
92400 Tenant Services - Other	\$4,329	\$1,030			\$3	\$0	\$0	\$0	-\$766	\$6,046	\$0	\$6,046
92500 Total Tenant Services	\$4,329	\$2,480	\$0	\$0	\$3	\$0	\$0	\$0	-\$766	\$6,046	\$0	\$6,046
93100 Water	\$31,127	\$15,951	\$979	\$640	\$40,654				\$1,598	\$90,847		\$90,847
93200 Electricity	\$156,803	\$77,345	\$3,461	\$919	\$14,735				\$7,873	\$261,036		\$261,036
93300 Gas			\$272	\$939	\$204				\$5,346	\$6,761		\$6,761
93400 Fuel												
93500 Labor												
93600 Sewer												
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	\$187,930	\$93,196	\$4,712	\$2,598	\$55,393	\$0	\$0	\$0	\$14,815	\$356,644	\$0	\$356,644
94100 Ordinary Maintenance and Operations - Labor	\$175,414	\$7,946	\$107,712	\$12,195	\$54,334				\$2,108	\$439,709		\$439,709
94200 Ordinary Maintenance and Operations - Materials and Other	\$64,766	\$42,023	\$17,990	\$6,334	\$29,260	\$1,144			\$6,815	\$168,424		\$168,424
94300 Ordinary Maintenance and Operations Contracts	\$75,157	\$56,315	\$31,311	\$12,284	\$29,655	\$1,263			\$3,639	\$169,633		\$169,633
94500 Employee Benefit Contributions - Ordinary Maintenance	\$69,629	\$21,235	\$21,446	\$5,635	\$32,813				\$725	\$151,483		\$151,483
94000 Total Maintenance	\$384,966	\$157,519	\$178,459	\$38,458	\$176,062	\$2,407	\$0	\$0	\$13,286	\$949,249	\$0	\$949,249
95100 Protective Services - Labor	\$934	\$1,524		\$192	\$1,332				\$11,956	\$15,238		\$15,238
95200 Protective Services - Other Contract Costs												
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	\$934	\$1,524	\$0	\$192	\$1,332	\$0	\$0	\$0	\$11,956	\$15,238	\$0	\$15,238
96110 Property Insurance	\$59,303	\$10,612	\$11,965	\$7,552	\$25,663	\$4,993			\$43,678	\$163,726		\$163,726
96120 Liability Insurance												
96130 Workmen's Compensation												
96140 All Other Insurance					\$400					\$400		\$400
96100 Total Insurance Premiums	\$59,303	\$10,612	\$11,965	\$7,552	\$26,063	\$4,993	\$0	\$0	\$43,678	\$164,126	\$0	\$164,126
96200 Other General Expenses	\$18,309				\$9,987	\$2,153			\$23,313	\$53,472		\$53,472
96210 Compensated Absences	\$15,987	\$4,035		\$960	\$6,006	\$6,190			\$10,940	\$46,118		\$46,118
96300 Payments in Lieu of Taxes	\$37,465	\$15,968	\$3,957		\$70,544					\$127,954		\$127,954
96400 Bad debt - Tenant Rents			\$121							\$121		\$121
96500 Bad debt - Mortgages												
96600 Bad debt - Other	\$735			-\$27	\$381					\$1,474		\$1,474
96800 Sundry Expenses					\$6,728	\$10,728			\$50,612	\$50,612		\$50,612
96000 Total Other General Expenses	\$72,516	\$20,003	\$3,957	\$1,054	\$86,728	\$10,728	\$0	\$0	\$84,695	\$279,751	\$0	\$279,751
96710 Interest of Mortgage (or Bonds) Payable		\$3,019	\$4,079	\$20,523	\$138,232					\$165,853		\$165,853
96720 Interest on Notes Payable (Short and Long Term)												
96730 Amortization of Bond Issue Costs												
96700 Total Interest Expense and Amortization Cost	\$0	\$3,019	\$4,079	\$20,523	\$138,232	\$0	\$0	\$0	\$0	\$165,853	\$0	\$165,853
96900 Total Operating Expenses	\$1,171,698	\$434,620	\$215,303	\$100,037	\$622,600	\$336,983	\$0	\$0	\$497,224	\$3,378,465	-\$466,057	\$2,892,408

Housing Authority of the City of Marion, IN (IN041)
 MARION, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2011

