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302 WEST WASHINGTON STREET  
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Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

December 29, 2009

Board of Commissioners  
Housing Authority of the City of Anderson  
528 West 11<sup>th</sup> Street  
Anderson, Indiana 46016

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2007 to March 31, 2008. 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 Housing Authority of the City of Anderson, as of March 31, 2008, 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 ANDERSON  
ANDERSON, INDIANA**

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

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**TWELVE MONTHS ENDED MARCH 31, 2008**

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

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# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD  
DECATUR, ILLINOIS 62526  
(217) 872-1908

## Independent Auditor's Report

Board of Commissioners  
Anderson Housing Authority  
Anderson, Indiana

I have audited the accompanying basic financial statements of the Anderson Housing Authority, as of and for the year ended March 31, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit. I did not audit the financial statements of Anderson Housing, Inc. (a component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for Anderson Housing, Inc., is based on the report of the other auditors.

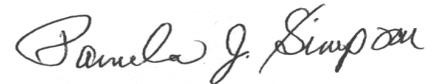
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Anderson Housing Authority, as of March 31, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 24, 2008, on my consideration of the Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulation, contracts and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements of the Anderson Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Anderson Housing Authority. 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 materials respects, in relation to the basic financial statements taken as a whole.

Handwritten signature of Pamela J. Simpson in cursive script.

Decatur, Illinois  
September 24, 2008

Certified Public Accountant

As management of Anderson 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 fiscal year ended March 31, 2008.

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 Executive Director, Anderson Housing Authority.

### **Overview of the Financial Statements**

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

#### The Statement of Net Assets

Reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

#### Net Assets, Invested in Capital Assets, Net of Related Debt:

This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

#### Restricted Net Assets:

This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

#### Unrestricted Net Assets:

Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

Statement of Revenue, Expenses, and Change in Net Assets

Reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions. This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

Statement of Cash Flows

Presents information on the effects changes in assets and liabilities have on cash during the course of the Fiscal Year.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

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 owns (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.

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.

**Condensed Comparative Financial Statements**

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

**Total Net Assets** for FY 2008 were \$5,632,072 and for FY 2007 the amount was \$5,867,389. This represents an overall net decrease of \$235,317, or 4.0%.

**Cash & Investments** decreased by \$95,963. The decrease in cash is due to an increase in accounts receivable HUD because the Authority expended cash during fiscal year 2008 that will be requisitioned from HUD during fiscal year 2009. Also, the Authority expended Housing Assistance Payments Funding received in fiscal year 2007 during fiscal year 2008.

**Receivables** increased by \$72,813. Receivables increased because of an increase in accounts receivable HUD because the Authority expended cash during fiscal year 2008 that will be requisitioned from HUD during fiscal year 2009.

**Other Current Assets** increased by \$6,543. The increase is due to changes in insurance rates and required insurance values.

**Capital Assets** decreased by \$168,231. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased by \$13,479. Compensated absences liability decreased because of changes in staffing. The Authority's staff decreased during the fiscal year which decreased the compensated absences liability. Deferred revenue decreased because the Authority utilized funds received for the FEMA program in 2007 during fiscal year 2008.

**Non Current Liabilities** decreased by \$8,775. Compensated absences liability decreased because of changes in staffing. The Authority's staff decreased during the fiscal year which decreased the compensated absences liability.

The table below illustrates our analysis:

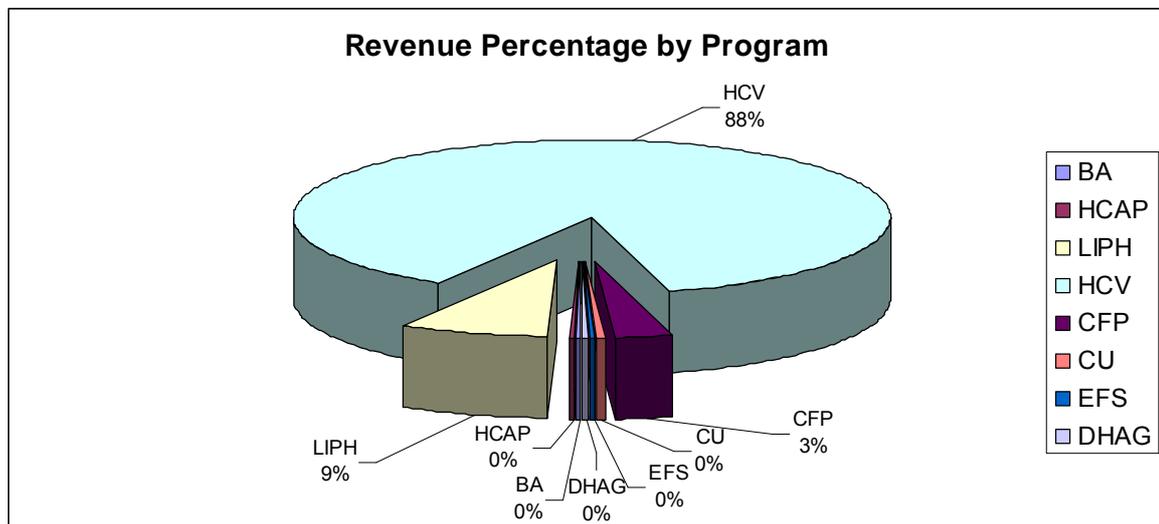
|  | 2008             | 2007             | Net Change      | Percent Variance |
|--|------------------|------------------|-----------------|------------------|
| Cash & Investments                         | 1,324,066        | 1,420,029        | -95,963         | -6.8%            |
| Receivables (net)                          | 109,893          | 37,080           | 72,813          | 196.4%           |
| Other Current Assets                       | 36,884           | 30,341           | 6,543           | 21.6%            |
| Capital Assets                             | 4,398,713        | 4,566,944        | -168,231        | -3.7%            |
| Other Non Current Assets                   | 0                | 72,733           | -72,733         | 100.0%           |
| <b>Total Assets</b>                        | <b>5,869,556</b> | <b>6,127,127</b> | <b>-257,571</b> | <b>-4.4%</b>     |
| Current Liabilities                        | 90,676           | 104,155          | -13,479         | -12.9%           |
| Non Current Liabilities                    | 146,808          | 155,583          | -8,775          | -5.6%            |
| <b>Total Liabilities</b>                   | <b>237,484</b>   | <b>259,738</b>   | <b>-22,254</b>  | <b>-9.4%</b>     |
| Net Assets in Capital Assets               | 4,398,713        | 4,566,944        | -168,231        | -3.7%            |
| Restricted Net Assets                      | 532,537          | 0                | -532,537        | -100.0%          |
| Unrestricted Net Assets                    | 700,822          | 1,300,445        | -599,623        | -46.1%           |
| <b>Total Net Assets</b>                    | <b>5,632,072</b> | <b>5,867,389</b> | <b>-235,317</b> | <b>-4.0%</b>     |
| <b>Total Net Assets/Liabilities/Equity</b> | <b>5,869,556</b> | <b>6,127,127</b> | <b>-257,571</b> | <b>-37.0%</b>    |

Anderson Housing Authority  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 March 31, 2008

***Analysis of Entity Wide Revenues (Statement of Activities)***

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2008 were as follows:

| Program   | <u>Revenues Generated</u>        |
|---|----------------------------------|
| Business Activities (BA)                              | \$10,028                         |
| Housing Counseling Assistance Program (HCAP)          | 25,000                           |
| Low Rent Public Housing (LIPH)                        | 580,536                          |
| Housing Choice Vouchers (HCV)                         | 6,211,094                        |
| Public Housing Capital Fund Program (CFP)             | 221,630                          |
| Component Units (CU)                                  | 22,349                           |
| Emergency Food & Shelter National Board Program (EFS) | 33,480                           |
| Disaster Housing Assistance Grant (DHAG)              | <u>11,209</u>                    |
| <b>Total Revenue</b>                                  | <b><u><u>\$7,115,326</u></u></b> |



Anderson Housing Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2008

Total revenues for Fiscal Year 2008 were \$7,115,326 as compared to \$7,228,546 of total revenues for Fiscal Year 2007. Comparatively, fiscal year 2008 revenues decreased by \$115,774 from fiscal year 2007. The primary reason for this change was due to a decrease in Other Government Grants because of less funds available from the Federal Government.

|                                   | 2008             | 2007             | Net Change      | Percentage Change |
|-----------------------------------|------------------|------------------|-----------------|-------------------|
| Total Tenant Revenue              | 93,500           | 87,530           | 5,970           | 6.8%              |
| HUD Operating Grants              | 6,856,639        | 6,857,773        | -1,134          | 0.0%              |
| HUD Capital Grants                | 121,770          | 159,438          | -37,668         | -23.6%            |
| Other Government Grants           | 29,585           | 101,939          | -72,354         | -71.0%            |
| Investment Income                 | 11,167           | 8,888            | 2,279           | 25.6%             |
| Fraud Recovery                    | 652              | 734              | -82             | -11.2%            |
| Other Revenue                     | 12,013           | 12,244           | -231            | -1.9%             |
| Gain/Loss on Sale of Fixed Assets | -10,000          | 0                | -10,000         | -100.0%           |
| Total Revenue                     | <u>7,115,326</u> | <u>7,228,546</u> | <u>-113,220</u> | <u>-1.6%</u>      |

***Analysis of Entity Wide Expenditures***

**Total Operating Expenditures** for Fiscal Year 2008 were \$1,352,452 as compared to the \$1,494,705 of total operating expenditures for Fiscal Year 2007. This represents a decrease of \$142,253, or 9.5%.

