



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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February 27, 2013

Board of Directors
Housing Authority of Cannelton
c/o Lincoln Hills Development Corp.
302 Main Street
Tell City, IN 47586

We have reviewed the audit report prepared by McCauley Nicolas, Independent Public Accountants, for the period April 1, 2010 to March 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of Cannelton, as of March 31, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

for the year ended March 31, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Cannelton
Cannelton, Indiana

We have audited the accompanying financial statements of the Housing Authority of Cannelton as of and for the year ended March 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of Cannelton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Cannelton as of March 31, 2011, and the changes in its net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, on our consideration of the Housing Authority of Cannelton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of Cannelton taken as a whole. The accompanying schedule of expenditures of federal awards on page 14 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Additionally, the accompanying financial data schedule is presented for purposes of additional analysis and is also not a required part of the financial statements. The schedule of expenditures of federal awards and the financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
October 3, 2011

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS
Year ended March 31, 2011

As management of Housing Authority of Cannelton (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2011.

FINANCIAL HIGHLIGHTS

- Net assets increased by \$37,804 as of March 31, 2011.
- Operating revenue of the Authority decreased by \$7,999 from prior year results.
- The Authority's cash balance at March 31, 2011 was \$85,774, representing an increase of \$45,328 from March 31, 2010.

OVERVIEW OF THE AUTHORITY

The Housing Authority of Cannelton is organized under the laws of the State of Indiana for the purpose of providing rent assistance for the elderly and low-income families. The Authority receives funds from HUD under Annual Contribution Contract C-2041 Cannelton, Indiana, and administers 179 Section 8 Housing Choice Voucher units.

A five (5)-member board governs the Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

- The Authority-wide financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows report information about the Authority as whole and about its activities in a format that helps the reader assess the result of operations. Each statement is a condensed presentation of sources of funding and major activities. 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.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS-Continued
Year ended March 31, 2011

AN OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

Housing Authority of Cannelton
Statement of Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current assets	\$ 87,980	\$ 46,011	91.2%
Total assets	<u>\$ 87,980</u>	<u>\$ 46,011</u>	<u>91.2%</u>
Current liabilities	\$ 4,165	\$ -	-
Total liabilities	<u>\$ 4,165</u>	<u>\$ -</u>	<u>-</u>
Net assets			
Unrestricted net assets	\$ 10,903	\$ 8,469	28.7%
Restricted net assets	<u>72,912</u>	<u>37,542</u>	<u>94.2%</u>
Total net assets	<u>\$ 83,815</u>	<u>\$ 46,011</u>	<u>82.2%</u>

Cash

Total cash increased by \$45,328 or 112% as of March 31, 2011 compared to March 31, 2010.

Accounts receivable

Accounts receivable decreased by \$3,359 as of March 31, 2011. At March 31, 2011, the Authority had a \$2,206 receivable related to fraud recovery.

Accounts payable

At March 31, 2011, the Authority had a payable to HUD totaling \$4,165 for advanced administrative fees for the first quarter of 2011.

Long-term Debt

The Authority does not have any long-term liabilities at this time.

Net Assets

Net assets increased by \$37,804 as of March 31, 2011.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS-Continued
Year ended March 31, 2011

AN OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS-
Continued

The results of operations for the Authority are presented below:

Housing Authority of Cannelton

Statement of Revenue, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Increase/Decrease</u>	<u>Amount</u>	<u>Percentage</u>
OPERATING REVENUE					
HUD PHA grants	\$ 725,114	\$ 731,118	\$ (6,004)		-0.8%
Fraud recovery	<u>1,520</u>	<u>3,515</u>	<u>(1,995)</u>		<u>-56.8%</u>
TOTAL OPERATING REVENUE	<u>726,634</u>	<u>734,633</u>	<u>(7,999)</u>		<u>-1.1%</u>
OPERATING EXPENSES					
Administrative	75,639	77,159	(1,520)		-2.0%
Housing assistance payments	613,505	651,725	(38,220)		-5.9%
HAP portability-in	<u>1,518</u>	<u>-</u>	<u>1,518</u>		<u>-</u>
TOTAL OPERATING EXPENSES	<u>690,662</u>	<u>728,884</u>	<u>(38,222)</u>		<u>-5.2%</u>
Operating income/(loss)	<u>35,972</u>	<u>5,749</u>	<u>30,223</u>		<u>525.7%</u>
NONOPERATING REVENUE					
Interest and investment revenue	1,832	61	1,771		2903.3%
Fraud losses	<u>-</u>	<u>(1,567)</u>	<u>1,567</u>		<u>-</u>
TOTAL NONOPERATING REVENUE	<u>1,832</u>	<u>(1,506)</u>	<u>3,338</u>		<u>-221.6%</u>
CHANGE IN NET ASSETS	<u>\$ 37,804</u>	<u>\$ 4,243</u>	<u>\$ 33,561</u>		<u>791.0%</u>

The details of the changes are explained in the Results of Operations section.

RESULTS OF OPERATIONS

Net assets increased by \$37,804 during the year ended March 31, 2011.

Operating revenues of the Authority's activities are generated principally from HUD annual contributions. During the year ended March 31, 2011, the Authority's operating revenues for its activities totaled \$728,430. Of this total, \$725,114 or 99.5%, is from HUD annual contributions. Operating expense of the Authority's activities consist primarily of housing assistance payments. Operating expenses totaled \$689,397 of which \$613,505, or 89.2%, were housing assistance payments.

CAPITAL ASSETS

The Authority had no capital assets as of March 31, 2011.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS-Continued
Year ended March 31, 2011

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report should be addressed to the following address:

Housing Authority of Cannelton
c/o Lincoln Hills Development Corporation
Attn: Executive Director
P.O. Box 336
Tell City, IN 47586

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

STATEMENT OF NET ASSETS
March 31, 2011

ASSETS

ASSETS

Cash - unrestricted	\$ 12,862
Cash - restricted	72,912
Accounts receivable - fraud recovery	<u>2,206</u>
TOTAL ASSETS	<u>\$ 87,980</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable - HUD	<u>\$ 4,165</u>
TOTAL LIABILITIES	<u>4,165</u>

NET ASSETS

Unrestricted net assets	10,903
Restricted net assets	<u>72,912</u>
TOTAL NET ASSETS	<u>83,815</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 87,980</u>
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See notes to financial statements.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the year ended March 31, 2011

OPERATING REVENUES	
HUD PHA grants	\$ 725,114
Fraud recovery	1,520
Other revenue	<u>1,796</u>
TOTAL OPERATING REVENUES	<u>728,430</u>
OPERATING EXPENSES	
Administrative	75,639
Housing assistance payments	613,505
HAP portability-in	<u>1,518</u>
TOTAL OPERATING EXPENSES	<u>690,662</u>
Operating income	<u>37,768</u>
NONOPERATING REVENUE	
Interest revenue - unrestricted	4
Interest revenue - restricted	<u>32</u>
TOTAL NONOPERATING REVENUE	<u>36</u>
CHANGE IN NET ASSETS	37,804
Net assets, beginning of year	<u>46,011</u>
Net assets, end of year	<u><u>\$ 83,815</u></u>

See notes to financial statements.

HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

STATEMENT OF CASH FLOWS
for the year ended March 31, 2011**OPERATING ACTIVITIES**

HUD PHA grants received	\$ 731,262
Other cash receipts	<u>4,692</u>

735,954

Administrative expenses	75,639
Housing assistance payments	613,505
HAP portability-in	<u>1,518</u>

690,662

Net cash provided by operating activities	<u>45,292</u>
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INVESTING ACTIVITIES

Interest received	<u>36</u>
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Cash provided by investing activities	<u>36</u>
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Net increase in cash	45,328
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OPERATING CASH

Beginning of year	<u>40,446</u>
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End of year	<u>\$ 85,774</u>
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OPERATING ACTIVITIES

