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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 Henderson & DeJohn, LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Marion Housing Authority, as of June 30, 2012 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

HENDERSON & DEJOHN, LLC
CERTIFIED PUBLIC ACCOUNTANTS
265 RIVERCHASE PARKWAY EAST, SUITE 100 BIRMINGHAM, AL 35244
PHONE : (205) 982-0992 WWW.HENDERSONCPA.COM FAX: (205) 982-0997

To the Board of Commissioners
Housing Authority of the City of Marion

We have audited the basic financial statements of the Housing Authority of the City of Marion (the "Authority") as of and for the year ended June 30, 2012, and have issued our report thereon dated March 12, 2013. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards - As communicated in our engagement letter dated July 24, 2012, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We are also responsible for communicating significant deficiencies over compliance and other instances of noncompliance noted during our audit, which are described in the Schedule of Findings and Questioned Costs included in the audited financial statements.

Other Information in Documents Containing Audited Financial Statements - Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Authority's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have applied certain limited procedures on management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Planned Scope and Timing of the Audit - We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Qualitative Aspects of the Entity's Significant Accounting Practices - *Significant Accounting Policies* - Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2012. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimate - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements relate to accumulated depreciation.

Management's estimate of accumulated depreciation is based on straight line depreciation with useful lives comparable to those of other Housing Authorities and in accordance with Generally Accepted Accounting Principles. We evaluated the key factors and assumptions used to develop accumulated depreciation and determined that it is reasonable in relation to the applicable opinion units.

Financial Statement Disclosures - Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to long-term debt, restricted net assets, and subsequent events.

Significant Difficulties Encountered during the Audit - We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements - For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management - For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management - We have requested certain written representations from management that are included in the management representation letter dated March 12, 2013.

Management's Consultations with Other Accountants - In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues - In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Henderson & DeJohn, LLC

Henderson & DeJohn, LLC
March 12, 2013

HOUSING AUTHORITY OF THE CITY OF MARION

FINANCIAL STATEMENTS
&
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2012

Housing Authority of the City of Marion
Table of Contents
Year Ended June 30, 2012

Page

marion housing authority

Management Discussion and Analysis

For Fiscal Year Ended June 30th, 2012

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, 50 VASH vouchers, 98 Section 8 New Construction units, 25 Affordable Housing units, 147 market rate units, which also include commercial retail space. The Authority also 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, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the 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, a more descriptive explanation of the following items are provided later in this report.

- The assets of the Authority exceeded its liabilities as of June 30, 2012 by $8,689,250 (net assets). This was a decrease of $230,262 from $8,904,167 as of June 30, 2011. This is a decrease of 3%.
- The Authority's cash balance as of June 30, 2012 was $738,774, representing a decrease of $160,195, or 18%, from June 30, 2011 balance of $898,969. However, Unrestricted investments as of June 30, 2012, were $696,266, a 1% increase from June 30, 2011 unrestricted investment balance of $688,959.
- Total fixed assets, net of accumulated depreciation, decreased by 4% from $10,715,025 as of June 30, 2011 to $10,322,004 as of June 30, 2012. Fixed assets decreased by $393,021. Related current and long-term debt decreased from $2,900,385 as of June 30, 2011 to $2,761,582 as of June 30, 2012 (decrease of 5%).
- The Authority had received HUD grant revenues of $2,787,053 for operations and $251,286 of capital grants for the fiscal year ended June 30, 2012. This represents a net decrease of $516,266, or 15% from fiscal year ended June 30, 2011.
- Total tenant revenue decreased from $1,775,123 in 2011 to $1,542,657 in 2012, or by 13%.
- Total revenue decreased from $5,572,866 in 2011 to $4,711,706 in 2012, or by 15% overall.
- Total Operating Expenses decreased from $5,437,814 to $5,202,179 which is a decrease of $235,635 or 4%, from 2011 to 2012. From 2010 to 2011, the net increase was $600,108, or 12%.
- Excess Operating Revenue over Operating Expenses decreased by $625,525, or 463% from $135,052 in 2011 to ($490,473) in 2012. From $626,420 in 2010 to $135,052 in 2011, this difference was an decrease of $491,368, or by 78%.

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.

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 2012.

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.

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 eight 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 2012 were $11,944,043, FYE 2011 was $12,651,293 and FYE 2010 was $15,473,985. This represents a net decrease of $707,250, or 6% from 2011 to 2012. Areas representing this difference are:

Cash – The cash position of the Authority decreased by $160,195, or 18% during FYE 2012. Cash held on hand at June 30, 2012 was $738,774 and at June 30, 2011 was $898,969.

Other Current Assets – The Authority's other current assets at June 30, 2012, totaled $883,265 and were $1,024,707 at June 30, 2011. The decrease related to an offsetting increase in invested funds, more efficient collections efforts for tenant A/R, and the impairment of a $100,000 receivable due from the Renaissance Project that was deemed to be uncollectible during the year.

Also included in other current assets are education loans to employees totaling $6,179. 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.

Capital Assets, net of accumulated depreciation, were $10,322,004 as of June 30, 2012, and $10,715,025 as of June 30, 2011. The net capital assets decreased in value by $393,021. This is primarily due to the normal depreciation of assets in excess of current year additions. Accumulated depreciation decreased the net value of assets by $697,911 during 2012.

Non-Current Assets – The Authority's non-current assets at June 30, 2012 were $0 and were $12,592 as of June 30, 2011.

Total Liabilities for FYE 2012 were $3,249,743 and at FYE 2011 were $3,747,126. This represents a decrease of $497,383.

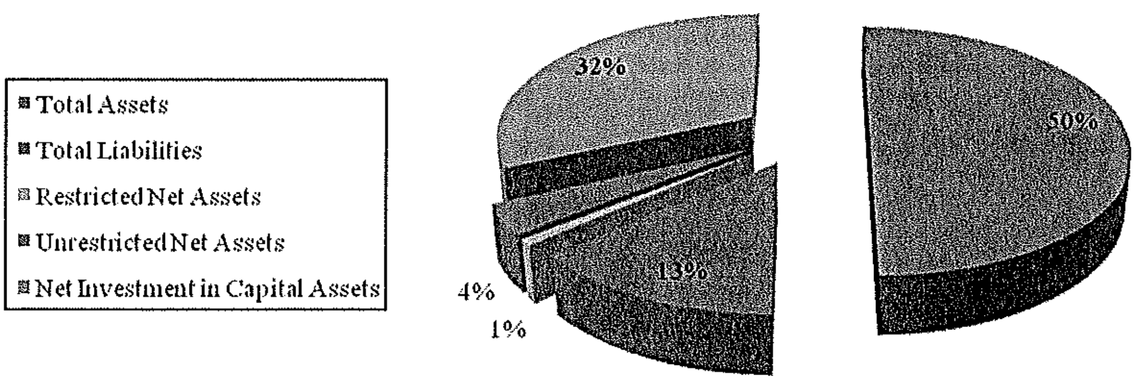
Current Liabilities – The Authority's current liabilities as of June 30, 2012 totaled $529,499, net of Inter-fund payments due, and were $877,568, net of Inter-fund payments due, as of June 30, 2011. Current liabilities consists of accounts payable less than 90 days, accrued wages, current portion of 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 increased by $4,668 as of June 30, 2012.

Long-term Liabilities – The Authority's long-term liabilities as of June 30, 2012, totaled $2,725,294. As of June 30, 2011, long-term liabilities were $2,869,558. The Authority's long-term liabilities decreased by $144,264. Long-term debt of the Authority primarily 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. 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 local financial institutions 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 $940,730 available as unrestricted funds as of June 30, 2012. This is an increase from $669,616 as of June 30, 2011, or 40%.