**Total Expenses** for Fiscal Year 2008 were \$7,350,643 as compared to the \$7,030,618 of total expenses for Fiscal Year 2007. This represents an increase of \$320,025, or 4.6%.

**Administrative** expenditures decreased by \$140,201. The decrease was caused by a decrease in administrative salaries and benefits because the Authority decreased the number of employees. Also, the Authority had a large change in compensated absences. In 2007, the Authority had an expense of \$63,513 as compared to zero in 2008.

**Tenant Service** expenditures decreased by \$43,693. The Authority had fewer funds available from other government sources to provide these services.

**General** expenditures increased by \$14,291. The Authority's insurance expense increased because of changing insurance rates. Also, the Authority also expensed more uncollected rent during fiscal year ending 2008 than in 2007.

**Housing Assistance Payments** increased by \$457,775. Housing Assistance Payments increased because the Authority is expending excess HAP funding received from HUD.

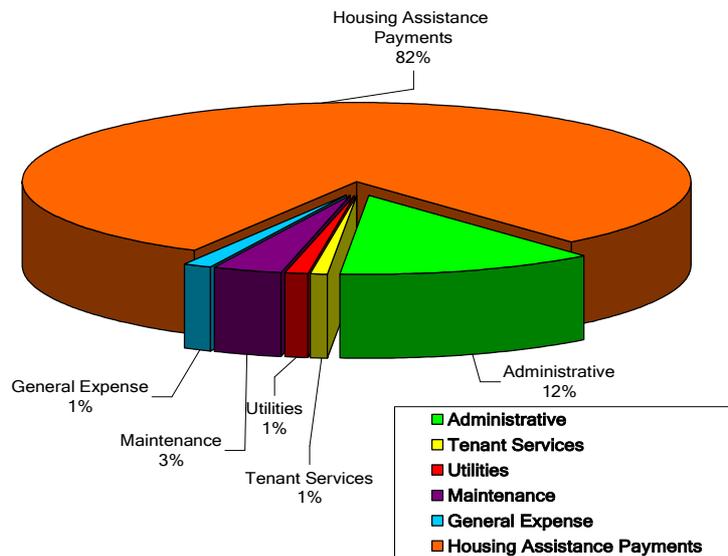
The table on the following page illustrates our analysis:

Anderson Housing Authority  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 March 31, 2008

|                                     | 2008               | 2007               | Net Change       | Percent Variances |
|-------------------------------------|--------------------|--------------------|------------------|-------------------|
| Administrative                      | 871,552            | 1,011,753          | -140,201         | -13.9%            |
| Tenant Services                     | 73,844             | 117,537            | -43,693          | -37.2%            |
| Utilities                           | 66,709             | 67,326             | -617             | -0.9%             |
| Maintenance                         | 249,592            | 221,625            | 27,967           | 12.6%             |
| General Expense                     | 90,755             | 76,464             | 14,291           | 18.7%             |
| <b>Total Operating Expenditures</b> | <b>1,352,452</b>   | <b>1,494,705</b>   | <b>-142,253</b>  | <b>-9.5%</b>      |
| Extraordinary Maintenance           | 9,845              | 0                  | 9,845            | 100.0%            |
| Housing Assistance Payments         | 5,708,345          | 5,250,570          | 457,775          | 8.7%              |
| Depreciation Expense                | 280,001            | 285,343            | -5,342           | -1.9%             |
| <b>Total Expenses</b>               | <b>\$7,350,643</b> | <b>\$7,030,618</b> | <b>\$320,025</b> | <b>4.6%</b>       |

The diagram below illustrates the percentage of Authority expenditures by these categories for Fiscal Year Ended March 31, 2008:

**Percentage of Total Expenses by Category**



Anderson Housing Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2008

***Analysis of Capital Asset Activity***

The table below illustrates the changes in Capital Assets through out the fiscal year:

|   | 2008             | 2007             | Net Change      | Percent Variance |
|---|------------------|------------------|-----------------|------------------|
| Land  | 335,148          | 335,148          | 0               | 0.0%             |
| Buildings                                   | 7,611,154        | 7,627,491        | -16,337         | -0.2%            |
| Furniture, Equip., & Mach. - Dwelling       | 253,989          | 253,989          | 0               | 0.0%             |
| Furniture, Equip., & Mach. - Administrative | 886,042          | 886,042          | 0               | 0.0%             |
| Work in Process                             | 343,175          | 221,405          | 121,770         | 55.0%            |
| <b>Total Fixed Assets</b>                   | <b>9,429,508</b> | <b>9,324,075</b> | <b>105,433</b>  | <b>1.1%</b>      |
| Accumulated Depreciation                    | 5,030,795        | 4,757,131        | 273,664         | 5.8%             |
| <b>Net Fixed Assets</b>                     | <b>4,398,713</b> | <b>4,566,944</b> | <b>-168,231</b> | <b>-3.7%</b>     |

The Authority's work in process increased by \$121,770 because of funds expended on capital improvement projects utilizing Capital Funds provided by HUD.

