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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

June 11, 2014

Board of Directors
Huntingburg Housing Authority
1102 Friendship Village
Huntingburg, IN 47542

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Huntingburg Housing Authority, as of December 31, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public 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 HUNTINGBURG

AUDITED FINANCIAL STATEMENTS

Huntingburg, Indiana

December 31, 2011

Jean Sickels

Certified Public Accountant

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

870 Cinderella Court
Decatur, GA 30033
404-297-9881

HUNTINGBURG
HOUSING AUTHORITY

Huntingburg, Indiana
December 31, 2011

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Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the
City of Huntingburg
1102 Friendship Village
Huntingburg, Indiana

I have audited the accompanying financial statements of the Housing Authority of the City of Huntingburg ("the Authority") as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Huntingburg as of December 31, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 20, 2012 on my consideration of the Housing Authority of the City of Huntingburg's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Huntingburg. The accompanying 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Certified Public Accountant

Fredericksburg, Indiana
February 20, 2012

**HUNTINGBURG HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
HUNTINGBURG, INDIANA
DECEMBER 31, 2011**

Management's Discussion and Analysis

As management of the Huntingburg Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Heidi Reller, Executive Director of the Huntingburg Housing Authority at 812-683-2513.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Net Assets reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority own's (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

**HUNTINGBURG HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
HUNTINGBURG, INDIANA
DECEMBER 31, 2011
(Continued)**

Over time, significant changes in the Authorities net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of the City of Huntingburg:

Low Income Public Housing

The Housing Authority owns 50 units at 1 site in Huntingburg. The 50 units are separated into two areas, League Circle which is a family site with 20 units and Friendship Village which has 30 elderly units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

Future Events (New Business)

There are no future events planned by the Authority during the fiscal year ending December 31, 2011 that will significantly affect the Authority's Net Assets either positively or negatively.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Assets for FYE 2011 was \$681,669 and at FYE 2010 the amount was \$781,378. This represents a net decrease of \$99,709.

Cash decreased by \$9,399. Cash decreased because the Authority expended Capital Funds requisitioned at the end of fiscal year 2010 during fiscal year 2011.

Other Current Assets decreased by \$14,450. Prepaid insurance decreased by \$7,852 because the Authority paid insurance at the end of 2010 for 2011 expenses. Materials inventory decreased by \$5,695 because the Authority utilized inventory for current year unit maintenance.

Capital Assets decreased by \$75,860. The change in Capital Assets will be presented in the section entitled Analysis of Capital Asset Activity.

**HUNTINGBURG HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
HUNTINGBURG, INDIANA
DECEMBER 31, 2011
(Continued)**

Condensed Comparative Financial Statements (Continued)

Current Liabilities decreased by \$7,247. The Authority's current portion of compensated absences liability decreased by \$6,448 because the Authority's previous Executive Director retired during the fiscal year and all compensated absences were paid out at that time.

Long Term Liabilities decreased by \$8,822. The Authority's previous Executive Director retired during the fiscal year and all compensated absences were paid out at that time.

The table below illustrates our analysis:

	<u>2011</u>	<u>2010</u>	<u>Net Change</u>	<u>Percent Variance</u>
Cash	\$ 169,947	\$ 179,346	\$ (9,399)	-5.2%
Other Current Assets	13,247	27,697	(14,450)	-52.2%
Capital Assets	498,475	574,335	(75,860)	-13.2%
Total Assets	681,669	781,378	(99,709)	-12.8%
Current Liabilities	22,731	29,978	(7,247)	-24.2%
Long Term Liabilities	0	8,822	(8,822)	-100.0%
Total Liabilities	22,731	38,800	(16,069)	-41.4%
Invested in Capital Assets	498,475	574,335	(75,860)	-13.2%
Unrestricted Net Assets	160,463	168,243	(7,780)	-4.6%
Total Net Assets	\$ 658,938	\$ 742,578	\$ (83,640)	-11.3%

Analysis of Entity Wide Revenues (Statement of Activities)

Tenant Revenue decreased by \$5,136 or 4%. Tenant revenue decreased because of changing tenant characteristics and an overall decrease in the amount of dwelling rental that the Authority could charge to its tenants.

HUD Operating Grants decreased by \$29,933 or 18%. The amount of capital funds available for current fiscal year use decrease as compared to the prior year.

**HUNTINGBURG HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
HUNTINGBURG, INDIANA
DECEMBER 31, 2011
(Continued)**

Investment Income decreased by \$582 or 28% because the interest rates the Authority obtained on its CD's has decreased as compared to prior years.

