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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 Goldie Roberts, CPA, Independent Public Accountant, for the period October 1, 2012 to September 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Union City, as of September 30, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report, found on pages 28 and 29.

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, 2013

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
812-472-3527

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Decatur, GA 30033
404-297-9881

UNION CITY
HOUSING AUTHORITY

Union City, Indiana
September 30, 2013

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Goldie Roberts

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Union City Housing Authority ("the Authority") which comprise the statement of net position as of September 30, 2013, and the related statements of changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Union City Housing Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Union City Housing Authority as of September 30, 2013, 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.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vi be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States Local Governments and Non-Profit Organizations*, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 18, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union City Housing Authority's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
February 18, 2014

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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, 2013. 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, 2013 was \$12,617 representing an increase of \$2,580 from September 30, 2012.
- The liabilities of the Authority exceeded its assets at the close of the most recent fiscal year by \$8,061 (net assets).
- The Authority had HUD operating grants of \$544,643 and investment income of \$1 for the year ended September 30, 2013.

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, 2013. 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 Position - presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving.
- Statement of Changes in Net Position - presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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 86.97% occupancy rate in the Housing Choice Voucher Program for the FYE September 30, 2013. This rate increased from the previous FYE September 30, 2012 Housing Choice Voucher Program occupancy rate of 77.79%.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(Continued)

FINANCIAL OPERATIONS HIGHLIGHTS

The Union City Housing Authority expended \$30,557 less in housing assistance payments for very low income families in Union City in FYE September 30, 2013 than in the previous FYE September 30, 2012.

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, 2013
(Continued)

Statement of Net Assets - The following table summarizes the changes in Net Assets between September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>NET CHANGE</u>
ASSETS			
<u>Current Assets</u>			
Cash - Unrestricted	\$ 5,521	\$ 1,000	\$ 4,521
Accounts Receivable	1,580	0	1,580
Prepaid Expenses	112	113	(1)
Total Current Assets	<u>7,213</u>	<u>1,113</u>	<u>6,100</u>
Cash - Restricted	7,096	9,037	(1,941)
<u>Property and Equipment</u>			
Building	144,635	177,506	(32,871)
Equipment	19,161	19,683	(522)
Accumulated Depreciation	<u>(52,995)</u>	<u>(46,043)</u>	<u>6,952</u>
Fixed Assets, net	110,801	151,146	(40,345)
TOTAL ASSETS	<u>\$ 125,110</u>	<u>\$ 161,296</u>	<u>\$ (36,186)</u>
LIABILITIES & NET ASSETS			
<u>Current Liabilities</u>			
Accounts Payable	12,480	8,142	4,338
Current Portion of Long Term Debt	4,215	4,215	0
Total Current Liabilities	<u>16,695</u>	<u>12,357</u>	<u>4,338</u>
TOTAL LONG-TERM DEBT	<u>116,476</u>	<u>116,476</u>	<u>0</u>
NET POSITION			
Investment in Capital Assets	(9,890)	30,456	(40,346)
Restricted	94,385	93,234	1,151
Unrestricted	<u>(92,556)</u>	<u>(91,227)</u>	<u>(1,329)</u>
TOTAL NET POSITION	(8,061)	32,463	(40,524)
<u>Net Positon/Liabilities</u>	<u>\$ 125,110</u>	<u>\$ 161,296</u>	<u>\$ (36,186)</u>

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(Continued)

Statement of Changes in Net Position - The following table summarizes the changes in Operating Income between September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>NET CHANGE</u>
REVENUE			
Tenant Revenue	\$ 18,885	\$ 15,304	3,581
Loss on Sale of Assets	(25,737)	0	(25,737)
Other Revenue	1,846	0	1,846
HUD Operating Grants	544,643	585,052	(40,409)
Investment Income	1	10	(9)
Fraud Recovery Income	0	1,146	(1,146)
TOTAL REVENUE	<u>539,638</u>	<u>601,512</u>	<u>(61,874)</u>
EXPENSES			
Operating Expenses	67,645	66,650	995
Housing Assistance Payments	493,378	523,935	(30,557)
Depreciation Expense	10,108	10,438	(330)
Interest Expense	9,031	9,324	(293)
TOTAL EXPENSES	<u>580,162</u>	<u>610,347</u>	<u>(30,185)</u>
<u>Net Change</u>	<u>\$ (40,524)</u>	<u>\$ (8,835)</u>	<u>\$ (31,689)</u>