Accumulated Depreciation increased because of current year depreciation expense and an adjustment of \$6,337 to accumulated depreciation in the Authority's component unit.

**Special Conditions and Economic Factors**

Management is not aware of any facts, decisions, or conditions that would have a significant effect on the future operation of the Authority.

**Contacting the Authority's Financial Management**

- The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to Executive Director, Anderson Housing Authority.

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

**STATEMENT OF NET ASSETS  
AS OF MARCH 31, 2008**

| <u>ASSETS</u>                              | Proprietary<br>Funds | Component<br>Unit |
|--|----------------------|-------------------|
| <b>CURRENT ASSETS</b>                      |                      |                   |
| Cash                                       | \$ 417,368           | \$ 85,885         |
| Accounts receivable (interfund eliminated) | 109,413              | 480               |
| Accrued interest receivable                | 429                  | 0                 |
| Investments                                | 251,245              | 0                 |
| Deferred charges                           | <u>36,455</u>        | <u>0</u>          |
| Total Current Assets                       | <u>\$ 814,910</u>    | <u>\$ 86,365</u>  |
| <b>RESTRICTED ASSETS</b>                   |                      |                   |
| Cash                                       | \$ 514,013           | \$ 0              |
| Investments                                | <u>0</u>             | <u>55,555</u>     |
| Total Restricted Assets                    | <u>\$ 514,013</u>    | <u>\$ 55,555</u>  |
| <b>CAPITAL ASSETS</b>                      |                      |                   |
| Land, buildings and equipment              | \$ 9,320,245         | \$ 109,263        |
| Less: Accumulated depreciation             | <u>-5,003,163</u>    | <u>-27,632</u>    |
| Net Capital Assets                         | <u>\$ 4,317,082</u>  | <u>\$ 81,631</u>  |
| Total Assets                               | <u>\$ 5,646,005</u>  | <u>\$ 223,551</u> |
| <b><u>LIABILITIES</u></b>                  |                      |                   |
| <b>CURRENT LIABILITIES</b>                 |                      |                   |
| Accounts payable (interfund eliminated)    | \$ 56,017            | \$ 1,900          |
| Accrued liabilities                        | 32,246               | 0                 |
| Deferred credits                           | <u>513</u>           | <u>0</u>          |
| Total Current Liabilities                  | <u>\$ 88,776</u>     | <u>\$ 1,900</u>   |
| <b>NONCURRENT LIABILITIES</b>              |                      |                   |
| Accrued liabilities                        | <u>\$ 146,808</u>    | <u>\$ 0</u>       |
| Total Noncurrent Liabilities               | <u>\$ 146,808</u>    | <u>\$ 0</u>       |
| <b><u>NET ASSETS</u></b>                   |                      |                   |
| Invested in capital assets                 | \$ 4,317,082         | \$ 81,631         |
| Restricted                                 | 532,537              | 0                 |
| Unrestricted                               | <u>560,802</u>       | <u>140,020</u>    |
| Total Net Assets                           | <u>\$ 5,410,421</u>  | <u>\$ 221,651</u> |

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

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Operating Income</u>                  | Proprietary<br>Funds | Component<br>Unit |
|--|----------------------|-------------------|
| Tenant rental revenue                    | \$ 72,490            | \$ 0              |
| Tenant revenue - other                   | <u>21,010</u>        | <u>0</u>          |
| Total Rental Income                      | \$ 93,500            | \$ 0              |
| HUD grants - operating                   | 6,856,639            | 0                 |
| Other grants                             | 0                    | 29,585            |
| Fraud recovery                           | 652                  | 0                 |
| Other revenue                            | 9,793                | 2,220             |
| Gain/loss on sale of fixed assets        | <u>0</u>             | <u>-10,000</u>    |
| Total Operating Income                   | <u>\$ 6,960,584</u>  | <u>\$ 21,805</u>  |
| <br><u>Operating Expenses</u>            |                      |                   |
| Administration                           | \$ 868,879           | \$ 2,673          |
| Tenant services                          | 44,259               | 29,585            |
| Utilities                                | 62,826               | 3,883             |
| Ordinary maintenance and operation       | 247,579              | 2,013             |
| General expense                          | 88,102               | 2,653             |
| Extraordinary maintenance                | 9,845                | 0                 |
| Housing assistance payments              | 5,708,345            | 0                 |
| Depreciation                             | <u>276,546</u>       | <u>3,455</u>      |
| Total Operating Expenses                 | <u>\$ 7,306,381</u>  | <u>\$ 44,262</u>  |
| Net Operating Income (Loss)              | \$ -345,797          | \$ -22,457        |
| <br><u>Nonoperating Income (Expense)</u> |                      |                   |
| Interest income                          | 10,623               | 544               |
| <br><u>Capital Contributions</u>         |                      |                   |
| Capital Funds Grants                     | <u>121,770</u>       | <u>0</u>          |
| Changes in net assets                    | \$ -213,404          | \$ -21,913        |
| Net assets, beginning of year            | <u>5,623,825</u>     | <u>243,564</u>    |
| Net assets, end of year                  | <u>\$ 5,410,421</u>  | <u>\$ 221,651</u> |

