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May 28, 2014

Board of Directors
Housing Authority of the City of Union City
321 W. Oak
Union City, IN 47390

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

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

STATE BOARD OF ACCOUNTS

UNION CITY HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

Union City, Indiana

September 30, 2011

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
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UNION CITY
HOUSING AUTHORITY

Union City, Indiana
September 30, 2011

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Jean Sickels

Certified Public Accountant

8518 S. Kays Chapel Rd.
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Union City Housing Authority
100 Raulston Avenue
Union City, Indiana

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Union City Housing Authority as of September 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2012 on my consideration of the Union City 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 and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

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

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


Certified Public Accountant

Fredericksburg, Indiana
November 8, 2012

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Our discussion and analysis of the Union City Housing Authority financial performance provides the reader with an overview to the Authority's financial activities for the fiscal year ended September 30, 2011. The information contained in this MD&A should be considered in conjunction with the Authority's basic financial statements which are included with this MD&A.

FINANCIAL HIGHLIGHTS

- The Authority's cash balance at September 30, 2011 was \$3,759 representing an decrease of \$29,110 from September 30, 2010.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$41,298 (net assets).
- The Authority had HUD operating grants of \$688,503, and investment income of \$31 for the year ended September 30, 2011.

USING THIS ANNUAL REPORT

This annual report consists of the Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. The MD&A provides a narrative of the Authority's financial performance and activities for the year ended September 30, 2011. The basic statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

- Statement of Net Assets - presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
- Statement of Activities - presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- Statement of Cash Flows - presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

HOUSING AUTHORITY ACTIVITIES AND HIGHLIGHTS

The Union City Housing Authority achieved a 88.66% occupancy rate in the Housing Choice Voucher Program for the FYE September 30, 2011. This rate decreased from the previous FYE September 30, 2010 Housing Choice Voucher Program occupancy rate of 88.51%.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

FINANCIAL OPERATIONS HIGHLIGHTS

The Union City Housing Authority expended \$23,186 more in housing assistance payments for very low income families in Union City in FYE September 30, 2011 than in the previous FYE September 30, 2010.

The Union City Housing Authority adopts a consolidated annual operating budget for all programs. The program budgets for Housing Assistance Payments (HAP). Funds are approved by the U.S. Departments of Housing and Urban Development on a basis consistent with the grant application covering HAP Programs.

Cash decreased this year due to an increase in spending at Royal Oaks to finish up construction work in progress started in previous fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Union City Housing Authority
Attn: Amy Holt, Executive Director
321 West Oak Street
Union City, IN 47390
1-765-964-4544

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Statement of Net Assets - The following table summarizes the changes in Net Assets between September 30, 2011 and 2010:

	2011	2010	NET CHANGE
ASSETS			
<u>Current Assets</u>			
Cash - Unrestricted	\$ 469	\$ 3	\$ 466
Accounts Receivable	1,879	810	1069
Accrued Interest Receivable	0	0	0
Prepaid Expenses	3,362	3,351	111
Total Current Assets	5,710	4,164	1546
Cash - Restricted	3,290	32,866	(29,576)
<u>Property and Equipment</u>			
Building	177,506	177,506	0
Equipment	19,683	20,209	(526)
Accumulated Depreciation	(35,605)	(25,082)	(10,523)
Capital Assets, net	161,584	172,633	(11,049)
TOTAL ASSETS	\$ 170,584	\$ 209,663	\$ (39,079)
LIABILITIES & NET ASSETS			
<u>Current Liabilities</u>			
Accounts Payable	\$ 5,782	\$ 3,714	\$ 2,068
Current Portion of LTD	3,368	3,146	222
Total Current Liabilities	9,150	6,860	2,290
TOTAL LONG-TERM DEBT	120,136	123,506	(3,370)
NET ASSETS			
Invested in Capital Assets	38,080	45,981	(7,901)
Restricted Net Assets	92,431	80,036	12,395
Unrestricted Net Assets	(89,213)	(46,720)	(42,993)
TOTAL NET ASSETS	41,298	79,297	(37,999)
<u>Net Assets/Liabilities</u>	\$ 170,584	\$ 209,663	\$ (39,079)