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(Continued)

Statement of Cash Flows - The following table summarizes the changes in cash between September 30, 2013 and 2012:

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2013</u>	<u>2012</u>
Net Operating (Loss) Income	\$ (5,757)	479
Depreciation	10,108	10,438
Changes in operating assets & liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(1,580)	1,879
Prepays	1	3,249
Increase (Decrease) in:		
Accounts Payable	4,338	2,360
Net Cash Flows Provided (Used)		
By Operating Activities	<u>7,110</u>	<u>18,405</u>
 CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Proceeds from sale of Assets	4,500	0
Principal payments	0	(2,813)
Interest paid	(9,031)	(9,324)
Net Cash Flows Provided (Used)		
By Capital & Related Financing Activities	<u>(4,531)</u>	<u>(12,137)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	1	10
Net Cash Flows Provided		
By Investing Activities	<u>1</u>	<u>10</u>
 Net Increase (Decrease) in Cash	2,580	(6,278)
 BEGINNING CASH & CASH EQUIVALENTS	<u>10,037</u>	<u>3,759</u>
 ENDING CASH & CASH EQUIVALENTS	<u>\$ 12,617</u>	<u>\$10,037</u>

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
(Continued)

RECONCILIATION OF PROPERTY & EQUIPMENT

	<u>2013</u>	<u>2012</u>	<u>NET CHANGE</u>
Balance	\$110,801	\$151,146	\$(40,345)

The changes in property and equipment consist of the following:

Deletions, Net of Accumulated Depreciation	(30,237)
9/30/13 depreciation	<u>\$(10,108)</u>
Change in property and equipment	(40,345)

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.

FINANCIAL STATEMENTS

UNION CITY HOUSING AUTHORITY
Union City, Indiana

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,521
Restricted cash and cash equivalents	8,096
Accounts receivable - net	1,580
Prepaid expenses	112
Total Current Assets	<u>14,309</u>

Capital Assets

Land and other nondepreciable assets	0
Depreciable capital assets, net	110,801
Total Capital Assets	<u>110,801</u>

Total Assets	<u>125,110</u>
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LIABILITIES

Current liabilities

Accounts payable	14
Accrued liabilities	11,466
Tenant Security Deposits	1,000
Current portion of notes payable	4,215
Total Current Liabilities	<u>16,695</u>

Noncurrent Liabilities

Notes payable	116,476
Total Noncurrent Liabilities	<u>116,476</u>

Total Liabilities	<u>133,171</u>
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NET POSITION

Investment in capital assets	(9,890)
Restricted	94,385
Unrestricted	(92,556)
Total Net Position	<u>\$ (8,061)</u>

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

OPERATING REVENUES

Rental income	\$ 18,885
Other income	1,846
	<hr/>
TOTAL OPERATING REVENUE	20,731

OPERATING EXPENSES

Administrative	56,712
Utilities	7,695
Ordinary maintenance and operation	918
General expense	11,351
Housing assistance payments	493,378
Depreciation expense	10,108
	<hr/>
TOTAL OPERATING EXPENSES	580,162

OPERATING INCOME (LOSS) (559,431)

NONOPERATING REVENUES

Federal operating grants	544,643
Gain on the sale of capital assets	(25,737)
Interest income	1
	<hr/>
TOTAL NONOPERATING REVENUES	518,907

CHANGE IN NET POSITION (40,524)

TOTAL NET POSITION - BEGINNING OF YEAR 32,463

TOTAL NET POSITION - END OF YEAR \$ (8,061)

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	19,151
Payments to vendors		(26,033)
Payments to landlords		(493,378)
Payments to employees		(46,305)
Net Cash Used by Operating Activities		<u>(546,565)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		544,643
Net Cash Flows Provided		<u>544,643</u>
by Noncapital Financing Activities		<u>544,643</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Mortgage principal payments		0
Gain on the sale of capital assets		(25,737)
Acquisition and construction of capital assets		30,238
Net Cash Flows Provided (Used)		<u>4,501</u>
by Capital and Related Financing Activities		<u>4,501</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		1
Net Cash Provided by Investing Activities		<u>1</u>