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

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Operating Activities</u>   | Proprietary<br><u>Funds</u> | Component<br><u>Unit</u> |
|---|-----------------------------|--------------------------|
| Operating grants  | \$ 6,785,556                | \$ 29,585                |
| Tenant revenue  | 92,709                      | 0                        |
| Other revenue/expenses  | 10,445                      | -7,780                   |
| Housing assistance payments   | -5,708,345                  | 0                        |
| Payments to employees   | -677,735                    | 0                        |
| Payments to suppliers and contractors                                   | <u>-675,391</u>             | <u>33,826</u>            |
| Net Cash Provided (Used) by Operating Activities                        | <u>\$ -172,761</u>          | <u>\$ 55,631</u>         |
| <br><u>Investing Activities</u>   |                             |                          |
| Investments (purchased) redeemed  | \$ -10,338                  | \$ -275                  |
| Interest income   | <u>10,623</u>               | <u>544</u>               |
| Net Cash Provided (Used) by Investing Activities                        | <u>\$ 285</u>               | <u>\$ 269</u>            |
| <br><u>Capital and Related Financing Activities</u>                     |                             |                          |
| HUD grants - capital  | \$ 121,770                  | \$ 0                     |
| (Additions) deletions to fixed assets                                   | <u>-121,770</u>             | <u>10,000</u>            |
| Net Cash Provided (Used) by<br>Capital and Related Financing Activities | <u>\$ 0</u>                 | <u>\$ 10,000</u>         |
| Net Change in Cash  | \$ -172,476                 | \$ 65,900                |
| Cash Balance at March 31, 2007  | <u>1,103,857</u>            | <u>19,985</u>            |
| Cash Balance at March 31, 2008  | <u>\$ 931,381</u>           | <u>\$ 85,885</u>         |

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities</u> | <u>Proprietary<br/>Funds</u> | <u>Component<br/>Unit</u> |
|--|------------------------------|---------------------------|
| Net operating income (loss)  | \$ -345,797                  | \$ -22,457                |
| Adjustment to Reconcile Operating Income (Loss)<br>to Net Cash Flows from Operating Activities:          |                              |                           |
| Depreciation   | 276,546                      | 3,455                     |
| (Increase) decrease in accounts receivable   | 10,979                       | 0                         |
| (Increase) decrease in deferred charges  | -6,114                       | 0                         |
| (Increase) decrease in other assets  | -50                          | 72,733                    |
| Increase (decrease) in accounts payable  | -69,413                      | 1,900                     |
| Increase (decrease) in accrued liabilities   | -22,927                      | 0                         |
| Increase (decrease) in deferred revenues   | <u>-15,985</u>               | <u>0</u>                  |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ -172,761</u>           | <u>\$ 55,631</u>          |

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

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

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Anderson 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 evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Anderson is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements.

The Housing Authority has one component unit. Anderson Housing, Inc. (AHI) was formed in 1995 for the purpose of providing affordable housing to low income individuals. During 1997, AHI began operating a homeless shelter, primarily to aid families whose homes have been destroyed by fire. A second shelter was added in 2000.

(b) Method of Accounting -

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

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- \* Low Rent Public Housing
- \* Section 8 Choice Vouchers
- \* Component Unit - Homeless Shelters
- \* Business Activities
- \* Capital Fund Program
- \* Emergency Food and Shelter
- \* Housing Counseling Assistance
- \* Disaster Housing Assistance Grant

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

*Proprietary Fund Types:*

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

(e) Cash and Cash Equivalents -

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(g) Inventories and Materials

Inventories and materials are stated at cost which approximates market determined on average cost.