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Statement of Activities - The following table summarizes the changes in Operating Income between September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>NET CHANGE</u>
REVENUE			
Tenant Revenue	\$ 19,227	\$ 9,752	9,475
Donations	0	32,000	(32,000)
Other Revenue	10	280	(270)
HUD Operating Grants	688,503	699,624	(11,121)
Investment Income	31	26	5
Fraud Recovery Income	267	0	267
TOTAL REVENUE	<u>708,038</u>	<u>741,682</u>	<u>(33,644)</u>
EXPENSES			
Operating Expenses	119,073	109,574	9,499
Housing Assistance Payments	606,088	582,902	23,186
Depreciation Expense	11,332	10,920	412
Interest Expense	9,544	9,776	(232)
Fraud Losses	0	3,802	(3,802)
TOTAL EXPENSES	<u>746,037</u>	<u>716,974</u>	<u>29,063</u>
Net Change	<u>\$ (37,999)</u>	<u>\$ 24,708</u>	<u>\$ 62,707</u>

RECONCILIATION OF PROPERTY & EQUIPMENT

	<u>2011</u>	<u>2010</u>	<u>NET CHANGE</u>
Balance	\$161,584	\$172,633	\$(11,049)

The changes in property and equipment consist of the following:

Additions	\$ 285
9/30/11 depreciation	(11,332)
Change in property and equipment	\$(11,049)

DEBT

The Housing Authority has a \$130,000 loan at 7.63% (APR) interest, due in monthly installments of \$1,057.63 with the final payment due 7/29/2029.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Statement of Cash Flows - The following table summarizes the changes in cash between September 30, 2011 and 2010:

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u>
Net Operating Income	\$(28,486)	\$34,458
Depreciation	11,332	10,920
Changes in operating assets & liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(1,069)	4,045
Prepays	(11)	(112)
Increase (Decrease) in:		
Accounts Payable	<u>2,068</u>	<u>1,605</u>
Net Cash Flows Provided (Used)		
By Operating Activities	<u>(16,166)</u>	<u>50,916</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(285)	(64,364)
Principal payments	(3,146)	(2,915)
Interest paid	<u>(9,544)</u>	<u>(9,766)</u>
Net Cash Flows Provided (Used)		
By Capital & Related Financing Activities	<u>(12,975)</u>	<u>(77,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>31</u>	<u>26</u>
Net Cash Flows Provided		
By Investing Activities	<u>31</u>	<u>26</u>
Net Increase (Decrease) in Cash	(29,110)	(26,113)
BEGINNING CASH & CASH EQUIVALENTS	<u>32,869</u>	<u>58,982</u>
ENDING CASH & CASH EQUIVALENTS	<u><u>\$3,759</u></u>	<u><u>\$32,869</u></u>

FINANCIAL STATEMENTS

UNION CITY HOUSING AUTHORITY
Union City, Indiana

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 469
Restricted cash and cash equivalents	3,290
Accounts receivable - net	1,879
Prepaid expenses	3,362
Total Current Assets	<u>9,000</u>

Capital Assets

Land and other nondepreciable assets	0
Depreciable capital assets, net	161,584
Total Capital Assets	<u>161,584</u>

Total Assets 170,584

LIABILITIES

Current liabilities

Accounts payable	327
Accrued liabilities	4,955
Tenant Security Deposits	500
Current portion of notes payable	3,368
Total Current Liabilities	<u>9,150</u>

Noncurrent Liabilities

Notes payable	120,136
Total Noncurrent Liabilities	<u>120,136</u>

Total Liabilities 129,286

NET ASSETS

Invested in capital assets, net of related debt	38,080
Restricted	92,431
Unrestricted	(89,213)
Total Net Assets	<u>\$ 41,298</u>