Net Increase (Decrease) in Cash and Cash Equivalents		2,580
Cash - Beginning of year		<u>10,037</u>
Cash - End of year	\$	<u><u>12,617</u></u>
Reconciliation of Cash		
Unrestricted	\$	5,521
Restricted		<u>7,096</u>
Total Cash and Cash Equivalents	\$	<u><u>12,617</u></u>

Continued

UNION CITY HOUSING AUTHORITY
Union City, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

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

Operating income (loss)	\$	(559,431)
Adjustments to reconcile net operating income to net cash Provided by operating activities:		
Depreciation		10,108
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(1,580)
Increase (Decrease) in:		
Accounts payable		(4,486)
Accrued liabilities		8,824
Net Cash Flows Provided by Operating Activities	\$	<u>(546,565)</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, 2013

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, 2013, the Housing Authority has 128 units under management.

<u>Project</u>	<u>Units</u>
Business Activities	3
Vouchers	<u>125</u>
 TOTAL	 <u><u>128</u></u>

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.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Changes in Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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.

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

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

Restricted: Net position 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.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

(Continued)

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

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position 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 - Prepays represent payments made to vendors for services that will benefit beyond September 30, 2013.

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.

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

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

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.

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.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

NOTE B - Deposits, Cash and Cash Equivalents:

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2013, the Authority's deposits and investments 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, 2013, the carrying amount of the Authority's deposits was \$12,617 and the bank balance was \$15,027. 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.

Deposits consist of the following:

Checking accounts	<u>\$ 12,617</u>
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NOTE C - Accounts Receivable:

Accounts receivable at September 30, 2013, consist of the following:

Tenant accounts receivable	<u>\$ 1,580</u>
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NOTE D - Prepaid Expenses:

Prepaid expenses at September 30, 2013, consist of the following:

Prepaid insurance	<u>\$ 112</u>
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UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

NOTE E - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 9/30/12	Increases	Decreases	Transfers	Ending Balance 9/30/13
Capital assets, not being depreciated:					
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets, Not being depreciated	0	0	0	0	0
Capital Assets, being depreciated:					
Buildings & Improvements	177,506	0	(32,871)	0	144,635
Furniture, Equipment & Machinery	19,683	0	(522)	0	19,161
Total Capital Assets, being depreciated	197,189	0	(33,393)	0	163,796
Less Accumulated Depreciation for:					
Buildings & Improvements	(36,902)	(9,577)	7,668	0	(38,811)
Furniture, Equipment and Machinery	(9,141)	(531)	(4,512)	0	(14,184)
Total Accumulated Depreciation:	(46,043)	(10,108)	3,155	0	(52,995)
Total Capital Assets, being depreciated, net	151,147	(10,108)	(30,238)	0	110,801
Capital Assets, Net	<u>\$ 151,147</u>	<u>\$ (10,108)</u>	<u>\$ (30,238)</u>	<u>\$ 0</u>	<u>\$ 110,801</u>

Depreciation expense of \$10,108 was incurred during the year.

NOTE F - Accounts Payable:

Accounts payable at September 30, 2013, consist of the following:

HUD accounts payable	<u>\$ 14</u>
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NOTE G - Accrued Liabilities:

Accrued liabilities at September 30, 2013, consist of the following:

Accrued wages and payroll taxes	\$ 874
Accrued interest	<u>10,592</u>
Total	<u>\$ 11,466</u>

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

NOTE H - Notes Payable:

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

	<u>9/30/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/13</u>
Notes payable	\$ <u>120,691</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>120,691</u>

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,215	\$ 9,031
2014	3,950	8,742
2015	4,261	8,430
2016	4,572	8,117
2017	4,959	7,732
Thereafter	<u>98,734</u>	<u>71,298</u>
Total	<u>\$ 120,691</u>	<u>\$ 113,350</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, 2013 were as follows:

Housing Choice Vouchers	\$ <u>544,643</u>
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NOTE J - Commitments and Contingencies:

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, 2013.

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.

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 99% 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.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

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 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, 2013, the Authority's required and actual contributions amounted to \$2808, which was 8.5% of its current-year covered payroll, the employee contributions amounted to \$842. 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, 2013.

