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June 2, 2014

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 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 Rockport Housing Authority, 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

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

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2011

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

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Independent Auditor's Report

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

I have audited the accompanying financial statements of the Housing Authority of the City of Rockport, as of and for the year ended September 30, 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 basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

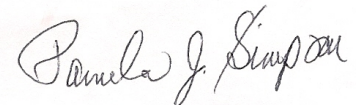
In accordance with *Government Auditing Standards*, I have also issued my report dated May 30, 2012, on my consideration of the Housing Authority of the City of Rockport's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls 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.

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

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of Rockport's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Housing Authority of the City of Rockport. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents has been subjected to the auditing procedures and certain 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 basic financial statements as a whole.

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

Decatur, Illinois
May 30, 2012



Certified Public Accountant

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2011

The management of the Housing Authority of Rockport presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending 09/30/2011. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,628,614 at the close of the fiscal year ended 09/30/2011.

Of this amount, \$445,666 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 49% of the total operating expenses for the fiscal year 2011, which means the Authority could operate about 6 months using the unrestricted assets alone.

The remainder of \$1,182,948 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net assets decreased by \$134,577, a 8% change from the prior fiscal year 2010.
- The Authority spent \$179,040 on capital assets additions and renovation construction in progress during the current fiscal year.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2011

REPORTING ON THE HOUSING AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2011?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For reporting purposes all housing funds are reported in one housing enterprise fund.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant two funds, the Low Rent Housing Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately following the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of the report.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2011

REPORTING THE HOUSING AUTHORITY'S MOST SIGNIFICANT FUNDS

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach or Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,628,614 as of September 30, 2011. Of this amount, \$1,182,948 was invested in capital assets, and the remaining \$445,666 was unrestricted. No other assets are currently restricted.

**CONDENSED FINANCIAL STATEMENTS COMPARING
FYE 9/30/2010 WITH FYE 9/30/2011**

	<u>2011</u>	<u>2010</u>	<u>Variances</u>	<u>Percentage Change</u>
Current Assets	552,217	597,974	(45,757)	-8%
Capital Assets, Net of Depreciation	<u>1,182,948</u>	<u>1,233,259</u>	<u>(50,311)</u>	<u>-4%</u>
Total Assets	<u>1,735,165</u>	<u>1,831,233</u>	<u>(96,068)</u>	<u>-5%</u>
Current Liabilities	100,544	67,661	32,883	49%
Noncurrent Liabilities	<u>6,007</u>	<u>381</u>	<u>5,626</u>	<u>1477%</u>
Total Liabilities	<u>106,551</u>	<u>68,042</u>	<u>38,509</u>	<u>57%</u>
Net Invested in Capital Assets	1,182,948	1,233,259	(50,311)	-4%
Unrestricted Net Assets	<u>445,666</u>	<u>529,932</u>	<u>(84,266)</u>	<u>-16%</u>
Total Net Assets	<u>1,628,614</u>	<u>1,763,191</u>	<u>(134,577)</u>	<u>-8%</u>

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2011

CONDENSED FINANCIAL STATEMENTS (Continued)

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage Change</u>
Rental Revenue	291,306	290,389	917	0%
Other Tenant Revenue	10,502	9,500	1,002	11%
HUD Operating Grants	277,950	382,340	(104,390)	-27%
Capital Grants	176,503	258,302	(81,799)	-32%
Investment Income	7,267	10,620	(3,353)	-32%
Other Revenue	29,307	31,455	(2,148)	-7%
Total Revenue	<u>792,835</u>	<u>982,606</u>	<u>(189,771)</u>	<u>-19%</u>

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	158,796	138,530	20,266	15%
Tenant Services	6,008	5,398	610	11%
Utilities	160,135	158,672	1,463	1%
Maintenance	236,575	232,765	3,810	2%
Protective Services	29	0	29	100%
General Expense	68,873	76,992	(8,119)	-11%
Extraordinary Maintenance	67,285	147,825	(80,540)	-55%
Depreciation Expense	202,106	169,568	32,538	19%
Total Expenses	<u>899,807</u>	<u>929,750</u>	<u>(29,943)</u>	<u>-3%</u>

The decrease in net assets of these funds was accompanied by a decrease in unrestricted assets by \$84,266 from fiscal year 2010.

