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March 7, 2016

Board of Directors
Housing Authority of Cannelton
c/o Lincoln Hills Development Corporation
PO Box 336
Tell City, IN 47586

We have reviewed the audit report prepared by Gauthier & Kimmerling, LLC, Independent Public Accountants, for the period April 1, 2013 to March 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of Cannelton, as of March 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana**

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

for the year ended March 31, 2014

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

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Independent Auditors' Report

Board of Directors
Housing Authority of Cannelton
Cannelton, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the aggregate fund information of Housing Authority of Cannelton, (the Authority), as of and for the year ended March 31, 2014, and related notes to the financial statements, which collectively comprise the Authorities basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective statement of net assets of Housing Authority of Cannelton, as of March 31, 2014, and the respective statement of revenues, expenses, and changes in net assets, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–7 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Cannelton's basic financial statements. The supplementary information section containing HUD REAC required input data and statistics, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The HUD REAC required data and statistics, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, HUD REAC required data and statistics, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information section containing HUD REAC required input data and statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the Housing Authority of Cannelton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of Cannelton's internal control over financial reporting and compliance.

Garcia & Kennedy, LLC

October 23, 2014

HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended March 31, 2014

As management of Housing Authority of Cannelton (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

- Net assets decreased by \$3,470 as of March 31, 2014.
- Operating revenue of the Authority increased by \$29,478 from prior year results.
- The Authority's cash balance at March 31, 2014 was \$11,396, representing a decrease of \$1,548 from March 31, 2013.

OVERVIEW OF THE AUTHORITY

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Activities, and Statement of Cash Flows report information about the Authority as a whole and about its activities in a format that helps the reader assess the result of operations. Each statement is a condensed presentation of sources of funding and major activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS--Continued
Year ended March 31, 2014

AN OVERVIEW OF THE AUTHORITY—WIDE FINANCIAL POSITION AND OPERATIONS

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

Housing Authority of Cannelton
Statement of Net Assets

| | <u>2014</u> | <u>2013</u> | <u>Change</u> |
|-------------------------|------------------|------------------|---------------|
| Current assets | \$ 11,811 | \$ 14,781 | -20.1% |
| Total assets | \$ 11,811 | \$ 14,781 | -20.1% |
| Current liabilities | \$ 500 | \$ - | 100.0% |
| Total liabilities | \$ 500 | \$ - | 100.0% |
| Net assets | | | |
| Unrestricted net assets | \$ (14,186) | \$ (6,200) | 128.8% |
| Restricted net assets | <u>25,497</u> | <u>20,981</u> | <u>21.5%</u> |
| Total net assets | <u>\$ 11,311</u> | <u>\$ 14,781</u> | <u>-23.5%</u> |

Cash

Total cash decreased by \$1,548 or 11.96% as of March 31, 2014 compared to March 31, 2013.

Accounts receivable

Accounts receivable decreased by \$1,422 as of March 31, 2014. As of March 31, 2014, the Authority had receivables of \$415.

Accounts payable

There was \$500 in accounts payable at March 31, 2014.

Long-term debt

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

Net Assets

Net assets decreased by \$3,470 as of March 31, 2014. The unrestricted fund balance borrowed from the restricted fund to cover administrative costs associated with spending the restricted fund for its restricted purpose in both fiscal 2014 and 2013.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS--Continued
Year ended March 31, 2014

AN OVERVIEW OF THE AUTHORITY—WIDE FINANCIAL POSITION AND OPERATIONS –
Continued

The results of operations for the Authority are presented below:

Housing Authority of Cannelton
Statement of Revenue, Expenses, and Changes in Net Assets

| | <u>2014</u> | <u>2013</u> | <u>Increase/Decrease</u> | |
|-----------------------------------|-------------------|--------------------|--------------------------|-------------------|
| | | | <u>Amount</u> | <u>Percentage</u> |
| OPERATING REVENUE | | | | |
| HUD PHA grants | \$ 618,794 | \$ 588,721 | \$ 30,073 | 5.1% |
| Fraud recovery | - | 594 | (594) | -100.0% |
| Other revenue | - | - | - | 0.0% |
| TOTAL OPERATING REVENUE | <u>618,794</u> | <u>589,315</u> | <u>29,479</u> | <u>5.0%</u> |
| OPERATING EXPENSES | | | | |
| Administrative | \$ 58,768 | \$ 79,560 | \$ (20,792) | -26.1% |
| Housing assistance payments | 562,281 | 604,221 | (41,940) | -6.9% |
| HAP portability-out | 1,227 | 1,165 | 62 | 5.3% |
| TOTAL OPERATING EXPENSES | <u>622,276</u> | <u>684,946</u> | <u>(62,670)</u> | <u>-9.1%</u> |
| Operating income/(loss) | <u>(3,482)</u> | <u>(95,631)</u> | <u>92,149</u> | <u>-96.4%</u> |
| NONOPERATING REVENUE | | | | |
| Interest and investment revenue | 12 | 32 | 26 | -62.5% |
| TOTAL NONOPERATING REVENUE | <u>12</u> | <u>32</u> | <u>26</u> | <u>-62.5%</u> |
| Total change in net assets | <u>\$ (3,470)</u> | <u>\$ (95,599)</u> | <u>\$ 92,175</u> | <u>-96.4%</u> |

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

RESULTS OF OPERATIONS

Net assets decreased by \$3,470 during the year ended March 31, 2014.

Operating revenues of the Authority's activities are generated principally from HUD annual contributions. During the year ended March 31, 2013, the Authority's operating revenues for its activities totaled \$618,794. Of this total, \$618,794, or 100% is from HUD annual contributions. Operating expense of the Authority's activities consist primarily of housing assistance payments. Operating expenses totaled \$622,276 of which \$562,281, or 90.36%, were housing assistance payments. A lag between expenditure and an increase in funding for those expenditures exists.

CAPITAL ASSETS

The Authority had no capital assets as of March 31, 2014.

HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS--Continued

Year ended March 31, 2014

REQUEST FOR INFORMATION

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

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

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

STATEMENT OF NET ASSETS
March 31, 2014

ASSETS

ASSETS

| | | | |
|--|------------|----|---------------|
| Cash - unrestricted | 111 | \$ | 11,396 |
| Cash - other restricted | 113 | | <u>-</u> |
| Total Cash | 100 | | 11,396 |
| | | | |
| Accounts receivable - miscellaneous | 125 | | - |
| Fraud recovery | 128 | | 415 |
| Allowance for doubtful accounts - fraud | 128 | | <u>-</u> |
| Total receivables, (net of allowance for doubtful accounts) | 120 | | 415 |
| | | | |
| Total Current Assets | 150 | | 11,811 |
| | | | |
| TOTAL ASSETS | 190 | | 11,811 |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | | |
|--------------------------------------|------------|--|------------|
| Other Current Liabilities | 345 | | <u>500</u> |
| Total Current Liabilities | 310 | | 500 |
| | | | |
| Total Non-current Liabilities | 350 | | <u>-</u> |
| | | | |
| Total Liabilities | 300 | | 500 |

NET ASSETS

| | | | |
|---|------------|-----------|---------------|
| Unrestricted net assets | 512 | \$ | (14,186) |
| Temporarily restricted net assets | 511 | | <u>25,497</u> |
| | | | |
| TOTAL NET ASSETS | 513 | | 11,311 |
| | | | |
| TOTAL LIABILITIES AND NET ASSETS | 600 | \$ | 11,811 |

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

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the year ended March 31, 2014

| <u>REVENUES</u> | | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|--------------|---------------------|-----------------------------------|------------------|
| Total Tenant Revenue | 70500 | \$ - | \$ - | \$ - |
| HAP Income | 70600 | 52,043 | 566,751 | 618,794 |
| Fraud Recovery | 71400 | - | - | - |
| Investment Income | 71100/72000 | <u>1</u> | <u>11</u> | <u>12</u> |
| Total revenue | 70000 | 52,044 | 566,762 | 618,806 |
| Net assets released from restrictions | | <u>562,246</u> | <u>(562,246)</u> | <u>-</u> |
| Total Revenue and Support | | <u>614,290</u> | <u>4,516</u> | <u>618,806</u> |
| <u>EXPENSES</u> | | | | |
| Auditing Fees | 91200 | 5,500 | - | 5,500 |
| Management Fee | 91300 | 54,495 | - | 54,495 |
| Other | 91900 | <u>35</u> | <u>-</u> | <u>35</u> |
| Total Administrative | 91000 | 60,030 | | 60,030 |
| Total Operating Expenses | 96900 | 60,030 | - | 60,030 |
| Housing Assistance Payments | 97300 | <u>562,246</u> | <u>-</u> | <u>562,246</u> |
| Total Expenses | 90000 | <u>622,276</u> | <u>-</u> | <u>622,276</u> |
| Change in net assets | | (7,986) | 4,516 | (3,470) |
| Net assets - beginning of year (Equity) | 11030 | <u>(6,200)</u> | <u>20,981</u> | <u>14,781</u> |
| Net assets - end of year | | <u>\$ (14,186)</u> | <u>\$ 25,497</u> | <u>\$ 11,311</u> |

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

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

STATEMENT OF CASH FLOWS
for the year ended March 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|----------------|
| Change in net assets | \$ (3,470) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operations: | |
| Decrease (increase) in operating assets: | |
| Accounts receivable | 1,422 |
| Increase (decrease) in operating liabilities: | |
| Other current liabilities | <u>500</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>(1,548)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------|
| Interest Income on designated funds | <u>-</u> |
| Net Cash Provided by (Used in) Investing Activities | <u>-</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|------------------|
| Proceeds from forgivable loans | <u>-</u> |
| Net Cash Provided by (Used in) Financing Activities | <u>-</u> |
| Change in cash and cash equivalents | (1,548) |
| Cash and cash equivalents - beginning of year | <u>12,944</u> |
| Cash and cash equivalents - end of year | <u>\$ 11,396</u> |
| Interest paid during the year | <u>\$ -</u> |

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

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Operations

The Authority is organized under the laws of the State of Indiana for the purpose of providing rent assistance for the elderly and low-income families. The Authority administers 170 Section B housing Choice Voucher units under Annual Contribution Contract C-2041 in Cannelton, Indiana. The funds are disbursed to various landlords to provide tenant assistance. The Authority does not own the housing facilities.

Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Cannelton and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget; is not entitled to any surplus funds generated by the Authority's operations, and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of Cannelton is a separate reporting entity.

Basis of Presentation

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

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

NOTES TO THE FINANCIAL STATEMENTS--Continued
March 31, 2014

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Presentation – Continued

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

Basis of Accounting

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

Use of Estimates

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

Cash Equivalents

The Authority considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. The Authority had no cash equivalents at March 31, 2014.

Allowance for Doubtful Accounts

The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that no allowance for doubtful accounts was required at March 31, 2014.

Revenue and Expenses

Revenue is recorded as earned and expenses are charged against such revenue as incurred with regard to the date of receipt or payment of cash.

Subsequent Events

The Authority has evaluated events and transactions for potential recognition or disclosure through the report date, which represents the date the financial statements were available for issuance. Subsequent events after that date have not been evaluated.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

NOTES TO THE FINANCIAL STATEMENTS--Continued
March 31, 2014

NOTE 2--CASH DEPOSITS AND INVESTMENTS

The carrying value of cash owned at March 31, 2014 was \$11,396. The bank balance of cash owned at March 31, 2014 was \$11,788.

A. Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Authority may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. Statutes authorize the Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities. All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of depository financial institutions.