	2012	2011	Variance	% Change
Cash and Cash Equivalents	$ 738,774	$ 898,969	$ (160,195)	-17.82%
Other Current Assets	883,265	1,024,707	(141,442)	-13.80%
Capital Assets, Net	10,322,004	10,715,025	(393,021)	-3.67%
Other Noncurrent Assets	-	12,592	(12,592)	-100.00%
Total Assets	$ 11,944,043	$ 12,651,293	$ (707,250)	-5.59%
Current Liabilities	$ 529,499	$ 877,568	$ (348,069)	-39.66%
Long-Term Liabilities	2,725,294	2,869,558	(144,264)	-5.03%
Total Liabilities	3,254,793	3,747,126	(492,333)	-13.14%
Net Assets:				
Invested in Capital Assets	7,560,422	7,814,640	(254,218)	-3.25%
Restricted Net Assets	188,098	419,911	(231,813)	-55.21%
Unrestricted Retained Earnings	940,730	669,616	271,114	40.49%
Total Net Assets	8,689,250	8,904,167	(214,917)	-2.41%
Total Liabilities & Net Assets	$ 11,944,043	$ 12,651,293	$ (707,250)	-5.59%

Statement of Net Assets



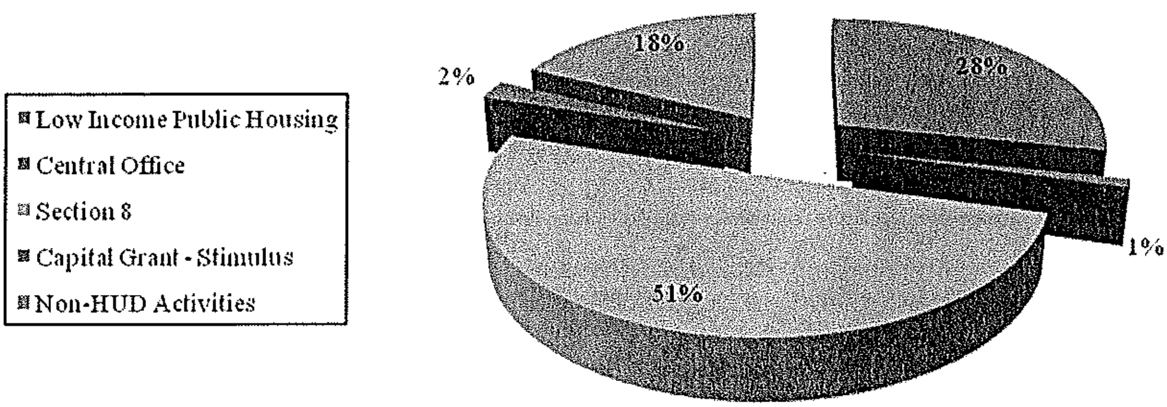
Statement of Activities

Revenue

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

Low Income Public Housing			$	1,335,374
COCC				44,702
Section 8				
Vouchers	$	1,910,005		
New Construction		476,038		
Total Section 8				2,386,043
Capital Grants - Stimulus				104,435
Business Activities, State, Local				
Market Units/Component Units	$	732,665		
T. Jefferson Homes		108,487		
Total Non-HUD Activities				841,152
Total Revenues			$	4,711,706

Revenue by Funding Source



In FYE 2011 and FYE 2012, total revenues were $5,572,866 and $4,711,706, respectively. The decrease of $861,160 in the Authority's revenues was due to a combination of factors. Tenant revenue reflected a decrease of $232,466 from FYE 2011. HUD Operating grants increased by $172,536 and HUD Capital Grants decreased by $688,802 from FYE 2011 to FYE 2012.

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

		2012		2011		Net Change
Tenant Rental Revenue	$	1,542,657	$	1,775,123	$	(232,466)
Operating Grants/Subsidy		2,787,053		2,614,517		172,536
Capital Grants		251,286		940,088		(688,802)
Interest Income		16,784		34,885		(18,101)
Other Revenue		113,926		208,253		(94,327)
Total Operating Revenue	$	4,711,706	$	5,572,866	$	(861,160)

Expenses

Administrative salaries reflected a decrease of $137,614 from FYE 2011 to FYE 2012. Due to the implementation of Asset-Based Management, the agency reorganized several positions as positions became available.

Utility expenses for FYE 2012 decreased by $9,494 or 3% overall. The largest portion of the decrease was for electricity. In 2006, the City of Marion instituted a substantial rate increase for water and sewer expenses.

Maintenance labor decreased in FYE 2012 by $195,889, or 45%, from FYE 2011. 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 10 hours per week for protective services by sworn in officers of the Marion Police Department. One individual represents these hours during FYE 2012. The decrease in labor expenses was $13,366 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 39% increase from $164,126 in FYE 2011 to $228,868 in FYE 2012. Two claims were filed during FYE 2012 due to a fire (DeJohntop) and hail damage to the roof and siding (Christy St.).

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

	2012	2011	Variance	% Change
Operating Revenues				
Rental Income	$ 1,542,657	$ 1,775,123	$ (232,466)	-13.10%
Federal Grants	2,787,053	2,614,517	172,536	6.60%
Other	113,401	208,253	(94,852)	-45.55%
Total Operating Revenues	4,443,111	4,597,893	(154,782)	-3.37%
Operating Expenses				
Administration	930,957	953,501	(22,544)	-2.36%
Tenant Services	5,597	6,046	(449)	-7.43%
Utilities	349,150	358,644	(9,494)	-2.65%
Maintenance	568,623	949,249	(380,626)	-40.10%
Protective Services	1,872	15,238	(13,366)	-87.71%
General	562,730	443,877	118,853	26.78%
Housing Assistance Payments	1,908,497	1,782,757	125,740	7.05%
Depreciation	727,026	748,044	(21,018)	-2.81%
Total Operating Expenses	5,054,452	5,257,356	(202,904)	-3.86%
Operating Income (loss)	(611,341)	(659,463)	48,122	-7.30%
Nonoperating revenues (expenses):				
Interest Revenue	16,784	34,885	(18,101)	-51.89%
Gain on Sale of Capital Assets	525	-	525	
Interest Expense	(147,727)	(165,853)	18,126	-10.93%
Capital Contributions	251,286	940,088	(688,802)	-73.27%
Total Nonoperating Activity	120,868	809,120	(688,252)	-85.06%
Change in Net Assets	(490,473)	149,657	(640,130)	-427.73%
Prior Period Adjustments	275,556	(2,524,553)	2,800,109	-110.92%
Beginning Net Assets	8,904,167	11,293,668	(2,389,501)	-21.16%
Ending Net Assets	$ 8,689,250	$ 8,918,772	$ (229,522)	-2.57%

Overview of Budgets

The Authority adopts a consolidated annual operating budget for all programs. Salaries and operating expenses are allocated in accordance with a Cost Allocation Plan approximately based upon the number of units per program. The budget for Low Income Public Housing is adopted on the basis of accounting prescribed by the U.S. Department of Housing and Urban Development (HUD), which differs in some respects from the Generally Accepted Accounting Principles (GAAP). Program budgets for the Section 8 program are also approved by HUD.

Low Income Public Housing Budgetary Highlights

The Authority's management is pleased with the operating results for the fiscal year ending June 30, 2012.

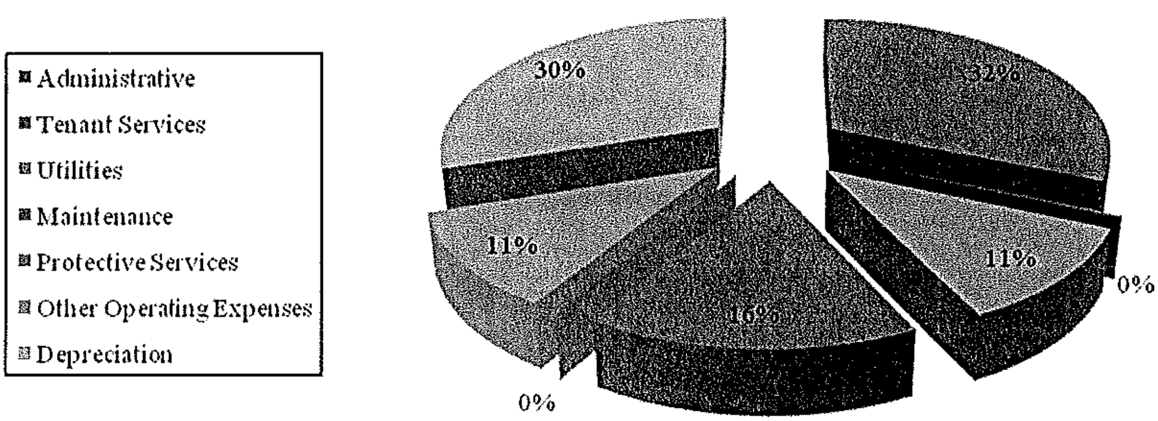
Comparison of Budget vs. Actual – Low Income Public Housing