Compared with the prior fiscal year, total tenant revenues increased \$1,919.

Interest income and other revenues decreased from 2010 by \$5,501.

Compared with the prior fiscal year, total expenses decreased, by \$29,943, with the maintenance expenses recording the greatest decrease.

These changes led to a decrease in total assets by \$96,068 and an increase in liabilities by \$38,509. With these changes, there is still over \$16 of assets covering each dollar of liability.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for September 30, 2012 fiscal year have already been submitted to HUD for approval and no major changes are expected.

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

CAPITAL ASSETS

	2011	2010	Variance	Percentage Change
Land	164,342	164,342	0	0%
Buildings	4,657,324	4,483,820	173,504	4%
Furniture, Equipment, & Machinery - Administration	130,993	169,310	(38,317)	-23%
Construction in Process	258,302	258,302	0	0%
Total Fixed Assets	5,210,961	5,075,774	135,187	3%
Accumulated Depreciation	4,028,013	3,842,515	185,498	5%
Net Fixed Assets	1,182,948	1,233,259	(50,311)	-4%

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

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

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2011**

ASSETS

CURRENT ASSETS

Cash	\$ 70,079
Accounts receivable (net)	7,491
Investments	418,139
Inventory	21,308
Deferred charges	<u>31,965</u>

Total Current Assets \$ 548,982

RESTRICTED ASSETS

Cash	<u>\$ 3,235</u>
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Total Restricted Assets \$ 3,235

CAPITAL ASSETS

Land, buildings and equipment	\$ 5,210,961
Less: Accumulated depreciation	<u>-4,028,013</u>

Total Capital Assets \$ 1,182,948

Total Assets \$ 1,735,165

LIABILITIES

CURRENT LIABILITIES

Accounts payable (net)	\$ 64,946
Accrued liabilities	32,363
Deferred revenue	<u>3,235</u>

Total Current Liabilities \$ 100,544

NONCURRENT LIABILITIES

Accrued compensated absences	<u>\$ 6,007</u>
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Total Noncurrent Liabilities \$ 6,007

NET ASSETS

Invested in capital assets	\$ 1,182,948
Unrestricted	<u>445,666</u>

Total Net Assets \$ 1,628,614

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

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

Operating Income

Tenant rental revenue	\$ 291,306
Tenant revenue - other	<u>10,502</u>
Total Rental Income	\$ 301,808
HUD grants - operating	277,590
Other revenue	<u>29,307</u>
Total Operating Income	<u>\$ 608,705</u>

Operating Expenses

Administration	\$ 158,796
Tenant services	6,008
Utilities	160,135
Ordinary maintenance and operation	236,575
Protective services	29
General expense	68,873
Extraordinary maintenance	67,285
Depreciation	<u>202,106</u>
Total Operating Expenses	<u>\$ 899,807</u>
Net Operating Income (Loss)	\$ -291,102

Nonoperating Income (Expense)

Interest income	7,267
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Capital Contributions

Capital fund grants	<u>176,503</u>
Changes in net assets	\$ -107,332
Net assets, beginning of year	1,763,191
Prior period adjustments	<u>-27,245</u>
Net assets, end of year	<u>\$ 1,628,614</u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

Operating Activities

Operating grants	\$ 277,590
Tenant revenue	297,957
Other revenue	29,307
Payments to employees	-237,725
Payments to suppliers and contractors	<u>-427,862</u>