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

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

<u>OPERATING REVENUES</u>	
Rental income	\$ 19,227
Other income	<u>10</u>
TOTAL OPERATING REVENUE	<u>19,237</u>
 <u>OPERATING EXPENSES</u>	
Administrative	96,770
Utilities	7,256
Ordinary maintenance and operation	7,489
General expense	17,102
Housing assistance payments	606,088
Depreciation expense	<u>11,332</u>
TOTAL OPERATING EXPENSES	<u>746,037</u>
 OPERATING INCOME (LOSS)	 <u>(726,800)</u>
 <u>NONOPERATING REVENUES</u>	
Federal operating grants	688,503
Gain on the sale of capital assets	31
Interest income	<u>267</u>
TOTAL NONOPERATING REVENUES	<u>688,801</u>
 CHANGE IN NET ASSETS	 <u>(37,999)</u>
 TOTAL NET ASSETS - BEGINNING OF YEAR	 <u>79,297</u>
 TOTAL NET ASSETS - END OF YEAR	 <u>\$ <u>41,298</u></u>

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

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

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from tenants and other deposits	\$ 18,168
Payments to vendors	(50,075)
Payments to landlords	(606,088)
Payments to employees	(76,485)
Net Cash Used by Operating Activities	<u>(714,480)</u>
 <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Federal operating grants received	<u>688,503</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>688,503</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Mortgage principal payments	(3,148)
Gain on the sale of capital assets	31
Acquisition and construction of capital assets	<u>(283)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(3,400)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest received	<u>267</u>
Net Cash Provided by Investing Activities	<u>267</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(29,110)
Cash - Beginning of year	<u>32,869</u>
Cash - End of year	\$ <u><u>3,759</u></u>
 Reconciliation of Cash	
Unrestricted	\$ 469
Restricted	<u>3,290</u>
Total Cash and Cash Equivalents	\$ <u><u>3,759</u></u>

Continued

UNION CITY HOUSING AUTHORITY
Union City, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(CONTINUED)

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

Operating income (loss)	\$	(726,800)
Adjustments to reconcile net operating income to net cash Provided by operating activities:		
Depreciation		11,332
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(1,069)
Prepaid expenses		(11)
Increase (Decrease) in:		
Accounts payable		(1,193)
Accrued liabilities		3,261
Net Cash Flows Provided by Operating Activities	\$	<u>(714,480)</u>

The accompanying notes are an integral part of these financial statements

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE A - Summary of Significant Accounting Policies and Organization:

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

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

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

At September 30, 2011, the Housing Authority has 165 units under management.

<u>Project</u>	<u>Units</u>
Business Activities	4
Vouchers	<u>161</u>
TOTAL	<u>165</u>

The Authority is also operating Capital Fund Grant Programs.

Basis of Presentation and Accounting - In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The Authority's financial statements are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and ARB's issued on or before, November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

(Continued)

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

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. The requirements imposed by HUD represent a legally enforceable requirement upon this Voucher program.

Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

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

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

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

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

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

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

Inventories - Inventories (if any) are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Continued)

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

Capital assets - Capital assets purchased are recorded on the Statement of Net Assets at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$500 or more. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

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

<u>Class</u>	<u>Life</u>
Buildings and improvements	15-40 years
Maintenance and Office equipment	3-7 years

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

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

Restricted Assets - When both restricted (if any) and unrestricted resources are available for use, it is the Authorities policy to use unrestricted resources first, then restricted resources as they are needed.

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

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

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Continued)

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

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

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

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at the time of purchase. At September 30, 2011, the Authority's deposits were not limited and all of which are either available on demand or have maturities of less than two years.

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

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

At September 30, 2011, the carrying amount of the Authority's deposits was \$3,759 and the bank balance was \$4,795. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits and Section 8 HAP reserves.

Deposits consist of the following:

Checking accounts	<u>\$ 3,759</u>
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UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Continued)

NOTE C - Accounts Receivable:

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

Fraud, net of allowance for doubtful accounts of \$16,614	<u>\$ 1,879</u>
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NOTE D - Prepaid Expenses:

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

Prepaid insurance	<u>\$ 3,362</u>
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NOTE E - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 9/30/10	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance 9/30/11
Capital assets, not being depreciated:					
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets, Not being depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, being depreciated:					
Buildings & Improvements	177,506	0	0	0	177,506
Furniture, Equipment & Machinery	<u>20,209</u>	<u>284</u>	<u>(810)</u>	<u>0</u>	<u>19,683</u>
Total Capital Assets, being depreciated	<u>197,715</u>	<u>284</u>	<u>(810)</u>	<u>0</u>	<u>197,189</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(20,066)	(8,418)	0	0	(28,484)
Furniture, Equipment and Machinery	<u>(5,016)</u>	<u>(2,914)</u>	<u>809</u>	<u>0</u>	<u>(7,121)</u>
Total Accumulated Depreciation:	<u>(25,082)</u>	<u>(11,332)</u>	<u>809</u>	<u>0</u>	<u>(35,605)</u>
Total Capital Assets, being depreciated, net	<u>172,633</u>	<u>(11,048)</u>	<u>(1)</u>	<u>0</u>	<u>161,584</u>
Capital Assets, Net	<u>\$ 172,633</u>	<u>\$ (11,048)</u>	<u>\$ (1)</u>	<u>\$ 0</u>	<u>\$ 161,584</u>

Depreciation expense of \$11,332 was incurred during the year.

NOTE F - Accounts Payable:

Accounts payable at September 30, 2011, consist of the following:

Vendors' accounts payable	<u>\$ 327</u>
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UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Continued)

NOTE G - Accrued Liabilities:

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

Accrued wages and payroll taxes	\$ 4,662
Accrued compensated absences and payroll	<u>293</u>
Total	<u>\$ 4,955</u>

NOTE H - Notes Payable:

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

<u>Project</u>	<u>Current Portion</u>	<u>Long Term Portion</u>	<u>Total</u>
Mortgage	\$ 3,368	\$ 120,136	<u>\$ 123,504</u>

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

	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,368	\$ 9,324
2013	3,661	9,031
2014	3,950	8,742
2015	4,261	8,430
2016	4,572	8,117
Thereafter	<u>103,692</u>	<u>79,030</u>
Total	<u>\$ 123,504</u>	<u>\$ 122,674</u>

NOTE I - Federal Operating Grants:

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

Housing Choice Vouchers	<u>\$ 688,503</u>
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NOTE J - Commitments and Contingencies:

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

Examinations - The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no examinations during the year ended September 30, 2011.

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(Continued)

NOTE K - Risk Management:

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

NOTE L - Economic Dependency:

The Authority receives approximately 97% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE M - Defined Contribution Plan:

The Authority contributes to Principal Financial Group Retirement Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual's account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments of those contributions. And forfeitures of other participant's' benefits that may be allocated to such participant's account. As established by the Authority's personnel policy, all full-time employees of the Authority must participate in the pension plan beginning 6 months from the date they are hired.

Contributions made by an employee vest immediately and contributions made by the Authority vest after five years of full time employment. An Employee who waves the employment of the Authority is entitled to his or her contributions and the Authority's contributions to the extent vested and the earnings on these amounts. As determined by the plan provisions, the Authority is required to contribute an amount equal to 14.5% of the employee's base annual salary.

The Authority's contributions were calculated using the base salary amount of \$28,080. During the year ended September 30, 2011, the Authority's required and actual contributions amounted to \$2,387, which was 8.5% of its current-year covered payroll, the employee contributions amounted to \$1,037. No pension plan provision changes occurred during the year that affected the required contributions to be made by the Authority or its employees. The Union City Housing Authority Retirement Plan held no securities of the Authority of other related parties during the year or as of the close of the fiscal year ended September 30, 2011.

SUPPLEMENTAL FINANCIAL INFORMATION

UNION CITY HOUSING AUTHORITY
Union City, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS
SEPTEMBER 30, 2011

