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AN EQUAL OPPORTUNITY EMPLOYER

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July 24, 2014

Board of Directors
Greencastle Housing Authority
309 E. Franklin Street
Greencastle, IN 46135

We have reviewed the audit report prepared by Pamela J. Simpson, 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 Greencastle 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

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

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

TWELVE MONTHS ENDED JUNE 30, 2012

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

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Independent Auditor's Report

Board of Commissioners
Greencastle Housing Authority
Greencastle, Indiana

I have audited the accompanying financial statements of the Greencastle Housing 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 Greencastle Housing Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Greencastle Housing Authority, as of June 30, 2012 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

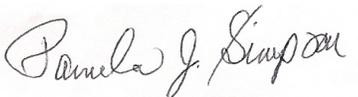
In accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2012 on my consideration of the Greencastle Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are presented for purposes of additional analysis and are not required parts 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Decatur, Illinois
November 28, 2012



Certified Public Accountant

**Greencastle Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2012**

This section of the Greencastle Housing Authority, Indiana's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of June 30, 2012 were \$159,199. The net assets decreased by \$44,324, a decrease of 28.8% from the prior year.
- Revenues for the Authority were \$789,161 for the year ended June 30, 2012. This was a decrease of \$99,863 or 11.2% from the prior year.
- Expenses for the Authority were \$833,486 for the year ended June 30, 2012. This was a decrease of \$89,266 or 9.7% from the prior year.
- Rental revenue for the Authority was \$24,530 for the year ended June 30, 2012, an increase of \$271 or 1.1% over the prior year. HUD operating grants for the Authority was \$616,300 for the year ended June 30, 2012, a decrease of \$37,752 or 4.9% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Greencastle Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2012 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$159,199 at the close of the year ended June 30, 2012 down from \$203,523 in fiscal year 2011. The decrease in net assets of \$44,324 was due to the reasons noted below.

- Current and other assets include cash, receivables, and prepaid expenses. Of the \$1,769 increase in this category, cash decreased \$5,555, receivables increased \$1,301, and prepaid expenses increased \$6,023.
- Restricted assets include cash decreased \$39,748 from the prior year.

Greencastle Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2012

FINANCIAL ANALYSIS (CONTINUED)

- Capital assets decreased \$27,787 because current year depreciation exceeded capital asset additions. Change in capital assets is explained in section titled "Capital Assets and Debt Administration" of this analysis.
- Current liabilities decreased \$9,489 mainly due to a decrease in overpayment due to HUD of \$4,033 and a decrease in accrued interest payable of \$4,083. The Authority also had a decrease in accounts payable of \$928, current portion of accrued compensated absences of \$762 and accrued wages & payroll taxes payable of \$210.
- Noncurrent liabilities decreased \$11,953 due to current year principal payments on long-term debt and a \$7,083 decrease in noncurrent portion of accrued compensated absences.

The unrestricted net assets were \$-33,973 as of June 30, 2012. This amount is to be used to meet the Authority's ongoing obligations. The restricted assets were \$180,514 as of June 30, 2012. This amount may only be used in the Housing Choice Voucher program for housing assistance payments and replacement reserve of Rural Development. At the end of the prior fiscal year, the Authority is able to report positive balances in all categories of net assets. However, at the end of the current year, the Housing Authority over expended the unrestricted net assets and feels this is a temporary situation.

CONDENSED STATEMENTS OF NET ASSETS

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 50,768	\$ 48,999	\$ 1,769	3.6%
Restricted assets	109,479	149,227	(39,748)	-26.6%
Capital assets	<u>661,367</u>	<u>689,154</u>	<u>(27,787)</u>	-4.0%
Total Assets	<u>821,614</u>	<u>887,380</u>	<u>(65,766)</u>	-7.4%
Current liabilities	18,219	27,708	(9,489)	-34.2%
Noncurrent liabilities	<u>644,196</u>	<u>656,149</u>	<u>(11,953)</u>	-1.8%
Total Liabilities	<u>662,415</u>	<u>683,857</u>	<u>(21,442)</u>	-3.1%
Net Assets				
Invested in capital assets	12,658	35,924	(23,266)	-64.8%
Restricted	180,514	103,023	77,491	75.2%
Unrestricted	<u>(33,973)</u>	<u>64,576</u>	<u>(98,549)</u>	-152.6%
Total Net Assets	<u>\$ 159,199</u>	<u>\$ 203,523</u>	<u>\$ (44,324)</u>	-21.8%