Net Cash Provided (Used) by Operating Activities \$ -60,733

Investing Activities

Investments (purchased) redeemed	\$ 52,161
Interest income	<u>7,905</u>

Net Cash Provided (Used) by Investing Activities \$ 60,066

Capital and Related Financing Activities

Capital fund grants	\$ 176,503
Additions (deletions) to fixed assets	<u>-179,040</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -2,537

Net Change in Cash \$ -3,204

Cash Balance at September 30, 2010 76,518

Cash Balance at September 30, 2011 \$ 73,314

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

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

Net operating income (loss)	\$ -291,102
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	202,106
(Increase) decrease in accounts receivable	-3,851
(Increase) decrease in deferred charges	-2,373
(Increase) decrease in inventories	-4,022
Increase (decrease) in accounts payable	32,230
Increase (decrease) in accrued liabilities	5,736
Increase (decrease) in deferred revenues	<u>543</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -60,733</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

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

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

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

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

(b) Method of Accounting -

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Low Rent Public Housing
- * Capital Fund Program

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

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

(f) Interprogram Receivables and Payables

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2011, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(I) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Net Assets -

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

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

(l) Income Tax -

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

(m) Annual Contributions/Subsidies and Other Grants

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

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

- (n) The Housing Authority adopts a budget annually. The budgets is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.
- (o) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

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

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ <u>73,314</u>	\$ <u>89,878</u>

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

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

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ <u>418,139</u>	\$ <u>418,139</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 3 - Compensated Absences

Annual Leave

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

Sick Leave

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

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan with PERF of Indiana. The Housing Authority and the participants are required to contribute 8% and 3% of annual covered payroll, respectively. For the fiscal year ended September 30, 2011, actual contributions by the Housing Authority and plan participants were \$16,982 and \$6,368, respectively based on \$212,275 of wages.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$	9,364
Allowance for doubtful accounts		<u>-1,873</u>
Total	\$	<u>7,491</u>

Note 6 - Investments

At September 30, 2011 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	0.20%	\$ 147,612	\$ 147,612
Certificate of deposits	0.75-1.00%	<u>270,527</u>	<u>270,527</u>
Total		<u>\$ 418,139</u>	<u>\$ 418,139</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 7 - Fixed Assets

Balance as of September 30, 2011	\$ 1,182,948
Balance as of September 30, 2010	<u>1,233,259</u>
Net Increase (Decrease)	<u>\$ -50,311</u>

Reconciliation

Property betterments and additions	\$ 179,040
Adjustment to asset basis	-27,245
Current year depreciation expense	<u>-202,106</u> *
Net Increase (Decrease)	<u>\$ -50,311</u>

<u>Analysis</u>	<u>10/01/2010 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2011 Balance</u>
Land	\$ 164,342	\$ 0	\$ 0	\$ 164,342
Buildings	4,483,820	173,504	0	4,657,324
Equipment and furniture	169,310	5,536	43,853	130,993
Construction in process	<u>258,302</u>	<u>176,503</u>	<u>176,503</u>	<u>258,302</u>
Total	\$ 5,075,774	\$ 355,543	\$ 220,356	\$ 5,210,961
Accumulated depreciation	<u>-3,842,515</u>	<u>-229,351</u> *	<u>-43,853</u>	<u>-4,028,013</u>
Net Assets	<u>\$ 1,233,259</u>	<u>\$ 126,192</u>	<u>\$ 176,503</u>	<u>\$ 1,182,948</u>

*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 11,596
Tenants security deposits	16,584
Accrued liabilities - other	<u>36,766</u>
Subtotal	<u>\$ 64,946</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 9 - Notes Payable

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

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

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

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 2,138
Accrued wages	6,944
Payment in lieu of taxes	<u>23,281</u>
Total Current Portion	\$ 32,363

Noncurrent Portion:

Accrued compensated absences	<u>6,007</u>
Total	<u>\$ 38,370</u>

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 3,235</u>
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Note 12 - Contingencies

Federal Grants

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2011
(CONTINUED)**

Note 13 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment of asset basis	\$ <u>-27,245</u>
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Note 14 Contracts/Commitments

