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July 18, 2014

Board of Directors  
Richmond Housing Authority  
58 S. Fifteenth Street  
Richmond, IN 47374

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period July 1, 2010 to June 30, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Richmond Housing Authority, as of June 30, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

# HOUSING AUTHORITY OF THE CITY OF RICHMOND

AUDITED FINANCIAL STATEMENTS

Richmond, Indiana

June 30, 2011

*Jean Sickels*

Certified Public Accountant

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Fredericksburg, IN 47120  
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HOUSING AUTHORITY OF THE  
CITY OF RICHMOND

Richmond, Indiana  
June 30, 2011

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# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, Indiana 47120

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Richmond  
58 South Fifteenth Street  
Richmond, IN 47374

I have audited the accompanying financial statements of the Housing Authority of the City of Richmond ("the Authority") as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Richmond as of June 30, 2011, and the changes in financial position and 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*, I have also issued my report dated January 5, 2012 on my consideration of the Housing Authority of the City of Richmond's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal 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 my audit.

The Management's Discussion and Analysis on pages i through v, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Richmond. The accompanying Schedule of Expenditures of Federal Awards required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
Certified Public Accountant

Fredericksburg, Indiana  
January 5, 2012

**HOUSING AUTHORITY OF THE CITY OF RICHMOND**  
**Richmond, Indiana**

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2011**

The management of the Housing Authority of the City of Richmond (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended June 30, 2011. The goal is for the reader to better understand the Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begins on the next section of this report.

**FINANCIAL HIGHLIGHTS:**

- The assets of the PHA exceed its liabilities as of June 30, 2011 by \$7,137,996 (Net Assets).
- The PHA's investment in Capital Assets as of June 30, 2011 was \$5,200,746.
- The PHA's total revenue for the fiscal year end June 30, 2011 was \$3,854,183.
- The PHA's total expenses for the fiscal year end June 30, 2011 were \$3,517,082. Therefore, the PHA's total combined revenues exceeded its total combined expenses by \$337,101.

**OVERVIEW OF THE FINANCIAL STATEMENTS:**

The following financial statements are included in this report:

- *Statement of Net Assets* - reports the Authority current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the PHA. A comparison between this year and the preceding year is also provided.
- *Statement of Revenue and Expenses* - reports the PHA's various revenue and expenses and provides a comparison between this year and the preceding year.
- *Statement of Cash Flows* - reports inflows and outflows for the Housing Authority's fiscal year.

**HOUSING AUTHORITY OF THE CITY OF RICHMOND**  
**Richmond, Indiana**

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2011**  
(Continued)

**ANALYSIS OF FINANCIAL STATEMENTS:**

**STATEMENT OF NET ASSETS**

	<u>2011</u>	<u>2010</u>	<u>INCREASE (DECREASE)</u>
Cash and investments	\$ 1,984,190	\$ 1,827,716	\$ 156,474
Other current assets	128,648	194,154	(65,506)
Capital assets	<u>5,200,746</u>	<u>4,974,413</u>	<u>226,333</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,313,584</u></b>	<b><u>\$ 6,996,283</u></b>	<b><u>\$ 317,301</u></b>
Current liabilities	\$ 145,843	\$ 172,248	\$ (26,405)
Non-Current liabilities	<u>29,745</u>	<u>90,055</u>	<u>(60,310)</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 175,588</u></b>	<b><u>\$ 262,303</u></b>	<b><u>\$ (86,715)</u></b>
Invested in capital assets	\$ 5,200,746	\$ 4,974,413	\$ 226,333
Restricted net assets	1,365,888	1,213,267	152,621
Unrestricted assets	<u>571,362</u>	<u>546,300</u>	<u>25,062</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 7,137,996</u></b>	<b><u>\$ 6,733,980</u></b>	<b><u>\$ 404,016</u></b>

The increase in cash and investments of \$156,474 was primarily a result of increases in rental revenue of \$13,596 and other revenue of \$11,570 as well as a decrease in housing assistance payments of \$132,727.

The decrease in other current assets of \$65,506 is due to decrease in the accounts receivable from HUD for the capital fund program.

The increase in capital assets of \$226,333 is due to the purchase of capital assets and improvements purchased through the use of capital fund grants and operating reserves offset by current year depreciation.

The decrease in current liabilities of \$26,405 is due to decreases in accounts payable < 90 days, and compensated absences, offset by increases in accrued payroll, and deferred revenue.

The decrease in non-current liabilities of \$60,310 is due to a decrease in the debt forgiveness home buyer reserve.