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

**Greencastle Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2012**

FINANCIAL ANALYSIS (CONTINUED)

As can be seen in the table on the following page, total revenues decreased \$99,863 due to the reasons noted below.

- Rental revenue increased \$271 or 1.1% from FY 2011.
- Of the \$37,752 decrease in HUD PHA operating grants, program assistance for the Housing Choice Voucher program decreased \$19,034 and program assistance for the Homeless Shelter program decreased \$18,718.
- Other operating grants decreased \$17,117 or 15.9% from FY 2011 due mostly to a \$13,628 decrease in Rural Rental housing assistance and a \$9,243 decrease in assistance for the food and shelter program.
- Interest income decreased \$96 or 39.0% from FY 2011.
- Other income decreased \$45,169 or 67.6% from FY 2011 primarily due to a decrease in other revenue from the Homeless Shelter program.

Total expenses decreased \$89,266 due to the reasons noted below.

- Administration decreased \$66,794 mainly due to a \$60,732 decrease in administrative wages and benefits. The Authority also had a \$4,713 decrease in office expenses.
- Of the \$7,453 decrease in utilities, water and sewer decreased \$3,582 or 34.5%, electricity decreased \$2,728 or 28.7%, and gas decreased \$1,142 or 50.5%.
- Operations and maintenance increased \$2,331 or 5.9% from FY 2011 due to increases in all maintenance categories.
- General expense decreased \$401 or 1.4% from the prior year primarily due to a decrease in expense for compensated absences of 2,187.
- The Authority had a \$1,230 or 4.0% decrease in Depreciation which is the write-off of capital assets over their estimated useful life.
- Housing assistance payments decreased \$15,417 or 2.8% due to a 2.5% decrease in number of vouchers under lease during FY 2012. The Authority also had a decrease in the average housing assistance payment of \$2.97 or 0.9%.
- Interest expense decreased \$302 or 0.6% from FY 2011 due to current year principal payments on outstanding loans.

**Greencastle Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2012**

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating:				
Rental revenue	\$ 24,530	\$ 24,259	\$ 271	1.1%
HUD PHA operating grants	616,300	654,052	(37,752)	-5.8%
Other operating grants	126,568	143,685	(17,117)	-11.9%
Investment income	150	246	(96)	-39.0%
Other income	21,613	66,782	(45,169)	-67.6%
Total Revenues	<u>789,161</u>	<u>889,024</u>	<u>(99,863)</u>	-11.2%
Expenses				
Administration	135,672	202,466	(66,794)	-33.0%
Utilities	14,678	22,131	(7,453)	-33.7%
Ordinary maintenance & operation	39,680	37,349	2,331	6.2%
General expense	27,651	28,052	(401)	-1.4%
Depreciation	29,546	30,776	(1,230)	-4.0%
Housing assistance payments	537,434	552,851	(15,417)	-2.8%
Interest expense	48,825	49,127	(302)	-0.6%
Total Expenses	<u>833,486</u>	<u>922,752</u>	<u>(89,266)</u>	-9.7%
Change in net assets	(44,325)	(33,728)	(10,597)	
Beginning net assets	<u>203,523</u>	<u>237,251</u>	<u>(33,728)</u>	
Ending net assets	<u>\$ 159,198</u>	<u>\$ 203,523</u>	<u>\$ (44,325)</u>	

The Authority had the following programs during the current fiscal year:

1. Northview Apartments - 24 units Section 8 New/Rural Development 515 owned and managed by the Authority. The project had a 77.8% occupancy level in FY 2012, down from 85.4% in FY 2011.
2. Section 8 Housing Choice Vouchers - Authorized to assist 184 households with rental assistance. The lease-up rate for FY 2012 was 76.3%, down from 78.3% in FY 2011.
3. A-Way Home Shelter – 36 bed homeless shelter partially funded through state administered HUD Emergency Shelter Grant. Balance of funding from donations and other grants.