NOTE N - Contingencies:

Subsequent to the year end, the Authority and the Mortgage holder for the loan are in a legal dispute concerning the validity of the mortgage. No payments have been made on the property and it is believed that it will be foreclosed.

SUPPLEMENTAL FINANCIAL INFORMATION

UNION CITY HOUSING AUTHORITY
Union City, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION
SEPTEMBER 30, 2013

	<u>IN046</u>			
	Section 8			
	Voucher	Business	Interfund	
	Program	Activities	Elimination	Total
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 0	\$ 4,521	\$ 0	\$ 4,521
Restricted cash and cash equivalents	7,096	1,000	0	8,096
Accounts receivable - net	0	1,580	0	1,580
Prepaid expenses	28	84	0	112
Interprogram due from	10,137	0	(10,137)	0
Total Current Assets	17,261	7,185	(10,137)	14,309
<u>Capital Assets</u>				
Land and other nondepreciable assets	0	0	0	0
Depreciable capital assets, net	28,509	82,292	0	110,801
Total Capital Assets	28,509	82,292	0	110,801
Total Assets	45,770	89,477	(10,137)	125,110
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Accounts payable	14	0	0	14
Accrued liabilities	874	10,592	0	11,466
Tenant Security Deposits	0	1,000	0	1,000
Current portion of notes payable	0	4,215	0	4,215
Interprogram due to	0	10,137	(10,137)	0
Total Current Liabilities	888	25,944	(10,137)	16,695
<u>Noncurrent Liabilities</u>				
Notes payable	0	116,476	0	116,476
Total Noncurrent Liabilities	0	116,476	0	116,476
Total Liabilities	888	142,420	(10,137)	133,171
<u>NET POSITION</u>				
Investment in capital assets	28,509	(38,399)	0	(9,890)
Restricted	94,385	0	0	94,385
Unrestricted	(78,012)	(14,544)	0	(92,556)
Total Net Position	\$ 44,882	\$ (52,943)	\$ 0	\$ (8,061)

UNION CITY HOUSING AUTHORITY
Union City, Indiana

COMBINING SCHEDULE OF PROGRAM CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	IN046		
	Section 8 Voucher Program	Business Activities	Total
<u>OPERATING REVENUES</u>			
Rental income	\$ 0	\$ 18,885	\$ 18,885
Other income	1,846	0	1,846
TOTAL OPERATING REVENUE	1,846	18,885	20,731
<u>OPERATING EXPENSES</u>			
Administrative	52,331	4,381	56,712
Utilities	1,893	5,802	7,695
Ordinary maintenance and operation	850	68	918
General expense	389	10,962	11,351
Housing assistance payments	493,378	0	493,378
Depreciation expense	2,651	7,457	10,108
TOTAL OPERATING EXPENSES	551,492	28,670	580,162
OPERATING INCOME (LOSS)	(549,646)	(9,785)	(559,431)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal operating grants	544,643	0	544,643
Gain on the sale of capital assets	(167)	(25,570)	(25,737)
Interest income	0	1	1
TOTAL NONOPERATING REVENUES	544,476	(25,569)	518,907
CHANGE IN NET POSITION	(5,170)	(35,354)	(40,524)
TOTAL NET POSITION - BEGINNING OF YEAR	50,052	(17,589)	32,463
TOTAL NET POSITION - END OF YEAR	\$ 44,882	\$ (52,943)	\$ (8,061)

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: 09/30/2013

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$4,521	\$4,521		\$4,521
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$7,096		\$7,096		\$7,096
114 Cash - Tenant Security Deposits		\$1,000	\$1,000		\$1,000
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$7,096	\$5,521	\$12,617	\$0	\$12,617
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants		\$1,580	\$1,580		\$1,580
126.1 Allowance for Doubtful Accounts - Tenants		\$0	\$0		\$0
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	\$0	\$1,580	\$1,580	\$0	\$1,580
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$28	\$84	\$112		\$112
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$10,137		\$10,137	-\$10,137	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$17,261	\$7,185	\$24,446	-\$10,137	\$14,309
161 Land					
162 Buildings	\$36,159	\$108,476	\$144,635		\$144,635
163 Furniture, Equipment & Machinery - Dwellings		\$1,061	\$1,061		\$1,061
164 Furniture, Equipment & Machinery - Administration	\$18,100		\$18,100		\$18,100
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$25,750	-\$27,245	-\$52,995		-\$52,995
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$28,509	\$82,292	\$110,801	\$0	\$110,801
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	\$28,509	\$82,292	\$110,801	\$0	\$110,801
190 Total Assets	\$45,770	\$89,477	\$135,247	-\$10,137	\$125,110