	Budget	Actual	Change	Variance
Tenent Rental Revenue	$ 587,168	$ 490,300	$ (96,868)	-16.50%
Governmental Operating	502,746	663,110	160,364	31.90%
Other Revenue	46,712	20,129	(26,583)	-56.91%
Total Operating Revenue	$ 1,136,626	$ 1,173,539	$ 36,913	3.25%
Operating Expenses:				
Administrative	464,229	505,967	41,738	8.99%
Tenant Services	7,250	2,460	(4,790)	-66.07%
Utilities	207,390	181,102	(26,288)	-12.68%
Maintenance	323,356	256,373	(66,983)	-20.71%
Protective Services	16,122	-	(16,122)	100.00%
Other Operating Expenses	208,667	180,862	(27,805)	-13.33%
Total Operating Expenses	$ 1,227,014	$ 1,126,764	$ (100,250)	-8.17%
Depreciation	450,000	482,534	32,534	7.23%
Operating Income (Loss)	$ (540,388)	$ (435,759)	$ 104,629	-19.36%

* Excludes CFP Capital Grants

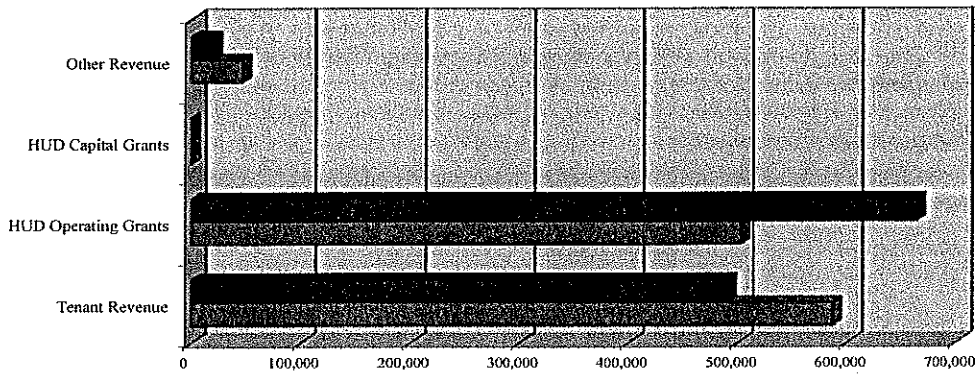
The chart below shows the expense breakdown for Low Rent operations. Non-cash expense of Depreciation is one of the largest categories. Items included in Other Operating Expenses are insurance premiums (60%), payments in lieu of taxes (18%), bad debt expense (1%), compensated absences (13%), and other general expense (8%).

Low Rent Expenses by Category



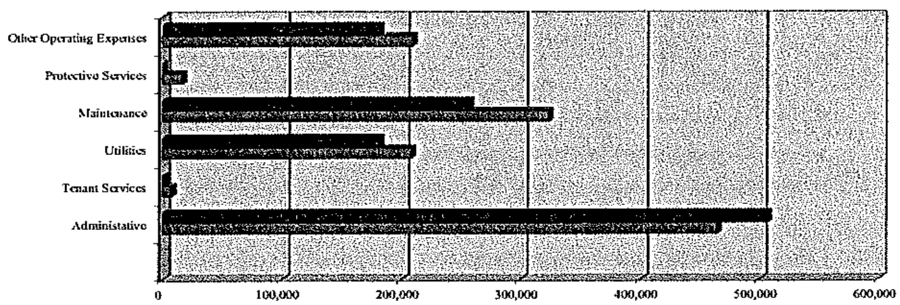
The following charts illustrate the budget vs. actual results for income and expenditures of the Low Rent Program.

Low Rent Housing Income



	Tenant Revenue	HUD Operating Grants	HUD Capital Grants	Other Revenue
■ Actual	490,300	663,110	0	20,129
▣ Budget	587,168	502,746	0	46,712

Low Rent Housing Expenditures



		Administative	Tenant Services	Utilities	Maintenance	Protective Services	Other Operating Expenses
■ Actual		505,967	2,460	181,102	256,373	0	180,862
▣ Budget		464,229	7,250	207,390	323,356	16,122	208,667

Section 8 Program Budgets

The Section 8 operating budget is determined by estimating the total dollars required (Annual Contributions Required) to administer the program for a fiscal year. Annual Contributions consist of estimates made by the Authority for Housing Assistance Payments (HAP), audit cost, and administrative fees. Generally, earned administrative fees provide governance of the program's operating expenses. A balanced budget is achieved when earned administrative fees equal the total operating expenses.

HAP and audit costs are reimbursed by HUD to the Authority dollar for dollar provided the Authority remains within its baseline units of vouchers issued by HUD. Administrative fees are earned at the prescribed HUD formula for every voucher leased as of the 1st day of each month. The administrative fee available to the Marion Housing Authority for FYE 2012 was $29.69 per unit, per month leased, for the months of January 2011 through April 2012.

Section 8 Program Budgetary Highlights

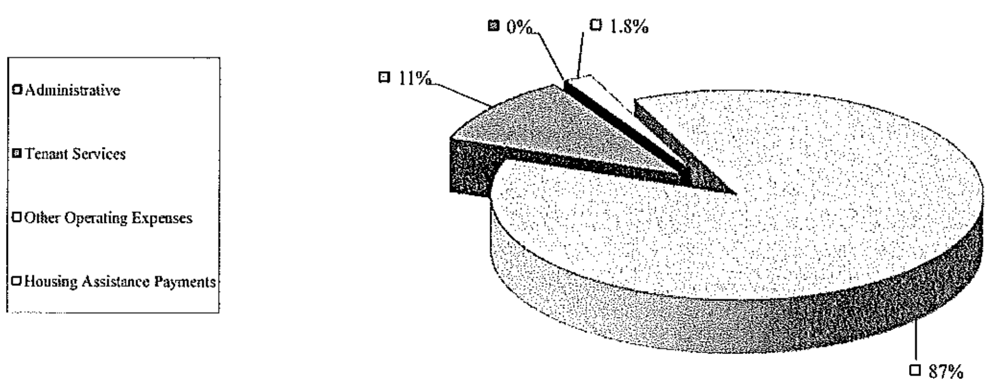
Due to a cut in funding, the Authority did not have adequate funding to issue all 421 vouchers for the full fiscal year. This underfunding affects the administrative fee that the Authority has the ability to earn for each voucher issued.

The PHA is undergoing program development of a Homeownership Program and working with Family Self-Sufficiency clients for that program. A grant for the Homeownership Coordinator was applied for, but not awarded. The Authority decided to continue with program development and to pay for the position from operations. A grant for the Family Self-Sufficiency Coordinator was applied for and was not awarded for 2012.

	Budget	Actual	Change	Variance
Governmental Operating	$ 2,088,780	$ 1,898,910	$ (189,870)	-9.09%
Other Revenue	35,190	11,095	(24,095)	-68.47%
Total Operating Revenue	$ 2,123,970	$ 1,910,005	$ (213,965)	-10.07%
Operating Expenses:				
Administrative	295,483	235,402	(60,081)	-20.33%
Housing Assistance Payments	1,866,696	1,908,497	41,801	2.24%
Other Operating Expenses	11,788	39,456	27,668	234.71%
Total Operating Expenses	$ 2,173,967	$ 2,183,355	$ 9,388	0.43%
Depreciation	400	422	22	5.50%
Operating Income (Loss)	$ (50,397)	$ (273,772)	$ (223,375)	443.23%

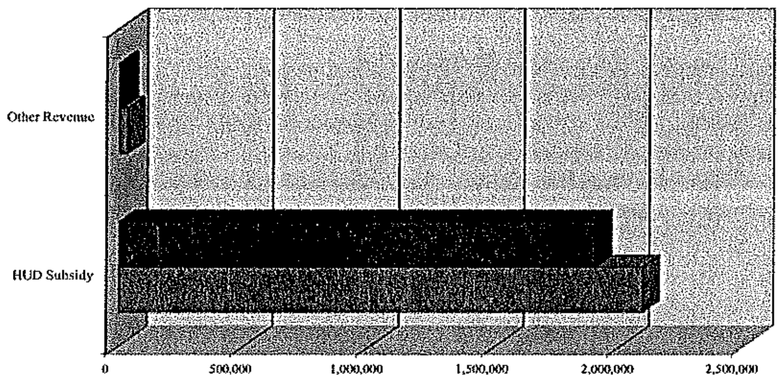
The following chart demonstrates how funds are spent in the Section 8 program. HAP is the largest program expense, constituting 87% of all expenditures. Administrative expenses make up 13% of the total program expenditures.