Operating income	\$ 37,768
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Adjustments to reconcile operating income to net cash
provided by operating activities:

(Increase)/Decrease in assets:

Accounts receivable - fraud recovery	1,376
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Accounts receivable - HUD	1,983
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Accounts payable - HUD	<u>4,165</u>
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Net cash provided by operating activities	<u>\$ 45,292</u>
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Cash at March 31, 2011 consists of the following:

Cash - unrestricted	\$ 12,862
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Cash - restricted	<u>72,912</u>
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	<u>\$ 85,774</u>
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See notes to financial statements.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

NOTES TO FINANCIAL STATEMENTS
March 31, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Housing Authority of Cannelton (the Authority) is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representation of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Authority is organized under the laws of the State of Indiana for the purpose of providing rent assistance for the elderly and low-income families. The Authority administers 179 Section 8 Housing Choice Voucher units under Annual Contribution Contract C-2041 in Cannelton, Indiana. The funds are disbursed to various landlords to provide tenant assistance. The Authority does not own the housing facilities.

Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Cannelton and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, 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. Consequently, in accordance with the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of Cannelton is a separate reporting entity.

Basis of Presentation

The Authority's program is accounted for as an enterprise fund. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designated to recover its costs.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued
March 31, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation-Continued

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority's proprietary fund follows all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, except those that conflict with or contradict a GASB pronouncement.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting.

Use of Estimates

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

Cash Equivalents

The Authority considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. The Authority had no cash equivalents at March 31, 2011.

Allowance for Doubtful Accounts

The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts was required at March 31, 2011.

Revenue and Expenses

Revenue is recorded as earned and expenses are charged against such revenue as incurred without regard to the date of receipt or payment of cash.

Subsequent Events

The Authority has evaluated events and transactions for potential recognition or disclosure through October 3, 2011, the date the financial statements were available for issuance.

HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued

March 31, 2011

NOTE 2—CASH DEPOSITS AND INVESTMENTS

The carrying value of cash owned at March 31, 2011 was \$85,774. The bank balance of cash owned at March 31, 2011 was \$86,392.

A. Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Authority may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. Statutes authorize the 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 depository financial institutions.

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Authority limits investments to provide the optimum return on the investment consistent with the cash management program of the Authority.

Investments are made based upon prevailing market conditions at the time of the transaction. The Authority reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flow needs. Investments will typically be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the Authority.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments. The Authority requires investment in instruments authorized by HUD Notice PIH 95-27.

D. Concentration of Credit Risk

The Authority's management considers diversification of the overall portfolio to eliminate the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer and/or a specific class of securities.

HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued

March 31, 2011

NOTE 2—CASH DEPOSITS AND INVESTMENTS—Continued

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect fair value of an investment or a deposit. All of the Authority's deposits are denominated in United States currency.

NOTE 3—ACCOUNTS PAYABLE— HUD

At March 31, 2011, the Housing Authority had an accounts payable to HUD of \$4,165 related to advanced administrative fees for the first quarter of 2011.

NOTE 4—RESTRICTED NET ASSETS

In accordance with guidelines established by HUD, any housing assistance payment (HAP) budget authority provided to a Housing Authority in excess of actual program expenses for the same period must be maintained as restricted net assets to be used only for HAP payments incurred in the running of the Housing Choice Voucher program. The Authority has a balance of \$72,912 in restricted net assets at March 31, 2011.

NOTE 5—ADMINISTRATIVE FEE

The Authority receives an "Administrative Fee" as part of Annual Contribution Contract with HUD to cover the costs (including overhead) of administering the Section 8 program. The Authority entered into an annual agreement with Lincoln Hills Development Corporation (LHDC) whereby LHDC would administer the Section 8 Housing Choice Voucher Program in the County of Perry, Indiana, exclusive of the area in the corporate limits of the City of Tell City, Indiana. The fee paid to LHDC was \$38.48 per month for each unit leased during the year ended March 31, 2011. The total amount charged to the expense under this agreement during the year ended March 31, 2011 was \$69,264 which is included as part of "Administrative" expense in the Statement of Revenues, Expenses and Changes in Net Assets.