	<u>2011</u>	<u>2010</u>	<u>Net Change</u>	<u>Percentage Change</u>
Total Tenant Revenue	\$ 127,800	\$ 132,936	\$ (5,136)	-4%
HUD Operating Grants	140,726	170,659	(29,933)	-18%
Other Income	1,806	1,303	503	39%
Investment Income	1,505	2,087	(582)	-28%
Total Revenue	<u>\$ 271,837</u>	<u>\$ 306,985</u>	<u>\$ (35,148)</u>	<u>-11%</u>

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2011 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$ 93,646
Public Housing Capital Fund Program	47,080
Total Revenue	<u>\$ 140,726</u>

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2011 were \$412,812 as compared to the \$406,422 of total expenditures for Fiscal Year Ending December 31, 2010. Comparatively, Fiscal Year Ending 2010 expenditures increased by \$6,390 or 14% from Fiscal Year Ending 2010 expenditures. Changes by major expense category will be presented below.

**HUNTINGBURG HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
HUNTINGBURG, INDIANA
DECEMBER 31, 2011
(Continued)**

Administrative expenditures decreased by \$13,673 or 12%. The decrease was primarily due to the retirement of the Authority's Executive Director.

Utilities expenses decreased by \$9,770 or 16%. Utilities expenses decreased because of decreasing rates and consumption.

Maintenance expenditures increased by \$18,938 or 14%. Maintenance costs increased because of increases in contract costs and materials.

General Expense decreased by \$18,533 or 38%. The decrease in general expenses are due to a decrease in compensated absences expenses.

Extraordinary Maintenance decreased by \$15,644. Extraordinary maintenance decreased because of decrease in the availability of the Capital Fund Program awards.

The table below illustrates our analysis:

	<u>2011</u>	<u>2010</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	\$ 102,317	\$ 115,990	\$ (13,673)	-12%
Tenant Services	0	250	(250)	-100%
Utilities	62,419	62,189	230	0%
Maintenance	73,256	54,318	18,938	35%
General Expense	30,383	48,916	(18,533)	-38%
Extraordinary Maintenance	0	15,644	(15,644)	-100%
Depreciation Expense	87,103	115,505	(28,402)	-25%
Total Expenses	\$ 355,478	\$ 408,258	\$ (52,780)	-14%

**HUNTINGBURG HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
HUNTINGBURG, INDIANA
DECEMBER 31, 2011
(Continued)**

Analysis of Capital Asset Activity

Furniture, Equipment, & Machinery-Dwelling increased by \$6,136. The Authority purchased a refrigerators, stoves and garbage disposals.

Furniture, Equipment, & Machinery-Administration increased by \$5,107. The Authority purchased hardware and computer upgrades related to the outside camera systems.

Accumulated Depreciation increased by \$87,103. This is the amount of depreciation expense recognized during the fiscal year.

	<u>2011</u>	<u>2010</u>	<u>Net Change</u>	<u>Percent Variance</u>
Land	\$ 14,750	\$ 14,750	\$ -	0.0%
Buildings	955,747	955,747	0	0.0%
Furniture, Equip., & Mach. - Dwelling	141,836	135,700	6,136	4.5%
Furniture, Equip., & Mach. - Administrative	160,450	155,343	5,107	3.3%
Leasehold Improvements	1,295,685	1,295,685	0	0.0%
Infrastructure	108,120	108,120	0	0.0%
Construction in Process	0	0	0	0.0%
Total Fixed Assets	<u>2,676,588</u>	<u>2,665,345</u>	<u>11,243</u>	<u>0.4%</u>
Accumulated Depreciation	2,178,113	2,091,010	87,103	4.2%
Net Fixed Assets	<u>\$ 498,475</u>	<u>\$ 574,335</u>	<u>\$ (75,860)</u>	<u>-13.2%</u>

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 161,873
Restricted cash and cash equivalents	8,074
Accounts receivable, net	184
Prepaid insurance	2,252
Inventory	<u>10,811</u>
Total Current Assets	<u>183,194</u>

CAPITAL ASSETS

Land and other nondepreciable assets	14,750
Depreciable capital assets, net	<u>483,725</u>
Total Capital Assets	<u>498,475</u>

Total Assets **681,669**

LIABILITIES

CURRENT LIABILITIES

Accounts payable	2,487
Accrued liabilities	10,834
Payable from restricted cash and cash equivalents:	
Tenant's security deposits	8,074
Deferred revenue	<u>1,336</u>
Total Current Liabilities	22,731