Section 8 Operating Expenses by Category



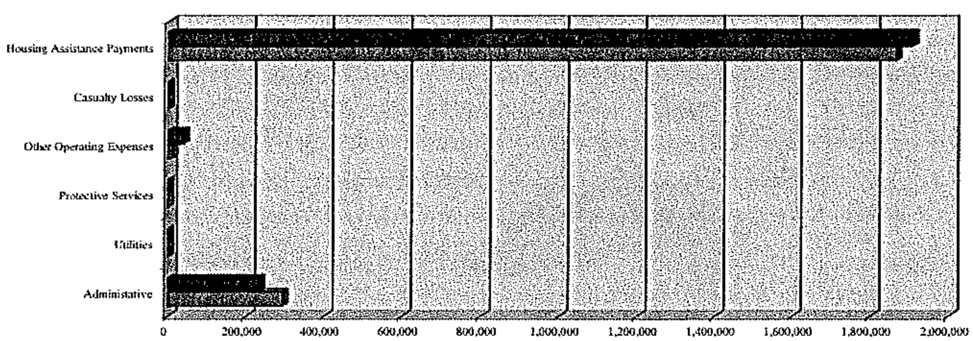
The following charts illustrate the budget vs. actual results for income and expenditures of the Section 8 Program.

Section 8 Program Income



	HUD Subsidy	Other Revenue
■Actual	1,898,910	11,095
■Budget	2,088,780	35,190

Section 8 Budget vs. Actual Expenditures



	Administative	Utilities	Protective Services	Other Operating Expenses	Casualty Losses	Housing Assistance Payments
■Actual	235,402	0	0	39,456	0	1,908,497
■Budget	295,483	0	0	11,788	0	1,866,696

Analysis of Capital Asset Activity

	2012	2011	Net Change	Percent Variance
Land	$ 429,882	$ 3,178,436	$ (2,748,554)	-86.5%
Buildings	13,220,326	17,355,327	(4,135,001)	-23.8%
Equipment and Furniture	136,627	115,105	21,522	18.7%
Furniture, Equipment, & Machinery - Administrative	560,631	434,004	126,627	29.2%
Leasehold Improvements	8,107,869	165,153	7,942,716	4809.3%
Construction in Process	936,800	1,839,220	(902,420)	-49.1%
Total Fixed Assets	**23,392,135**	**23,087,245**	**304,890**	1.3%
Accumulated Depreciation	13,070,131	12,372,220	697,911	5.6%
Net Fixed Assets	**$ 10,322,004**	**$ 10,715,025**	**$ (393,021)**	-3.7%

Outstanding Debt, at Year-End

	2011	Added/(Retired)	2012
Notes Payable – Short Term	$ 130,741	$ 4,668	$ 135,409
Notes Payable – Long Term	2,769,644	(143,471)	2,626,173
Total	$ 2,900,385	$ (138,803)	$ 2,761,582

Subsequent Events

The President's 2012 budget contained language which required HUD to take into account the Authority's operating reserves in the calculation of the Authority's 2012 operating subsidy. This process is referred to as the "Subsidy Allocation Adjustment." After HUD determined the 2012 operating fund eligibility for each public housing authority project, HUD made an allocation adjustment, as applicable, to the Authority's eligibility. This resulted in approximately a 30 percent reduction in the Authority's 2012 calendar year operating subsidy eligibility. This allocation adjustment will affect the Authority's operating subsidy for the remaining six months of the calendar year 2012.

In addition, the Authority sold a rental property owned by Marion Development and Investment Corp.(MDIC), a blended component unit of the Authority, in July 2012 for a sales price of $45,000. The Authority intends to use the sales proceeds to pay down MDIC intercompany debt.

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

Independent Auditor's Report

We have audited the accompanying basic financial statements of the Housing Authority of the City of Marion, Indiana (the "Authority"), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated March 12, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 11 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. We have applied certain limited procedures to 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental information, which includes the Statement and Certification of Actual Modernization Costs and the Financial Data Schedule (FDS), is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Henderson & DeJohn, LLC

Henderson & DeJohn, LLC
March 12, 2013

HENDERSON & DEJOHN, LLC
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To the Board of Commissioners
Housing Authority of the City of Marion, Indiana

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*

We have audited the basic financial statements of the Housing Authority of the City of Marion, Indiana (the "Authority"), as of and for the year ended June 30, 2012, and have issued our report thereon dated March 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting - Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 12-01.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on it.

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

Henderson & DeJohn, LLC

Henderson & DeJohn, LLC
March 12, 2013

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

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

Compliance - We have audited the compliance of the Housing Authority of the City of Marion, Indiana (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Authority'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 the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our 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 U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we 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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance - The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of commissioners, management, others within the organization, the Office of Housing and Urban Development, and 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.

Henderson & DeJohn, LLC

Henderson & DeJohn, LLC
March 12, 2013

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
STATEMENT OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2012

ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	$	441,321
Restricted cash and cash equivalents		297,453
Unrestricted investments		696,266
Restricted investments		34,399
Accounts receivable		
HUD		2,448
Miscellaneous, net of allowance of $100,000		16,827
Tenants, net of allowance of $3,428		51,096
Note receivable, current		6,179
Inventories		12,132
Prepaids and other assets		63,918
Total current assets		1,622,039
Noncurrent assets:		
Capital assets:		
Land		429,882
Building and equipment		22,025,453
Construction in progress		936,800
Less accumulated depreciation		(13,070,131)
Capital assets, net		10,322,004
Total noncurrent assets		10,322,004
Total assets	$	11,944,043
LIABILITIES		
Current liabilities:		
Accounts payable	$	53,117
Accrued liabilities		51,840
Intergovernmental payables		116,953
Tenant security deposits		116,433
Deferred revenue		41,168
Long-term debt, current portion		135,409
Other current liabilities		14,579
Total current liabilities		529,499
Noncurrent liabilities:		
Long-term debt, net of current portion		2,626,173
Compensated absences, net of current portion		71,800
Family self-sufficiency escrow liability		27,321
Total noncurrent liabilities		2,725,294
Total liabilities		3,254,793
NET ASSETS		
Invested in capital assets, net of related debt		7,560,422
Restricted		188,098
Unrestricted		940,730
Total net assets		8,689,250
Total liabilities & net assets	$	11,944,043

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR YEAR ENDED JUNE 30, 2012

Operating revenues		
Rental income	$	1,542,657
Federal grants		2,787,053
Other		113,401
Total operating revenues		4,443,111
Operating expenses		
Administration		930,957
Tenant services		5,597
Utilities		349,150
Maintenance		568,623
Protective services		1,872
General		562,730
Housing assistance payments		1,908,497
Depreciation		727,026
Total operating expenses		5,054,452
Operating Income (loss)		(611,341)
Nonoperating revenues (expenses):		
Interest revenue		16,784
Gain on sale of capital assets		525
Interest expense		(147,727)
Income (loss) before contributions		(741,759)
Capital contributions		251,286
Change in net assets		(490,473)
Total net assets - beginning of the year		8,904,167
Prior period adjustments		275,556
Total net assets - beginning of the year, as restated		9,179,723
Total net assets - end of the year	$	8,689,250

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	$	1,532,168
Federal grants		2,814,041
Other receipts		42,333
Payments to suppliers and section 8 landlords		(3,121,320)
Payments to or on behalf of employees		(1,112,459)
Net cash provided (used) by operating activities		154,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets		(294,846)
Proceeds from sale of capital assets		525
Capital contributions		251,286
Principal payments on capital debt		(138,803)
Interest payments on capital debt		(148,699)
Net cash provided (used) by capital financing activities		(330,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue		16,784
Purchases of investments		(7,618)
Collection of note receivable		6,413
Net cash provided (used) by investing activities		15,579
Net increase (decrease) in cash and cash equivalents		(160,195)
Balances - beginning of the year		898,969
Balances - end of the year	$	738,774
Reconciliation of income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	$	(611,341)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		727,026
Change in assets and liabilities:		
Receivables, net		132,510
Inventories		1,374
Prepaids and other assets		21,355
Accounts payable		(16,945)
Intergovernmental payables		(2,334)
Deferred revenue		(86,790)
Other liabilities		13,426
Accrued liabilities		(1,529)
Compensated absences		(13,727)
Tenant security deposits		(8,262)
Net cash provided (used) by operating activities	$	154,763

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority of the City of Marion, Indiana (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
  - Statement of Net Assets
  - Statement of Revenues, Expenses and Changes in Fund Net Assets
  - Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements. Significant Authority policies are described below.

A. The Reporting Entity
The Authority was established as a tax-exempt quasi-governmental entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in Grant County, Indiana. The governing body of the Authority is composed of a 5 member appointed Board of Commissioners (the "Board"). The Mayor appoints the Board, who in turn hires the Executive Director. The Authority is governed by its charter and by-laws, state and local laws and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority's management. The Authority has one component unit.