NOTE 6—INCOME TAXES

The Authority has qualified with the Internal Revenue Service and the Indiana Department of Revenue as a tax-exempt organization for income tax purposes and, accordingly, there is no provision in the financial statements for federal or state income taxes.

NOTE 7—MAJOR FUNDING SOURCE

The Authority is substantially funded by Federal awards. Management does not anticipate any material change in funding.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended March 31, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Section 8 Housing Choice Voucher Program	14.871	<u>\$725,114</u>

Basis of Presentation

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

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 Cannelton
Cannelton, Indiana

We have audited the financial statements of Housing Authority of Cannelton as of and for the year ended March 31, 2011, and have issued our report thereon dated October 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the Authority, the Board of Commissioners, 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
October 3, 2011

INDEPENDENT AUDITORS' 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
Housing Authority of Cannelton
Cannelton, Indiana

Compliance

We have audited the Housing Authority of Cannelton's (the Authority) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended March 31, 2011. The Authority's major federal program is 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 its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major program for the year ended March 31, 2011.

Internal Control Over Compliance

Management of the 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 our audit, we considered the 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 our 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 the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

This report is intended solely for the information and use of management, others within the Authority, the Board of Commissioners, 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.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
October 3, 2011

HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended March 31, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of Cannelton (the "Authority").
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' 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.
5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unqualified opinion.
6. The audit disclosed no audit findings relating to major federal award programs for the Authority which are required to be reported under Section 510(a) of OMB Circular A-133.

7. The program tested as a major program included:

<u>Description</u>	<u>Federal CFDA No.</u>
Section 8 Housing Choice Voucher Program	14.871

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Authority was determined to be a low-risk auditee.

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
for the year ended March 31, 2011

None

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Board of Commissioners
Housing Authority of Cannelton
Cannelton, Indiana

We have performed the procedure described in the second paragraph, which was agreed to by the Housing Authority of Cannelton (the Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with related hard copy documents included within the OMB Circular A-133 reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

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

We were engaged to perform an audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, for the Authority as of and for the year ended March 31, 2011, and have issued our reports thereon dated October 3, 2011. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated October 3, 2011 was expressed in relation to the basic financial statements of the Authority taken as a whole.

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

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

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
November 3, 2011

ATTACHMENT TO INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURE

	UFRS RULE	HARD COPY		DOES
PROCEDURE	INFORMATION	DOCUMENT(S)	AGREES	NOT
			AGREE	AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs, if applicable	X	
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	X	
4	Audit Findings Narrative (data element G5200-010)	Schedule of Findings and Questioned Costs	X	
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	X	
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
8	Type of compliance requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	X	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

HOUSING AUTHORITY OF CANNELTON (IN043)

Cannelton, Indiana

Financial Data Schedule
Entity Wide Balance Sheet Summary
March 31, 2011

	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$ 12,862	\$ 12,862	\$ 12,862
112 Cash - Restricted - Modernization and Development	-	-	-
113 Cash - Other Restricted	72,912	72,912	72,912
114 Cash - Tenant Security Deposits	-	-	-
115 Cash - Restricted for Payment of Current Liabilities	-	-	-
100 Total Cash	<u>85,774</u>	<u>85,774</u>	<u>85,774</u>
121 Accounts Receivable - PHA Projects	-	-	-
122 Accounts Receivable - HUD Other Projects	-	-	-
124 Accounts Receivable - Other Government	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	-
126 Accounts Receivable - Tenants	-	-	-
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-
126.2 Allowance for Doubtful Accounts - Other	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-
128 Fraud Recovery	2,206	2,206	2,206
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-
129 Accrued Interest Receivable	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>2,206</u>	<u>2,206</u>	<u>2,206</u>
131 Investments - Unrestricted	-	-	-
132 Investments - Restricted	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-
142 Prepaid Expenses and Other Assets	-	-	-
143 Inventories	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-
144 Inter Program Due From	-	-	-
145 Assets Held for Sale	-	-	-
150 Total Current Assets	<u>87,980</u>	<u>87,980</u>	<u>87,980</u>
161 Land	-	-	-
162 Buildings	-	-	-
163 Furniture, Equipment & Machinery - Dwellings	-	-	-
164 Furniture, Equipment & Machinery - Administration	-	-	-
165 Leasehold Improvements	-	-	-
166 Accumulated Depreciation	-	-	-
167 Construction in Progress	-	-	-
168 Infrastructure	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>-</u>	<u>-</u>
190 Total Assets	<u>\$ 87,980</u>	<u>\$ 87,980</u>	<u>\$ 87,980</u>

HOUSING AUTHORITY OF CANNELTON (IN043)

Cannelton, Indiana

Financial Data Schedule

Entity Wide Balance Sheet Summary

March 31, 2011

	14,871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft	\$ -	\$ -	\$ -
312 Accounts Payable <= 90 Days	-	-	-
313 Accounts Payable >90 Days Past Due	-	-	-
321 Accrued Wage/Payroll Taxes Payable	-	-	-
322 Accrued Compensated Absences - Current Portion	-	-	-
324 Accrued Contingency Liability	-	-	-
325 Accrued Interest Payable	-	-	-
331 Accounts Payable - HUD PHA Programs	4,165	4,165	4,165
332 Account Payable - PHA Projects	-	-	-
333 Accounts Payable - Other Government	-	-	-
341 Tenant Security Deposits	-	-	-
342 Deferred Revenues	-	-	-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-
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	<u>4,165</u>	<u>4,165</u>	<u>4,165</u>
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-
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	<u>-</u>	<u>-</u>	<u>-</u>
300 Total Liabilities	<u>4,165</u>	<u>4,165</u>	<u>4,165</u>
508.1 Invested In Capital Assets, Net of Related Debt	-	-	-
509.2 Fund Balance Reserved	-	-	-
511.2 Unreserved, Designated Fund Balance	-	-	-
511.1 Restricted Net Assets	72,912	72,912	72,912
512.1 Unrestricted Net Assets	10,903	10,903	10,903
512.2 Unreserved, Undesignated Fund Balance	-	-	-
513 Total Equity/Net Assets	<u>83,815</u>	<u>83,815</u>	<u>83,815</u>
600 Total Liabilities and Equity/Net Assets	<u>\$ 87,980</u>	<u>\$ 87,980</u>	<u>\$ 87,980</u>

HOUSING AUTHORITY OF CANNELTON (IN043)

Cannelton, Indiana

Financial Data Schedule
Entity Wide Revenue and Expense Summary
for the year ended March 31, 2011

	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$ -	\$ -	\$ -
70400 Tenant Revenue - Other	-	-	-
70500 Total Tenant Revenue	-	-	-
70600 HUD PHA Operating Grants	725,114	725,114	725,114
70610 Capital Grants			
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	4	4	4
71200 Mortgage Interest Income	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-
71310 Cost of Sale of Assets	-	-	-
71400 Fraud Recovery	1,520	1,520	1,520
71500 Other Revenue	1,796	1,796	1,796
71600 Gain or Loss on Sale of Capital Assets	-	-	-
72000 Investment Income - Restricted	32	32	32
70000 Total Revenue	728,466	728,466	728,466
91100 Administrative Salaries	-	-	-
91200 Auditing Fees	6,000	6,000	6,000
91300 Management Fee	69,264	69,264	69,264
91310 Book-keeping Fee	-	-	-
91400 Advertising and Marketing	-	-	-
91500 Employee Benefit contributions - Administrative	-	-	-
91600 Office Expenses	-	-	-
91700 Legal Expense	-	-	-
91800 Travel	-	-	-
91810 Allocated Overhead	-	-	-
91900 Other	375	375	375
91000 Total Operating - Administrative	75,639	75,639	75,639
92000 Asset Management Fee	-	-	-
92100 Tenant Services - Salaries	-	-	-
92200 Relocation Costs	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-
92400 Tenant Services - Other	-	-	-
92500 Total Tenant Services	-	-	-