**Greencastle Housing Authority
Management's Discussion and Analysis (MD&A)
June 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Greencastle Housing Authority, Indiana's investment in capital assets, net of related debt as of June 30, 2012 amounts to \$12,658 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements and equipment.

Capital Assets - The total decrease in the Authority's capital assets for the current fiscal year was 4.0% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues and capital contributions were \$1,759 for the year. Depreciation charges for the year totaled \$29,546. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Ending
Capital assets	\$689,154	\$1,759	\$(29,546)	\$661,367

Debt Administration - The Authority has a mortgage on its apartment complex known as Northview Apartments held by U.S. Department of Agriculture Rural Development as part of their Section 515 Loan Program. Total mortgage debt as of June 30, 2012 was \$648,709 down from \$653,230 in FY 2011. Additional information on the Authority's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority is eligible to receive \$269,022 for housing assistance payments for the months of July 2012 through February 2013 in the Housing Choice Voucher Program. The Authority also has \$120,534 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$316.05 for FY 2012, the Authority will have sufficient funding and reserves to lease 83.7% of its authorized vouchers from July 2012 through February 2013. HUD has not established funding levels for the remaining four months of next fiscal year. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2013 and adjusted for pro-rata which is currently at 79.739%.

The A-Way Home Shelter did not receive funding for fiscal year end 2013 through the state administered HUD Emergency Shelter Grant and as a result the shelter was closed. The building that housed the shelter and the current administrative offices are to be sold.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Greencastle Housing Authority, 309 East Franklin Street, Greencastle, Indiana 46135.

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2012**

ASSETS

CURRENT ASSETS

Cash	\$ 37,743
Accounts receivable (interfund eliminated)	1,349
Deferred charges	<u>11,676</u>
Total Current Assets	<u>\$ 50,768</u>

RESTRICTED ASSETS

Cash	<u>\$ 109,479</u>
Total Restricted Assets	<u>\$ 109,479</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 1,136,488
Less: Accumulated depreciation	<u>-475,121</u>
Total Capital Assets	<u>\$ 661,367</u>

Total Assets	<u>\$ 821,614</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 9,146
Notes payable	4,513
Accrued liabilities	4,524
Deferred revenue	<u>36</u>
Total Current Liabilities	<u>\$ 18,219</u>

NONCURRENT LIABILITIES

Notes payable	<u>\$ 644,196</u>
Total Noncurrent Liabilities	<u>\$ 644,196</u>

NET ASSETS

Invested in capital assets	\$ 12,658
Restricted net assets	180,514
Unrestricted net assets	<u>-33,973</u>
Total Net Assets	<u>\$ 159,199</u>

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

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2012**

Operating Income

Tenant rental revenue	\$ 18,499
Tenant revenue - other	<u>6,031</u>
Total Rental Income	\$ 24,530
HUD operating grants	616,300
Other government grants	126,568
Fraud recovery	5,551
Other revenue	<u>16,062</u>
Total Operating Income	\$ <u>789,011</u>

Operating Expenses

Administration	\$ 135,672
Utilities	14,678
Ordinary maintenance and operation	39,680
General expense	27,651
Housing assistance payments	537,434
Depreciation	<u>29,546</u>
Total Operating Expenses	\$ <u>784,661</u>
Net Operating Income (Loss)	\$ <u>4,350</u>

Nonoperating Income (Expense)

Interest expense	\$ -48,825
Interest income	<u>150</u>
Total Nonoperating Income (Expense)	\$ <u>-48,675</u>
Changes in net assets	\$ -44,325
Net assets, beginning of year	<u>203,524</u>
Net assets, end of year	<u><u>\$ 159,199</u></u>