	<u>IN046</u>			
	Section 8			
	Voucher	Business	Interfund	
	Program	Activities	Elimination	Total
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 0	\$ 469	\$ 0	\$ 469
Restricted cash and cash equivalents	3,290	0	0	3,290
Accounts receivable - net	730	1,149	0	1,879
Prepaid expenses	2,985	377	0	3,362
Interprogram due from	42,851	0	(42,851)	0
Total Current Assets	49,856	1,995	(42,851)	9,000
<u>Capital Assets</u>				
Land and other nondepreciable assets	0	0	0	0
Depreciable capital assets, net	2,109	159,475	0	161,584
Total Capital Assets	2,109	159,475	0	161,584
Total Assets	51,965	161,470	(42,851)	170,584
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Accounts payable	327	0	0	327
Accrued liabilities	4,955	0	0	4,955
Tenant Security Deposits	0	500	0	500
Current portion of notes payable	0	3,368	0	3,368
Interprogram due to	0	42,851	(42,851)	0
Total Current Liabilities	5,282	46,719	(42,851)	9,150
<u>Noncurrent Liabilities</u>				
Notes payable	0	120,136	0	120,136
Total Noncurrent Liabilities	0	120,136	0	120,136
Total Liabilities	5,282	166,855	(42,851)	129,286
<u>NET ASSETS</u>				
Invested in capital assets, net of debt	2,109	35,971	0	38,080
Restricted	92,431	0	0	92,431
Unrestricted	(47,857)	(41,356)	0	(89,213)
Total Net Assets	\$ 46,683	\$ (5,385)	\$ 0	\$ 41,298

UNION CITY HOUSING AUTHORITY
Union City, Indiana

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

	<u>IN046</u>		
	Section 8		
	Voucher	Business	
	Program	Activities	Total
<u>OPERATING REVENUES</u>			
Rental income	\$ 0	\$ 19,227	\$ 19,227
Other income	10	0	10
TOTAL OPERATING REVENUE	10	19,227	19,237
<u>OPERATING EXPENSES</u>			
Administrative	95,989	781	96,770
Utilities	816	6,440	7,256
Ordinary maintenance and operation	0	7,489	7,489
General expense	6,918	10,184	17,102
Housing assistance payments	606,088	0	606,088
Depreciation expense	1,337	9,995	11,332
TOTAL OPERATING EXPENSES	711,148	34,889	746,037
OPERATING INCOME (LOSS)	(711,138)	(15,662)	(726,800)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal operating grants	688,503	0	688,503
Gain on the sale of capital assets	31	0	31
Interest income	267	0	267
TOTAL NONOPERATING REVENUES	688,801	0	688,801
CHANGE IN NET ASSETS	(22,337)	(15,662)	(37,999)
TOTAL NET ASSETS - BEGINNING OF YEAR	69,020	10,277	79,297
TOTAL NET ASSETS - END OF YEAR	\$ 46,683	\$ (5,385)	\$ 41,298

Housing Authority of the City of Union City (IN086)
Union City, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted					
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$3,290		\$3,290		\$3,290
114 Cash - Tenant Security Deposits		\$469	\$469		\$469
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$3,290	\$469	\$3,759	\$0	\$3,759
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$17,344	\$1,149	\$18,493		\$18,493
126.1 Allowance for Doubtful Accounts - Tenants	-\$16,614	\$0	-\$16,614		-\$16,614
126.2 Allowance for Doubtful Accounts - Other					
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$730	\$1,149	\$1,879	\$0	\$1,879
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$2,985	\$377	\$3,362		\$3,362
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$42,851		\$42,851	-\$42,851	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$49,856	\$1,995	\$51,851	-\$42,851	\$9,000
161 Land					
162 Buildings		\$177,506	\$177,506		\$177,506
163 Furniture, Equipment & Machinery - Dwellings		\$1,583	\$1,583		\$1,583
164 Furniture, Equipment & Machinery - Administration	\$18,100		\$18,100		\$18,100
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$15,991	-\$19,614	-\$35,605		-\$35,605
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,109	\$159,475	\$161,584	\$0	\$161,584
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	\$2,109	\$159,475	\$161,584	\$0	\$161,584
190 Total Assets	\$51,965	\$161,470	\$213,435	-\$42,851	\$170,584