NONCURRENT LIABILITIES

Compensated absences	<u>0</u>
Total Noncurrent Liabilities	<u>0</u>

Total Liabilities **22,731**

NET ASSETS

Invested in capital assets	498,475
Unrestricted	<u>160,463</u>

TOTAL NET ASSETS **\$ 658,938**

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

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>OPERATING REVENUES</u>	
Rental income	\$ 127,800
Other revenue	<u>1,806</u>
TOTAL OPERATING REVENUES	<u>129,606</u>
<u>OPERATING EXPENSES</u>	
Administrative	102,317
Utilities	62,419
Ordinary maintenance and operation	73,256
General expense	30,383
Depreciation expense	<u>87,103</u>
TOTAL OPERATING EXPENSES	<u>355,478</u>
OPERATING INCOME (LOSS)	<u>(225,872)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Federal operating grants	140,726
Interest income	<u>1,506</u>
TOTAL NONOPERATING REVENUES	<u>142,232</u>
CHANGE IN NET ASSETS	(83,640)
NET ASSETS, BEGINNING OF YEAR	<u>742,578</u>
NET ASSETS, END OF YEAR	<u>\$ 658,938</u>

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

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 126,896
Payments to suppliers	(211,292)
Payments to/for employees	<u>(59,606)</u>
 Net Cash Flows Provided (Used) by Operating Activities	 <u>(140,388)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>1,506</u>
 Net Cash Provided by Investing Activities	 1,506

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital assets purchased	<u>(11,243)</u>
 Net Cash Provided (Used) from Capital and Related Financing Activities	 <u>(11,243)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>140,726</u>
 Net Cash Flows Provided by Noncapital Financing Activities	 <u>140,726</u>

Net Increase (Decrease) in Cash and Cash Equivalents (9,399)

Beginning Cash and Cash
Cash - Beginning of year 179,346

Ending Cash and Cash
Cash - End of year \$ 169,947

Reconciliation of Cash
Unrestricted \$ 161,873
Restricted 8,074
\$ 169,947

Continued

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(225,872)
Adjustments to reconcile net operating income to net cash Provided by operating activities:		
Depreciation		87,103
(Increase) Decrease in:		
Accounts receivable		904
Prepaid expenses		7,851
Inventory		5,695
Increase (Decrease) in:		
Accounts payable		1,448
Accrued liabilities		(17,622)
Deferred revenue		105
Net Cash Flows Provided (Used) by Operating Activities	\$	<u>(140,388)</u>

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

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A - Summary of Significant Accounting Policies:

The HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG ("the Authority") is a political subdivision both corporate and politic which was organized under the laws of the State of Indiana to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other Federal Agencies to be the Administrator of a Public Housing Program.

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 Housing Authority of the City of Huntingburg, a primary government. 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 HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG include Low-Income Public Housing under Annual Contributions Contract C-543.

The authority had 50 units in management at December 31, 2011:

<u>Project</u>	<u>Units</u>
Authority owned	50

The authority was also administering Capital Fund Programs.

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

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

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

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

Accounting Policies - The financial statements of 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.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

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 has been omitted 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 an appropriated budget that has been signed into law or a nonappropriated 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 Checking accounts and Certificates of Deposits 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. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid deposits (including restricted assets) 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, non capital, capital and financing activities during the year.

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

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

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

Prepaid - Prepays, when present, represent payments made to vendors for services that will benefit beyond December 31, 2011.

Inventories - Inventories 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.

Interprogram Due From and Due To - During the course of its operations, the authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram receivables and payables have been eliminated for financial statement presentation.

Capital Assets - Capital assets purchased in the proprietary fund types are capitalized at the time of purchase. Such assets are recorded at cost. 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. The Authority's policy is to capitalize assets costing \$500 or more.

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

<u>Class</u>	<u>Life</u>
Building & Improvements	15-40 years
Furniture, Equipment & Fixtures	3-7 years

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

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.

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

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

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 nonoperating revenues and expenses.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are allowed.

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.

Income 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.

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

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

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

At December 31, 2011, the carrying amount of the Authority's deposits was \$183,262. 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	\$ 65,669
Certificates of Deposit	<u>104,278</u>
Total	<u>\$ 169,947</u>

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Continued)

NOTE C - Accounts Receivable:

Accounts receivable at December 31, 2011, consist of the following:

Tenants accounts receivable - net allowance for doubtful accounts of \$264	\$ 151
Accrued interest	<u>33</u>
Total	<u>\$ 184</u>

NOTE D - Prepaid Expenses:

There were \$2,252 of prepaid insurance expenses at December 31, 2011.

NOTE E - Inventory:

Inventory at December 31, 2011, consist of the following:

Materials and supplies	<u>\$ 10,811</u>
------------------------	------------------

Materials inventories are recorded at the lower of cost or market. The first-in first-out (FIFO) inventory flow assumption is used to determine expenses. Expenses are recorded when inventory is consumed.

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>12/31/11</u>
Capital assets, not being depreciated:				
Land	\$ 14,750	\$ 0	\$ 0	\$ 14,750
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, not being depreciated	<u>14,750</u>	<u>0</u>	<u>0</u>	<u>14,750</u>
Capital Assets, being depreciated:				
Buildings & Improvements	2,359,552	0	0	2,359,552
Furniture, Equipment & Machinery	<u>291,043</u>	<u>11,243</u>	<u>0</u>	<u>302,286</u>
Total Capital Assets, being depreciated	<u>2,650,595</u>	<u>11,243</u>	<u>0</u>	<u>2,661,838</u>

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

NOTE F - Capital Assets: (Continued)

Less Accumulated Depreciation for:				
Buildings & Improvements	(1,831,002)	(78,914)	0	(1,909,916)
Furniture, Equipment and Machinery	<u>(260,008)</u>	<u>(8,189)</u>	<u>0</u>	<u>(268,197)</u>
Total Accumulated Depreciation	<u>(2,091,010)</u>	<u>(87,103)</u>	<u>0</u>	<u>(2,178,113)</u>
Total Capital Assets, being depreciated, net	<u>559,585</u>	<u>(75,860)</u>	<u>0</u>	<u>483,725</u>
Capital Assets, Net	<u>\$ 574,335</u>	<u>\$ (75,860)</u>	<u>\$ 0</u>	<u>\$ 498,475</u>

Major construction renovation through the Capital Fund Program costs of \$47,080 are yet to be expended under the current programs. HUD has approved funding for the above amount. Depreciation expense for the year ended December 31, 2011, was \$87,103.

NOTE G - Accounts Payable:

Accounts payable at December 31, 2011, consist of the following:

Vendors' and contractors	<u>\$ 2,487</u>
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NOTE H - Accrued Liabilities:

Accrued liabilities at December 31, 2011, consist of the following:

Payment in lieu of taxes	\$ 5,431
Accrued Utilities	<u>5,403</u>
Total	<u>\$ 10,834</u>

NOTE I - Deferred revenue:

Deferred revenue at December 31, 2011, consists of the following:

Prepaid Rent	<u>\$ 1,336</u>
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NOTE J - Noncurrent Liabilities:

Noncurrent liabilities at December 31, 2011, consist of the following:

	<u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/11</u>
Long term compensated absences	<u>\$ 8,822</u>	<u>\$ 0</u>	<u>\$ (8,822)</u>	<u>\$ 0</u>

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

NOTE K - Federal Operating Grants:

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Low Rent Public Housing	\$ 93,646
Capital Fund Program	<u>47,080</u>
Total	<u>\$ 140,726</u>

NOTE L - Pension Plan:

Plan Description

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Authority the power to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

The Authority's contributions were calculated using the base salary amount of \$39,181. During the year ended December 31, 2011, the Authority's required and actual contributions amounted to \$3,787, which was 9.7% of its current-year covered payroll in the amount of \$39,181. Contributions for 2010 were \$6,947. Contributions for 2009 were \$6,745.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employee's Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

(Continued)

NOTE L - Pension Plan: (Continued)

Valuation of Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

NOTE M - Economic Dependency:

The Authority receives approximately 52% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE N - 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 December 31, 2011.

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

Construction Projects - There are certain major construction projects in progress at December 31, 2011. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

NOTE O - 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 P - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by the United States Department of HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority of the City of Huntingburg.

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS

DECEMBER 31, 2011

	A C C		Total
	C-543	C-543	
	Low	Capital	
	Income	Fund	
	Public	Fund	
	Housing	Programs	
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	\$ 161,873	\$ 0	\$ 161,873
Restricted cash and cash equivalents	8,074	0	8,074
Accounts receivable, net	184	0	184
Prepaid insurance	2,252	0	2,252
Inventory	10,811	0	10,811
Total Current Assets	183,194	0	183,194
<u>CAPITAL ASSETS</u>			
Land and other nondepreciable assets	14,750	0	14,750
Depreciable capital assets, net	483,725	0	483,725
Total Capital Assets	498,475	0	498,475
Total Assets	681,669	0	681,669
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable	2,487	0	2,487
Accrued liabilities	10,834	0	10,834
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	8,074	0	8,074
Deferred revenue	1,336	0	1,336
Total Current Liabilities	22,731	0	22,731
<u>NONCURRENT LIABILITIES</u>			
Compensated absences	0	0	0
Total Noncurrent Liabilities	0	0	0
Total Liabilities	22,731	0	22,731
<u>NET ASSETS</u>			
Invested in capital assets	498,475	0	498,475
Unrestricted	160,463	0	160,463
TOTAL NET ASSETS	\$ 658,938	\$ 0	\$ 658,938

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	C-543 Low Income Public Housing	C-543 Capital Fund Programs	Total
<u>OPERATING REVENUES</u>			
Rental income	\$ 127,800	\$ 0	\$ 127,800
Other revenue	1,806	0	1,806
TOTAL OPERATING REVENUES	129,606	0	129,606
<u>OPERATING EXPENSES</u>			
Administrative	102,317	0	102,317
Utilities	62,419	0	62,419
Ordinary maintenance and operation	73,256	0	73,256
General expense	30,383	0	30,383
Depreciation expense	87,103	0	87,103
TOTAL OPERATING EXPENSES	355,478	0	355,478
OPERATING INCOME (LOSS)	(225,872)	0	(225,872)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal operating grants	93,646	47,080	140,726
Interest income	1,506	0	1,506
TOTAL NONOPERATING REVENUES	95,152	47,080	142,232
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET ASSETS	(130,720)	47,080	(83,640)
NET ASSETS, BEGINNING OF YEAR, as originally stated	742,578	0	742,578
Operating transfers	47,080	(47,080)	0
Total net Assets - Beginning of year as restated	789,658	(47,080)	742,578
NET ASSETS, END OF YEAR	\$ 658,938	\$ 0	\$ 658,938

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
DECEMBER 31, 2011

Annual Contributions Contract C-543

501-10

1. The Capital Fund Grant Costs are as follows:

Funds Approved	\$	67,080
Funds Expended		<u>67,080</u>
Excess / (Deficiency) of Funds Approved	\$	<u>0</u>
Funds Advanced	\$	67,080
Funds Expended		<u>67,080</u>
Excess / (Deficiency) of Funds Advanced	\$	<u>0</u>

2. Costs additions totaling \$ 47,080 were made during the current audit period and, accordingly, were audited by Jean Sickels, CPA.

3. The total amount of the Capital Fund Grant Costs at December 31, 2011 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.

4. All Capital Fund Grant work in connection with the Project has been completed.

5. All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.

6. There were no budget overruns.

OTHER REPORTS

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

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

Board of Commissioners
Housing Authority of the City of Huntingburg
1102 Friendship Village
Huntingburg, Indiana

I have audited the financial statements of the Housing Authority of the City of Huntingburg ("the Authority") as of and for the year ended December 31, 2011, and have issued my report thereon dated February 20, 2012, which included a disclaimer of opinion on Management's Discussion and Analysis. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Authority of the City of Huntingburg'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 Huntingburg's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Huntingburg'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 Huntingburg's financial statements are free of material misstatement, I performed tests of its compliance with certain provision 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 the management of the Housing Authority of the City of Huntingburg in a separate letter dated February 20, 2012.

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


Certified Public Accountant

Fredericksburg, Indiana
February 20, 2012

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG
Huntingburg, Indiana

DECEMBER 31, 2011

SCHEDULE OF FINDINGS AND RESPONSES

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

There are no current year findings.

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

phone (812) 472-3527

fax (812) 472-3649

cell (404) 307-5903

February 20, 2012

Board of Commissioners
Housing Authority of the City of Huntingburg
1102 Friendship Village
Huntingburg, Indiana

In planning and performing my audit of the financial statements of the Housing Authority of the City of Huntingburg as of and for the year ended December 31, 2011, I considered the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter does not affect my report dated February 20, 2012 on the financial statements of the Authority.

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

1. **CONDITION: 941's**

The Authority had an error on the 941 that resulted in an additional payment being due.

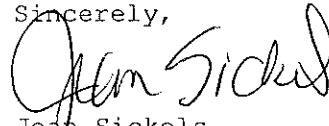
RECOMMENDATION:

The Authority should put policies and procedures in place to ensure that the 941's are prepared correctly.

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

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

Sincerely,



Jean Sickels
Certified Public Accountant