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2012**

Operating Activities

Operating grants	\$ 738,835
Tenant revenue	24,179
Other revenue	21,613
Housing assistance payments	-537,434
Payments to employees	-115,243
Payments to suppliers and contractors	<u>-126,819</u>

Net Cash Provided (Used) by Operating Activities \$ 5,131

Investing Activities

Interest income	<u>\$ 150</u>
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Net Cash Provided (Used) by Investing Activities \$ 150

Capital and Related Financing Activities

Additions (deletions) to fixed assets	\$ -1,758
Interest expense	<u>-48,825</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -50,583

Net Change in Cash \$ -45,302

Cash Balance at June 30, 2011 192,524

Cash Balance at June 30, 2012 \$ 147,222

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2012**

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

Net operating income (loss)	\$ 4,350
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	29,546
(Increase) decrease in accounts receivable	-1,301
(Increase) decrease in deferred charges	-6,023
Increase (decrease) in accounts payable	-4,664
Increase (decrease) in accrued liabilities	-12,138
Increase (decrease) in deferred revenues	-117
Increase (decrease) in other liabilities	<u>-4,522</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,131</u>

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(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:

- * Housing Choice Vouchers
- * Emergency Shelter Grants Program
- * Emergency Food and Shelter National Board Program
- * Business Activities
- * Rural Rental Housing Loans

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

Proprietary Fund Types:

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

(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) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combined statement of net assets and have been eliminated in the basic financial statements.

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2012, 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.

(h) 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 and practices:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) 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	10-40	years
Equipment	3-7	years
Furniture and fixtures, equipment dwelling	3-10	years
Leasehold improvements	10-40	years

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

Other 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.

- (l) The Housing Authority adopts a budget annually. The budgets is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.
- (m) 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.
- (n) 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 Rural Development. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) Rental income is recognized as rents become due.

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 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.

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(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>
Voucher	\$ 49,499	\$ 49,542
Business Activities	3,280	3,280
Rural Rental Housing Loans	93,516	93,516
Emergency Shelter Grant	<u>927</u>	<u>827</u>
Total	<u>\$ 147,222</u>	<u>\$ 147,165</u>

Note 3 - Compensated Absences

Full time and part time employees working more than 30 hours per week are eligible for vacation benefits in varying amounts to specified maximums depending on length of service with the Housing Authority.

Vacation Hours Earned Per Month

Years of Employment	Salaried	F/T Hourly	P/T Hourly (30+)
1-2 years	6	3.75	3
3-5 years	8	5.75	4.5
6-10 years	10	7.5	6
11-15 years	12	9.5	7.5
Over 15 years	14	11.25	9

The Housing Authority allows a maximum of 120 hours to be carried from year to year. Any time earned over 120 hours will be forfeited at the beginning of the calendar year. Upon separation from the Authority, the Housing Authority will pay employee for unused vacation at 60% of rate of pay up to 120 hours maximum.

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 4 - Defined Contribution Plan

All employees of Greencastle Housing Authority participate in Greencastle Housing Authority Thrift Plan. The plan requires employees to contribute 7% of wages which are then matched by the Housing Authority and deposited with American Funds into investment accounts that are directed by the employee. There is no vesting requirements with this plan and employees begin participation at the start of their employment. For the fiscal year ended June 30, 2012, actual contributions by the Housing Authority and plan participants were \$7,812 and \$7,822, respectively. Total annual payroll expense was \$115,427.

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	\$ 399
Fraud recovery	<u>950</u>
Subtotal	\$ 1,349
Interfund	<u>177,983</u>
Total	<u><u>\$ 179,332</u></u>

Note 7 - Deferred Charges

This classification includes the following:

Prepaid insurance	<u><u>\$ 11,676</u></u>
-------------------	-------------------------

Note 8 - Fixed Assets

Balance as of June 30, 2011	\$ 661,367
Balance as of June 30, 2012	<u>689,155</u>
Net Increase (Decrease)	<u><u>\$ -27,788</u></u>

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

Reconciliation

Property betterments and additions	\$ 1,758
Current year depreciation expense	<u>-29,546</u>
Net Increase (Decrease)	<u>\$ -27,788</u>

<u>Analysis</u>	<u>07/01/2011 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2012 Balance</u>
Land	\$ 73,210	\$ 0	\$ 0	\$ 73,120
Buildings	980,730	1,758	0	982,488
Equipment and furniture	74,775	1,877	0	76,652
Leasehold improvements	<u>4,228</u>	<u>0</u>	<u>0</u>	<u>4,228</u>
Total	\$ 1,132,853	\$ 3,635	\$ 0	\$ 1,136,488
Accumulated depreciation	<u>-443,698</u>	<u>-29,546</u>	* <u>1,877</u>	<u>-475,121</u>
Net Assets	<u>\$ 689,155</u>	<u>\$ -25,911</u>	<u>\$ 1,877</u>	<u>\$ 661,367</u>

* Current year depreciation expense.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 3,391
Tenants security deposits	3,298
Accounts payable - HUD	1,431
Accrued liabilities - other	<u>1,026</u>
Subtotal	\$ 9,146
Interfund	<u>177,983</u>
Total	<u>\$ 187,129</u>

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 10 - 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.

The detail of the Housing Authority's long term debt at year end is set forth below:

<u>Project</u>	<u>Rate</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Rural Rental	7.5%	\$ 4,513	\$ 644,196	\$ 648,709

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

<u>Due Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,513	\$ 48,498
2014	4,863	48,148
2015	5,241	47,770
2016	5,648	47,363
2017	6,086	46,925
Thereafter	622,358	

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages/payroll taxes	\$ 3,374
Accrued compensated absence	<u>1,150</u>
Total	<u><u>\$ 4,524</u></u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2012:

	<u>07/01/2011 Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>06/30/2012 Balance</u>
Mortgage payable	<u>\$ 649,067</u>	<u>\$ 0</u>	<u>\$ 4,871</u>	<u>\$ 644,196</u>

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2012
(CONTINUED)**

Note 13 - Deferred Revenue

This classification consists of the following:

Tenants prepaid rent	\$ <u> 36</u>
----------------------	------------------------

Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on an annual basis.

Note 15 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 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 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 (78 %) from the United States Department of Housing and Urban Development and (15%) from the United States Department of Agriculture. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2012**

<u>Federal Grantor/Program</u>	<u>Federal CFDA 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:					
Housing Choice Voucher Program*	14.871	FYE 06/30/12	\$ <u>616,300</u>	\$ <u>616,300</u>	\$ <u>616,300</u>
Emergency Food and Shelter National Board Program	97.024	FYE 06/30/12	\$ <u>3,920</u>	\$ <u>1,960</u>	\$ <u>1,960</u>
Emergency Shelter Grant Program	14.231	FYE 06/30/12	\$ <u>30,470</u>	\$ <u>5,754</u>	\$ <u>5,754</u>
<u>U.S. Department of Agriculture</u>					
Rural Rental Housing Loans	10.415	FYE 06/30/12	\$ <u>118,854</u>	\$ <u>118,854</u>	\$ <u>767,563</u>
Total Housing Assistance			\$ <u>769,544</u>	\$ <u>742,868</u>	\$ <u>1,391,577</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED JUNE 30, 2012**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

Note 2: Reconciliation of Federal Expenditures:

Total Federal Expenditures per Schedule of Federal Awards	\$ 1,391,577
Reconciling item: Department of Agriculture, Rural Housing (Note 10)	<u>648,709</u>
Total Federal Assistance per Financial Statements	<u>\$ 742,868</u>
HUD grants	\$ 616,300
Other Federal grants	7,714
Rural Development	<u>118,854</u>
	<u>\$ 742,868</u>



**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
Greencastle Housing Authority
Greencastle, Indiana

I have audited the financial statements of Greencastle Housing Authority as of and for the year ended June 30, 2012, and have issued my report thereon dated November 28, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Greencastle Housing Authority'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 Greencastle Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Greencastle Housing Authority's internal control over financial reporting.