311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$327		\$327		\$327
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$4,662		\$4,662		\$4,662
322 Accrued Compensated Absences - Current Portion	\$293		\$293		\$293
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits		\$500	\$500		\$500
342 Deferred Revenues					
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds		\$3,368	\$3,368		\$3,368
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$42,851	\$42,851	\$42,851	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$5,282	\$46,719	\$52,001	-\$42,851	\$9,150
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$120,136	\$120,136		\$120,136
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	\$120,136	\$120,136	\$0	\$120,136
300 Total Liabilities	\$5,282	\$166,855	\$172,137	-\$42,851	\$129,286
508.1 Invested In Capital Assets, Net of Related Debt	\$2,108	\$55,971	\$38,080		\$38,080
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets	\$92,431		\$92,431		\$92,431
512.1 Unrestricted Net Assets	-\$47,857	-\$41,356	-\$89,213		-\$89,213
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$46,683	-\$5,385	\$41,298	\$0	\$41,298
600 Total Liabilities and Equity/Net Assets	\$51,965	\$161,470	\$213,435	-\$42,851	\$170,584

Housing Authority of the City of Union City (IN086)
Union City, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$19,227	\$19,227		\$19,227
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$0	\$19,227	\$19,227	\$0	\$19,227
70600 HUD PHA Operating Grants	\$688,503		\$688,503		\$688,503
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			\$0	\$0	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted					
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery	\$267		\$267		\$267
71500 Other Revenue	\$10		\$10		\$10
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted	\$31		\$31		\$31
70000 Total Revenue	\$688,811	\$19,227	\$708,038	\$0	\$708,038
91100 Administrative Salaries	\$52,849		\$52,849		\$52,849
91200 Auditing Fees	\$3,570		\$3,570		\$3,570
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$16,715		\$16,715		\$16,715
91600 Office Expenses	\$13,382	\$271	\$13,653		\$13,653
91700 Legal Expense					
91800 Travel	\$2,783		\$2,783		\$2,783
91810 Allocated Overhead					
91900 Other	\$6,690	\$510	\$7,200		\$7,200
91000 Total Operating - Administrative	\$95,989	\$781	\$96,770	\$0	\$96,770
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	\$0	\$0	\$0	\$0	\$0
93100 Water	\$135	\$2,374	\$2,509		\$2,509
93200 Electricity	\$681	\$4,066	\$4,747		\$4,747
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$816	\$6,440	\$7,256	\$0	\$7,256

94100 Ordinary Maintenance and Operations - Labor					
94200 Ordinary Maintenance and Operations - Materials and Other		\$283	\$283		\$283
94300 Ordinary Maintenance and Operations Contracts		\$7,206	\$7,206		\$7,206
94500 Employee Benefit Contributions - Ordinary Maintenance					
94000 Total Maintenance	\$0	\$7,489	\$7,489	\$0	\$7,489
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
96110 Property Insurance	\$526		\$526		\$526
96120 Liability Insurance	\$1,159	\$640	\$1,799		\$1,799
96130 Workmen's Compensation					
96140 All Other Insurance					
96100 Total Insurance Premiums	\$1,685	\$640	\$2,325	\$0	\$2,325
96200 Other General Expenses	\$393		\$393		\$393
96210 Compensated Absences	\$4,840		\$4,840		\$4,840
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	\$5,233	\$0	\$5,233	\$0	\$5,233
96710 Interest of Mortgage (or Bonds) Payable		\$9,544	\$9,544		\$9,544
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$9,544	\$9,544	\$0	\$9,544
96900 Total Operating Expenses	\$103,723	\$24,894	\$128,617	\$0	\$128,617
97000 Excess of Operating Revenue over Operating Expenses	\$585,088	-\$5,667	\$579,421	\$0	\$579,421
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments	\$606,088		\$606,088		\$606,088
97350 HAP Portability-In					
97400 Depreciation Expense	\$1,337	\$9,995	\$11,332		\$11,332
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$711,148	\$34,889	\$746,037	\$0	\$746,037
10010 Operating Transfer In					
10020 Operating transfer Out					
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$22,337	-\$15,662	-\$37,999	\$0	-\$37,999

11020	Required Annual Debt Principal Payments	\$0	\$3,146	\$3,146	\$3,146
11030	Beginning Equity	\$69,020	\$10,277	\$79,297	\$79,297
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	-\$45,748		-\$45,748	-\$45,748
11180	Housing Assistance Payments Equity	\$92,431		\$92,431	\$92,431
11190	Unit Months Available	1932	48	1980	1980
11210	Number of Unit Months Leased	1713	41	1754	1754
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				