For financial reporting purposes, the financial reporting entity consists of (1) the primary government (the "Authority"), (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The Authority is financially accountable if it appoints a voting majority of an organization's governing body and (a) it is able to impose its will on the organization or, (b) there is potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. The Authority may be financially accountable if an organization is fiscally dependent on the Authority. Based on these criteria; the following entity has been identified as a component unit of the Authority.

Marion Development Investment Corporation (MDIC) (the "Corporation") was incorporated for the purpose of providing assistance in obtaining affordable housing for eligible low income and disabled families which almost exclusively benefits the Authority. The Authority both directly and indirectly controls the operations of the Corporation. Therefore, the Corporation will be presented as a blended component unit included in the balances and transactions of the primary government, thus all significant inter-program balances and transactions between the Corporation and the Authority have been eliminated.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
The Authority's financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets and liabilities associated with a proprietary fund's activities are included on the Statement of Net Assets. Proprietary fund net assets are segregated into Invested in Capital Assets, Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets. Revenues are recognized when they are earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

The Authority applies all relevant GASB pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989. The Authority follows all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 for proprietary activites, unless they conflict with GASB pronouncements.

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Fund Net Assets after income before contributions and before changes in net assets.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- *Invested in capital assets, net of related debt* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- *Restricted* – Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions, debt service and HUD mandated housing assistance payments (HAP) equity.
- *Unrestricted* – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties.

C. Cash, Cash Equivalents and Investments
Cash and cash equivalents include cash on hand, demand deposits and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

D. Receivables
All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. At June 30, 2012, the allowance account is $103,428 based on the Authority's estimates. The allowance includes $100,000 for the impairment for the MDIC receivable due from the Renaissance Project that was deemed to be uncollectable during the year.

E. Restricted Assets and Liabilities
Debt covenants, HUD regulations, grant agreements and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

F. Inventories
Inventories are accounted for under the consumption method and recorded at the lower of cost or market, net of an allowance for obsolete inventory. Materials and supplies are recorded as inventories when purchased and as expenditures when used.

G. Prepaids
Prepaids represent payments made to vendors for services that will benefit beyond June 30, 2012.

H. Capital Assets
Capital assets include property, furniture, equipment and machinery. Capital assets with initial, individual costs that equal or exceed $1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings & Improvements	15-40
Furniture, equipment, and machinery	5-10

I. Compensated Absences
The Authority's policy allows employees to accumulate a limited amount of earned but unused annual leave. Full time permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Employees can receive payments for accumulated compensated absences. Leave accrued but not yet paid as of the end of the year is shown as a liability allocated between current and non-current.

J. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Recent Accounting Pronouncements
The Authority's management has assessed the potential impact of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and determined this is not applicable as the Authority provides no other postemployment benefits.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash and investments may be invested in the following HUD-approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At June 30, 2012, cash was in bank deposits or money market funds that were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. The investments were in certificates of deposit.

Interest Rate Risk – The Authority's formal investment policy does not specifically address the exposure to this risk.

Credit Risk – The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

Custodial Credit Risk – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Concentration of Credit Risk – The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

NOTE 3 – CAPITAL ASSETS

A. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Prior Period Adjustments	Beginning Balance, as Restated	Additions	Decreases	Reclassifications	Ending Balance
Capital assets not being depreciated							
Land	$ 3,178,436	$ -	$ 3,178,436	$ -	$ -	$ (2,748,554)	$ 429,882
Construction in process	1,839,220	66,111	1,905,331	251,286	-	(1,219,817)	936,800
Total capital assets not being depreciated	5,017,656	66,111	5,083,767	251,286	-	(3,968,371)	1,366,682
Capital assets being depreciated							
Buildings and improvements	17,520,480	-	17,520,480	23,171	-	3,784,544	21,328,195
Equipment	549,109	(36,767)	512,342	20,389	(19,300)	183,827	697,258
Total capital assets being depreciated	18,069,589	(36,767)	18,032,822	43,560	(19,300)	3,968,371	22,025,453
Less accumulated depreciation for:							
Buildings and improvements	(11,896,138)	-	(11,896,138)	(700,857)	-	-	(12,596,995)
Equipment	(476,082)	9,815	(466,267)	(26,169)	19,300	-	(473,136)
Total accumulated depreciation	(12,372,220)	9,815	(12,362,405)	(727,026)	19,300	-	(13,070,131)
Capital assets, net	$ 10,715,025	$ 39,159	$ 10,754,184	$ (432,180)	$ -	$ -	$ 10,322,004

B. Capital Contributions

The Authority receives capital grants from HUD. The Authority recognized $251,286 in capital contributions for the fiscal year ended June 30, 2012.

NOTE 4 – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2012:

Housing Bond, Series 2006, bearing 4.20% interest at June 30, 2012, maturing January 2032, varying annual principal and interest payments of approximately $72,000, collateralized by certain real property located in Marion, Indiana	$	785,589
Housing Bond, Series 2008, bearing 5.30% interest at June 30, 2012, maturing May 2033, varying annual principal and interest payments of approximately $77,000, collateralized by certain real property located in Marion, Indiana		779,355
Note payable to local financial institution, bearing 3.19% interest, maturing June 2027, annual principal and interest payments of $9,938, collateralized by certain real property located in Marion, Indiana		87,038
Note payable to local financial institution, bearing 6.15% interest, maturing October 2018, annual principal and interest payments of $83,433 with a balloon payment at maturity, collateralized by certain real property located in Alexandria, Indiana		853,332
Note payable to local financial institution, bearing 6.00% interest, maturing October 2013, annual principal and interest payments of $2,595 with a balloon payment at maturity, collateralized by certain real property located in Marion, Indiana		26,840
Note payable to local financial institution, bearing 6.50% interest, maturing December 2013, annual principal and interest payments of $3,106 with a balloon payment at maturity, collateralized by certain real property located in Marion, Indiana		31,189
Note payable to local financial institution, bearing 8.23% interest, maturing October 2019, annual principal and interest payments of $36,508, collateralized by certain real property located in Marion, Indiana		198,239
Subtotal		2,761,582
Less: Current portion of long-term debt		(135,409)
Noncurrent portion of long-term debt	$	2,626,173

The anticipated aggregate maturities of outstanding debt obligations for the years subsequent to June 30, 2012, are as follows:

	Principal	Interest	Total
For the year ending 6/30/2013	$ 135,409	$ 149,871	$ 285,280
For the year ending 6/30/2014	193,305	140,343	333,648
For the year ending 6/30/2015	141,658	132,025	273,683
For the year ending 6/30/2016	146,165	124,267	270,432
For the year ending 6/30/2017	151,264	116,228	267,492
For the years ending 6/30/2018-2022	1,168,980	331,235	1,500,215
For the years ending 6/30/2023-2027	429,996	162,033	592,029
For the years ending 6/30/2028-2032	360,650	53,677	414,327
For the year ending 6/30/2033	34,155	885	35,040
	$ 2,761,582	$ 1,210,564	$ 3,972,146

NOTE 5 – NONCURRENT LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accr. Compensated Absences	$ 93,505	$ 68,301	$ 82,028	$ 79,778	$ 7,978
Long-Term Debt	2,900,385	-	138,803	2,761,582	135,409
Family Self-Sufficiency Escrow Liability	15,760	11,561	-	27,321	-
Total Noncurrent Liabilities	$ 3,009,650	$ 79,862	$ 220,831	$ 2,868,681	$ 143,387

NOTE 6 – INTERPROGRAM BALANCES

Interprogram balances June 30, 2012 consisted of the following:

	Interprogram Due From	Interprogram Due To
Low Rent Public Housing	$ 127,270	$ -
State & Local (Thomas Jefferson)	196,173	-
Central Office Cost Center (COCC)	860,469	-
Housing Choice Voucher Program	-	(160,747)
Section 8 N/C Program (Hilltop)	-	(1,237)
Component Unit (MDIC)	-	(216,608)
Business Activities (Non-federal Projects)	-	(805,320)
Total	$ 1,183,912	$ (1,183,912)

These interprogram balances exist because in the past and current year certain programs have realized significant budgetary and operational pressures and have lacked sufficient available resources to cover all operational and/or debt service requirements. Programs with available resources may pay for common costs or advance funds to meet the operational needs of other programs which create interprogram receivables or payables. Current management has devoted significant resources to enhance the operational effectiveness and efficiency of all programs and is devoted to the repayment of all interprogram obligations. In addition, these interprogram balances have been eliminated in the preparation of the basic financial statements.