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	\$874		\$874		\$874
324 Accrued Contingency Liability					
325 Accrued Interest Payable		\$10,592	\$10,592		\$10,592
331 Accounts Payable - HUD PHA Programs	\$14		\$14		\$14
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits		\$1,000	\$1,000		\$1,000
342 Deferred Revenues					
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$4,215	\$4,215		\$4,215
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$10,137	\$10,137	-\$10,137	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$888	\$25,944	\$26,832	-\$10,137	\$16,695
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$116,476	\$116,476		\$116,476
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	\$116,476	\$116,476	\$0	\$116,476
300 Total Liabilities	\$888	\$142,420	\$143,308	-\$10,137	\$133,171
508.1 Invested In Capital Assets, Net of Related Debt	\$28,509	-\$38,399	-\$9,890		-\$9,890
511.1 Restricted Net Assets	\$94,385		\$94,385		\$94,385
512.1 Unrestricted Net Assets	-\$78,012	-\$14,544	-\$92,556		-\$92,556
513 Total Equity/Net Assets	\$44,882	-\$52,943	-\$8,061	\$0	-\$8,061
600 Total Liabilities and Equity/Net Assets	\$45,770	\$89,477	\$135,247	-\$10,137	\$125,110

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: 09/30/2013

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$18,885	\$18,885		\$18,885
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$0	\$18,885	\$18,885	\$0	\$18,885
70600 HUD PHA Operating Grants	\$544,643		\$544,643		\$544,643
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		\$1	\$1		\$1
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$1,846		\$1,846		\$1,846
71600 Gain or Loss on Sale of Capital Assets	-\$167	-\$25,570	-\$25,737		-\$25,737
72000 Investment Income - Restricted					
70000 Total Revenue	\$546,322	-\$6,684	\$539,638	\$0	\$539,638
91100 Administrative Salaries	\$28,080		\$28,080		\$28,080
91200 Auditing Fees	\$5,984		\$5,984		\$5,984
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$4,423		\$4,423		\$4,423
91600 Office Expenses	\$8,051	\$9	\$8,060		\$8,060
91700 Legal Expense	\$200	\$3,750	\$3,950		\$3,950
91800 Travel	\$202		\$202		\$202
91810 Allocated Overhead					
91900 Other	\$5,391	\$622	\$6,013		\$6,013
91000 Total Operating - Administrative	\$52,331	\$4,381	\$56,712	\$0	\$56,712
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	\$574	\$1,803	\$2,377		\$2,377
93200 Electricity	\$1,319	\$3,999	\$5,318		\$5,318
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$1,893	\$5,802	\$7,695	\$0	\$7,695

94100 Ordinary Maintenance and Operations - Labor					
94200 Ordinary Maintenance and Operations - Materials and Other		\$68	\$68		\$68
94300 Ordinary Maintenance and Operations Contracts	\$850		\$850		\$850
94500 Employee Benefit Contributions - Ordinary Maintenance					
94000 Total Maintenance	\$850	\$68	\$918	\$0	\$918
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	\$419		\$419		\$419
96120 Liability Insurance		\$923	\$923		\$923
96130 Workmen's Compensation					
96140 All Other Insurance					
96100 Total insurance Premiums	\$419	\$923	\$1,342	\$0	\$1,342
96200 Other General Expenses	\$178	\$1,008	\$1,186		\$1,186
96210 Compensated Absences	-\$208		-\$208		-\$208
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	-\$30	\$1,008	\$978	\$0	\$978
96710 Interest of Mortgage (or Bonds) Payable		\$9,031	\$9,031		\$9,031
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$9,031	\$9,031	\$0	\$9,031
96900 Total Operating Expenses	\$55,463	\$21,213	\$76,676	\$0	\$76,676
97000 Excess of Operating Revenue over Operating Expenses	\$490,859	-\$27,897	\$462,962	\$0	\$462,962
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments	\$493,378		\$493,378		\$493,378
97350 HAP Portability-In					
97400 Depreciation Expense	\$2,651	\$7,457	\$10,108		\$10,108
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$551,492	\$28,670	\$580,162	\$0	\$580,162
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	-\$5,170	-\$36,354	-\$40,524	\$0	-\$40,524

11020	Required Annual Debt Principal Payments	\$0	\$3,985	\$3,985	\$3,985
11030	Beginning Equity	\$50,052	-\$17,589	\$32,463	\$32,463
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	-\$49,502		-\$49,502	-\$49,502
11180	Housing Assistance Payments Equity	\$94,384		\$94,384	\$94,384
11190	Unit Months Available	1651	36	1687	1687
11210	Number of Unit Months Leased	1436	36	1472	1472
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	CFPP 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, 2013

<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	\$ 544,6432	\$ 544,643
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 544,643</u>	<u>\$ 544,643</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

Goldie Roberts

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*

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Union City Housing Authority, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Union City Housing Authority's basic financial statements and have issued my report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Cost that I consider to be significant deficiencies as item 2013-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Union City Housing Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 Cost as item 2013-01.

Union City Housing Authority's Response to Findings

The Union City Housing Authority's response to the finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Cost. Union City Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of Union City Housing Authority in a separate letter dated February 18, 2014.

Purpose Of This Report

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



Certified Public Accountant

Fredericksburg, Indiana
February 18, 2014

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, Indiana 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

I have audited the Union City Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Union City Housing Authority's major federal programs for the year ended September 30, 2013. The Union City Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contract, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the Union City Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, my audit does not provide a legal determination of the Union City Housing Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, the Union City Housing Authority, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and where are described in the accompanying Schedule of Findings and Questioned Cost as items 2013-02 and 2013-03. My opinion on each major federal program is not modified with respect to these matters.

Union City Housing Authority's response to the noncompliance findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Cost. Union City Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly I express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Union City Housing Authority is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing my audit of the financial statements, I considered the Union City Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Union City Housing Authority's internal control over compliance.

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

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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Cost as items 2013-02 and 2013-03 that I consider to be significant deficiencies.

Union City Housing Authority's response to the internal control over compliance findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Cost. Union City Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of the Union City Housing Authority as of and for the year ended September 30, 2013, and have issued my report thereon dated February 18, 2014. My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis as required by the OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Goldie Roberts
Certified Public Accountant

Fredericksburg, Indiana
February 18, 2014

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2013

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? _____yes X 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? _____yes X 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: Unqualified

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, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PRIOR YEAR FINDINGS

2012-01

RENTAL RECEIPT PROCESS:

PRIOR
CONDITION:

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

CURRENT
CONDITION:

Continues as 2013-01.

This finding continues as of 2013-01.

2012-02

CASH DISBURSEMENTS:

PRIOR
CONDITION:

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

CURRENT
CONDITION:

The Authority has documentation behind each voucher. Board members are reviewing and signing checks.

This finding is cleared.

2012-03

UNALLOWABLE EXPENSES:

PRIOR
CONDITION:

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

CURRENT
CONDITION:

Continues as 2012-02.

This finding continues as of 2013-02.

2012-04

SEMAP:

PRIOR
CONDITION:

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

CURRENT
CONDITION:

Continues as 2013-03.

This finding continues as 2013-03.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2013

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-01

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 December 31, 2013.

DISCUSSED WITH: Amy Holt 01/09/14

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-02

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: \$10,657

RECOMMENDATION:

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

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, 2013.

DISCUSSED WITH: Amy Holt 01/09/14

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2013

CURRENT YEAR FINDINGS
Continued

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2013-03

SEMAP:

CURRENT
CONDITION: 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 2013.

DISCUSSED WITH: Amy Holt 01/09/14

UNION CITY HOUSING AUTHORITY
Union City, Indiana

September 30, 2013

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2012-01	Rental Receipt Process	Continues
2012-02	Cash Disbursements	Cleared
2012-03	Unallowable Expenses	Continues
2012-04	SEMAP	Continues

Goldie Roberts

Certified Public Accountant

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February 18, 2014

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, 2013, 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 February 18, 2014 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.

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.

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,
Goldie Roberts

Goldie Roberts
Certified Public Accountant