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
IN-086	Section 8 Housing Choice Vouchers	14.871	\$ 688,503	\$ 688,503
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 688,503</u>	<u>\$ 688,503</u>

Notes to Schedule of Expenditures of Federal Awards:

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

OTHER REPORTS

Jean Sickels

Certified Public Accountant

8518 S. Kays Chapel Rd.
Fredericksburg, IN 47120

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

Board of Commissioners
Union City Housing Authority
100 Raulston Avenue
Union City, Indiana

I have audited the financial statements of the Union City Housing Authority, as of and for the year ended September 30, 2011, and have issued my report thereon dated November 8, 2012, which included a disclaimer of opinion on Management's Discussion and Analysis. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Union City 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 the Union City Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Union City 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting. The findings reference numbers are 2011-01, 2011-02 and 2011-03. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Union City 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01, 2011-02 and 2011-03.

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

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



Tom Sickel
Certified Public Accountant

Fredericksburg, Indiana
November 8, 2012

Jean Sickels

Certified Public Accountant

8518 S. Kays Chapel Rd.
Fredericksburg, IN 47120

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Union City Housing Authority
100 Raulston Avenue
Union City, Indiana

Compliance

I have audited the compliance of the Union City Housing Authority with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2011. The Union City Housing 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 each of its major federal programs is the responsibility of Union City Housing Authority's management. My responsibility is to express an opinion on Union City 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union City Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Union City Housing Authority's compliance with those requirements.

In my opinion, Union City Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2011. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2011-04 and 2011-05.

Internal Control Over Compliance

Management of the Union City Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Union City Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my 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 Union City Housing Authority's internal control over compliance.

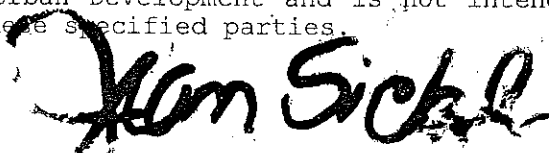
Internal Control Over Compliance (Continued)

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-04 and 2011-05. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Union City Housing Authority's responses to the finding identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Union City Housing Authority's responses and, accordingly, I express no opinion the responses.

This report is intended solely for the information and use of the Authority's management and board and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

Fredericksburg, Indiana
November 8, 2012

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
~ Material weakness(es) identified? X yes no
~ Significant deficiency(s) identified that are
not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements
noted? X yes no

FEDERAL AWARDS

Internal control over major programs:
~ Material weakness(es) identified? X yes no
~ Significant deficiency(s) identified that are
not considered to be material weakness(es)? X yes none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? X yes no

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-01

CURRENT
CONDITION:

RENTAL RECEIPT PROCESS:

The Authority does not have systems in place to properly account for rental income.

CRITERIA: HUD rules and regulations require a system of internal controls for the cash receipts process for rental collections.

CAUSE/EFFECT: The Authority acquired an apartment building and did not put a system in place to record rental transactions.

RECOMMENDATION: I recommend the Authority implement proper internal controls including a rental register and a daily statement of operations. The Authority should place greater emphasis on safe keeping its records and ensuring all information requested is readily available for audit examination.

REPLY: The Housing Authority will be adopting a new policy concerning rental receipts. This includes a rental register, monthly statement of operations, and recordkeeping policies. This policy will be effective October 1, 2012.

DISCUSSED WITH: Amy Holt 08/16/12

2011-02

CURRENT
CONDITION:

CASH DISBURSEMENTS:

The Authority does not have systems in place to properly account for cash disbursements.

CRITERIA: HUD rules and regulations require a system of internal controls for the cash disbursement process.

CAUSE/EFFECT: The Authority does not have a good filing system and proper supporting documentation was not attached to vouchers. The Authority policy allowed for a board member's signature to be used as opposed to the board member reviewing and hand signing administrative checks.