B. Interest Rate Risk

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

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

C. Credit Risk

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

D. Concentration of Credit Risk

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

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

NOTES TO THE FINANCIAL STATEMENTS--Continued
March 31, 2014

NOTE 2--CASH DEPOSITS AND INVESTMENTS--Continued

E. Foreign Currency Risk

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

NOTE 3--RESTRICTED NET ASSETS

In accordance with guidelines established by HUD, any housing assistance payment (HAP) budget authority provided to a housing Authority in excess of actual program expenses for the same period must be maintained as restricted net assets to be used only for HAP payments incurred in the running of the Housing Choice Voucher program. The Authority has a balance of \$25,497 in restricted net assets at March 31, 2014. \$7,986 of these funds were used to cover administrative costs in 2014, increasing the amount of these funds used for administrative purposes as of March 31, 2014 to \$14,186.

NOTE 4--ADMINISTRATIVE FEE

The Authority receives an "Administrative Fee" as part of Annual Contribution Contract with HUD to cover the costs (including overhead) of administering the Section 8 program. The Authority entered into an annual agreement with Lincoln Hills Development Corporation (LHDC) whereby LHDC would administer the Section 8 Housing Choice Voucher Program in the County of Perry, Indiana, exclusive of the area in the corporate limits of the City of Tell City, Indiana. The fee paid to LHDC was \$48.38 per month for each unit leased during the year ended March 31, 2014. The total amount charged to the expenses under this agreement during the year ended March 31, 2014 was \$53,268 which is included as part of "Administrative" expense in the Statement of Activities.

NOTE 5--INCOME TAXES

The Authority is a tax-exempt organization for income tax purposes and, accordingly, there is no provision in the financial statements for federal or state income taxes. Management believes that the Authority has adequately addressed all relevant tax positions and that there are no unrecorded income tax liabilities.

NOTE 6--MAJOR FUNDING SOURCE

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

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended March 31, 2014

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---------------------------------|
| U.S. Department of Housing and Urban Development: | | |
| Section 8 Housing Choice Voucher Program | 14.871 | <u>\$618,794</u> |

The following describes the significant accounting policies used in the preparation of the schedule of expenditures of federal awards:

Basis of Presentation – The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended March 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Authority.

Summary of Significant Accounting Policies – Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.



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

Independent Auditors' Report

Board of Directors
Housing Authority of Cannelton
Cannelton, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the aggregate fund information of Housing Authority of Cannelton (the Authority) as of and for the year ended March 31, 2014, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Gauthier & Kennerly, LLC

October 22, 2014



Report on Compliance for Each Major Program and on
Internal Control over Compliance Required By
OMB Circular A-133

Board of Directors
Housing Authority of Cannelton
Cannelton, Indiana

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of Cannelton's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Housing Authority of Cannelton's major federal programs for the year ended March 31, 2014. Housing Authority of Cannelton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of Cannelton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of Cannelton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Authority of Cannelton's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of Cannelton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

Report on Internal Control over Compliance

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

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

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

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

Garcia & Kinnerly, LLC

October 23, 2014

HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the Year Ended March 31, 2014**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

_____yes no

Significant deficiency(ies) identified not considered to be material weaknesses?

_____yes none reported

Noncompliance material to financial statements noted?

_____yes no

Federal Awards

Internal Control over financial reporting:

Material weakness(es) identified?

_____yes no

Significant deficiency(ies) identified not considered to be material weaknesses?

_____yes none reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____yes no

Identification of major programs:

CFDA Number

14.871

Name of Federal Program or Cluster

Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee yes _____no

B. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs.

HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
for the Year Ended March 31, 2014

None

HUD REAC REQUIRED INPUT DATA AND STATISTICS



HOUSING AUTHORITY OF CANNELTON
Cannelton, Indiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Board of Commissioners
Housing Authority of Cannelton
Cannelton, Indiana

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

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

We were engaged to perform an audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, for the Authority as of and for the year ended March 31, 2014, and have issued our reports thereon dated October 22, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated October 22, 2014 was expressed in relation to the basic financial statements of the Authority taken as a whole.

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

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

Gauthier Kimmerling, LLC

October 22, 2014

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE

| UFRS Rule Information | Hard Copy Document(s) | Findings |
|---|---|-----------------|
| Balance Sheet, Revenue and Expense (account numbers 111 to 1390) | Financial Statements, Supplemental information. | Agrees |
| Footnotes (G5000-010) | Notes to the audited Financial Statements | Agrees |
| Type of Opinion on the FDS (G3100-040) | Auditor's supplemental report on FDS | Agrees |
| Audit Findings Narrative (G5200-010) | Schedule of Findings and Questioned Costs | Agrees |
| General Information (Series G2000, G2100, G2200, G9000, G9100) | Supplementary Information | Agrees |
| Financial statement report information (G3000-010 to G3000-050) | Schedule of Findings and Questioned Costs | Agrees |
| Federal program report information ((G4000-020 to G4000-040) | Schedule of findings and questioned costs. | Agrees |
| Type of compliance requirement (G4200-020 to G4000-030) | Schedule of finding and questioned costs | Agrees |
| Basic financial statements and auditor reports required to be submitted electronically. | Basic financial statements and auditor's reports. | Agrees |

Memo Account Information

| | | |
|---|-----------|--------|
| Total Capital Assets, Net of Accumulated Depreciation | 160 | 0 |
| total Non-Current Assets | 180 | 0 |
| Total Tenant Services | 92500 | 0 |
| Total Utilities | 93000 | 0 |
| Total maintenance | 94000 | 0 |
| Total Protective services | 95000 | 0 |
| Total Insurance Premiums | 96100 | 0 |
| Total Other General Expenses | 96000 | 0 |
| Excess of Operating Revenue over Operating Expenses | 97000 | 558799 |
| Total Other financing Sources (Uses) | 10100 | 0 |
| Excess (Deficiency) of Total Revenue Over (Under) total Expenses | 10000 | -3470 |
| Administrative Fee Equity | 11170 | -14186 |
| Housing Assistance Payments Equity | 11180 | 25497 |
| Required Annual Debt Principal Payments | 11020 | 0 |
| Unit Months Available | 11190 | 2148 |
| Number of Unit Months Leased | 11210 | 1542 |
| Line 70600 Details | | |
| Housing Assistance payments | 70600-010 | 566751 |
| Ongoing Administrative Fees Earned | 70600-020 | 52043 |
| Hard to House Fee Revenue | 70600-030 | 0 |
| FSS Coordinator Grant | 70600-031 | 0 |
| Actual Independent Public Accountant Audit costs | 70600-040 | 0 |
| Total Preliminary Fees Earned | 70600-050 | 0 |
| All Other Fees | 70600-060 | 0 |
| Total Amount | | 618794 |
| Line Item 71100 Details | | |
| Housing Assistance Payment | 71100-010 | 0 |
| Administrative Fee | 71100-020 | 1 |
| Total Amount | | 1 |

Line Item 71400 Details

| | | |
|----------------------------|-----------|----|
| Housing Assistance Payment | 71400-010 | 11 |
| Administrative Fee | 71400-020 | 0 |
| Total Amount | | 11 |

Line item 72000 Details

| | | |
|----------------------------|-----------|---|
| Housing Assistance Payment | 72000-010 | 0 |
| Administrative Fee | 72000-020 | 0 |
| Total Amount | | 0 |

Line Item 97300 Details

| | | |
|--------------|-----------|--------|
| All Other | 97300-050 | 562246 |
| Total Amount | | 562246 |

Line Item 11170 Details

| | | |
|---|-----------|--------|
| Administrative Fee Equity - Beginning Balance | 11170-001 | -6200 |
| Administrative Fee Revenue | 11170-010 | 52043 |
| Investment Income | 11170-040 | 1 |
| Fraud Recovery Revenue | 11170-045 | 0 |
| Other Revenue | 11170-050 | 0 |
| Total Admin Fee Revenues | 11170-060 | 52044 |
| Total Operating Expenses | 11170-080 | 59995 |
| Other Expenses | 11170-100 | 35 |
| Total Expenses | 11170-110 | 60030 |
| Net Administrative Fee | 11170-002 | -7986 |
| Administrative Fee Equity - Ending Balance | 11170-003 | -14186 |