HOUSING AUTHORITY OF CANNELTON (IN043)

Cannelton, Indiana

Financial Data Schedule
Entity Wide Revenue and Expense Summary
for the year ended March 31, 2011

	14.871 Housing Choice Vouchers	Subtotal	Total
93100 Water	-	-	-
93200 Electricity	-	-	-
93300 Gas	-	-	-
93400 Fuel	-	-	-
93500 Labor	-	-	-
93600 Sewer	-	-	-
93700 Employee Benefit Contributions - Utilities	-	-	-
93800 Other Utilities Expense	-	-	-
93000 Total Utilities	-	-	-
94100 Ordinary Maintenance and Operations - Labor	-	-	-
94200 Ordinary Maintenance and Operations - Materials and Other	-	-	-
94300 Ordinary Maintenance and Operations Contracts	-	-	-
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-
94000 Total Maintenance	-	-	-
95100 Protective Services - Labor	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-
95300 Protective Services - Other	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-
95000 Total Protective Services	-	-	-
96110 Property Insurance	-	-	-
96120 Liability Insurance	-	-	-
96130 Workmen's Compensation	-	-	-
96140 All Other Insurance	-	-	-
96100 Total insurance Premiums	-	-	-
96200 Other General Expenses	-	-	-
96210 Compensated Absences	-	-	-
96300 Payments in Lieu of Taxes	-	-	-
96400 Bad debt - Tenant Rents	-	-	-
96500 Bad debt - Mortgages	-	-	-
96600 Bad debt - Other	-	-	-
96800 Severance Expense	-	-	-
96000 Total Other General Expenses	-	-	-
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	-	-	-

HOUSING AUTHORITY OF CANNELTON (IN043)
Cannelton, Indiana

Financial Data Schedule
Entity Wide Revenue and Expense Summary
for the year ended March 31, 2011

	14 871 Housing Choice Vouchers	Subtotal	Total
96900 Total Operating Expenses	75,639	75,639	75,639
97000 Excess of Operating Revenue over Operating Expenses	652,827	652,827	652,827
97100 Extraordinary Maintenance	-	-	-
97200 Casualty Losses - Non-capitalized	-	-	-
97300 Housing Assistance Payments	613,505	613,505	613,505
97350 HAP Portability-In	1,518	1,518	1,518
97400 Depreciation Expense	-	-	-
97500 Fraud Losses	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-
97800 Dwelling Units Rent Expense	-	-	-
90000 Total Expenses	690,662	690,662	690,662
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)	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	37,804	37,804	37,804
11020 Required Annual Debt Principal Payments	-	-	-
11030 Beginning Equity	46,011	46,011	46,011
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-
11050 Changes in Compensated Absence Balance	-	-	-
11060 Changes in Contingent Liability Balance	-	-	-
11070 Changes in Unrecognized Pension Transition Liability	-	-	-
11080 Changes in Special Term/Severance Benefits Liability	-	-	-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-
11100 Changes in Allowance for Doubtful Accounts - Other	-	-	-
11170 Administrative Fee Equity	10,903	10,903	10,903
11180 Housing Assistance Payments Equity	72,912	72,912	72,912
11190 Unit Months Available	2,148	2,148	2,148
11210 Number of Unit Months Leased	1,800	1,800	1,800
11270 Excess Cash	-	-	-
11610 Land Purchases	-	-	-
11620 Building Purchases	-	-	-
11630 Furniture & Equipment - Dwelling Purchases	-	-	-
11640 Furniture & Equipment - Administrative Purchases	-	-	-
11650 Leasehold Improvements Purchases	-	-	-
11660 Infrastructure Purchases	-	-	-
13510 CFFP Debt Service Payments	-	-	-
13901 Replacement Housing Factor Funds	-	-	-