QUESTIONED COSTS: \$6,848

RECOMMENDATION: I recommend the Authority review it's policy for the signing of administrative checks. The Authority should implement proper internal controls including appropriate supporting documentation for all disbursements. The Authority should place greater emphasis on safe keeping its records and ensuring all information requested is readily available for audit or examination.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2011-02 CURRENT
CONDITION: CASH DISBURSEMENTS: (Continued)

REPLY: The Housing Authority has already corrected this finding. Stamps are no longer used for any administrative checks. They must be hand signed by at least one Board member. We are currently establishing a new filing system and this will be completed by December 31, 2012.

DISCUSSED WITH: Amy Holt 08/16/12

2011-03 CURRENT
CONDITION: 941 PENALTIES:

The Authority paid non filing and late penalties for the 941's.

CRITERIA: IRS rules and regulations require 941's to be filed on time.

CAUSE/EFFECT: The Authority did not have a good system of internal controls to ensure that the forms were filed and copies were maintained and available for audit.

QUESTIONED COSTS: Approximately \$2,000

RECOMMENDATION: I recommend the Authority review proper internal controls including a calendar checklist of IRS filing.

REPLY: The Housing Authority has corrected this finding. All IRS filings are copied and filed in the appropriate areas.

DISCUSSED WITH: Amy Holt 08/16/12

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-04 CURRENT
CONDITION: UNALLOWABLE EXPENSES:

The Authority has paid expenses for the business activities program (rental property) from the Voucher program cash account.

CRITERIA: HUD rules and regulations require that the voucher program cash can only be used for allowable costs as stated in the annual contributions contact.

CAUSE/EFFECT: The Authority used the voucher funds to pay for the rental property expenses. These transactions were accounted for as an interfund between the programs.

QUESTIONED COSTS: \$42,851

RECOMMENDATION: I recommend the Authority implement proper budgeting internal controls in order to determine if the property can cash flow and pay back the liability.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2011-04 CURRENT
CONDITION: UNALLOWABLE EXPENSES: (Continued)

REPLY: The Housing Authority is currently implementing a budget to determine when these funds will be paid back. The budget will be completed by December 31, 2012.

DISCUSSED WITH: Amy Holt 08/16/12

2011-05 CURRENT
CONDITION: SEMAP:

The Authority did not properly prepare the Section 8 management assessment form (SEMAP).

CRITERIA: HUD rules and regulations require the rules at 24 CFR section 982 to be followed.

CAUSE/EFFECT: The Authority does not understand the procedures for gathering the data for indicators number 1, 5, and 6.

RECOMMENDATION: I recommend the Authority review the SEMAP reporting rules and perform the proper tests to report the indicators listed above.

REPLY: The Authority has reviewed the regulations and will perform the proper tests to report effective on our next SEMAP 2012.

DISCUSSED WITH: Amy Holt 08/16/12

Jean Sickels

Certified Public Accountant

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Fredericksburg, IN 47120

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cell (404) 307-5903

November 8, 2012

Board of Commissioners
Union City Housing Authority
903 6th Street
Union City, CO 80631

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

However, during my audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated November 8, 2012 on the financial statements of the Authority.

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

1. CONDITION: MINUTES

The Minutes were not signed and filed in the Minute book.

RECOMMENDATION:

Get the Board Chairman to sign the minutes then bind them in the book.

2. CONDITION: CLIENT FILES

In the sample of 10% of the files one was missing a 214 Immigration status form and one was missing an inspection date.

RECOMMENDATION:

The Authority should ensure that all required information is in the client file.

3. CONDITION: JOURNAL VOUCHERS

The authority did not review the Fee Accountants Journal Vouchers.

RECOMMENDATION:

The Authority should put procedures in place to ensure that the audit is completed on time.

4. CONDITION: BUDGET AND PAYROLL BUDGET

The Authority does not have a budget that it operates within.

RECOMMENDATION:

The Authority should develop a budget for payroll and an overall budget.

5. CONDITION: LAND & DEPRECIATION

The Authority did not allocate a part of the building cost to the value of the land.

RECOMMENDATION:

The Depreciation Schedule should be corrected.

6. CONDITION: AUDIT CONDUCTED LATE

The audit was not completed by June 30, 2012

RECOMMENDATION:

The Authority should put procedures in place to ensure that the audit is completed on time.

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

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

Sincerely,



Jean Sickels
Certified Public Accountant