	Project Total	14.182.NC/SR Section 8 Programs	6 Component Units	2 State/Local	1 Business Activities	14.871 Housing Choice Vouchers	14.895 Formula Capital Fund Stimulus Grant	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$667,187	\$19,553	-\$115,623	\$13,833	\$48,056	\$1,741,577	\$175,357	\$53,278	\$37,240	\$2,680,458	\$0	\$2,680,458
97100 Extraordinary Maintenance												
97200 Casualty Losses - Non-capitalized					\$326	\$1,754,100		\$28,331		\$1,782,757		\$1,782,757
97300 Housing Assistance Payments						\$423			\$21,628	\$14,605		\$14,605
97350 HAP Portability-In					\$96,330					\$748,044		\$748,044
97400 Depreciation Expense	\$493,223	\$52,979	\$1,038	\$73,425								
97500 Fraud Losses												
97600 Capital Outlays - Governmental Funds												
97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense												
90000 Total Expenses	\$1,664,921	\$487,599	\$216,339	\$173,462	\$718,256	\$2,106,111	\$0	\$28,331	\$518,852	\$5,923,871	-\$486,057	\$5,437,814
10010 Operating Transfer In										\$0	\$0	\$0
10020 Operating Transfer Out										\$0	\$0	\$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	\$60,000									\$60,000	-\$60,000	\$0
10092 Inter-Project Excess Cash Transfer Out	-\$60,000									-\$60,000	\$60,000	\$0
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	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$173,964	-\$43,426	-\$116,659	-\$59,592	-\$47,900	-\$27,551	\$175,357	\$64,847	\$15,612	\$135,052	\$0	\$135,052
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$7,728,116	\$1,019,189	-\$16,368	\$1,787,123	-\$128,838	\$90,170	\$0	\$59,742	\$74,524	\$11,283,688		\$11,283,688
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$1,618,403	-\$159,998	-\$2,304	-\$396,937	-\$42,613	\$33,736	-\$175,357		-\$162,667	-\$2,524,553		-\$2,524,553
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										-\$198,867		-\$198,867
11180 Housing Assistance Payments Equity										\$295,222		\$295,222
11190 Unit Months Available	3240	1176		288	1740	5052		420		11916		11916
11210 Number of Unit Months Leased	3213	1073		287	1639	4635		109		10936		10936
11270 Excess Cash	\$744,111									\$744,111		\$744,111
11610 Land Purchases	\$0								\$0	\$0		\$0
11620 Building Purchases	\$940,088								\$0	\$940,088		\$940,088
11630 Furniture & Equipment - Dwelling Purchases	\$0								\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0								\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0								\$0	\$0		\$0
11660 Infrastructure Purchases	\$0								\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0								\$0	\$0		\$0
13591 Replacement Housing Factor Funds	\$0								\$0	\$0		\$0



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

In planning and performing my audit of the financial statements of Housing Authority of the City of Marion as of and for the year ended June 30, 2011, 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 Marion's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Marion'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.

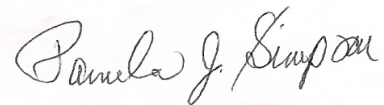
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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. The Housing Authority's system of internal controls should be formally documented in a written internal control document (manual). Discussions with Housing Authority management indicated that the Housing Authority had a system of internal control in place, however, many of procedures became outdated when a new accounting software system was implemented and with personnel changes. Procedures need to be reviewed, updated, documented and followed by all staff.

2. During the audit, it was noted that several accounts were not properly reconciled to supporting data or subsidiary ledgers. Variances, when discovered should be investigated and corrected regardless of the materiality.
3. During the examination of Section 8 participant files, many instances were noted where the files did not contain proper documentation of a fully executed §214 Declaration required by the Section 8 Administrative Plan. Periodic quality control reviews of the files should be completed to determine that all files contain the proper documentation as required by your own Administrative Plan and HUD regulations.
4. As the Housing Authority continues to track fraud recovery receivables (repayment agreements), you should adopt a policy or procedure that provides guidance to determine when a receivable is valid and should be recorded. Those guidelines should incorporate the need to have either a signed repayment agreement or court ordered judgement before the receivable is considered valid and is recorded. The procedures should also cover when a receivable may later be determined to be uncollectible and written off as bad debts.
5. During the examination of Public Housing files, many instances were noted of missing documentation items required by your ACOP (214 declarations, birth certificates, etc), In come cases, it was noted that 50058's being marked as "initials" instead of "annuals". The Housing Authority should also review their procedures for determining if a family is comprised of two "co-heads or two "other adults". The designation can affect the allowable deductions in the rent calculation.
6. The PHA is reminded that cost certificates should be filed at the completion of each Capital Fund project. At the end of the current fiscal year, you need to file cost certificates for CFP 501-05, CFP 501-06, CFP 501-07 and CFP 501-08.

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
February 3, 2012