**HOUSING AUTHORITY OF THE CITY OF RICHMOND**  
**Richmond, Indiana**

MANAGEMENT DISCUSSION AND ANALYSIS - Continued  
FISCAL YEAR ENDING JUNE 30, 2011  
(Continued)

**ANALYSIS OF STATEMENT OF REVENUE AND EXPENSES**  
**PRIOR AND CURRENT FISCAL YEAR:**

	YEAR ENDING DECEMBER 31,		INCREASE (DECREASE)
	<u>2011</u>	<u>2010</u>	
<b>REVENUE</b>			
Tenant revenue	\$ 445,766	\$ 432,170	\$ 13,596
HUD operating subsidy	2,520,936	2,677,767	(156,831)
HUD capital fund	778,003	418,685	359,318
Interest	57,787	94,574	(36,787)
Other revenue	118,931	40,443	78,488
Gain on disposal of asset	(325)	(1,226)	901
<b>TOTAL REVENUE</b>	<u>3,921,098</u>	<u>3,662,413</u>	<u>258,685</u>
<b>EXPENSES</b>			
Administrative expenses	643,152	643,821	(669)
Tenant services	13,774	15,743	(1,969)
Utilities	263,793	244,317	19,476
Ordinary maintenance	598,121	580,940	17,181
Protective Services	52,971	39,253	13,718
General expenses	277,095	374,432	(97,337)
Housing assistance payments	1,041,301	1,174,028	(132,727)
Depreciation	626,875	643,571	(16,696)
<b>TOTAL EXPENSES</b>	<u>3,517,082</u>	<u>3,716,105</u>	<u>(199,023)</u>
<b>CHANGE IN NET ASSETS</b>	<u>404,016</u>	<u>(53,692)</u>	
NET ASSETS – BEGINNING OF YEAR	<u>6,733,980</u>	<u>6,787,672</u>	
<b>NET ASSETS – END OF YEAR</b>	<u><b>\$ 7,137,996</b></u>	<u><b>\$ 6,733,980</b></u>	



**HOUSING AUTHORITY OF THE CITY OF RICHMOND**  
**Richmond, Indiana**

**MANAGEMENT DISCUSSION AND ANALYSIS - Continued**  
**FISCAL YEAR ENDING JUNE 30, 2011**  
**(Continued)**

**ANALYSIS OF STATEMENT OF REVENUE AND EXPENSES**  
**PRIOR AND CURRENT FISCAL YEAR - Continued:**

The PHA had total excess revenue over expenses of \$404,016. There was a total increase in revenue of \$191,770. This increase is primarily due to the increase in HUD subsidy of \$202,487. There was a decrease in HUD operating subsidy of \$156,831 in HUD was offset by an increase in capital grants by \$359,318. The PHA had a slight increase in tenant rental income of \$13,596 and other revenue of \$11,570 which were offset by a decrease in interest income of \$36,787. The PHA had other revenue of \$66,915. This was a reconciliation to the debt forgiveness home buyer reserve that was adjusted to current tenant balances of the reserve instead of cumulative

The decrease in administrative expenses of \$669 is due primarily to decreases in office expenses. The increase in utilities of \$19,476 was due increases in water and sewer usage and charges offset by a decrease in electricity usage and charges. The ordinary maintenance expense increase of \$17,181 is due to increases in materials purchases, and employee benefits offset by decreases in contract costs and employee labor wages. The decrease in general expenses of \$97,337 was due to a decrease in HPRP program expenses for clients and a decrease in compensated absences and bad debt. These decreases were offset by increases in insurance premiums. The decrease in housing assistance payments of \$132,727 was due to a decrease in vouchers HUD allowed PHA to lease.

**BUDGETARY HIGHLIGHTS**

**Low-Rent Public Housing (Operations Only)**

The Board-approved budget anticipated an operating income of \$9,244 before depreciation. Actual result of operation was an operating income before depreciation of \$963,975, a positive budget variance of approximately \$954,731. This variance is due higher actual rental income, interest income, other income, and lower utility and housing assistance payment expenses than amounts budgeted.