As of September 30, 2011, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-09	\$ 171,278	\$ 146,678
CFP 501-10	<u>170,702</u>	<u>122,715</u>
Total	<u>\$ 341,980</u>	<u>\$ 269,393</u>

Note 15 - Risk Management

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

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

Note 16 - Economic Dependency

The Housing Authority received most of its revenue (57%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-748	FYE 09/30/11	\$ 272,090	\$ 272,090	\$ 272,090
Public Housing - Capital Fund	14.872	C-748	FYE 09/30/11	\$ 341,980	\$ 182,003	\$ 182,003
Total Housing Assistance				<u>\$ 614,070</u>	<u>\$ 454,093</u>	<u>\$ 454,093</u>

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P024501-08**

1. The Actual Modernization Costs of Phase IN36P024501-08 are as follows:

Funds approved	\$ 172,177
Funds expended	<u>172,177</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 172,177
Funds expended	<u>172,177</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated February 14, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36S024501-09**

1. The Actual Modernization Costs of Phase IN36S024501-09 are as follows:

Funds approved	\$ 217,942
Funds expended	<u>217,942</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 217,942
Funds expended	<u>217,942</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated February 14, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

I have audited the financial statements of the Housing Authority of the City of Rockport as of and for the year ended September 30, 2011, and have issued my report thereon dated May 30, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

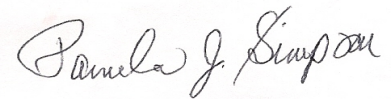
Compliance and Other Matters

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

I noted certain matters that I reported to management of the Housing Authority of the City of Rockport in a separate letter dated May 30, 2012.

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

Decatur, Illinois
May 30, 2012



Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2010 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X_____ no

* Significant deficiency (ies) identified? _____ yes X_____ none reported

Noncompliance material to financial statements noted _____ yes X_____ no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X_____ no

* Significant deficiency (ies) identified? _____ yes X_____ none reported

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

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

Identification of major programs:

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

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

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

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

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held May 30, 2012.

Section III - Federal Awards Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held May 30, 2012.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2011**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Interest income	3610	\$.07		2810
Development costs	1400.2	.46		1400.2
Unreserved surplus	2810	2.94		2810
PILOT	2137		\$.55	2137
Investments	1162		.08	1162
Tenants accounts receivable	1122		2.00	1220
Prepaid insurance	1211		.50	1211
Compensated absences	2133		.34	2133
(To correct prior year audit adjustments)				
(2)				
Unapplied debt service	1111.2	\$ 158.87		1111.2
CIAP	1111.3		\$ 158.87	1111.3
(To correct September 11 transactions posted in error to account 1111.2)				
(3)				
Tenants accounts receivable	1122	\$ 3,237.82		1122
Prepaid rents	2240		\$ 3,235.82	2240
Collection losses	4570		2.00	2810
(To reclassify prepaid rent from tenants accounts receivable)				
(4)				
PILOT	2137	\$ 11,830.00		2137
PILOT expense	4520		\$ 11,830.00	2810
(To reclassify check #34086 for PILOT liability already paid)				
(5)				
Compensated absence expense	4530	\$ 1,099.40		2810
Admin wages	4110		\$ 475.53	2810
Maintenance wages	4410		623.87	2810
(To reclassify amount earned for compensated absence)				
(6)				
Utilities	4310	\$ 1,882.05		2810
Utilities	4390	1,583.58		2810
Accrued liabilities - utilities	2139		\$ 3,465.63	2139
(To record water and sewer bills dated 09/28/2011 for period end 09/15/2011)				
(7)				
Accounts payable	2111	\$ 33,300.00		2111
Accrued liabilities - other	2139		\$ 33,300.00	2139
(To reclassify CFP expenditures to correct liability account)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2011**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(8)				
Development costs - contra	1400.3	\$ 18,855.00		1400.3
Protective service - materials	4470		\$ 2,247.00	2810
Unreserved surplus	2810		16,608.00	2810
(To adjust accumulated depreciation for the change of value of asset originally placed on schedule in 2003)				
(9)				
Federal withholding	2117.1		\$ 3,722.52	2117
FICA withholding	2117.2		1,199.05	2117
Employee benefits - admin	4540	\$ 1,968.63		2810
Employee benefits - main	4540	2,952.94		2810
(To correct JV 11-023 September withholding not paid until October 2011)				