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

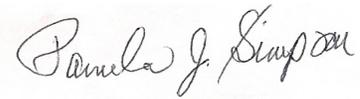
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

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

I noted certain matters that I reported to management of Greencastle Housing Authority in a separate letter dated November 28, 2012.

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

Handwritten signature of Pamela J. Simpson in black ink.

Certified Public Accountant

Decatur, Illinois
November 28, 2012



Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Greencastle Housing Authority
Greencastle, Indiana

Compliance

I have audited Greencastle Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Greencastle Housing Authority's major federal programs for the year ended June 30, 2012. Greencastle Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Greencastle Housing Authority's management. My responsibility is to express an opinion on Greencastle Housing Authority'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. 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 Greencastle Housing Authority compliance with those requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Greencastle Housing Authority's compliance with those requirements.

In my opinion, Greencastle Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 management, Board of Commissioners, others within the entity, Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

Decatur, Illinois
November 28, 2012

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2011 contained no findings.

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2012**

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 OMB Circular A-133? _____ yes X_____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program
10.415	Rural Rental Housing Loans

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

Auditee qualified as low-risk auditee? X_____ yes _____ no

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

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

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Nicole Christlieb, Executive Director and Richard Shuck, Board Chairperson during the course of the audit or at an exit conference held November 28, 2012.

Section III - Federal Award Findings and Questioned Costs

There were no federal awards audit findings and questioned costs were discussed with Nicole Christlieb, Executive Director or Richard Shuck, Board Chairperson during the course of the audit or at an exit conference held November 28, 2012.

**GREENCASTLE HOUSING AUTHORITY
GREENCASTLE, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2012**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Legal expense	4130		\$ 77.00	2806.01
Advances revolving- NVA	1129.07	\$ 77.00		1129.07
(To correct coding of check #44732 for NVA eviction)				
<u>NVA</u>				
(1)				
Legal expense	4130	\$ 77.00		2806.01
Advances revolving- NVA	1129.07		\$ 77.00	2119.07
(To correct coding of check #44732 for NVA eviction)				
(2)				
Unrestricted net assets	2806.01	\$ 59,979.74		2806.01
Restricted net assets	----		\$ 59,979.74	----
(To establish restricted account for the replacement reserve bank account)				
<u>AWH</u>				
(1)				
Vendor payable	2111		\$ 600.00	2111
A/P employee benefits	2111.04		509.00	2111.04
Other general expense	4590	\$ 600.00		2806.01
Employee benefit contribution	4540	509.00		2806.01
(To record vendor payable per examination of subsequent payments)				

Housing Authority of the City of Greencastle (IN094)

Greencastle, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14,871 Housing Choice Vouchers	1 Business Activities	10,415 Rural Rental Housing Loans	14,231 Emergency Shelter Grants Program	87,024 Emergency Food and Shelter National Board Program	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$3,280	\$30,238	\$927		\$34,445		\$34,445
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$49,499		\$59,980			\$109,479		\$109,479
114 Cash - Tenant Security Deposits			\$3,298			\$3,298		\$3,298
115 Cash - Restricted for Payment of Current Liabilities	\$49,499		\$93,516	\$927	\$0	\$147,222	\$0	\$147,222
100 Total Cash								
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous								
126 Accounts Receivable - Tenants			\$399			\$399		\$399
126.1 Allowance for Doubtful Accounts - Tenants			\$0			\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery	\$950					\$950		\$950
128.1 Allowance for Doubtful Accounts - Fraud	\$0					\$0		\$0
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$950	\$0	\$399	\$0	\$0	\$1,349	\$0	\$1,349
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$4,567		\$5,647	\$1,462		\$11,676		\$11,676
143 Inventories								
143.1 Allowance for Obsolete Inventories								
144 Inter Program Due From	\$177,983					\$177,983	-\$177,983	\$0
145 Assets Held for Sale	\$232,999	\$3,280	\$99,562	\$2,389	\$0	\$338,230	-\$177,983	\$160,247
150 Total Current Assets								
161 Land			\$33,120	\$40,000		\$73,120		\$73,120
162 Buildings			\$728,366	\$254,122		\$982,488		\$982,488
163 Furniture, Equipment & Machinery - Dwellings				\$26,390		\$26,390		\$26,390
164 Furniture, Equipment & Machinery - Administration	\$25,478		\$13,182	\$11,602		\$50,262		\$50,262
165 Leasehold Improvements			\$4,228			\$4,228		\$4,228
166 Accumulated Depreciation			-\$310,056	-\$140,386		-\$475,121		-\$475,121
167 Construction in Progress								
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$799	\$0	\$488,840	\$191,728	\$0	\$661,367	\$0	\$661,367
171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans & Mortgages Receivable - Non-Current - Past Due								
173 Grants Receivable - Non-Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$799	\$0	\$488,840	\$191,728	\$0	\$661,367	\$0	\$661,367
190 Total Assets	\$233,798	\$3,280	\$568,402	\$194,117	\$0	\$999,597	-\$177,983	\$821,614

Housing Authority of the City of Greencastle (IN094)
Greencastle, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14,871 Housing Choice Vouchers	1 Business Activities	10,415 Rural Rental Housing Loans	14,231 Emergency Shelter Grants Program	97,024 Emergency Food and Shelter National Board Program	Subtotal	ELIM	Total
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$818		\$1,103	\$1,470		\$3,391		\$3,391
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable	\$1,080		\$1,015	\$1,279		\$3,374		\$3,374
322 Accrued Compensated Absences - Current Portion	\$528		\$622			\$1,150		\$1,150
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs	\$1,431					\$1,431		\$1,431
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government								
341 Tenant Security Deposits			\$3,298			\$3,298		\$3,298
342 Deferred Revenues			\$36			\$36		\$36
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			\$4,513			\$4,513		\$4,513
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other	\$350		\$676			\$1,026		\$1,026
347 Inter Program - Due To			\$10,987	\$167,896		\$177,983	-\$177,983	\$0
348 Loan Liability - Current								
310 Total Current Liabilities	\$4,207	\$0	\$21,350	\$170,645	\$0	\$196,202	-\$177,983	\$18,219
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$644,196			\$644,196		\$644,196
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other								
354 Accrued Compensated Absences - Non Current								
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$0	\$0	\$644,196	\$0	\$0	\$644,196	\$0	\$644,196
300 Total Liabilities	\$4,207	\$0	\$665,546	\$170,645	\$0	\$840,398	-\$177,983	\$662,415
508.1 Invested In Capital Assets, Net of Related Debt	\$799		-\$179,869	\$191,728		\$12,658		\$12,658
511.1 Restricted Net Assets	\$120,534		\$59,880			\$180,514		\$180,514
512.1 Unrestricted Net Assets	\$108,266	\$3,280	\$22,745	-\$168,256	\$0	-\$33,973		-\$33,973
513 Total Equity/Net Assets	\$229,591	\$3,280	-\$97,144	\$23,472	\$0	\$159,199	\$0	\$159,199
600 Total Liabilities and Equity/Net Assets	\$233,798	\$3,280	\$568,402	\$194,117	\$0	\$999,597	-\$177,983	\$821,614