**CAPITAL ASSETS**

A summary of Net Capital Asset Activity for the year ended June 30, 2011 was as follows:

Balance as of July 1, 2010	\$ 4,974,413
Additions – Capital Fund Program	778,003
Additions – Operations	75,530
Disposition of capital assets	(325)
Depreciation	<u>(626,875)</u>
Balance as of June 30, 2011	<u>\$ 5,200,746</u>

**HOUSING AUTHORITY OF THE CITY OF RICHMOND**  
**Richmond, Indiana**

**MANAGEMENT DISCUSSION AND ANALYSIS - Continued**  
**FISCAL YEAR ENDING JUNE 30, 2011**  
**(Continued)**

**CAPITAL ASSETS – Continued:**

There were several capital asset purchases made throughout the year. They are as follows:

Building Improvements	\$ 346,608
Land Improvements	35,275
Dwelling Equipment	423,970
Administrative Equipment	<u>47,680</u>
 TOTAL FY2011 ADDITIONS	 <u>\$ 853,533</u>

There were a few capital asset dispositions made throughout the year. They are as follows:

Administrative Equipment	\$ <u>325</u>
 TOTAL FY2011 ADDITIONS	 <u>\$ 325</u>

**ECONOMIC FACTORS**

Several significant economic factors are present that may impact the Authority in the future.

- Budget deficits and funding for the Departments of Defense and Homeland Security will probably result in reduced appropriations for domestic program spending.
- Utility costs are still at high levels. Electricity rates and gas rates have started to decrease during the audited period.
- Health care and other insurance costs are expected to increase dramatically over the next several years

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the PHA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Derek White Executive Director, Housing Authority of the City of Richmond, 58 S 15<sup>th</sup> Street, Richmond, IN 47374

## FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 715,397
Restricted cash and cash equivalents	1,268,793
Accounts receivable, net	65,481
Prepaid expenses	45,026
Inventory, net	18,141
Current Assets	<u>2,112,838</u>

Capital Assets

Land and other nondepreciable assets	1,483,546
Depreciable capital assets, net	3,717,200
Total Capital Assets	<u>5,200,746</u>

Total Assets	<u>7,313,584</u>
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LIABILITIES

Current liabilities

Accounts payable	54,093
Accrued liabilities	29,444
Payable from restricted cash and cash equivalents:	
Tenants security deposits	47,206
Deferred revenue	15,100
Total Current Liabilities	<u>145,843</u>

<u>Noncurrent liabilities</u>	<u>29,745</u>
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Total Liabilities	<u>175,588</u>
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NET ASSETS

Invested in capital assets	5,200,746
Restricted	1,365,888
Unrestricted	571,362
Total Net Assets	<u>\$ 7,137,996</u>

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

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Rental income	\$ 512,682
Other income	<u>52,016</u>
<b>TOTAL OPERATING REVENUE</b>	<b><u>564,698</u></b>

OPERATING EXPENSES

Administrative	640,382
Tenant services	13,774
Utilities	263,793
Ordinary maintenance and operation	598,121
Protective services	52,971
General expense	279,865
Housing Assistance Payments	1,041,301
Depreciation expense	<u>626,875</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>3,517,082</u></b>

**OPERATING INCOME (LOSS)** **(2,952,384)**

NONOPERATING REVENUES

Federal operating grants	2,520,936
Gain or loss on sale of capital assets	(325)
Interest income	<u>57,786</u>
<b>NET NONOPERATING REVENUES</b>	<b><u>2,578,397</u></b>

**CAPITAL CONTRIBUTIONS** **778,003**

**CHANGE IN NET ASSETS** **404,016**

**TOTAL NET ASSETS - BEGINNING OF YEAR** **6,733,980**

**TOTAL NET ASSETS - END OF YEAR** **\$ 7,137,996**

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

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 625,035
Payments to vendors	(1,037,871)
Payments to landlords	(1,041,301)
Payments to employees	(892,581)
Net Cash Used by Operating Activities	<u>(2,346,718)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received	<u>2,520,936</u>
Net Cash From Noncapital Financing Activities	<u>2,520,936</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	778,003
Acquisition and construction of capital assets	<u>(853,533)</u>
Net Cash Flows Provided (Used)	
by Capital and Related Financing Activities	<u>(75,530)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>57,786</u>
Net Cash From Investing Activities	<u>57,786</u>

Net Increase in Cash and Cash Equivalents	156,474
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Cash - Beginning of year	<u>1,827,716</u>
Cash - End of year	\$ <u><u>1,984,190</u></u>

Reconciliation of Deposits:

Cash and cash equivalents	\$ 715,397
Restricted cash and cash equivalents	<u>1,268,793</u>
Total Deposits	\$ <u><u>1,984,190</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

RECONCILIATION OF OPERATING (LOSS) TO  
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (2,952,384)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	626,875
Changes in assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	60,337
Prepaid expenses	4,426
Inventory	743
Increase (Decrease) in:	
Accounts payable	(32,936)
Accrued liabilities	(58,849)
Deferred revenue	5,070
Net Cash Used by Operating Activities	\$ <u>(2,346,718)</u>

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

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE A - Summary of Significant Accounting Policies and Organization:**

The financial statements of the HOUSING AUTHORITY OF THE CITY OF RICHMOND ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Richmond, a primary government. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the Housing Authority of the City of Richmond include the following:

<u>Project</u>	<u>Units</u>
Authority owned	304
Housing Assistance Payments Program:	
Housing Choice Vouchers	273
Total	577

**Basis of Presentation** - The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) as applicable to special-purpose governments engaged in business-type activities. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, in accounting and reporting for its proprietary operations have been applied, but has elected not to apply FASB pronouncements issued after November 30, 1989.