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

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

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

|           |               |
|-----------|---------------|
| Buildings | 15 - 40 years |
| Equipment | 3 - 15 years  |

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

(l) The Housing Authority adopts a budget annually. The budget is presented to the Board of Commissioners for approval.

(m) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

| <u>Program</u>      | <u>Book Balance</u> | <u>Bank Balance</u> |
|---------------------|---------------------|---------------------|
| Low Rent            | \$ 311,865          | \$ 316,791          |
| Voucher             | 514,013             | 537,255             |
| Housing Counseling  | 84,426              | 84,426              |
| Business Activities | <u>21,077</u>       | <u>21,077</u>       |
| Total               | <u>\$ 931,381</u>   | <u>\$ 959,549</u>   |
| Component Unit      | <u>\$ 85,885</u>    | <u>\$ 85,885</u>    |

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

- Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.
- Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

| <u>Program</u> | <u>Book Balance</u> | <u>Market Value</u> |
|----------------|---------------------|---------------------|
| Low Rent       | \$ <u>251,245</u>   | \$ <u>251,245</u>   |
| Component Unit | \$ <u>55,555</u>    | \$ <u>55,555</u>    |

Note 3 - Compensated Absences

Sick Time

Full-time employees shall accrue sick time days at a rate of one and one-quarter (1.25) days per month worked commencing with the month following of employment. Part-time employees shall accrued sick time on a pro-rated basis (based on percentage of normal week, which the employees work). Temporary employees shall not accrue sick time.

Earned sick leave time may be accumulated and carried from year to year. An employee may accumulate up to, but not exceed, one hundred and eighty (180) days.

Newly hired employees shall begin accumulating sick leave time commencing with the month following their first full month of employment.

An employee whose sick time exceeds the maximum accumulation may convert the excess sick time to vacation time at a rate of two sick days for one vacation day. To convert sick time, the employee must submit a written request to the Executive Director or designee. Sick time converted to vacation must be used within the next calendar year.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Sick Time (Continued)

Upon termination of employment, the employee shall be paid for one-half (1/2) of their accumulated sick time not to exceed a maximum of (90) days. Sick leave shall be calculated on the employee's current rate of pay.

An employee "terminated for cause" will not be eligible to received payment of sick leave time accumulated.

Personal Days

Employees shall receive four (4) personal days per year. This is subject to change relative to the Anderson Housing Authority's Board of Commissioners yearly review.

Vacation Leave

|                     |         |
|---------------------|---------|
| 1 year - 4 years    | 2 weeks |
| 5 years - 9 years   | 3 weeks |
| 10 years - 19 years | 4 weeks |
| 20 years and over   | 5 weeks |

Note 4 - Defined Contribution Plan

All employees of the Anderson Housing Authority will be covered by a retirement program Public Employees Retirement Fund (PERF) established and maintained by the State of Indiana except: employees not considered full time. (positions requiring 1,000 or more hours of work per year.)

PERF pays benefits to cover employees or their survivor upon retirement, death and in certain cases of serious illness or injury. Contributions for the year ended March 31, 2008 were \$47,330 paid by the Housing Authority.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

|                                     | Proprietary<br><u>Funds</u> | Component<br><u>Unit</u> |
|-------------------------------------|-----------------------------|--------------------------|
| Tenants - accounts receivable (net) | \$ 2,954                    | \$ 0                     |
| Accounts receivable - HUD           | 103,900                     | 0                        |
| Accounts receivable - other         | <u>2,559</u>                | <u>480</u>               |
| Subtotal                            | \$ 109,413                  | \$ 480                   |
| Interfund                           | <u>339,654</u>              | <u>0</u>                 |
| Total                               | <u>\$ 449,067</u>           | <u>\$ 480</u>            |

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 6 - Investments

At March 31, 2008 investments consist of the following:

|                         | <u>Rate</u> | <u>Proprietary<br/>Funds</u> | <u>Component<br/>Unit</u> |
|-------------------------|-------------|------------------------------|---------------------------|
| Certificates of deposit | 2.77-4.46%  | \$ 251,245                   | \$ 0                      |
| Savings - Escrow        | 1.00%       | <u>0</u>                     | <u>55,555</u>             |
| Total                   |             | <u>\$ 251,245</u>            | <u>\$ 55,555</u>          |

Note 7 - Deferred Charges

This classification includes the following accounts:

|                   |                  |             |
|-------------------|------------------|-------------|
| Prepaid Insurance | <u>\$ 36,455</u> | <u>\$ 0</u> |
|-------------------|------------------|-------------|

Note 8 - Fixed Assets

|                              |                    |                   |
|------------------------------|--------------------|-------------------|
| Balance at year end          | \$ 4,317,082       | \$ 81,631         |
| Balance at previous year end | <u>4,471,858</u>   | <u>95,086</u>     |
| Net Increase (Decrease)      | <u>\$ -154,776</u> | <u>\$ -13,455</u> |