Housing Authority of the City of Greencastle (IN094)
Greencastle, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	14,871 Housing Choice Vouchers	1 Business Activities	10,415 Rural Rental Housing Loans	14,231 Emergency Shelter Grants Program	97,024 Emergency Food and Shelter National Board Program	Subtotal	ELIM	Total
93100 Water	\$163		\$5,280	\$1,349		\$6,792		\$6,792
93200 Electricity	\$227		\$3,694	\$2,688	\$160	\$6,769		\$6,769
93300 Gas	\$88			\$1,029		\$1,117		\$1,117
93400 Fuel								
93500 Labor								
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93900 Total Utilities	\$478	\$0	\$8,974	\$5,066	\$160	\$14,678	\$0	\$14,678
94100 Ordinary Maintenance and Operations - Labor	\$2,259		\$2,248	\$182		\$24,689		\$24,689
94200 Ordinary Maintenance and Operations - Materials and Other			\$5,704	\$102		\$5,806		\$5,806
94300 Ordinary Maintenance and Operations Contracts			\$6,099	\$522		\$6,621		\$6,621
94500 Employee Benefit Contributions - Ordinary Maintenance	\$328		\$2,035	\$201		\$2,564		\$2,564
94000 Total Maintenance	\$2,587	\$0	\$6,086	\$1,007	\$0	\$39,680	\$0	\$39,680
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance			\$8,594	\$2,062		\$10,656		\$10,656
96120 Liability Insurance	\$288		\$175	\$1,535		\$1,998		\$1,998
96130 Workmen's Compensation	\$554		\$390	\$84		\$1,028		\$1,028
96140 All Other Insurance	\$104		\$110	\$47		\$261		\$261
96100 Total Insurance Premiums	\$946	\$0	\$9,269	\$3,728	\$0	\$13,943	\$0	\$13,943
96200 Other General Expenses				\$600	\$1,752	\$2,352		\$2,352
96210 Compensated Absences	\$4,179		\$3,239	\$380		\$7,798		\$7,798
96300 Payments in Lieu of Taxes								
96400 Bad debt - Tenant Rents			\$3,558			\$3,558		\$3,558
96500 Bad debt - Mortgages								
96500 Bad debt - Other								
96500 Severance Expense								
96000 Total Other General Expenses	\$4,179	\$0	\$6,797	\$980	\$1,752	\$13,708	\$0	\$13,708
96710 Interest of Mortgage (or Bonds) Payable			\$48,825			\$48,825		\$48,825
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$48,825	\$0	\$0	\$48,825	\$0	\$48,825
96900 Total Operating Expenses	\$77,468	\$0	\$139,165	\$47,961	\$1,912	\$266,506	\$0	\$266,506
97000 Excess of Operating Revenue over Operating Expenses	\$549,810	\$0	\$2,246	-\$29,449	\$48	\$522,655	\$0	\$522,655



Board of Commissioners
Greencastle Housing Authority
Greencastle, Indiana

In planning and performing my audit of the financial statements of Greencastle Housing Authority as of and for the year ended June 30, 2012, 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 Greencastle Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Greencastle Housing Authority'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.

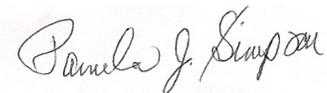
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999 for all financial institutions holding HUD funds. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.
2. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice.

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. HUD provides the Housing Authority with Administrative Fee Subsidy to cover administrative/operating expenditures of the Housing Voucher Program. At the end of the year, the Administrative Equity of the Housing Authority showed a deficit balance. Under HUD requirements, each housing authority is to administer the program within the budget (subsidy) provided. The loss of funding for the Homeless Shelter appears to have caused the 'drain' of funds. The current management and the Board have taken steps to replenish these funds. Additionally, they should aggressively pursue the disposal or rental of the building in order to recoup these funds.
5. While reviewing the detailed depreciation schedule, it was noted that many old (and possibly obsolete) items were listed. At least annually, the Housing Authority should take a physical inventory of depreciable items and reconcile it to the detailed depreciation schedule. Items that have been disposed or obsolete items should be removed.
6. The current management could not locate a copy of the current, formal depreciation policy. Generally accepted accounting principles require a policy that indicates the dollar threshold or assets to be capitalized as well as the estimated useful lives.
7. While reviewing the agency's by-laws and new policies, it became apparent that many changes have recently been implemented that will require a change in the current adopted by-laws.
8. While reviewing the agency's SEMAP certification, the Housing could not provide written documentation to substantiate that the required number of participant files and units had been tested as a basis for data collection for the submission. This documentation needs to be retained as support for the certification.
9. During a review of disbursements, it was noted that one travel/training reimbursement was made for more than voucher attached. All disbursements should be properly supported and documented.

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



Certified Public Accountant

Decatur, Illinois
November 28, 2012