Line Item 11180 Details

| | | |
|--|-----------|--------|
| Housing Assistance payments Equity - Beginning Balance | 11180-001 | 20981 |
| Housing Assistance Payment Revenues | 11180-010 | 566751 |
| Fraud Recovery Revenue | 11180-015 | 0 |
| Other Revenue | 11180-020 | 0 |
| Investment Income | 11180-025 | 11 |
| Total Housing Assistance Payments Revenues | 11180-030 | 566762 |
| Housing Assistance Payments | 11180-080 | 562246 |
| Other Expenses | 11180-090 | 0 |
| Total Housing Assistance Payments Expenses | 11180-100 | 562246 |
| Net Housing Assistance Payments | 11180-002 | 4516 |
| Housing Assistance Payments Equity - Ending Balance | 11180-003 | 25497 |

Line Item 11190 Details

| | | |
|---------------------|-----------|------|
| Total ACC HCV Units | 11190-210 | 2148 |
| Total | | 2148 |

| | | |
|---|-----------|---|
| Fiscal Year Ending Date | G9000-010 | 3/31/2014 |
| Reporting Period Covered | G2000-021 | Annual |
| Reporting Period Covered - Months | G2000-031 | 12 |
| Employer Identification Number | G9000-020 | 356000970 |
| Multiple EIN Indicator | G2000-040 | No |
| Data Universal Numbering System (DUNS) Number | G9000-030 | 147182153 |
| Multiple DUNS Indicator | G2000-050 | No |
| Entity Name | G9100-011 | Cannelton Housing Authority c/o Lincoln Hills Development Corp 302 Main Street, P.O. Box 336 Tell City IN 47586 336 Gary V Zellers Chairman (812) 547-3435 225 (812) 547-3466 gary@lhdc.org xx/xx/2014 Gary V Zellers Chairman Gauthier and Kimmerling 7340 Shadeland Station Suite 100 Indianapolis IN 46256 Eric Harber Member (317) 572-1130 eharber@gkcpas.com 618794 |
| Entity Street Address Line 1 | G9100-021 | |
| Entity Street Address Line 2 | G9100-031 | |
| Entity City | G9100-041 | |
| Entity State | G9100-051 | |
| Entity Zip Code | G9100-061 | |
| Entity Zip Code Extension | G9100-066 | |
| Entity Contact First Name | G2100-011 | |
| Entity Contact Middle Initial | G2100-021 | |
| Entity Contact Last Name | G2100-031 | |
| Entity Contact Title | G2100-041 | |
| Entity Contact Telephone | G2100-051 | |
| Entity Contact Extension | G2100-061 | |
| Entity Contact Fax | G2100-071 | |
| Entity Contact Email | G2100-081 | |
| Date Approve by Certifying Official | G2100-090 | |
| Certifying Official First Name | G2100-100 | |
| Certifying Official Middle Initial | G2100-110 | |
| Certifying Official Last Name | G2100-120 | |
| Certifying Official Title | G2100-130 | |
| Auditor Name | G2200-010 | |
| Auditor Street Address Line 1 | G2200-020 | |
| Auditor Street Address Line 2 | G2200-030 | |
| Auditor City | G2200-040 | |
| Auditor State | G2200-050 | |
| Auditor Zip Code | G2200-060 | |
| Auditor Contact First Name | G2200-070 | |
| Auditor Contact Last Name | G2200-090 | |
| Auditor Contact Title | G2200-100 | |
| Auditor Contact Telephone | G2200-110 | |
| Auditor Contact Email | G2200-140 | |
| Total Federal Awards Expended | G4100-040 | |