**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. The Authority does not have any debt.

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 and debt service. The Authority has restricted funds totaling \$38,355 that represents excess HAP grant funding provided by the Department of Housing & Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

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 Authority Board or may otherwise be limited by contractual agreements with outside parties.



HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation is not presented because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent a legally binding appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid - Prepaid represent payments made to vendors for services that will benefit beyond June 30, 2011.

Inventories - Inventories are valued at cost, which approximates market value. The Authority uses the average cost method.

Capital assets - Capital assets purchased are recorded on the Statement of Net Assets at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$1,000 or more. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)

**NOTE A - Summary of Significant Accounting Policies:** (Continued)

Depreciation of capital assets is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Buildings and Improvements	10-40 years
Furniture, Equipment and Machinery	5 years

**Compensated Absences** - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

**Operating Revenues and Expenses** - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

**Restricted Assets** - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources as they are needed.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Leasing Activities (as Lessor)** - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

**NOTE B - Deposits, Cash and Cash Equivalents:**

**1. HUD Deposit Restrictions**

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE B - Deposits, Cash and Cash Equivalents:** (Continued)

**2. Risk Disclosures**

- A. Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At year end, all the Authority's deposits and investments were either available on demand or have maturities of less than two years.

- B. Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

- C. Concentrations of Risk:** The Authority has no policies limiting concentrations of risk.

The carrying amounts of the Authority's cash deposits were \$1,984,190 at June 30, 2011. Bank balances before reconciling items were \$2,017,501 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name except as noted above. Deposits consist of the following:

Deposits in Bank	\$ 454,419
Certificates of Deposit	<u>1,529,771</u>
Total	<u>\$ 1,984,190</u>

**NOTE C - Accounts Receivable:**

Accounts receivable at June 30, 2011, consist of the following:

Tenant accounts receivable, net of allowance for doubtful accounts of \$33,445	\$ 11,473
Fraud recovery, net of allowance of \$41,392	13,797
Miscellaneous accounts receivable	2,460
HUD	<u>37,751</u>
Total	<u>\$ 65,481</u>

**NOTE D - Prepaid Expenses:**

Prepaid expenses at June 30, 2011, consist of the following:

Prepaid insurance	<u>\$ 45,026</u>
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HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE E - Inventory:**

Inventory at June 30, 2011, consist of the following:

Materials and supplies, \$ 18,141

Materials inventories are recorded at cost. The FIFO inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

**NOTE F - Capital Assets:**

A summary in changes in capital assets is as follows:

	Beginning Balance 6/30/10	Increases	Decreases	Ending Balance 6/30/11
Capital assets, not being depreciated:				
Land	\$ 960,488	\$ 0	\$ 0	\$ 960,488
Construction in Progress	<u>1,026,421</u>	<u>778,003</u>	<u>( 1,281,366)</u>	<u>523,058</u>
Total Capital Assets, not being depreciated	<u>1,986,909</u>	<u>778,003</u>	<u>( 1,281,366)</u>	<u>1,483,546</u>
Capital Assets, being depreciated:				
Buildings & Improvements	13,146,724	885,248	0	14,031,972
Furniture, equipment & Machinery	<u>784,785</u>	<u>471,323</u>	<u>( 23,338)</u>	<u>1,232,770</u>
Total Capital Assets, being depreciated	<u>13,931,509</u>	<u>1,356,571</u>	<u>( 23,338)</u>	<u>15,264,742</u>
Capital Assets, being depreciated:				
Buildings and Improvements	(10,285,992)	( 480,897)	0	(10,766,889)
Furniture, equipment & Machinery	<u>( 658,013)</u>	<u>( 145,978)</u>	<u>23,338</u>	<u>( 780,853)</u>
Less Accumulated Depreciation:	<u>(10,944,005)</u>	<u>( 626,875)</u>	<u>23,338</u>	<u>(11,547,542)</u>
Total Capital Assets, being depreciated, net	<u>2,987,504</u>	<u>729,696</u>	<u>0</u>	<u>3,717,200</u>
Capital Assets, Net	<u>\$ 4,974,413</u>	<u>\$ 1,507,699</u>	<u>\$ (1,281,366)</u>	<u>\$ 5,200,746</u>

Major construction renovation through the Capital Fund Grant Program costs of \$540,475 that has yet to be expended under the current programs. HUD has approved funding for the above amount.

Depreciation expense of \$626,875 was incurred during the year.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

NOTE G - Accounts Payable:

Accounts Payable at June 30, 2011, consists of the following:

Accounts Payables	<u>\$ 54,093</u>
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NOTE H - Accrued Liabilities:

Accrued liabilities at June 30, 2011, consist of the following:

Accrued compensated absences	\$ 14,084
Payroll Withholdings	<u>15,360</u>
Total	<u>\$ 29,444</u>

NOTE I - Deferred Revenue:

Deferred revenue at June 30, 2011, consists of the following:

Prepaid rent and other deferred revenue	<u>\$ 15,100</u>
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NOTE J - Noncurrent liabilities:

Noncurrent liabilities at June 30, 2011, consist of the following:

	<u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/11</u>
Home Buyer Reserves	<u>\$ 90,055</u>	<u>\$ 0</u>	<u>\$ (60,310)</u>	<u>\$ 29,745</u>

NOTE K - Commitments and Contingencies:

Litigation - At June 30, 2011, the Authority was not involved in any threatened litigation.

Examinations - The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. HUD has performed a management review during the year ended June 30, 2011.

Grant Disallowances - Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, would constitute a liability of the Authority. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects - There are certain major construction projects in progress at June 30, 2011. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. These costs will be paid by grants committed to the Authority by HUD. The Authority had outstanding construction commitments of \$208,805 pertaining to its Capital Fund Program.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

**NOTE L - Risk Management:**

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management, which includes public officials, workman's compensation, property, and auto insurance. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

The Authority participates in public entity risk pools (Housing Authorities Risk Retention Group) for general liability, and Directors' and Officers' liability and workman's compensation. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

**NOTE M - Federal Operating Grants:**

HUD contributed operating subsidies approved in the operating budgets under the Annual Contributions Contracts. These subsidy contribution for the operating year ended June 30, 2011 were as follows:

Low Income Public Housing	\$ 875,763
Capital Fund Program	228,835
Capital Fund Stimulus Program	2,770
Housing Choice Vouchers	1,263,668
Homeless Prevention & Rapid Re-Housing	<u>149,900</u>
Total	<u>\$ 2,520,936</u>

**NOTE N - Capital Contributions:**

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended June 30, 2011 were \$778,003.

**NOTE O - Economic Dependency:**

The Authority receives approximately 84% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

**NOTE P - Conduit Type Debt:**

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Authority.

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)

**NOTE Q - Pension Plan:**

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan (IRA-SEP plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months after the date of employment. The plan requires the Housing Authority to contribute 14.5% of covered wages. The Housing Authority's contributions for each employee are vested immediately. In fiscal year 2011, the Housing Authority contributed \$85,707.

**Basis of Accounting** - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Valuation of Investments** - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

**SUPPLEMENTAL FINANCIAL INFORMATION**



HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS

JUNE 30, 2011

	Annual Contributions Contracts	
	C-853	IN009
Low		
Income	Capital	
Public	Fund	Section 8
Housing	Programs	Vouchers

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 604,169	\$ 0	\$ 0
Restricted cash and cash equivalents	1,200,693	0	38,355
Accounts receivable, net	55,235	0	9,808
Prepaid expenses	42,540	0	1,227
Interfund	157,241	0	0
Inventory, net	16,393	0	0
<b>Total Current Assets</b>	<b>2,076,271</b>	<b>0</b>	<b>49,390</b>

**Capital Assets**

Land and other nondepreciable assets	1,008,753	0	0
Depreciable capital assets, net	3,506,463	0	325
<b>Total Capital Assets</b>	<b>4,515,216</b>	<b>0</b>	<b>325</b>

<b>Total Assets</b>	<b>6,591,487</b>	<b>0</b>	<b>49,715</b>
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**LIABILITIES**

**Current liabilities**

Accounts payable	53,340	0	117
Accrued liabilities	17,336	0	3,761
Interfund	0	0	0
Payable from restricted cash and cash equivalents:			
Tenants security deposits	47,206	0	0
Deferred revenue	15,100	0	0
<b>Total Current Liabilities</b>	<b>132,982</b>	<b>0</b>	<b>3,878</b>

<b><u>Noncurrent liabilities</u></b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>Total Liabilities</b>	<b>132,982</b>	<b>0</b>	<b>3,878</b>
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**NET ASSETS**

Invested in capital assets	4,515,216	0	325
Restricted	1,153,487	0	212,401
Unrestricted	789,802	0	(166,889)
<b>Total Net Assets</b>	<b>\$ 6,458,505</b>	<b>\$ 0</b>	<b>\$ 45,837</b>

Homeless Prevention Program	Business Activities	Central Office Cost Center	Interfund Elimination	Total
\$ 7,546	\$ 0	\$ 103,682	\$ 0	\$ 715,397
0	29,745	0	0	1,268,793
113	325	0	0	65,481
0	550	709	0	45,026
0	0	0	(157,241)	0
0	0	1,748	0	18,141
<u>7,659</u>	<u>30,620</u>	<u>106,139</u>	<u>(157,241)</u>	<u>2,112,838</u>
0	442,962	31,831		1,483,546
2,549	152,361	55,502		3,717,200
<u>2,549</u>	<u>595,323</u>	<u>87,333</u>	<u>0</u>	<u>5,200,746</u>
<u>10,208</u>	<u>625,943</u>	<u>193,472</u>	<u>(157,241)</u>	<u>7,313,584</u>
0	0	636	0	54,093
505	0	7,842	0	29,444
0	157,241	0	(157,241)	0
0	0	0	0	47,206
0	0	0	0	15,100
<u>505</u>	<u>157,241</u>	<u>8,478</u>	<u>(157,241)</u>	<u>145,843</u>
<u>0</u>	<u>29,745</u>	<u>0</u>	<u>0</u>	<u>29,745</u>
<u>505</u>	<u>186,986</u>	<u>8,478</u>	<u>(157,241)</u>	<u>175,588</u>
2,549	595,323	87,333	0	5,200,746
0	0	0	0	1,365,888
7,154	(156,366)	97,661	0	571,362
<u>\$ 9,703</u>	<u>\$ 438,957</u>	<u>\$ 184,994</u>	<u>\$ 0</u>	<u>\$ 7,137,996</u>

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011

	Annual Contributions Contracts		
	C-853	C-853	IN009
	Low Income Public Housing	Capital Fund Programs	Section 8 Vouchers
<b><u>OPERATING REVENUES</u></b>			
Rental income	\$ 441,835	\$ 0	\$ 0
Other income	32,845	0	19,132
<b>TOTAL OPERATING REVENUE</b>	<b>474,680</b>	<b>0</b>	<b>19,132</b>
<b><u>OPERATING EXPENSES</u></b>			
Administrative	490,588	0	119,219
Tenant services	13,774	0	0
Utilities	257,822	0	596
Ordinary maintenance and operation	582,633	0	4,740
Protective services	52,971	0	0
General expense	117,538	2,770	15,227
Housing Assistance Payments	0	0	1,041,301
Depreciation expense	602,045	0	171
<b>TOTAL OPERATING EXPENSES</b>	<b>2,117,371</b>	<b>2,770</b>	<b>1,181,254</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,642,691)</b>	<b>(2,770)</b>	<b>(1,162,122)</b>
<b><u>NONOPERATING REVENUES</u></b>			
Federal operating grants	875,763	231,605	1,263,668
Loss on sale of capital assets	(325)	0	0
Interest income	54,332	0	2,106
<b>NET NONOPERATING REVENUES</b>	<b>929,770</b>	<b>231,605</b>	<b>1,265,774</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>778,003</b>	<b>0</b>
<b>CHANGE IN NET ASSETS</b>	<b>(712,921)</b>	<b>1,006,838</b>	<b>103,652</b>
<b>TOTAL NET ASSETS - BEGINNING</b>			
OF YEAR, as originally stated	6,383,962	0	(57,815)
Equity transfers	787,464	(1,006,838)	0
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>			
as restated	7,171,426	(1,006,838)	(57,815)
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 6,458,505</b>	<b>\$ 0</b>	<b>\$ 45,837</b>

Homeless Prevention Program	Business Activities	Central Office Cost Center	Total
\$ 0	\$ 70,847	\$ 0	\$ 512,682
0	0	292,574	52,016
<u>0</u>	<u>70,847</u>	<u>292,574</u>	<u>564,698</u>
46,355	1,272	275,483	640,382
0	0	0	13,774
0	0	5,375	263,793
0	0	10,748	598,121
0	0	0	52,971
124,687	698	18,945	279,865
0	0	0	1,041,301
695	7,561	16,403	626,875
<u>171,737</u>	<u>9,531</u>	<u>326,954</u>	<u>3,517,082</u>
<u>(171,737)</u>	<u>61,316</u>	<u>(34,380)</u>	<u>(2,952,384)</u>
149,900	0	0	2,520,936
0	0	0	(325)
49	1,299	0	57,786
<u>149,949</u>	<u>1,299</u>	<u>0</u>	<u>2,578,397</u>
0	0	0	778,003
<u>(21,788)</u>	<u>62,615</u>	<u>(34,380)</u>	<u>404,016</u>
31,491	376,342	0	6,733,980
0	0	219,374	0
<u>31,491</u>	<u>376,342</u>	<u>219,374</u>	<u>6,733,980</u>
\$ <u>9,703</u>	\$ <u>438,957</u>	\$ <u>184,994</u>	\$ \$ <u>7,137,996</u>

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED  
JUNE 30, 2011

Annual Contributions Contract C-853

1. The Capital Fund Grant Costs are as follows:

	<u>501-07</u>	<u>501-08</u>	<u>501-09</u>
Funds Approved	\$ 512,905	\$ 512,970	\$ 649,318
Funds Expended	<u>512,905</u>	<u>512,970</u>	<u>649,318</u>
Excess / (Deficiency) of Funds Approved	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Funds Advanced	\$ 512,905	\$ 512,970	\$ 649,318
Funds Expended	<u>512,905</u>	<u>512,970</u>	<u>649,318</u>
Excess / (Deficiency) of Funds Advanced	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

2. Costs additions totaling \$ 652,255 were made during the current audit period, and accordingly, were audited by Jean Sickels, CPA.
3. The total amount of the Capital Fund Grant Costs at June 30, 2011 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.
4. All Capital Fund grant work in connection with the Project has been completed.
5. All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.
6. There were no budget overruns.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FR THE YEAR ENDED JUNE 30, 2011

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
C-853	Home	14.257	\$ 149,900	\$ 149,900
C-853	Public & Indiana Housing	14.850a	875,763	875,763
IN009VO	Housing Choice Voucher Program	14.871	1,263,668	1,263,668
C-853	Capital Fund Program	14.872	2,700,008	700,513
C-853	American Reinvestment & Recovery Act	14.885	<u>649,318</u>	<u>309,095</u>
<b>TOTAL U.S. DEPARTMENT OF HUD</b>			<u><b>\$ 5,638,657</b></u>	<u><b>\$ 3,298,939</b></u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1           The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

## OTHER REPORTS

# Jean Sickels

## Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, Indiana 47120

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Housing Authority of the City of Richmond  
58 South Fifteenth Street  
Richmond, IN 47374

I have audited the financial statements of the Housing Authority of the City of Richmond, as of and for the year ended June 30, 2011, and have issued my report thereon dated January 5, 2012, which included a disclaimer of opinion on Management's Discussion and Analysis. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Authority of the City of Richmond's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Richmond's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Richmond's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 2011-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

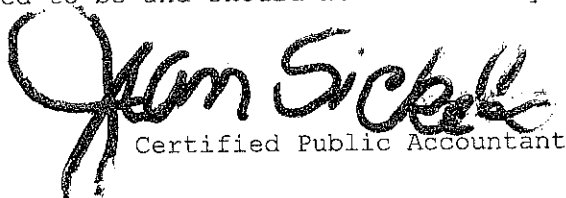
As part of obtaining reasonable assurance about whether the Housing Authority of the City of Richmond's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-01.



I noted certain matters that I reported to management of Housing Authority of the City of Richmond in a separate letter dated January 5, 2012.

The Housing Authority of the City of Richmond's response to the finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the Housing Authority of the City of Richmond's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Authority's management, the U.S. Department of HUD, and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Fredericksburg, Indiana  
January 5, 2012

# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, Indiana 47120

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Richmond  
58 South Fifteenth Street  
Richmond, IN 47374

Compliance

I have audited the compliance of the Housing Authority of the City of Richmond with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material on each of the Housing Authority of the City of Richmond's major federal programs for the year ended June 30, 2011. The Housing Authority of the City of Richmond'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 Housing Authority of the City of Richmond's management. My responsibility is to express an opinion on the Housing Authority of the City of Richmond's compliance based on my audit.

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

In my opinion, the Housing Authority of the City of Richmond complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Housing Authority of the City of Richmond 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 my audit, I considered the Housing Authority of the City of Richmond's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Richmond's internal control over compliance.

Internal Control Over Compliance (Continued)

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Authority's management, the U.S. Department of HUD, and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Fredericksburg, Indiana  
January 5, 2012

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

June 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

~ Material weakness(es) identified?           yes       X      no

~ Significant deficiencies identified that are not considered to be material weaknesses?       X      yes                   none reported

Noncompliance material to financial statements noted?       X      yes                   no

FEDERAL AWARDS

Internal control over major programs:

~ Material weakness(es) identified?                   yes       X      no

~ Significant deficiencies identified that are not considered to be material weakness(es)?                   yes       X      none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?                   yes       X      no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Low Income Public Housing
14.872	Capital Funds
14.885	Capital Fund Stimulus Program

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

Auditee qualified as low-risk auditee?                   yes       X      no

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

June 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

PRIOR AUDIT FINDINGS

2010-01

HOUSING CHOICE VOUCHER-NEGATIVE EQUITY

PRIOR  
CONDITION:

HUD provides the Housing Authority with subsidy for administrative fees, and Housing Assistance Payments. At the end of the fiscal year the administrative equity of the Housing Authority was a deficit balance.

CURRENT  
CONDITION:

The Housing Choice Voucher program still has negative equity.

This finding continues as 2011-01.

CURRENT AUDIT FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-01

CURRENT  
CONDITION:

HOUSING CHOICE VOUCHER-NEGATIVE EQUITY:

HUD provides the Housing Authority with subsidy for administrative fees, and Housing Assistance Payments. At the end of the fiscal year the administrative equity of the Housing Authority was a deficit balance.

CFDA#:

14.871

CRITERIA:

Under HUD requirement each Housing authority is to administer the program within the budget (subsidy) provided. When the administrative expenses exceed available funds, restricted HAP equity is used. This use of restricted funds is not allowed.

CAUSE/EFFECT:

The Housing Authority is not monitoring expenditures and is using restricted funds for unallowed purposes.

RECOMMENDATION:

The Housing Authority must monitor funds available and operate within the budgetary constraints.

REPLY:

We are working with the HUD office to allocate funds to cover the shortfall. We are now budgeting so that we will not be in an overspent position in the future.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
Richmond, Indiana

June 30, 2011

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2010-01	Housing Choice Voucher-Negative Equity	Continues

# Jean Sickels

Certified Public Accountant

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Fredericksburg, IN 47120

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Facsimile No. (812) 472-3649

Mobile No. (404) 307-5903

January 5, 2012

Board of Commissioners  
Housing Authority of the City of Richmond  
58 South Fifteenth Street  
Richmond, IN 47374

In planning and performing my audit of the financial statements of the Housing Authority of the City of Richmond as of and for the year ended June 30, 2011, I considered the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated January 5, 2012 on the financial statements of the Authority.

I will review the status of the comments during my next audit engagement. I have already discussed the comments and suggestions with Authority personnel, and will be pleased to discuss the comments in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comments are summarized as follows:

1. **CONDITION: UTILITY ALLOWANCE WORKSHEET**

The Authority does not have a system where a utility allowance worksheet is placed in the file during reexamination.

**RECOMMENDATION:**

The Authority should document the utility allowance calculation in each residents file.

2. **CONDITION: 214 IMMIGRATION STATUS FORMS**

During the review of the resident files it was noted that 214 forms were not always present for newborns.

**RECOMMENDATION:**

The Authority should ensure that all individuals residing in housing have a completed 214 Immigration Status form.

3. **CONDITION: VOUCHER MANAGEMENT SYSTEM (VMS) REPORT**

The Financial Data Schedule (FDS) Housing Assistance Payments (HAP) do not agree to the HAP on the VMS.

**RECOMMENDATION:**

The Authority should revise the VMS to reflect the total payments.

4. **CONDITION: SCHEDULE OF ALL POSITIONS AND SALARIES**

The Authority does not have a current form.

**RECOMMENDATION:**

The Authority should utilize the form and show the allocations to the various programs.

5. **CONDITION: CONTRACTOR INSURANCE**

During the review of the contractor files it was noted that current insurance policies were not available.

**RECOMMENDATION:**

The Authority should ensure that all contractors have current insurance before each payment is made.

6. **CONDITION: LOW RENT BUDGET**

Low rent expenses per the FDS are \$1,515,326. The allowable budget is \$1,473,078.

**RECOMMENDATION:**

The Authority should monitor the budget more closely and file revisions if necessary.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Authority's management, the U.S. Department of HUD, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jean Sickels". The signature is stylized with a large, looping initial "J" and a trailing flourish.

Jean Sickels  
Certified Public Accountant