Reconciliation

|                         |                    |                   |
|-------------------------|--------------------|-------------------|
| Additions               | \$ 121,770         | \$ 0              |
| Dispositions            | 0                  | -10,000           |
| Depreciation expense    | <u>-276,546</u>    | <u>-3,455</u>     |
| Net Increase (Decrease) | <u>\$ -154,776</u> | <u>\$ -13,455</u> |

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

| <u>Analysis</u>          | 04/01/2007<br><u>Balance</u> | Additions/<br><u>Transfers</u> | Deletions/<br><u>Transfers</u> | 03/31/2008<br><u>Balance</u> |
|--------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
| Land                     | \$ 324,548                   | \$ 0                           | \$ 0                           | \$ 324,548                   |
| Buildings                | 7,514,491                    | 0                              | 0                              | 7,514,491                    |
| Equipment and furniture  | 1,138,031                    | 0                              | 0                              | 1,138,031                    |
| Construction in progress | <u>221,405</u>               | <u>121,770</u>                 | <u>0</u>                       | <u>343,175</u>               |
| Total Assets             | \$ 9,198,475                 | \$ 121,770                     | \$ 0                           | \$ 9,320,245                 |
| Accumulated depreciation | <u>-4,726,617</u>            | <u>0</u>                       | <u>276,546</u>                 | <u>-5,003,163</u>            |
| Net Assets               | <u>\$ 4,471,858</u>          | <u>\$ 121,770</u>              | <u>\$ 276,546</u>              | <u>\$ 4,317,082</u>          |
| <u>Component Unit</u>    | 04/01/2007<br><u>Balance</u> | Additions/<br><u>Transfers</u> | Deletions/<br><u>Transfers</u> | 03/31/2008<br><u>Balance</u> |
| Land                     | \$ 10,600                    | \$ 0                           | \$ 0                           | \$ 10,600                    |
| Buildings                | 113,000                      | 0                              | 16,337                         | 96,663                       |
| Equipment and furniture  | <u>2,000</u>                 | <u>0</u>                       | <u>0</u>                       | <u>2,000</u>                 |
| Total Assets             | \$ 125,600                   | \$ 0                           | \$ 16,337                      | \$ 109,263                   |
| Accumulated depreciation | <u>-30,514</u>               | <u>6,337</u>                   | <u>3,455*</u>                  | <u>-27,632</u>               |
| Net Assets               | <u>\$ 95,086</u>             | <u>\$ 6,337</u>                | <u>\$ 19,792</u>               | <u>\$ 81,631</u>             |

\*Depreciation expense recognized in the current year.

Note 9 - Accounts Payable

This classification includes the following accounts:

|                           | Proprietary<br><u>Funds</u> | Component<br><u>Unit</u> |
|---------------------------|-----------------------------|--------------------------|
| Vendors and contractors   | \$ 10,784                   | \$ 1,900                 |
| Tenants security deposits | 34,434                      | 0                        |
| Payroll withholdings      | <u>10,799</u>               | <u>0</u>                 |
| Subtotal                  | \$ 56,017                   | \$ 1,900                 |
| Interfund                 | <u>339,654</u>              | <u>0</u>                 |
| Total                     | <u>\$ 395,671</u>           | <u>\$ 1,900</u>          |

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 10 - Notes Payable

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

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

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

Note 11 - Accrued Liabilities

Current Portion:

|                              |               |
|------------------------------|---------------|
| Accrued compensated absences | \$ 17,733     |
| Accrued wages                | 13,631        |
| Payment in lieu of taxes     | <u>882</u>    |
| <br>Total Current Portion    | <br>\$ 32,246 |

Noncurrent Portion:

|                              |                       |
|------------------------------|-----------------------|
| Accrued compensated absences | <u>146,808</u>        |
| <br>Total                    | <br><u>\$ 179,054</u> |

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2008:

|                             | 04/01/2007        |                 |                 | 03/31/2008        |
|-----------------------------|-------------------|-----------------|-----------------|-------------------|
|                             | <u>Balance</u>    | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u>    |
| Accrued compensated absence | \$ <u>155,583</u> | \$ <u>0</u>     | \$ <u>8,775</u> | \$ <u>146,808</u> |

Note 13 - Deferred Revenue

This classification consists of the following accounts:

|                      |               |
|----------------------|---------------|
| Tenants prepaid rent | <u>\$ 513</u> |
|----------------------|---------------|

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2008  
(CONTINUED)**

Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on an annual basis.

