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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, 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 Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Richmond 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 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, 2012

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
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HOUSING AUTHORITY OF THE
CITY OF RICHMOND

Richmond, Indiana
June 30, 2012

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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, 2012 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.

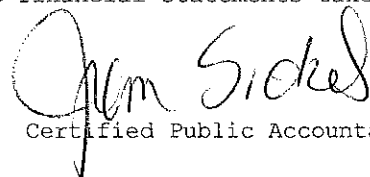
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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, 2012, 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 16, 2013 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 viii, 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 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountant

**Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012**

The Richmond Housing Authority's management discussion and analysis of the RHA financial statements including a narrative overview and discussion of the financial activities of the RHA for years and periods ending June 30, 2011 vs. June 30, 2012.

The MD&A is specifically designed to: 1.) assist the reader in focusing on significant financial issues; 2.) provide a broad scope overview of the RHA's financial activities; 3.) identify and explain changes in the RHA's financial position from 2011 to 2012; and 4.) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the RHA's audited financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Derek White, Executive Director, Richmond Housing Authority, 58 S 15th St., Richmond, IN 47374

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

**Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012**

Reporting On The Housing Authority As A Whole

One of the most important questions asked about the Authority's finances are, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2012." The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

- RHA's total assets decreased by only \$4,893 from 2011 to 2012. The reduction in total assets was due to the large change in net capital assets and cash and cash equivalents which was almost off-set by other current assets.
- Total liabilities decreased by \$21,917 which was created by minimal increases in accounts payable and a sizable reduction in other liabilities.
- Total net assets increased by \$16,699 due to a reduction in net investment in capital assets and unrestricted net assets which was almost off-set by an increase in restricted assets.
- Agency revenues diminished by \$778,441 because of a combination of decreases in all line items except for the category of other income and gain/loss.
- The overall collective effect on operating expenses from 2011 to 2012 was a \$391,124 decrease due to an expense reduction in all categories except maintenance and casualty loss.
- Total assets were diminished by only \$ 34,382 from 2011 to 2012 because the sizeable losses created from decreases in equipment and furniture values and accumulated depreciation almost off-set by increases in land and building values.
- The Agency realized a net operating loss of \$ 387,317 because of a sizeable decrease in RHA revenues, which was partially off-set by a reduction in operating expenses of \$391,124.

**Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012**

Fund Financial Statements

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

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

Using This Annual Report

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds, the Low Rent Housing Program, Section 8 Housing Choice Voucher Program and Public Housing Capital Fund Program.

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

Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012

Reporting The Housing Authority's Most Significant Funds

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

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

- 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.
- Statement of Capital Assets – reports the Authority's activities to improve and/or expand its assets and reflects current renovation efforts and accumulated depreciation.

The following analysis of the entity wide financial statement is provided to assist the reader of our financial statements.

The RHA maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the authority provides for the residents of the Richmond Housing Authority:

**Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012**

Low Income Public Housing

The RHA owns approximately 304 units in four developments in the City of Richmond. Merle Henderson contains 104 elderly/disabled units, Southview Heights has 50 family units, Jerry Geier Apartments has 50 family units and Bobby Smith Apartments has 100 family units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an allowable Operating Expense Level, Allowable utilities Expenses Level and Audit Costs that becomes the Authority's Total Allowable Expenses. HUD will fund the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculation. The funds are utilized to provide safe, affordable, clean housing to the residents of the City of Richmond, Indiana.

Section 8 Housing Choice Voucher Program

This grant program provides Housing Assistance Payments to Landlords who participate in the program. Qualifying tenants to the program have their income analyzed utilizing HUD's guidelines and their rent are assessed accordingly. The balance between the differences of the allowable rent amount set by HUD and the tenant's contribution is equal to the Housing Assistance Payment.

Capital Fund Program

This grant program is awarded by HUD on an annual basis. The purposes of this grant is to maintain the physical improvements of the Authority's sites and the administrative management to ensure those improvements are completed in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

The Homeless Prevention & Rapid Re-Housing (HPRP) Program

The Homeless Prevention & Rapid Re-Housing (HPRP) Program provides financial assistance and services to prevent individuals and families from becoming homeless. It also assisted those who were experiencing homelessness to be quickly re-housed and stabilized. The funding for this program provided short-term or medium-term rental assistance and housing relocation and stabilization services. These services included assistance with security deposits, monthly rent, mediation, credit counseling, utility payments, moving cost assistance and case management. The program closed at the end of the fiscal year.

**Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012**

Authority-Wide Condensed Financial Statements

Statement of Net Assets

Current & Other Assets	2012	2011	Change
Cash & Cash Equivalents	\$ 2,018,524	\$ 1,984,190	\$ (34,334)
Other Current Assets	123,803	128,648	(4,845)
Capital Assets (Net)	<u>5,166,364</u>	<u>5,200,746</u>	<u>(34,382)</u>
Total Assets	<u>\$7,308,691</u>	<u>\$7,313,584</u>	<u>\$ (4,893)</u>
Liabilities			
Accounts Payable	\$ 91,526	\$ 83,537	\$ 7,989
Other Liabilities	<u>62,145</u>	<u>92,051</u>	<u>(29,906)</u>
Total Liabilities	<u>\$ 153,671</u>	<u>\$ 175,588</u>	<u>\$ (21,917)</u>
Net Assets			
Net Investment in Capital Assets	\$ 5,166,364	\$5,200,746	\$ (34,382)
Unrestricted Net Assets	396,494	571,362	(174,868)
Restricted Net Assets	<u>1,592,162</u>	<u>1,365,888</u>	<u>226,274</u>
Total Equity/Net Assets	<u>\$ 7,155,020</u>	<u>\$7,137,996</u>	<u>\$ 17,024</u>

Major Factors affecting the statement of Net Assets

Total Equity/Net Assets for FYE 2012 are \$7,155,020 and at FYE 2011 the amount was \$7,137,996. This represents an increase of \$17,024 for which the major reason was the large increase in restricted net assets for 2012 vs. 2011 of \$226,274 which was partially off-set by a decrease in unrestricted net assets of \$174,868.

Total liabilities decreased by \$21,917 with the major impact due to the decrease of other Liability for 2012.

Total Assets decreased by only \$5,128 from 2011 to 2012 with the major reason being a reduction in net investment in Capital Assets and Cash & Cash Equivalents of \$82,757 which was almost off-set by an increase in other current assets of \$77,539.

**Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012**

Statement of Agency Wide Revenues, Expenses, and Net Assets

Statement of Revenues

Source	2012	2011	Change
Public Housing Rental	\$ 389,775	\$ 564,698	\$(174,923)
HUD Operating Subsidy	2,278,510	2,520,936	(242,426)
HUD Capital Fund	319,946	778,003	(458,057)
Other Income	153,542	57,786	95,756
Gain/Loss on sale of Fixed Assets	884	(325)	1,209
Total Revenues	\$3,142,657	\$3,921,098	\$(778,441)

The combined effect of revenue sources for 2012 created a decrease of \$778,441 vs. 2011. There were decreases of \$875,406 in all categories except for other income and gain/loss on sale of fixed assets.

Statement of Expenses

Activity	2012	2011	Change
Administrative	\$ 617,810	\$ 640,382	\$ (22,572)
Tenant Services	7,845	13,774	(5,929)
Utilities	262,465	263,793	(1,328)
Maintenance	612,934	598,121	14,813
Protective Services	49,788	52,971	(3,183)
Housing Assistance Payment	968,562	1,041,301	(72,739)
Depreciation	451,100	626,875	(175,775)
General Expense	148,586	279,865	(131,279)
Casualty Losses	6,868	0	6,868
Total Expenses	\$3,125,958	\$3,517,082	\$(391,124)

Total operating expense decreased by \$391,124 for 2012 vs. 2011. The major expense decreases were in every line item except for maintenance operation and casualty losses.

The combination of a decrease in Total Revenue by \$778,441 with a decrease in Total Operating expense of \$391,124 resulted in a net operating loss of \$387,317.

**Housing Authority of the City of Richmond
Management's Discussion and Analysis
June 30, 2012**

Statement of Capital Assets

Source	2012	2011	Change
Land	\$ 1,347,987	\$ 960,488	\$ 387,499
Buildings	14,480,100	14,031,972	448,128
Equipment And Furniture	778,947	1,232,770	(453,823)
Construction in progress	423,526	523,058	(99,532)
Accumulated Depreciation	(11,864,196)	(11,547,542)	(316,654)
Total Assets	\$ 5,166,364	\$ 5,200,746	\$ (34,382)

Total Non-Current Asset value has decreased by \$34,382 from 2011 to 2012. The major negative impacts to capital asset were accumulated depreciation which increased by \$316,654 and the reduction in equipment and furniture value of \$453,823. This negative factor was reduced by increases in the value of land and buildings by \$835,627.

Economic Factors

The Housing Authority's primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for 2012 fiscal year have already been submitted to HUD for approval and no major changes are expected.

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental.
- Income Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 518,760
Restricted cash and cash equivalents	1,499,764
Accounts receivable, net	68,539
Prepaid expenses	43,349
Inventory, net	11,915
Current Assets	<u>2,142,327</u>

Capital Assets

Land and other nondepreciable assets	1,771,513
Depreciable capital assets, net	3,394,851
Total Capital Assets	<u>5,166,364</u>

Total Assets 7,308,691

LIABILITIES

Current liabilities

Accounts payable	17,735
Accrued liabilities	31,654
Payable from restricted cash and cash equivalents:	
Tenants security deposits	47,805
Deferred revenue	20,267
Total Current Liabilities	<u>117,461</u>

Noncurrent liabilities 36,210

Total Liabilities 153,671

NET ASSETS

Invested in capital assets	5,166,364
Restricted	1,592,162
Unrestricted	396,494
Total Net Assets	<u>\$ 7,155,020</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, 2012

OPERATING REVENUES

Rental income	\$	390,100
Other income		123,999

TOTAL OPERATING REVENUE		514,099
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OPERATING EXPENSES

Administrative		617,810
Tenant services		7,845
Utilities		262,465
Ordinary maintenance and operation		619,802
Protective services		49,788
General expense		148,586
Housing Assistance Payments		968,562
Depreciation expense		451,100

TOTAL OPERATING EXPENSES		3,125,958
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OPERATING INCOME (LOSS)		(2,611,859)
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NONOPERATING REVENUES

Federal operating grants		2,278,510
Gain or loss on sale of capital assets		884
Interest income		29,543

NET NONOPERATING REVENUES		2,308,937
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CAPITAL CONTRIBUTIONS		319,946
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CHANGE IN NET ASSETS		17,024
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TOTAL NET ASSETS - BEGINNING OF YEAR		7,137,996
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TOTAL NET ASSETS - END OF YEAR		\$ 7,155,020
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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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	511,041
Payments to vendors		(871,429)
Payments to landlords		(968,562)
Payments to employees		(848,881)
Net Cash Used by Operating Activities		<u>(2,177,831)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received		<u>2,278,510</u>
Net Cash From Noncapital Financing Activities		<u>2,278,510</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received		319,946
Acquisition and construction of capital assets		<u>(415,834)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities		<u>(95,888)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		<u>29,543</u>
Net Cash From Investing Activities		<u>29,543</u>

Net Increase in Cash and Cash Equivalents 34,334

Cash - Beginning of year		<u>1,984,190</u>
Cash - End of year	\$	<u><u>2,018,524</u></u>

Reconciliation of Deposits:		
Cash and cash equivalents	\$	518,760
Restricted cash and cash equivalents		<u>1,499,764</u>
Total Deposits	\$	<u><u>2,018,524</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

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

Operating income (loss)	\$	(2,611,859)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation		451,100
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(3,058)
Prepaid expenses		1,677
Inventory		6,226
Increase (Decrease) in:		
Accounts payable		(35,759)
Accrued liabilities		8,675
Deferred revenue		5,167
		<hr/>
Net Cash Used by Operating Activities	\$	<u>(2,177,831)</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, 2012

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	<u>273</u>
Total	<u>577</u>

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 \$38,804 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, 2012
(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, 2012.

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, 2012

(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, 2012
(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 \$2,018,524 at June 30, 2012. Bank balances before reconciling items were \$2,021,869 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	\$ 246,799
Certificates of Deposit	<u>1,771,725</u>
Total	<u>\$ 2,018,524</u>

NOTE C - Accounts Receivable:

Accounts receivable at June 30, 2012, consist of the following:

Tenant accounts receivable, net of allowance for doubtful accounts of \$35,179	\$ 11,051
Fraud recovery, net of allowance of \$39,713	13,238
Miscellaneous accounts receivable	2,036
HUD	<u>42,214</u>
Total	<u>\$ 68,539</u>

NOTE D - Prepaid Expenses:

Prepaid expenses at June 30, 2012, consist of the following:

Prepaid insurance	<u>\$ 43,349</u>
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HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE E - Inventory:

Inventory at June 30, 2012, consist of the following:

Materials and supplies \$ 11,915

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 6/30/11	Increases	Decreases	Ending Balance 6/30/12
Capital assets, not being depreciated:				
Land	\$ 960,488	\$ 387,499	\$ 0	\$ 1,347,987
Construction in Progress	<u>523,058</u>	<u>319,946</u>	<u>(419,478)</u>	<u>423,526</u>
Total Capital Assets, not being depreciated	<u>1,483,546</u>	<u>707,445</u>	<u>(419,478)</u>	<u>1,771,513</u>
Capital Assets, being depreciated:				
Buildings & Improvements	14,031,972	448,128	0	14,480,100
Furniture, equipment & Machinery	<u>1,232,770</u>	<u>(319,546)</u>	<u>(134,277)</u>	<u>778,947</u>
Total Capital Assets, being depreciated	<u>15,264,742</u>	<u>128,582</u>	<u>(134,277)</u>	<u>15,259,047</u>
Capital Assets, being depreciated:				
Buildings and Improvements	(10,766,689)	(304,953)	0	(11,071,642)
Furniture, equipment & Machinery	<u>(780,853)</u>	<u>(145,978)</u>	<u>134,277</u>	<u>(792,554)</u>
Less Accumulated Depreciation:	<u>(11,547,542)</u>	<u>(450,931)</u>	<u>134,277</u>	<u>(11,864,196)</u>
Total Capital Assets, being depreciated, net	<u>3,717,200</u>	<u>(322,349)</u>	<u>0</u>	<u>3,394,851</u>
Capital Assets, Net	<u>\$ 5,200,746</u>	<u>\$ 385,096</u>	<u>\$ (419,478)</u>	<u>\$ 5,166,364</u>

Major construction renovation through the Capital Fund Grant Program costs of \$779,592 that has yet to be expended under the current programs. HUD has approved funding for the above amount.

Depreciation expense of \$451,100 was incurred during the year.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE G - Accounts Payable:

Accounts Payable at June 30, 2012, consists of the following:

Accounts Payables	\$ <u>17,735</u>
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NOTE H - Accrued Liabilities:

Accrued liabilities at June 30, 2012, consist of the following:

Accrued compensated absences	\$ 17,327
Accrued Payroll and Withholdings	<u>14,327</u>
Total	<u>\$ 31,654</u>

NOTE I - Deferred Revenue:

Deferred revenue at June 30, 2012, consists of the following:

Prepaid rent and other deferred revenue	\$ <u>20,267</u>
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NOTE J - Noncurrent liabilities:

Noncurrent liabilities at June 30, 2012, consist of the following:

	06/30/11	Additions	Deletions	06/30/12
Home Buyer Reserves	\$ <u>29,745</u>	\$ <u>6,465</u>	\$ <u>0</u>	\$ <u>36,210</u>

NOTE K - Commitments and Contingencies:

Litigation - At June 30, 2012, 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, 2012.

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, 2012. 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 \$114,427 pertaining to its Capital Fund Program.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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, 2012 were as follows:

Low Income Public Housing	\$ 872,580
Capital Fund Program	275,128
Housing Choice Vouchers	1,084,626
Homeless Prevention & Rapid Re-Housing	<u>46,176</u>
Total	<u>\$ 2,278,510</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, 2012 were \$319,946.

NOTE O - Economic Dependency:

The Authority receives approximately 83% 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, 2012

(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 2012, the Housing Authority contributed \$85,321.

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, 2012

	Annual Contributions Contracts		
	C-853	C-853	IN009
	Low	Capital	Section 8
	Income	Fund	Vouchers
	Public	Programs	
	Housing		
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 311,529	\$ 0	\$ 0
Restricted cash and cash equivalents	1,424,750	0	38,804
Accounts receivable, net	58,977	0	9,237
Prepaid expenses	40,762	0	1,102
Interfund	0	0	0
Inventory, net	10,398	0	0
Total Current Assets	1,846,416	0	49,143
<u>Capital Assets</u>			
Land and other nondepreciable assets	1,285,120	0	0
Depreciable capital assets, net	3,118,197	0	249
Total Capital Assets	4,403,317	0	249
Total Assets	6,249,733	0	49,392
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable	14,814	0	842
Accrued liabilities	18,168	0	4,110
Interfund	0	0	0
Payable from restricted cash and cash equivalents:			
Tenants security deposits	47,805	0	0
Deferred revenue	20,267	0	0
Total Current Liabilities	101,054	0	4,952
<u>Noncurrent liabilities</u>	0	0	0
Total Liabilities	101,054	0	4,952
NET ASSETS			
Invested in capital assets	4,403,317	0	249
Restricted	1,356,678	0	235,484
Unrestricted	388,684	0	(191,293)
Total Net Assets	\$ 6,148,679	\$ 0	\$ 44,440

Homeless Prevention Program	State/ Local	Business Activities	Central Office Cost Center	Interfund Elimination	Total
\$ 1,858	\$ 0	\$ 80,163	\$ 125,210	\$ 0	\$ 518,760
0	0	36,210	0	0	1,499,764
0	0	325	0	0	68,539
0	0	532	953	0	43,349
0	0	0	2,470	(2,470)	0
0	0	0	1,517	0	11,915
<u>1,858</u>	<u>0</u>	<u>117,230</u>	<u>130,150</u>	<u>(2,470)</u>	<u>2,142,327</u>
0	11,600	442,962	31,831		1,771,513
1,855	81,131	144,859	48,560		3,394,851
<u>1,855</u>	<u>92,731</u>	<u>587,821</u>	<u>80,391</u>	<u>0</u>	<u>5,166,364</u>
<u>3,713</u>	<u>92,731</u>	<u>705,051</u>	<u>210,541</u>	<u>(2,470)</u>	<u>7,308,691</u>
1,833	0	0	246	0	17,735
0	0	0	9,376	0	31,654
0	0	2,470	0	(2,470)	0
0	0	0	0	0	47,805
0	0	0	0	0	20,267
<u>1,833</u>	<u>0</u>	<u>2,470</u>	<u>9,622</u>	<u>(2,470)</u>	<u>117,461</u>
<u>0</u>	<u>0</u>	<u>36,210</u>	<u>0</u>	<u>0</u>	<u>36,210</u>
<u>1,833</u>	<u>0</u>	<u>38,680</u>	<u>9,622</u>	<u>(2,470)</u>	<u>153,671</u>
1,855	92,731	587,821	80,391	0	5,166,364
0	0	0	0	0	1,592,162
25	0	78,550	120,528	0	396,494
<u>\$ 1,880</u>	<u>\$ 92,731</u>	<u>\$ 666,371</u>	<u>\$ 200,919</u>	<u>\$ 0</u>	<u>\$ 7,155,020</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, 2012

	Annual Contributions		
	C-853	C-853	IN009
	Low Income Public Housing	Capital Fund Programs	Section 8 Vouchers
<u>OPERATING REVENUES</u>			
Rental income	\$ 386,050	\$ 0	\$ 0
Other income	22,646	0	8,358
TOTAL OPERATING REVENUE	408,696	0	8,358
<u>OPERATING EXPENSES</u>			
Administrative	519,957	0	113,315
Tenant services	7,845	0	0
Utilities	256,901	0	1,137
Ordinary maintenance and operation	609,866	0	2,395
Protective services	49,788	0	0
General expense	101,969	0	9,385
Housing Assistance Payments	0	0	968,562
Depreciation expense	435,714	0	77
TOTAL OPERATING EXPENSES	1,982,040	0	1,094,871
OPERATING INCOME (LOSS)	(1,573,344)	0	(1,086,513)
<u>NONOPERATING REVENUES</u>			
Federal operating grants	872,580	275,128	1,084,626
Loss on sale of capital assets	884	0	0
Interest income	27,818	0	490
NET NONOPERATING REVENUES	901,282	275,128	1,085,116
CAPITAL CONTRIBUTIONS	0	319,946	0
CHANGE IN NET ASSETS	(672,062)	595,074	(1,397)
TOTAL NET ASSETS - BEGINNING			
OF YEAR, as originally stated	6,458,505	0	45,837
Equity transfers	362,236	(595,074)	0
TOTAL NET ASSETS - BEGINNING OF YEAR	6,820,741	(595,074)	45,837
as restated	6,820,741	(595,074)	45,837
TOTAL NET ASSETS - END OF YEAR	\$ 6,148,679	\$ 0	\$ 44,440

Contracts

Homeless Prevention Program	State/ Local	Business Activities	Central Office Cost Center	Total
\$ 0	\$ 0	\$ 4,050	\$ 0	\$ 390,100
0	92,900	0	290,928	123,999
0	92,900	4,050	290,928	514,099
34,364	0	1,310	239,697	617,810
0	0	0	0	7,845
0	0	0	4,427	262,465
0	0	0	7,541	619,802
0	0	0	0	49,788
20,765	0	662	15,805	148,586
0	0	0	0	968,562
695	169	7,502	6,943	451,100
55,824	169	9,474	274,413	3,125,958
(55,824)	92,731	(5,424)	16,515	(2,611,859)
46,176	0	0	0	2,278,510
0	0	0	0	884
6	0	0	1,229	29,543
46,182	0	0	1,229	2,308,937
0	0	0	0	319,946
(9,642)	92,731	(5,424)	17,744	17,024
9,703	0	438,957	184,994	7,137,996
1,819	0	232,838	(1,819)	0
11,522	0	671,795	183,175	7,137,996
\$ 1,880	\$ 92,731	\$ 666,371	\$ 200,919	\$ 7,155,020

Housing Authority of the City of Richmond (IN009)
 RICHMOND, IN
 Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.267 Homelessness Prevention and Rapid Re-Housing Program (RHF)	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$311,529			\$80,163	\$1,858	\$125,210	\$518,760		\$518,760
112 Cash - Restituted - Modernization and Development									
113 Cash - Other Restituted	\$1,356,676	\$38,804		\$36,210			\$1,431,692		\$1,431,692
114 Cash - Tenant Security Deposits	\$47,805						\$47,805		\$47,805
115 Cash - Restituted for Payment of Current Liabilities	\$20,267						\$20,267		\$20,267
100 Total Cash	\$1,736,279	\$38,804	\$0	\$116,373	\$1,858	\$125,210	\$2,018,524	\$0	\$2,018,524
121 Accounts Receivable - PHA Projects		\$1,947					\$1,947		\$1,947
122 Accounts Receivable - HUD Other Projects	\$42,214						\$42,214		\$42,214
124 Accounts Receivable - Other Government									
125 Accounts Receivable - Miscellaneous	\$0	\$89		\$325			\$89		\$89
126 Accounts Receivable - Tenants	\$45,905			\$0			\$46,230		\$46,230
126.1 Allowance for Doubtful Accounts - Tenants	-\$35,179						-\$35,179		-\$35,179
126.2 Allowance for Doubtful Accounts - Other	\$0						\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery	\$24,144	\$28,807					\$52,951		\$52,951
128.1 Allowance for Doubtful Accounts - Fraud	-\$18,107	-\$21,606					-\$39,713		-\$39,713
129 Accrued Interest Receivable									
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$56,977	\$9,237	\$0	\$325	\$0	\$0	\$68,539	\$0	\$68,539
131 Investments - Unrestricted	\$0			\$0			\$0		\$0
132 Investments - Restituted	\$0						\$0		\$0
135 Investments - Restituted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$40,762	\$1,102		\$532		\$953	\$43,349		\$43,349
143 Inventories	\$10,398					\$1,517	\$11,915		\$11,915
143.1 Allowance for Obsolete Inventories	\$0					\$0	\$0		\$0
144 Inter Program Due From						\$2,470	\$2,470	-\$2,470	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$1,846,416	\$49,143	\$0	\$117,230	\$1,858	\$130,150	\$2,144,797	-\$2,470	\$2,142,327
161 Land	\$661,594		\$11,800	\$42,962		\$31,831	\$1,347,987		\$1,347,987
162 Buildings	\$14,010,947		\$91,300	\$258,811		\$129,042	\$14,480,100		\$14,480,100
163 Furniture, Equipment & Machinery - Dwellings	\$283,293			\$4,161		\$375	\$287,829		\$287,829
164 Furniture, Equipment & Machinery - Administration	\$285,729	\$34,444				\$187,218	\$491,118		\$491,118
165 Leasehold Improvements									
166 Accumulated Depreciation	-\$11,461,772	-\$34,195	-\$168	-\$118,113	-\$1,672	-\$248,075	-\$11,864,196		-\$11,864,196
167 Construction in Progress	\$423,526						\$423,526		\$423,526
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,403,317	\$249	\$92,731	\$587,821	\$1,856	\$90,391	\$5,166,364	\$0	\$5,166,364

Housing Authority of the City of Richmond (IN009)
 RICHMOND, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	14.257 Homelessness Prevention and Rapid Re-Housing Program (RAH)	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$354,533			\$4,050			\$358,583		\$358,583
70400 Tenant Revenue - Other	\$31,517						\$31,517		\$31,517
70500 Total Tenant Revenue	\$386,050	\$0	\$0	\$4,050	\$0	\$0	\$390,100	\$0	\$390,100
70600 HUD PHA Operating Grants	\$1,147,708	\$1,084,625			\$46,176		\$2,278,510		\$2,278,510
70610 Capital Grants	\$319,946						\$319,946		\$319,946
70710 Management Fee						\$241,610	\$241,610	-\$241,610	\$0
70720 Asset Management Fee						\$23,880	\$23,880	-\$23,880	\$0
70730 Book Keeping Fee						\$25,343	\$25,343	-\$25,343	\$0
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$290,833	\$290,833	-\$290,833	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted	\$4,902			\$0	\$5	\$1,229	\$6,137		\$6,137
71200 Mortgage Interest Income									
71900 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets		\$2,837					\$2,837		\$2,837
71400 Fraud Recovery									
71500 Other Revenue	\$22,646	\$5,521	\$92,900			\$95	\$121,162		\$121,162
71600 Gain or Loss on Sale of Capital Assets	\$884						\$884		\$884
72000 Investment Income - Restricted	\$22,916	\$490					\$23,406		\$23,406
70000 Total Revenue	\$1,905,052	\$1,093,474	\$92,900	\$4,050	\$46,182	\$292,157	\$3,433,815	-\$280,833	\$3,142,982
81100 Administrative Salaries	\$118,846	\$99,334			\$21,284	\$131,274	\$340,738		\$340,738
81200 Auditing Fees	\$3,873	\$1,049				\$2,104	\$7,026		\$7,026
81300 Management Fee	\$241,610						\$241,610	-\$241,610	\$0
81310 Book-keeping Fee	\$25,343						\$25,343	-\$25,343	\$0
81400 Advertising and Marketing									
81500 Employee Benefit Contributions - Administrative	\$73,269	\$28,800			\$3,638	\$65,786	\$171,493		\$171,493
81600 Office Expenses	\$16,510	\$2,856		\$30	\$7,353	\$7,836	\$34,684		\$34,684
81700 Legal Expense	\$1,778						\$1,778		\$1,778
81800 Travel	\$2,048	\$25				\$7,115	\$9,188		\$9,188
81810 Allocated Overhead									
81900 Other	\$12,800	\$11,251		\$1,280	\$2,089	\$25,463	\$52,803		\$52,803
81000 Total Operating - Administrative	\$488,077	\$113,315	\$0	\$1,310	\$34,364	\$239,697	\$884,763	-\$266,953	\$617,810
92000 Asset Management Fee	\$23,880						\$23,880	-\$23,880	\$0
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$7,845						\$7,845		\$7,845
92500 Total Tenant Services	\$7,845	\$0	\$0	\$0	\$0	\$0	\$7,845	\$0	\$7,845

93100 Water	\$65,348	\$51			\$212	\$65,611		\$65,611
93200 Electricity	\$116,663	\$661			\$2,749	\$120,073		\$120,073
93300 Gas		\$362			\$1,154	\$1,516		\$1,516
93400 Fuel								
93500 Labor					\$312	\$75,265		\$75,265
93600 Sewer								
93700 Employee Benefit Contributions - Utilities	\$74,890	\$63						
93800 Other Utilities Expense								
93900 Total Utilities	\$256,901	\$1,137	\$0	\$0	\$4,427	\$262,465	\$0	\$262,465
94100 Ordinary Maintenance and Operations - Labor	\$207,801					\$207,801		\$207,801
94200 Ordinary Maintenance and Operations - Materials and Other	\$91,406	\$824			\$2,216	\$94,445		\$94,445
94300 Ordinary Maintenance and Operations Contracts	\$181,810	\$1,571			\$5,326	\$188,707		\$188,707
94500 Employee Benefit Contributions - Ordinary Maintenance	\$128,849					\$128,849		\$128,849
94000 Total Maintenance	\$609,866	\$2,395	\$0	\$0	\$7,541	\$619,802	\$0	\$619,802
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$49,788					\$49,788		\$49,788
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$49,788	\$0	\$0	\$0	\$0	\$49,788	\$0	\$49,788
96110 Property Insurance	\$32,425		\$504		\$354	\$33,284		\$33,284
96120 Liability Insurance	\$9,086	\$638	\$84			\$10,018		\$10,018
96130 Workmen's Compensation	\$5,390	\$630			\$1,472	\$7,792		\$7,792
96140 All Other Insurance	\$11,579	\$466			\$742	\$12,887		\$12,887
96100 Total Insurance Premiums	\$58,581	\$2,234	\$588	\$0	\$2,568	\$63,981	\$0	\$63,981
96200 Other General Expenses	\$26,276	\$7,151	\$64	\$20,765		\$20,829		\$20,829
96210 Compensated Absences					\$13,237	\$46,664		\$46,664
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents	\$17,112					\$17,112		\$17,112
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense	\$43,388	\$7,151	\$64	\$20,765	\$13,237	\$84,605	\$0	\$84,605
96000 Total Other General Expenses	\$43,388	\$7,151	\$64	\$20,765	\$13,237	\$84,605	\$0	\$84,605
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,546,326	\$126,232	\$1,072	\$55,128	\$267,470	\$1,997,129	-\$280,833	\$1,706,296
97000 Excess of Operating Revenue over Operating Expenses	\$368,726	\$987,242	\$92,900	-\$8,947	\$24,687	\$1,436,686	\$0	\$1,436,686
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized	\$0					\$0		\$0
97300 Housing Assistance Payments		\$963,761				\$963,761		\$963,761
97350 HAP Portability-In		\$4,801				\$4,801		\$4,801
97400 Depreciation Expense	\$495,714	\$77	\$169	\$895	\$6,943	\$461,100		\$461,100

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FR THE YEAR ENDED JUNE 30, 2012

<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	Homelessness Prevention	14.257	\$ 46,176	\$ 46,176
C-853	Public & Indiana Housing	14.850a	872,580	872,580
IN009VO	Housing Choice Voucher Program	14.871	1,084,626	1,084,626
C-853	Capital Fund Program	14.872	<u>1,858,134</u>	<u>595,074</u>
TOTAL U. S. DEPARTMENT OF HUD			<u>\$ 3,861,516</u>	<u>\$ 2,598,456</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, 2012, and have issued my report thereon dated January 16, 2013, 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 2012-01. 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 2012-01.

I noted certain matters that I reported to management of Housing Authority of the City of Richmond in a separate letter dated January 16, 2013.

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.

A handwritten signature in cursive script that reads "Pam Sichel".

Certified Public Accountant

Fredericksburg, Indiana
January 16, 2013

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 effect on each of the Housing Authority of the City of Richmond's major federal programs for the year ended June 30, 2012. 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, 2012.

Internal Control Over Compliance

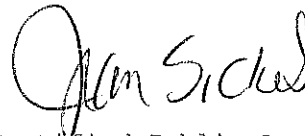
Management of the Housing Authority of the City of Richmond is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing 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 16, 2013

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

June 30, 2012

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>
14.871	Housing Choice Voucher

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, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

PRIOR AUDIT FINDINGS

2011-01

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 2012-01.

CURRENT AUDIT FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01

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 was not monitoring expenditures and was using restricted funds for unallowed purposes.

RECOMMENDATION:

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

REPLY:

Derek White is the person responsible for correcting this issue. The Housing Authority of the City of Richmond anticipates having this issued resolved by 6/30/2013. The Housing Authority is working with Lawrence Jones, Program Analyst for HUD, 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, 2012

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2011-01	Housing Choice Voucher-Negative Equity	Continues

Jean Sickels

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8518 S Kays Chapel Rd.
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Mobile No. (404) 307-5903

January 16, 2013

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, 2012, 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 16, 2013 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: 214 IMMIGRATION STATUS FORMS**

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

RECOMMENDATION:

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

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

The Authority does not have a current form. The Board did not review and approve the revised schedule.

RECOMMENDATION:

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

3. **CONDITION: SEMAP CERTIFICATION**

The Authority was not able to provide worksheets that support the indicators submitted.

RECOMMENDATION:

The Authority should seek training and follow the regulations in 24 CFR. Documentation for each indicator should be filed and available for audit.

4. **CONDITION: ZERO INCOME DOCUMENTATION**

During the review of the Section 8 client files it was noted that there was little documentation for zero income.

RECOMMENDATION:

The Authority should review its policy for dealing with zero income clients and determine if any changes are necessary.

5. CONDITION: LEAD BASE PAINT NOTICES

During the review of the client files it was noted that the lead base paint notices were not in the current files.

RECOMMENDATION:

The Authority should review its procedures for utilizing the checklist and for purging files and determine if any changes to the procedures are necessary.

6. CONDITION: LOW RENT BUDGET

Low rent expenses per the FDS are \$1,522,963. The allowable budget is \$1,489,620.

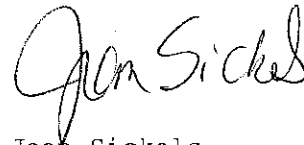
RECOMMENDATION:

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,



Jean Sickels
Certified Public Accountant