Rockport Housing Authority (IN024)

ROCKPORT, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2011

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$53,495	\$53,495	\$53,495
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$16,584	\$16,584	\$16,584
115 Cash - Restricted for Payment of Current Liabilities	\$3,235	\$3,235	\$3,235
100 Total Cash	\$73,314	\$73,314	\$73,314
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$9,364	\$9,364	\$9,364
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,873	-\$1,873	-\$1,873
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,491	\$7,491	\$7,491
131 Investments - Unrestricted	\$418,139	\$418,139	\$418,139
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$31,965	\$31,965	\$31,965
143 Inventories	\$21,308	\$21,308	\$21,308
143.1 Allowance for Obsolete Inventories	\$0	\$0	\$0
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$552,217	\$552,217	\$552,217
161 Land	\$164,342	\$164,342	\$164,342
162 Buildings	\$4,657,324	\$4,657,324	\$4,657,324
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$130,993	\$130,993	\$130,993
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$4,028,013	-\$4,028,013	-\$4,028,013
167 Construction in Progress	\$258,302	\$258,302	\$258,302
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,182,948	\$1,182,948	\$1,182,948
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	\$1,182,948	\$1,182,948	\$1,182,948
190 Total Assets	\$1,735,165	\$1,735,165	\$1,735,165

Rockport Housing Authority (IN024)

ROCKPORT, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2011

	Project Total	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$11,596	\$11,596	\$11,596
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$6,944	\$6,944	\$6,944
322 Accrued Compensated Absences - Current Portion	\$2,138	\$2,138	\$2,138
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$23,281	\$23,281	\$23,281
341 Tenant Security Deposits	\$16,584	\$16,584	\$16,584
342 Deferred Revenues	\$3,235	\$3,235	\$3,235
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other	\$36,766	\$36,766	\$36,766
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$100,544	\$100,544	\$100,544
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current	\$6,007	\$6,007	\$6,007
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$6,007	\$6,007	\$6,007
300 Total Liabilities	\$106,551	\$106,551	\$106,551
508.1 Invested In Capital Assets, Net of Related Debt	\$1,182,948	\$1,182,948	\$1,182,948
509.2 Fund Balance Reserved			
511.2 Unreserved, Designated Fund Balance			
511.1 Restricted Net Assets			
512.1 Unrestricted Net Assets	\$445,666	\$445,666	\$445,666
512.2 Unreserved, Undesignated Fund Balance			
513 Total Equity/Net Assets	\$1,628,614	\$1,628,614	\$1,628,614
600 Total Liabilities and Equity/Net Assets	\$1,735,165	\$1,735,165	\$1,735,165

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2011

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$291,306	\$291,306	\$291,306
70400 Tenant Revenue - Other	\$10,502	\$10,502	\$10,502
70500 Total Tenant Revenue	\$301,808	\$301,808	\$301,808
70600 HUD PHA Operating Grants	\$277,590	\$277,590	\$277,590
70610 Capital Grants	\$176,503	\$176,503	\$176,503
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$7,267	\$7,267	\$7,267
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	\$29,307	\$29,307	\$29,307
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$792,475	\$792,475	\$792,475
91100 Administrative Salaries	\$90,914	\$90,914	\$90,914
91200 Auditing Fees	\$3,440	\$3,440	\$3,440
91300 Management Fee			
91310 Book-keeping Fee	\$4,840	\$4,840	\$4,840
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$17,817	\$17,817	\$17,817
91600 Office Expenses	\$35,539	\$35,539	\$35,539
91700 Legal Expense	\$315	\$315	\$315
91800 Travel	\$3,676	\$3,676	\$3,676
91810 Allocated Overhead			
91900 Other	\$2,255	\$2,255	\$2,255
91000 Total Operating - Administrative	\$158,796	\$158,796	\$158,796
92000 Asset Management Fee			
92100 Tenant Services - Salaries	\$1,400	\$1,400	\$1,400
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$4,608	\$4,608	\$4,608
92500 Total Tenant Services	\$6,008	\$6,008	\$6,008

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2011

	Project Total	Subtotal	Total
93100 Water	\$25,492	\$25,492	\$25,492
93200 Electricity	\$81,245	\$81,245	\$81,245
93300 Gas	\$28,295	\$28,295	\$28,295
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense	\$25,103	\$25,103	\$25,103
93000 Total Utilities	\$160,135	\$160,135	\$160,135
94100 Ordinary Maintenance and Operations - Labor	\$138,654	\$138,654	\$138,654
94200 Ordinary Maintenance and Operations - Materials and Other	\$36,938	\$36,938	\$36,938
94300 Ordinary Maintenance and Operations Contracts	\$34,259	\$34,259	\$34,259
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,724	\$26,724	\$26,724
94000 Total Maintenance	\$236,575	\$236,575	\$236,575
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs	\$29	\$29	\$29
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$29	\$29	\$29
96110 Property Insurance	\$35,706	\$35,706	\$35,706
96120 Liability Insurance			
96130 Workmen's Compensation	\$5,930	\$5,930	\$5,930
96140 All Other Insurance	\$3,096	\$3,096	\$3,096
96100 Total insurance Premiums	\$44,732	\$44,732	\$44,732
96200 Other General Expenses			
96210 Compensated Absences	\$8,514	\$8,514	\$8,514
96300 Payments in Lieu of Taxes	\$14,514	\$14,514	\$14,514
96400 Bad debt - Tenant Rents	\$1,113	\$1,113	\$1,113
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$24,141	\$24,141	\$24,141
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$630,416	\$630,416	\$630,416
97000 Excess of Operating Revenue over Operating Expenses	\$162,059	\$162,059	\$162,059

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

Submission Type: Audited/Non-A-133

Fiscal Year End: 09/30/2011

	Project Total	Subtotal	Total
97100 Extraordinary Maintenance	\$67,285	\$67,285	\$67,285
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$202,106	\$202,106	\$202,106
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$899,807	\$899,807	\$899,807
10010 Operating Transfer In			
10020 Operating transfer Out			
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$107,332	-\$107,332	-\$107,332
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$1,763,191	\$1,763,191	\$1,763,191
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$27,245	-\$27,245	-\$27,245
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			
11180 Housing Assistance Payments Equity			
11190 Unit Months Available	1692	1692	1692
11210 Number of Unit Months Leased	1660	1660	1660
11270 Excess Cash	\$345,866	\$345,866	\$345,866
11610 Land Purchases	\$0	\$0	\$0
11620 Building Purchases	\$152,809	\$152,809	\$152,809
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$26,230	\$26,230	\$26,230
11650 Leasehold Improvements Purchases	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control.

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

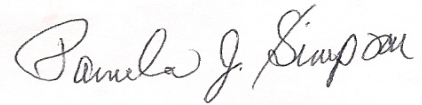
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the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

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

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

3. The PHA needs to adopt a formal policy for capitalization of depreciable assets. Currently, the PHA is capitalizing some purchases and has a depreciation schedule, however, there has never been a formal policy adopted that guides what the dollar threshold or useful life should be when setting up the schedule.
4. Currently, the PHA has been making PILOT payments based on budgeted amounts of rent and utilities not actual. PHA needs to make PILOT payments on actual expense and income and should use proper HUD form for its calculation.
5. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.

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



Certified Public Accountant

Decatur, Illinois
May 30, 2012