NOTE 7 – INTERPROGRAM NOTES PAYABLE

	Interprogram Note Receivable	Interprogram Note Payable
Low Rent Public Housing	$ 134,000	$ -
Housing Choice Voucher Program	23,720	-
Central Office Cost Center (COCC)	-	(157,720)
Total	$ 157,720	$ (157,720)

These interprogram notes receivable and payable balances are the result of a repayment agreement between the Authority and the U.S. Department of Housing and Urban Development (HUD) dated January 27, 2011. This repayment agreement was the result of an Inspector General audit performed in 2006, report dated December 13, 2007. The Authority has agreed to repay the Low Rent Public Housing Program and the Housing Choice Voucher Program $10,035 annually for a period of 17 years from non-federal funds. These interprogram balances have been eliminated in the preparation of the basic financial statements.

NOTE 8 – RESTRICTED NET ASSETS

Restricted net assets consists of excess Housing Assistance Payment (HAP) funds available to the Authority under the Housing Choice Vouchers program and reserves for the replacement of property under the Section 8 New Construction program. HAP reserves are to be used only for HAP expenditures of the HCV program. These funds are known as restricted net assets since there is no offsetting liability. Total restricted net assets related to this excess were $153,699 as of the end of the fiscal year. Restricted net assets also consist of reserves for the replacement of property under the Section 8 New Construction program. Total restricted net assets related to the replacement reserves were $34,399 as of the end of the fiscal year.

NOTE 9 – PENSION PLAN (DEFINED CONTRIBUTION)

The Authority provides pension benefits for its employees through the American United Life – One America Retirement Plan. The plan was adopted by the Board of Commissioners in 1979. Only the Board has the authority to approve any amendments to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible for the plan after six months of service. The Authority contributes 7% of each employee's base salary to the plan. During the past year, the Authority's contributions were $41,721. Employees are required to contribute 5% of their base salary to the plan. During the past year, the employees' contributions to the plan were $38,500.

NOTE 10 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

NOTE 11 – CONCENTRATION OF RISK

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants
Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

Invested in capital assets, net of related debt has been increased by $39,159 to adjust for errors in the prior year capital assets, net of depreciation balances. The beginning capital assets, net of depreciation balance was increased by $39,159 to correct capitalization errors in prior years. In addition, unrestricted net assets was increased by $236,397 resulting from the overstatement of deferred revenues and other current liabilities in the prior year. These events had no effect on current year income.

NOTE 14 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through March 12, 2013 (the date the financial statements were available to be issued) and concluded that except as noted below, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

The President's 2012 budget contained language which required HUD to take into account the Authority's operating reserves in the calculation of the Authority's 2012 operating subsidy. This process is referred to as the "Subsidy Allocation Adjustment." After HUD determined the 2012 operating fund eligibility for each public housing authority project, HUD made an allocation adjustment, as applicable, to the Authority's eligibility. This resulted in approximately a 30 percent reduction in the Authority's 2012 calendar year operating subsidy eligibility. This allocation adjustment will affect the Authority's operating subsidy for the remaining six months of the calendar year 2012.

In addition, the Authority sold a rental property owned by Marion Development and Investment Corp.(MDIC), a blended component unit of the Authority, in July 2012 for a sales price of $45,000. The Authority intends to use the sales proceeds to pay down MDIC intercompany debt.

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2012

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Low Rent Public Housing Program	14.850	$ 515,680
Housing Choice Vouchers Program	14.871	2,183,777
Section 8 New Construction Program	14.182	210,049
		2,909,506
Capital Fund Program Cluster:		
Public Housing Capital Fund Program	14.872	309,265
Public Housing Capital Fund Program Stimulus (Formula)	14.885	104,435
		413,700
Total U.S. Department of Housing and Urban Development		$ 3,323,206

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Marion, Indiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

11-01 SAS 112 – 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

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

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.

Auditor's Recommendation: The Authority should develop and standardize the internal controls over financial statement preparation. The standardization 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.

Current Status: No similar finding noted in the current year.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Are any material weaknesses identified?	___ Yes	x No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	x None Reported
Is any noncompliance material to financial statements noted?	x Yes	___ No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified	
Internal control over major programs:		
Are any material weaknesses identified?	___ Yes	x No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	x None Reported
Are any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	___ Yes	x No

Identification of major programs:
U.S. Department of Housing and Urban Development
CFDA #14.871 - Housing Choice Voucher Program
CFDA #14.872 - Public Housing Capital Fund Program
CFDA #14.885 - Public Housing Capital Fund Program Stimulus (Formula)

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Is the auditee qualified as low-risk auditee?	___ Yes	x No

Section II - Financial Statement Findings

See page 28.

Section III - Federal Award Findings and Questioned Costs

None

12-01 Interprogram Balances

Condition and Criteria:

During our audit, it was determined that the Authority's Low Rent Public Housing Program was carrying significant interprogram receivables due from other federal and non-federal programs above the amounts payable to the program as part of the HUD Repayment Agreement dated January 27, 2011. Federal Regulations and the Authority's Annual Contributions Contract (ACC) with HUD restrict the use of Operating Funds for: (1) the payment of costs of development and operation of the projects under ACC with HUD; (2) the purchase of investment securities as approved by HUD; and (3) such other purposes as may be specifically approved by HUD. Operating Funds are not fungible and cannot be used to provide temporary loans to other programs within the PHA.

Cause:

In the past, certain programs have realized significant financial and operational pressures and have lacked sufficient available resources necessary to meet their operational needs and/or debt service requirements.

Effect:

In prior years, certain amounts of Operating Funds were used to cover the operational needs and/or debt service requirements of other federal and non-federal programs. Although it was determined that the amount of the outstanding balance due the Low Rent Public Housing Program decreased from the prior year, the current amount outstanding at the end of the audit period was significant. In addition, the Authority did not have sufficient available unrestricted, nonfederal funds to satisfy these outstanding obligations.

Auditor's Recommendation:

Current management has already devoted significant resources to stabilize the financial condition of the Authority as a whole, specifically evaluating the financial viability of individual programs. We recommend the Authority continue to improve controls to ensure federal assets are properly safeguarded and expedite the repayment of federal funds.

Grantee Response:

The Housing Authority greatly appreciates the time and attention the auditors took in detailing the significance of this finding and all the regulatory guidance behind said finding as this was not clearly explained in previous audits.

The Housing Authority admits that it still has work to do. However, significant improvements have been made in comparison to the condition the authority was in when the current administration took control in November 2010. Prior to this time, the authority was operating over and above its means. Prior budgets were not adequate to sustain cash flow much less to handle day-to-day operating expenses and service debt. The authority appeared to be engrossed in survival mode. The authority was simply trying to meet all of its financial obligations. None the less, it does appear that prior to November 2010 the authority had major cash flow problems and attempted to fund the obligations by whatever means necessary.

The current administration continually evaluates each program to restrict expenses to necessity only. As well, the authority has already let twelve (12) employees go to aid the recovery process. These changes have already proven to be worthy cuts as the current operating budget is much more conducive to the funding received. The properties are being managed more effectively and efficiently than in the past. However, the authority is still investigating all possible areas for improvements that could help solidify the authority's financial condition.

As part of the Agencies restructuring process, the agency has solicited council and advice from Asher PHA Finance (now BDO). The authority obtained a financial assessment from Asher PHA Finance in late 2011. The report reaffirmed the actions taken by the current administration prior to the financial assessment. As well, the financial assessment help determine other areas to investigate for further improvements.

Now that the significance of the intercompany debt owed to the Low Rent Public Housing Program has clearly been defined, the authority has developed a schedule to eliminate the debt owed to the Low Rent Public Housing program. As of the date of this report approximately half of the debt has been repaid. The intent is to pay off the debt to the Low Rent Public Housing Program by the end of the 2013 fiscal year. Please note that this is our goal and not a promise. We will do everything within our means to accomplish this goal without jeopardizing the stability or solvency of the agency.