Note 15 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 16 - Contingencies

Federal Grants

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

Note 17 - Risk Management

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

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

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (98%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

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

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Federal Grantor/Program</u>         | <u>Federal<br/>CFDA Number</u> | <u>Contract<br/>Number</u> | <u>Grant<br/>Period</u> | <u>Program<br/>Amount</u> | <u>Receipts or<br/>Revenue<br/>Recognized</u> | <u>Disbursements/<br/>Expenditures</u> |
|--|--------------------------------|----------------------------|-------------------------|---------------------------|---|--|
| <u>U.S. Department of HUD</u>          |                                |                            |                         |                           |   |  |
| Direct Programs:                       |                                |                            |                         |                           |   |  |
| Public and Indian Housing*             | 14.850a                        | C-2057                     | FYE<br>03/31/08         | \$ 476,648                | \$ 476,648                                    | \$ 476,648                             |
| Housing Choice<br>Voucher Program*     | 14.871                         | C-2011                     | FYE<br>03/31/08         | \$ 6,210,442              | \$ 6,210,442                                  | \$ 6,210,442                           |
| Public Housing -<br>Capital Funds      | 14.872                         | C-2057                     | FYE<br>03/31/08         | \$ 667,313                | \$ 221,630                                    | \$ 221,630                             |
| Disaster Housing<br>Assistance Program | 14.850                         | C-2011                     | FYE<br>03/31/08         | \$ 11,209                 | \$ 11,209                                     | \$ 11,209                              |
| Indirect Programs:                     |                                |                            |                         |                           |   |  |
| Housing Counseling<br>Assistance       | 14.169                         | C-2057                     | FYE<br>03/31/08         | \$ 25,000                 | \$ 25,000                                     | \$ 25,000                              |
| Total HUD Assistance                   |                                |                            |                         | \$ 7,390,612              | \$ 6,944,929                                  | \$ 6,944,929                           |
| <u>Other Federal Grants</u>            |                                |                            |                         |                           |   |  |
| Emergency Food and<br>Shelter Program  | 83.523                         | LRO-006                    | FYE<br>03/31/08         | \$ 64,000                 | \$ 33,480                                     | \$ 33,480                              |
| Total Federal Assistance               |                                |                            |                         | \$ 7,454,612              | \$ 6,978,409                                  | \$ 6,978,409                           |

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED MARCH 31, 2008**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

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

**STATEMENT OF NET ASSETS  
AS OF MARCH 31, 2008**

| <u><b>ASSETS</b></u>           | <u>Low Rent</u>     | <u>Capital Funds</u> | <u>Voucher</u>    |
|--------------------------------|---------------------|----------------------|-------------------|
| <b>CURRENT ASSETS</b>          |                     |                      |                   |
| Cash                           | \$ 311,865          | \$ 0                 | \$ 0              |
| Accounts receivable            | 138,185             | 91,346               | 205,768           |
| Accrued interest receivable    | 429                 | 0                    | 0                 |
| Investments                    | 251,245             | 0                    | 0                 |
| Deferred charges               | <u>30,246</u>       | <u>0</u>             | <u>5,979</u>      |
| Total Current Assets           | <u>\$ 731,970</u>   | <u>\$ 91,346</u>     | <u>\$ 211,747</u> |
| <b>RESTRICTED ASSETS</b>       |                     |                      |                   |
| Cash                           | \$ 0                | \$ 0                 | \$ 514,053        |
| Investments                    | <u>0</u>            | <u>0</u>             | <u>0</u>          |
| Total Restricted Assets        | <u>\$ 0</u>         | <u>\$ 0</u>          | <u>\$ 514,053</u> |
| <b>CAPITAL ASSETS</b>          |                     |                      |                   |
| Land, buildings and equipment  | \$ 8,949,227        | \$ 343,175           | \$ 27,843         |
| Less: Accumulated depreciation | <u>-4,975,320</u>   | <u>0</u>             | <u>-27,843</u>    |
| Net Capital Assets             | <u>\$ 3,973,907</u> | <u>\$ 343,175</u>    | <u>\$ 0</u>       |
| Total Assets                   | <u>\$ 4,705,877</u> | <u>\$ 434,521</u>    | <u>\$ 725,760</u> |
| <br><u><b>LIABILITIES</b></u>  |                     |                      |                   |
| <b>CURRENT LIABILITIES</b>     |                     |                      |                   |
| Accounts payable               | \$ 233,947          | \$ 91,346            | \$ 23,255         |
| Accrued liabilities            | 15,458              | 0                    | 16,788            |
| Deferred revenue               | <u>513</u>          | <u>0</u>             | <u>0</u>          |
| Total Current Liabilities      | <u>\$ 249,918</u>   | <u>\$ 91,346</u>     | <u>\$ 40,043</u>  |
| <b>NONCURRENT LIABILITIES</b>  |                     |                      |                   |
| