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July 21, 2014

Board of Directors  
Rockport Housing Authority  
P.O. Box 173  
Rockport, IN 47635

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2012 to September 30, 2013. 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 Rockport Housing Authority, as of September 30, 2013 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 ROCKPORT  
ROCKPORT, INDIANA**

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

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

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

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## Independent Auditor's Report

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

I have audited the accompanying financial statements of the Housing Authority of the City of Rockport, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Rockport's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of Rockport's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Housing Authority of the City of Rockport, as of September 30, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Report on Supplemental Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Rockport's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 32 to 36 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated May 28, 2014 on my consideration of the Housing Authority of the City of Rockport's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, 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. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.

Decatur, Illinois  
May 28, 2014

Certified Public Accountant

**HOUSING AUTHORITY OF ROCKPORT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
SEPTEMBER 30, 2013**

The management of the Housing Authority of Rockport presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending September 30, 2013. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

**FINANCIAL HIGHLIGHTS**

- The Housing Authority's assets exceeded its liabilities by \$1,302,314 at the close of the fiscal year ended September 30, 2013.

Of this amount, \$286,323 of unrestricted net position may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 46% of the total operating expenses for the fiscal year 2013.

The remainder of \$1,015,991 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net position decreased by \$148,475, a 10% change from the prior fiscal year 2012.
- The Authority spent \$64,360 on capital assets additions and renovation construction in progress during the current fiscal year.
- The Housing Authority continues to operate without the need for debt borrowing.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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: (1) fund financial statements and (2) 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 ROCKPORT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
SEPTEMBER 30, 2013**

**REPORTING ON THE HOUSING AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2013?" The Statement of Fund Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position 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.

**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. For reporting purposes all housing funds are reported in one housing enterprise fund.

The Housing Authority's financial statements report its net position and changes in them. One can think of the Housing Authority's net position – 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 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 two funds, the Low Rent Housing Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately following 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 the report.

**HOUSING AUTHORITY OF ROCKPORT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
SEPTEMBER 30, 2013**

**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 or 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 position, is an important financial indicator.

**FINANCIAL ANALYSIS**

The Housing Authority's net position was \$1,302,314 as of September 30, 2013. Of this amount, \$1,015,991 was invested in capital assets, and the remaining \$286,323 was unrestricted. No other assets are currently restricted.

**CONDENSED FINANCIAL STATEMENTS COMPARING  
FYE 9/30/2013 WITH FYE 9/30/2012**

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash and Other Assets	356,860	384,184	(27,324)	-7%
Capital Assets	1,015,991	1,124,813	(108,822)	-10%
<b>Total Assets</b>	<b>1,372,851</b>	<b>1,508,997</b>	<b>(136,146)</b>	<b>-9%</b>
Deferred Outflows of Resources	143	0	143	100%
<b>TOTAL</b>	<b>1,372,994</b>	<b>1,508,997</b>	<b>(136,003)</b>	<b>-9%</b>
Current Liabilities	66,064	51,236	14,828	29%
Noncurrent Liabilities	4,616	6,972	(2,356)	-34%
<b>Total Liabilities</b>	<b>70,680</b>	<b>58,208</b>	<b>12,472</b>	<b>21%</b>
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	1,015,991	1,124,813	(108,822)	-10%
Restricted	0	0	0	0%
Unrestricted	286,323	325,976	(39,653)	-12%
<b>Total Net Position</b>	<b>1,302,314</b>	<b>1,450,789</b>	<b>(148,475)</b>	<b>-10%</b>
<b>TOTAL</b>	<b>1,372,994</b>	<b>1,508,997</b>	<b>(136,003)</b>	<b>-9%</b>

**HOUSING AUTHORITY OF ROCKPORT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
SEPTEMBER 30, 2013**

*Analysis of Entity Wide Revenue*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2013 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$583,765
Capital Funds Program	\$64,360
Total	\$648,125

Total revenues for Fiscal Year Ending March 31, 2012 were \$684,240 as compared to the total revenues for Fiscal Year Ending March 31, 2013 of \$648,125. Comparatively, Fiscal Year Ending 2012 revenues exceeded Fiscal Year Ending 2013 revenues by \$36,115.

	2013	2012	Net Change	Percentage Change
Total Tenant Revenue	310,571	298,738	11,833	4%
HUD Operating Grants	239,577	217,840	21,737	10%
HUD Capital Grants	64,360	134,152	-69,792	-52%
Investment Income	1,042	1,673	-631	-38%
Other Revenue	32,575	31,837	738	2%
Total Revenue	<u>648,125</u>	<u>684,240</u>	<u>-36,115</u>	<u>-5%</u>

	2013	2012	Net Change	Percentage Change
Administrative	169,035	154,237	14,798	10%
Tenant Services	4,322	5,632	-1,310	-23%
Utilities	136,630	156,923	-20,293	-13%
Maintenance	237,079	248,205	-11,126	-5%
Protective Services	74	0	74	100%
General Expense	70,046	76,333	-6,287	-8%
Extraordinary Maintenance	6,232	28,448	-22,216	-78%
Depreciation Expense	173,182	192,287	-19,105	-10%
Total Expenses	<u>\$796,600</u>	<u>\$862,065</u>	<u>-\$65,465</u>	<u>-8%</u>

**HOUSING AUTHORITY OF ROCKPORT  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
SEPTEMBER 30, 2013**

**OUTSTANDING DEBT ACTIVITY**

There is no outstanding debt for fiscal year ended September 30, 2012 or September 30, 2013.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority is 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 September 30, 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

**CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Helen Garrett, Executive Director, Rockport Housing Authority, Box 173, Rockport, IN 47635.

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

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2013**

**ASSETS**

Cash - operating	\$	3,682
Cash - restricted		21,203
Accounts receivable (net)		5,127
Investments		273,106
Inventory		25,102
Prepaid expenses		28,640
Capital assets:		
Land, land improvements and construction in progress	\$	455,470
Other assets, net of depreciation		<u>560,521</u>
Total Capital Assets		<u>\$ 1,015,991</u>
Total Assets		<u>\$ 1,372,851</u>

**DEFERRED OUTFLOWS OF RESOURCES (Note 10)** \$ 143

**TOTAL** \$ 1,372,994

**LIABILITIES**

Accounts payable	\$	22,285
Other liabilities		38,967
Unearned revenue		4,812
Noncurrent liabilities:		
Earned compensated absences	\$	<u>4,616</u>
Total Liabilities		<u>\$ 70,680</u>

**DEFERRED INFLOWS OF RESOURCES** \$ 0

**NET POSITION**

Net investment in capital assets	\$	1,015,991
Unrestricted		<u>286,323</u>
Total Net Position		<u>\$ 1,302,314</u>

**TOTAL** \$ 1,372,994

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Operating Income

Tenant rental revenue	\$ 302,615
Tenant revenue - other	<u>7,956</u>
Total Rental Income	\$ 310,571
HUD grants - operating	239,577
Other revenue	<u>32,575</u>
Total Operating Income	<u>\$ 582,723</u>

Operating Expenses

Administration	\$ 169,035
Tenant services	4,322
Utilities	136,630
Ordinary maintenance and operation	237,079
Protective services	74
General expense	70,046
Extraordinary maintenance	6,232
Depreciation	<u>173,182</u>
Total Operating Expenses	<u>\$ 796,600</u>
Net Operating Income (Loss)	\$ -213,877

Nonoperating Income (Expense)

Interest income	1,042
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Capital Contributions

Capital fund grants	<u>64,360</u>
Changes in net position	\$ -148,475
Net position, beginning of year	<u>1,450,789</u>
Net position, end of year	<u>\$ 1,302,314</u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Operating Activities

Operating grants	\$ 239,434
Tenant revenue	313,174
Other revenue	32,575
Payments to employees	-225,804
Payments to suppliers and contractors	<u>-385,876</u>

Net Cash Provided (Used) by Operating Activities \$ -26,497

Investing Activities

Investments (purchased) redeemed	\$ 21,698
Interest income	<u>1,042</u>

Net Cash Provided (Used) by Investing Activities \$ 22,740

Capital and Related Financing Activities

Capital fund grants	\$ 64,360
(Additions) deletions to fixed assets	<u>-64,360</u>

Net Cash Provided (Used) by  
Capital and Related Financing Activities \$ 0

Net Change in Cash \$ -3,757

Cash Balance at September 30, 2012 28,642

Cash Balance at September 30, 2013 \$ 24,885

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Reconciliation of Operating Income (Loss) to Net Cash  
Provided (Used) by Operating Activities

Net operating income (loss)	\$ -213,877
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	173,182
(Increase) decrease in accounts receivable	-185
(Increase) decrease in prepaid expenses	2,556
(Increase) decrease in inventories	-502
(Increase) decrease in deferred outflows	-143
Increase (decrease) in accounts payable	3,540
Increase (decrease) in other liabilities	6,376
Increase (decrease) in unearned revenues	<u>2,556</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -26,497</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Rockport was established by the City of Rockport pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Rockport and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Rockport is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- \* Low Rent Public Housing
- \* Capital Fund Program

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

*Proprietary Fund Types:*

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Net Investment in Capital Assets, Restricted and Unrestricted.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2013, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Inventories and Materials -

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

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is two thousand dollars (\$2,000) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	25	years
Equipment	3	years
Transportation equipment	7	years
Furniture and fixtures	3	years
Leasehold improvements	10	years

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

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

(n) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (p) Rental income is recognized as rents become due.
- (q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

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

*Custodial Credit Risk*

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ <u>24,885</u>	\$ <u>40,544</u>

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

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

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ <u>273,106</u>	\$ <u>273,106</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 3 - Compensated Absences

Annual Leave

Annual leave with pay shall be earned by all full time employees at the rate of five-sixths (5/6) day per month. Annual leave may be accumulated by an employee, not to exceed 28 days. An employee who is permanently separated shall be paid for any accumulated annual leave, not to exceed 28 days, provided he/she gives a two week notice to the Executive Director if he/she decides to terminate his/her employment. If he/she fails to give a two week notice he/she forfeits his/her vacation pay. In no event shall an employee be paid for annual leave not taken.

Sick Leave

All full time employees may be paid for absences from work because of self-illness at the rate of one day per calendar month. Sick leave may be accumulated not to exceed 12 days per year. Accumulated sick pay is accumulated beginning the first of the year. Prior year accumulated sick leave is rolled over the end of each calendar year and accumulated to no more than 30 days. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan with PERF of Indiana. The Housing Authority and the participants are required to contribute 8% and 3% of annual covered payroll, respectively. For the fiscal year ended September 30, 2013, actual contributions by the Housing Authority and plan participants were \$17,519 and \$6,032, respectively based on \$201,075 of wages.

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 6,229
Allowance for doubtful accounts	<u>-1,102</u>
Total	<u>\$ 5,127</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 7 - Investments

At September 30, 2013 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposits	0.20-0.30%	\$ <u>273,106</u>	\$ <u>273,106</u>

Note 8 - Prepaid Expenses

This classification includes the following:

Prepaid insurance	\$ <u>28,640</u>
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Note 9 - Capital Assets

Balance as of September 30, 2013	\$ 1,015,991
Balance as of September 30, 2012	<u>1,124,813</u>
Net Increase (Decrease)	\$ <u>-108,822</u>

Reconciliation

Property betterments and additions	\$ 64,360
Current year depreciation expense	<u>-173,182</u> *
Net Increase (Decrease)	\$ <u>-108,822</u>

<u>Analysis</u>	<u>10/01/2012 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2013 Balance</u>
Land	\$ 164,342	\$ 0	\$ 0	\$ 164,342
Buildings	4,791,476	18,138	1,809	4,807,805
Equipment and furniture	130,993	13,396	6,536	137,853
Construction in process	<u>258,302</u>	<u>64,360</u>	<u>31,534</u>	<u>291,128</u>
Total	\$ 5,345,113	\$ 95,894	\$ 39,879	\$ 5,401,128
Accumulated depreciation	<u>-4,220,300</u>	<u>8,345</u>	<u>173,182</u> *	<u>-4,385,137</u>
Net Assets	<u>\$ 1,124,813</u>	<u>\$ 104,239</u>	<u>\$ 213,061</u>	<u>\$ 1,015,991</u>

\*Current year depreciation expense recognized.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 10 - Deferred Outflows of Resources

HUD operating subsidy	\$ <u>143</u>
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Note 11 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 5,894
Tenants security deposits	<u>16,391</u>
Subtotal	<u>\$ 22,285</u>

Note 12 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 13 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 2,643
Earned compensated absences	3,776
Payment in lieu of taxes	<u>32,548</u>
Total Current Portion	\$ 38,967

Noncurrent Portion:

Earned compensated absences	<u>4,616</u>
Total	<u>\$ 43,583</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 14 - Summary of Long Term Liabilities

A summary of long term liabilities as of September 30, 2013:

	<u>10/01/2012</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>09/30/2013</u> <u>Balance</u>
Earned compensated absences	\$ 6,972	\$ 0	\$ 2,356	\$ 4,616

Note 15 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 4,812
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Note 16 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 17 Contracts/Commitments

As of September 30, 2013, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds</u> <u>Approved</u>	<u>Funds Expended</u> <u>To Date</u>
CFP 501-11	\$ 152,288	\$ 108,582
CFP 501-12	138,344	17,343
CFP 501-13	<u>134,248</u>	<u>0</u>
Total	<u>\$ 424,880</u>	<u>\$ 125,925</u>

Note 18 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years.

Note 19 - Economic Dependency

The Housing Authority received most of its revenue (47%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-748	FYE 09/30/13	\$ 239,577	\$ 239,577	\$ 239,577
Public Housing - Capital Fund	14.872	C-748	FYE 09/30/13	\$ 461,334	\$ 64,360	\$ 64,360
Total Housing Assistance				<u>\$ 700,911</u>	<u>\$ 303,937</u>	<u>\$ 303,937</u>

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P024501-10**

1. The Actual Modernization Costs of Phase IN36P024501-10 are as follows:

Funds approved	\$ 170,702
Funds expended	<u>170,702</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 170,702
Funds expended	<u>170,702</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated May 27, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



**Independent Auditor's 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 Rockport  
Rockport, Indiana

I have audited in accordance with the 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, the financial statements of the Housing Authority of the City of Rockport, which comprise the statement of net position as of September 30, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Rockport's basic financial statements and have issued my report thereon dated May 28, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Rockport's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Rockport's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Rockport's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Housing Authority of the City of Rockport in a separate letter dated May 28, 2014.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Rockport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Decatur, Illinois  
May 28, 2014

Certified Public Accountant

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2012 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report: Unqualified

\* Material weakness(es) identified? \_\_\_\_\_ yes X\_\_\_\_\_ no

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

Noncompliance material to financial statements noted \_\_\_\_\_ yes X\_\_\_\_\_ no

*Federal Awards*

Internal control over major programs:

\* Material weakness(es) identified? \_\_\_\_\_ yes X\_\_\_\_\_ no

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
NONE	NONE

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

Auditee qualified as low-risk auditee? X\_\_\_\_\_ yes \_\_\_\_\_ no

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

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held May 28, 2014.

**Section III - Federal Awards Findings**

There were no federal awards audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held May 28, 2014.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2013**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Tenants accounts receivable	1122	\$ 4,813.60		1122
Tenants prepaid rent	2240		\$ 4,813.60	2240
(To reclassify tenants prepaid rent)				
(2)				
Prepaid expenses	1211	\$ 10,642.40		1211
Liability insurance	4510	3,433.48		2820
Workers comp insurance	4510	5,879.91		2820
Other insurance	4510	6,587.84		2820
Property insurance	4510		\$ 26,553.63	2820
(To correct insurance to actual; time period were set up incorrectly)				
(3)				
Development costs	1400.2	\$ .46		1400.2
Accrued wages	2131	4,903.00		2131
Employee benefit contribution	4540	1,901.00		2820
Other (sewerage)	4390	11,573.38		2820
PILOT	2137		\$ .55	2137
Accounting & auditing	4170		584.00	2820
Payroll deductions	2117		963.81	2117
Interest income	3610		.08	2820
Vendors and contractors	1211		.50	1211
Accrued compensated absences	2133		8,603.52	2133
Operating reserve	2820		.58	2820
Water	4310		1,821.57	2820
Electricity	4320		5,421.63	2820
Gas	4330		981.60	2820
(To post prior year audit adjustments)				
(4)				
Admin salary	4110	\$ 2,110.00	\$ 771.00	2820
Maintenance wages	4410	3,036.00	1,270.00	2820
Accrued wages	2131	2,041.00	5,146.00	2131
(To reverser JV13018 and prior year accrued wages)				
(5)				
Admin salary	4110	\$ 1,426.37		2820
Maintenance wages	4410	1,216.80		2820
Accrued wages	2131		\$ 2,643.17	2131
(To record current year accrued wages)				
(6)				
Payroll withholding	2117	\$ 963.81		2117
Employee benefits	4540		\$ 963.81	2820
(To correct withholding accounts)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2013**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(7)				
A/R- HUD	1125	\$ 143.00		1125
Subsidy - current year	8020		\$ 143.00	2820
(To record operating subsidy for 2012)				
(8)				
Tenant security deposits	2114	\$ 805.18		2114
Other income	3690		\$ 805.18	2820
(To adjust security deposit liability to subsidiary ledger balance @ 09/30/2013)				
(9)				
Accrued comp abs liability	2133	\$ 13,402.64		2133
Accrued absence expense	4530		\$ 4,532.83	2820
Admin salary	4110		3,902.72	2820
Maintenance wages	4410		4,967.09	2820
(To adjust accrued compensation liability and expense per PHA spreadsheets)				
(10)				
Development cost - contra	1400.3	\$ 8,345.00		1400.3
Development costs	1400.2		\$ 8,345.00	1400.2
(To write off six items on depreciation schedule that fell below the new capitalization policy of \$2,000)				
(11)				
PILOT expense	4520	\$ 1,261.00		2820
PILOT liability	2137		\$ 1,261.00	2137
(To adjust PILOT to year end calculation @ 09/30/2013)				

Rockport Housing Authority (IN024)  
ROCKPORT, IN  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Non-A-133 Fiscal Year End: 09/30/2013

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$3,682	\$3,682	\$3,682
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$16,391	\$16,391	\$16,391
115 Cash - Restricted for Payment of Current Liabilities	\$4,812	\$4,812	\$4,812
100 Total Cash	\$24,885	\$24,885	\$24,885
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$143	\$143	\$143
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$6,229	\$6,229	\$6,229
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,102	-\$1,102	-\$1,102
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,270	\$5,270	\$5,270
131 Investments - Unrestricted	\$273,106	\$273,106	\$273,106
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$28,640	\$28,640	\$28,640
143 Inventories	\$25,102	\$25,102	\$25,102
143.1 Allowance for Obsolete Inventories	\$0	\$0	\$0
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$357,003	\$357,003	\$357,003
161 Land	\$164,342	\$164,342	\$164,342
162 Buildings	\$4,807,805	\$4,807,805	\$4,807,805
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$137,853	\$137,853	\$137,853
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$4,385,137	-\$4,385,137	-\$4,385,137
167 Construction in Progress	\$291,128	\$291,128	\$291,128
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,015,991	\$1,015,991	\$1,015,991
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$1,015,991	\$1,015,991	\$1,015,991
190 Total Assets	\$1,372,994	\$1,372,994	\$1,372,994

Rockport Housing Authority (IN024)  
 ROCKPORT, IN  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Non-A-133 Fiscal Year End: 09/30/2013

	Project Total	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$5,894	\$5,894	\$5,894
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$2,643	\$2,643	\$2,643
322 Accrued Compensated Absences - Current Portion	\$3,776	\$3,776	\$3,776
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$32,548	\$32,548	\$32,548
341 Tenant Security Deposits	\$16,391	\$16,391	\$16,391
342 Deferred Revenues	\$4,812	\$4,812	\$4,812
343 Current Portion of Long-term Debt - Capital			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$66,064	\$66,064	\$66,064
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current	\$4,616	\$4,616	\$4,616
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$4,616	\$4,616	\$4,616
300 Total Liabilities	\$70,680	\$70,680	\$70,680
508.1 Invested In Capital Assets, Net of Related Debt	\$1,015,991	\$1,015,991	\$1,015,991
511.1 Restricted Net Assets	\$0	\$0	\$0
512.1 Unrestricted Net Assets	\$286,323	\$286,323	\$286,323
513 Total Equity/Net Assets	\$1,302,314	\$1,302,314	\$1,302,314
600 Total Liabilities and Equity/Net Assets	\$1,372,994	\$1,372,994	\$1,372,994

Rockport Housing Authority (IN024)  
 ROCKPORT, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133 Fiscal Year End: 09/30/2013

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$302,615	\$302,615	\$302,615
70400 Tenant Revenue - Other	\$7,956	\$7,956	\$7,956
70500 Total Tenant Revenue	\$310,571	\$310,571	\$310,571
70600 HUD PHA Operating Grants	\$239,577	\$239,577	\$239,577
70610 Capital Grants	\$64,360	\$64,360	\$64,360
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$1,042	\$1,042	\$1,042
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue	\$32,575	\$32,575	\$32,575
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$648,125	\$648,125	\$648,125
91100 Administrative Salaries	\$89,372	\$89,372	\$89,372
91200 Auditing Fees	\$3,440	\$3,440	\$3,440
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$23,137	\$23,137	\$23,137
91600 Office Expenses	\$6,197	\$6,197	\$6,197
91700 Legal Expense	\$2,457	\$2,457	\$2,457
91800 Travel	\$3,390	\$3,390	\$3,390
91810 Allocated Overhead			
91900 Other	\$41,042	\$41,042	\$41,042
91000 Total Operating - Administrative	\$169,035	\$169,035	\$169,035
92000 Asset Management Fee			
92100 Tenant Services - Salaries	\$1,549	\$1,549	\$1,549
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$2,773	\$2,773	\$2,773
92500 Total Tenant Services	\$4,322	\$4,322	\$4,322

Rockport Housing Authority (IN024)  
 ROCKPORT, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133 Fiscal Year End: 09/30/2013

	Project Total	Subtotal	Total
93100 Water	\$20,100	\$20,100	\$20,100
93200 Electricity	\$70,500	\$70,500	\$70,500
93300 Gas	\$25,101	\$25,101	\$25,101
93400 Fuel			
93500 Labor			
93600 Sewer	\$20,929	\$20,929	\$20,929
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$136,630	\$136,630	\$136,630
94100 Ordinary Maintenance and Operations - Labor	\$125,478	\$125,478	\$125,478
94200 Ordinary Maintenance and Operations - Materials and	\$47,167	\$47,167	\$47,167
94300 Ordinary Maintenance and Operations Contracts	\$32,237	\$32,237	\$32,237
94500 Employee Benefit Contributions - Ordinary Maintenance	\$32,197	\$32,197	\$32,197
94000 Total Maintenance	\$237,079	\$237,079	\$237,079
95100 Protective Services - Labor	\$74	\$74	\$74
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$74	\$74	\$74
96110 Property Insurance	\$27,024	\$27,024	\$27,024
96120 Liability Insurance	\$3,444	\$3,444	\$3,444
96130 Workmen's Compensation	\$5,880	\$5,880	\$5,880
96140 All Other Insurance	\$6,588	\$6,588	\$6,588
96100 Total insurance Premiums	\$42,936	\$42,936	\$42,936
96200 Other General Expenses			
96210 Compensated Absences	\$7,808	\$7,808	\$7,808
96300 Payments in Lieu of Taxes	\$17,729	\$17,729	\$17,729
96400 Bad debt - Tenant Rents	\$1,573	\$1,573	\$1,573
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$27,110	\$27,110	\$27,110
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
96900 Total Operating Expenses	\$617,186	\$617,186	\$617,186
97000 Excess of Operating Revenue over Operating Expenses	\$30,939	\$30,939	\$30,939

Rockport Housing Authority (IN024)  
 ROCKPORT, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133 Fiscal Year End: 09/30/2013

	Project Total	Subtotal	Total
97100 Extraordinary Maintenance	\$6,232	\$6,232	\$6,232
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$173,182	\$173,182	\$173,182
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$796,600	\$796,600	\$796,600
10010 Operating Transfer In			
10020 Operating transfer Out			
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$148,475	-\$148,475	-\$148,475
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$1,450,789	\$1,450,789	\$1,450,789
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	\$0	\$0
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	1728	1728	1728
11210 Number of Unit Months Leased	1695	1695	1695
11270 Excess Cash	\$185,765	\$185,765	\$185,765
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$64,360	\$64,360	\$64,360
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

1. The fee accountant (and the Housing Authority) must expand the chart of accounts to coincide with HUD's new chart of accounts to include: (a) expanded contract cost categories, (b) insurance expense categories, (c) compensated absence expense and (d) the correct equity accounts. For a detail explanation and listing, the agency is encouraged to refer to HUD's most recent FASS cross walk guide.
2. During the audit it was noted that the 'detail listing' of tenant security deposits, does not match the balance in the general ledger. The security deposits report versus the general ledger account has not reconciled in the past, however, the variance has increased. The PHA should reconcile the listing/schedule to general ledger at year end. Additional, unresolved variances could result in future findings.

3. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
4. During the review of cash reconciliations, it was noted that one check was outstanding from a prior period. The Housing Authority should adopt a policy for clearing of old checks and writing them off.
5. While reviewing the PHA's maintenance inventory it was noted that PHA does not have an allowance for obsolete inventory. PHA should adopt a policy to establish an allowance.
6. Generally accepted accounting principles require that the Housing Authority adopt a policy regarding the establishment and recording of an allowance for doubtful accounts. While reviewing the current year financial statements it was noted that the current allowance was calculated using a formula of each tenant receivables. If this is the established estimate, the Authority should formally adopt a policy to coincide with the practice.
7. During my review of insurance coverage, I noted that the Housing Authority maintains a 'position' surety bond. While this type of bond coverage is allowable, it only provides surety coverage for those individuals/positions named in the bond. I suggest that the Housing Authority investigate the possibility of adding a more comprehensive blanket bond for surety/bonding insurance purposes. The PHA's current position bond only covers two office employees, however there are more than two employees that should be bonded.
8. The Housing Authority should forward the new capitalization policy to the fee accountant so he can review the schedule to adjust for items less than \$2,000, obsolete items or missing items.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois  
May 28, 2014

Certified Public Accountant