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
FOR YEAR ENDED JUNE 30, 2012

	IN36S041501-09
Funds Approved	$ 588,768
Funds Expended	$ 588,768
Excess of Funds Approved	$ -
Funds Advanced (HUD Grants)	$ 588,768
Funds Expended	$ 588,768
Excess of Funds Advanced	$ -

1. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated December 28, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

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

Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure described in the second paragraph, which was agreed to by the Housing Authority of the City of Marion, Indiana (the "Authority") and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with related hard copy documents. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Authority as of and for the year ended June 30, 2012, and have issued our reports thereon dated March 12, 2013. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule (FDS) dated March 12, 2013, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Balance Sheet, Revenue and Expense	Financial Data Schedule, all CFDAs	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor's supplemental Report on FDS	X	
4	Audit findings narrative	Schedule of Findings and Questioned Costs	X	
5	General Information	OMB Data Collection Form	X	
6	Financial Statement	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
7	Federal program report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
8	Federal agencies required to receive reporting package	OMB Data Collection Form	X	
9	Basic financial Statements and auditor's reports require to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

Henderson & DeJohn, LLC

Henderson & DeJohn, LLC
March 12, 2013

Housing Authority of the City of Marion, Indiana
Financial Data Schedule – Balance Sheet
June 30, 2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	6 Component Units	2 State/Local	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$151,964	$0	$191,329	$2,662	$2,070	$68,909			$24,387	$441,321		$441,321
112 Cash - Restricted - Modernization and Development												
113 Cash - Other Restricted		$181,020								$181,020		$181,020
114 Cash - Tenant Security Deposits	$55,873		$21,393	$1,099	$8,562	$29,506				$116,433		$116,433
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	$207,837	$181,020	$212,722	$3,761	$10,632	$98,415	$0	$0	$24,387	$738,774	$0	$738,774
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects	$1,150	$1,298								$2,448		$2,448
124 Accounts Receivable - Other Government												
125 Accounts Receivable - Miscellaneous	$161	$6,187	$1	$110,290		$188				$116,827		$116,827
126 Accounts Receivable - Tenants	$8,203	$0	$14,137	$0	$1,689	$10,261	$0	$0	$20,234	$54,524		$54,524
126.1 Allowance for Doubtful Accounts -Tenants	-$820	$0	-$1,413	$0	-$169	-$1,026	$0	$0	$0	-$3,428		-$3,428
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0	-$100,000		$0	$0	$0		-$100,000		-$100,000
127 Notes, Loans, & Mortgages Receivable - Current		$10,035							$6,179	$16,214	-$10,035	$6,179
128 Fraud Recovery												
128.1 Allowance for Doubtful Accounts - Fraud												
129 Accrued Interest Receivable												
120 Total Receivables, Net of Allowances for Doubtful Accounts	$8,694	$17,520	$12,725	$10,290	$1,520	$9,423	$0	$0	$26,413	$86,585	-$10,035	$76,550
131 Investments - Unrestricted	$696,266									$696,266		$696,266
132 Investments - Restricted			$34,399							$34,399		$34,399
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets	$27,317	$9,710	$3,787	$2,727	$2,696	$8,942			$8,739	$63,918		$63,918
143 Inventories									$12,132	$12,132		$12,132
143.1 Allowance for Obsolete Inventories									$0	$0		$0
144 Inter Program Due From	$127,270		$0	$0	$196,173	$0			$860,469	$1,183,912	-$1,183,912	$0
145 Assets Held for Sale												
150 Total Current Assets	$1,067,384	$208,250	$263,633	$16,778	$211,021	$116,780	$0	$0	$932,140	$2,815,986	-$1,193,947	$1,622,039
161 Land	$251,583		$91,928		$73,227				$13,144	$429,882		$429,882
162 Buildings	$5,484,226		$2,207,332	$38,353	$1,561,859	$3,556,448			$370,108	$13,220,326		$13,220,326
163 Furniture, Equipment & Machinery - Dwellings	$75,866	$2,878	$54,637			$707			$2,539	$136,627		$136,627
164 Furniture, Equipment & Machinery - Administration	$256,845	$35,162	$46,930						$221,694	$560,631		$560,631
165 Leasehold Improvements	$7,396,786		$91,757		$511,644	$92,990			$14,692	$8,107,869		$8,107,869
166 Accumulated Depreciation	-$9,262,338	-$36,784	-$1,919,246	-$3,516	-$913,241	-$471,084			-$463,922	-$13,070,131		-$13,070,131
167 Construction in Progress	$936,800									$936,800		$936,800
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	$5,139,768	$1,256	$573,338	$34,837	$1,233,489	$3,181,061	$0	$0	$158,255	$10,322,004	$0	$10,322,004
171 Notes, Loans and Mortgages Receivable - Non-Current	$134,000	$13,685								$147,685	-$147,685	$0
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	$5,273,768	$14,941	$573,338	$34,837	$1,233,489	$3,181,061	$0	$0	$158,255	$10,469,689	-$147,685	$10,322,004
190 Total Assets	$6,341,152	$223,191	$836,971	$51,615	$1,444,510	$3,297,841	$0	$0	$1,090,395	$13,285,675	-$1,341,632	$11,944,043

Housing Authority of the City of Marion, Indiana
Financial Data Schedule – Balance Sheet
June 30, 2012

311 Bank Overdraft												
312 Accounts Payable <= 90 Days	$14,181		$17,385	$2,102	$396	$11,338			$7,715	$53,117		$53,117
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	$9,420	$3,906	$3,432		$990	$3,165			$7,737	$28,650		$28,650
322 Accrued Compensated Absences - Current Portion	$1,465	$480	$183		$130	$577			$5,143	$7,978		$7,978
324 Accrued Contingency Liability												
325 Accrued Interest Payable			$0		$1,207	$6,981				$8,168		$8,168
331 Accounts Payable - HUD PHA Programs									$0	$0		$0
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	$32,466	$112	$17,788	$2,124		$64,463				$116,953		$116,953
341 Tenant Security Deposits	$55,873		$21,393	$1,099	$8,562	$29,506				$116,433		$116,433
342 Deferred Revenues	$856	$446	$19,226	$8,133	$1,072	$11,435				$41,168		$41,168
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				$2,071	$20,843	$112,495				$135,409		$135,409
344 Current Portion of Long-term Debt - Operating Borrowings									$10,035	$10,035	-$10,035	$0
345 Other Current Liabilities	$5,050	$3,272			$580				$5,677	$14,579		$14,579
346 Accrued Liabilities - Other	$2,098		$762	$0	$187	$3,997				$7,044		$7,044
347 Inter Program - Due To		$160,747	$1,237	$216,608	$0	$805,320			$0	$1,183,912	-$1,183,912	$0
348 Loan Liability - Current												
310 Total Current Liabilities	$121,409	$168,963	$81,406	$232,137	$33,967	$1,049,257	$0	$0	$36,307	$1,723,446	-$1,193,947	$529,499
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				$55,958	$177,396	$2,392,819				$2,626,173		$2,626,173
352 Long-term Debt, Net of Current - Operating Borrowings									$147,685	$147,685	-$147,685	$0
353 Non-current Liabilities - Other		$27,321							$0	$27,321		$27,321
354 Accrued Compensated Absences - Non Current	$13,185	$4,323	$1,651		$1,166	$5,190			$46,285	$71,800		$71,800
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities												
350 Total Non-Current Liabilities	$13,185	$31,644	$1,651	$55,958	$178,562	$2,398,009	$0	$0	$193,970	$2,872,979	-$147,685	$2,725,294
300 Total Liabilities	$134,594	$200,607	$83,057	$288,095	$212,529	$3,447,266	$0	$0	$230,277	$4,596,425	-$1,341,632	$3,254,793
508.1 Invested in Capital Assets, Net of Related Debt	$5,139,768	$1,256	$573,338	-$23,192	$1,035,250	$675,747			$158,255	$7,560,422		$7,560,422
511.1 Restricted Net Assets		$153,699	$34,399							$188,098		$188,098
512.1 Unrestricted Net Assets	$1,066,790	-$132,371	$146,177	-$213,288	$196,731	-$825,172	$0	$0	$701,863	$940,730		$940,730
513 Total Equity/Net Assets	$6,206,558	$22,584	$753,914	-$236,480	$1,231,981	-$149,425	$0	$0	$860,118	$8,689,250	$0	$8,689,250
600 Total Liabilities and Equity/Net Assets	$6,341,152	$223,191	$836,971	$51,615	$1,444,510	$3,297,841	$0	$0	$1,090,395	$13,285,675	-$1,341,632	$11,944,043

Housing Authority of the City of Marion, Indiana
Financial Data Schedule – Income Statement
For Year Ended June 30, 2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	6 Component Units	2 State/Local	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$ 474,159	$ -	$ 251,185	$ 8,067	$ 101,274	$ 622,213	$ -	$ -	$ -	$ 1,456,898	$ -	$ 1,456,898
70400 Tenant Revenue - Other	16,141		3,299	1,051	4,983	60,285				85,759		85,759
70500 Total Tenant Revenue	490,300	-	254,484	9,118	106,257	682,498	-	-	-	1,542,657	-	1,542,657
70600 HUD PHA Operating Grants	663,110	1,898,910	210,049				14,984			2,787,053		2,787,053
70610 Capital Grants	161,835						89,451			251,286		251,286
70710 Management Fee									399,733	399,733	(399,733)	-
70720 Asset Management Fee									32,400	32,400	(32,400)	-
70730 Book Keeping Fee									73,710	73,710	(73,710)	-
70740 Front Line Service Fee												
70750 Other Fees									9,493	9,493		9,493
70700 Total Fee Revenue									515,336	515,336	(505,843)	9,493
70800 Other Government Grants			-		-					-		-
71100 Investment Income - Unrestricted	7,547	72		7	14	21			8,212	15,873		15,873
71200 Mortgage Interest Income												
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery		6,102								6,102		6,102
71500 Other Revenue	12,057	4,918	10,597	15,186	2,216	25,835			77,761	148,570	(50,764)	97,806
71600 Gain or Loss on Sale of Capital Assets	525									525		525
72000 Investment Income - Restricted		3	908						-	911		911
70000 Total Revenue	1,335,374	1,910,005	476,038	24,311	108,487	708,354	104,435	-	601,309	5,268,313	(556,607)	4,711,706
91100 Administrative Salaries	50,596	65,500	39,931		3,956	23,071			262,925	445,979		445,979
91200 Auditing Fees	3,069	1,137	1,114		273	1,614			114	7,321		7,321
91300 Management Fee	224,154	60,636	60,564		8,028	46,351				399,733	(399,733)	-
91310 Book-keeping Fee	22,980	37,898	8,032		1,200	3,600				73,710	(73,710)	- -
91400 Advertising and Marketing	326		241			2,202			19	2,788		2,788
91500 Employee Benefit contributions - Administrative	79,751	29,253	13,244		2,150	30,112			129,478	283,988		283,988
91600 Office Expenses	55,193	38,246	14,219	271	5,684	15,425			42,429	171,467	(50,764)	120,703
91700 Legal Expense	1,210	123	180		180	1,585			6,134	9,412		9,412
91800 Travel	992		57		13	1,272			167	2,501		2,501
91810 Allocated Overhead												
91900 Other	35,296	2,609	935	498	381	2,918	14,984		644	58,265		58,265
91000 Total Operating - Administrative	473,567	235,402	138,517	769	21,865	128,150	14,984	-	441,910	1,455,164	(524,207)	930,957
92000 Asset Management Fee	32,400									32,400	(32,400)	-
92100 Tenant Services - Salaries												
92200 Relocation Costs			546							546		546
92300 Employee Benefit Contributions - Tenant Services												
92400 Tenant Services - Other	2,460		2,591		-	-				5,051		5,051
92500 Total Tenant Services	2,460	-	3,137	-	-	-	-	-	-	5,597	-	5,597
93100 Water	35,189		18,621	947	1,484	44,680			1,276	102,197		102,197
93200 Electricity	135,799		70,663	990	2,030	11,096			7,301	227,879		227,879
93300 Gas	10,114			499	1,657	528			6,276	19,074		19,074

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED JUNE 30, 2012

93400 Fuel												
93500 Labor												
93600 Sewer												
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	$181,102	$0	$89,284	$2,436	$5,171	$56,304	$0	$0	$14,853	$349,150	$0	$349,150
94100 Ordinary Maintenance and Operations - Labor	$112,890		$39,834	$3,987	$19,461	$59,857			$7,791	$243,820		$243,820
94200 Ordinary Maintenance and Operations - Materials and Other	$59,324	$878	$25,176	$727	$6,940	$22,171			$6,880	$122,096		$122,096
94300 Ordinary Maintenance and Operations Contracts	$55,937	$1,346	$43,189	$2,228	$18,577	$20,268			$8,092	$149,637		$149,637
94500 Employee Benefit Contributions - Ordinary Maintenance	$28,222		$13,243	$305	$8,250				$3,050	$53,070		$53,070
94000 Total Maintenance	$256,373	$2,224	$121,442	$7,247	$53,228	$102,296	$0	$0	$25,813	$568,623	$0	$568,623
95100 Protective Services - Labor												
95200 Protective Services - Other Contract Costs			$936		$187	$749				$1,872		$1,872
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	$0	$0	$936	$0	$187	$749	$0	$0	$0	$1,872	$0	$1,872
96110 Property Insurance	$69,835	$10,541	$10,405	$7,431	$10,539	$32,889			$1,769	$143,409		$143,409
96120 Liability Insurance	$17,546	$3,889	$5,892	$777	$1,604	$7,327				$37,035		$37,035
96130 Workmen's Compensation	$11,658	$4,756	$4,799		$1,522	$4,404			$5,502	$32,641		$32,641
96140 All Other Insurance	$10,410	$515	$651	$492	$571	$1,755			$1,389	$15,783		$15,783
96100 Total insurance Premiums	$109,449	$19,701	$21,747	$8,700	$14,236	$46,375	$0	$0	$8,660	$228,868	$0	$228,868
96200 Other General Expenses	$14,275	$15,969	$0	$2,072	$1,281	$68,915			$9,302	$111,814		$111,814
96210 Compensated Absences	$23,471	$1,562	$5,513		$2,227	$10,638			$24,890	$68,301		$68,301
96300 Payments in Lieu of Taxes	$32,847		$17,312							$50,159		$50,159
96400 Bad debt - Tenant Rents	$820		$1,413		$129	$1,026				$3,388		$3,388
96500 Bad debt - Mortgages												
96600 Bad debt - Other			$200	$100,000						$100,200		$100,200
96800 Severance Expense												
96000 Total Other General Expenses	$71,413	$17,531	$24,438	$102,072	$3,637	$80,579	$0	$0	$34,192	$333,862	$0	$333,862
96710 Interest of Mortgage (or Bonds) Payable				$3,638	$15,351	$128,738				$147,727		$147,727
96720 Interest on Notes Payable (Short and Long Term)												
96730 Amortization of Bond Issue Costs												
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$3,638	$15,351	$128,738	$0	$0	$0	$147,727	$0	$147,727
96900 Total Operating Expenses	$1,126,764	$274,858	$399,501	$124,862	$113,675	$543,191	$14,984	$0	$525,428	$3,123,263	-$556,607	$2,566,656
97000 Excess of Operating Revenue over Operating Expenses	$208,610	$1,635,147	$76,537	-$100,551	-$5,188	$165,163	$89,451	$0	$75,881	$2,145,050	$0	$2,145,050
97100 Extraordinary Maintenance												
97200 Casualty Losses - Non-capitalized												
97300 Housing Assistance Payments		$1,903,777								$1,903,777		$1,903,777
97350 HAP Portability-In		$4,720								$4,720		$4,720
97400 Depreciation Expense	$482,534	$422	$63,096	$598	$73,425	$95,537			$11,414	$727,026		$727,026
97500 Fraud Losses												
97600 Capital Outlays - Governmental Funds												

Housing Authority of the City of Marion
Financial Data Schedule – Income Statement
For Year Ended June 30, 2012

97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense												
90000 Total Expenses	$1,609,298	$2,183,777	$462,597	$125,460	$187,100	$638,728	$14,984	$0	$536,842	$5,758,786	-$556,607	$5,202,179
10010 Operating Transfer In	$101,544	$75,312								$176,856		$176,856
10020 Operating transfer Out	-$101,544		-$75,312							-$176,856		-$176,856
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)	$0									$0		$0
10091 Inter Project Excess Cash Transfer In												
10092 Inter Project Excess Cash Transfer Out												
10093 Transfers between Program and Project - In												
10094 Transfers between Project and Program - Out												
10100 Total Other financing Sources (Uses)	$0	$75,312	-$75,312	$0	$0	$0	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$273,924	-$198,460	-$61,871	-$101,149	-$78,613	$69,626	$89,451	$0	$64,467	-$490,473	$0	-$490,473
11020 Required Annual Debt Principal Payments	$0	$0	$0	$1,939	$20,861	$116,003	$0	$0	$0	$138,803		$138,803
11030 Beginning Equity	$6,283,677	$96,355	$815,785	-$135,331	$1,310,594	-$219,051	$0	$124,689	$627,449	$8,904,167		$8,904,167
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$196,805	$124,689					-$89,451	-$124,689	$168,202	$275,556		$275,556
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		-$131,115								-$131,115		-$131,115
11180 Housing Assistance Payments Equity		$153,699								$153,699		$153,699
11190 Unit Months Available	3240	5517	1176	36	300	1740				12009		12009
11210 Number of Unit Months Leased	3050	5324	1059	15	238	1505				11191		11191
11270 Excess Cash	$828,586									$828,586		$828,586
11610 Land Purchases	$0								$0	$0		$0
11620 Building Purchases	$251,286								$0	$251,286		$251,286
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
13901 Replacement Housing Factor Funds	$0								$0	$0		$0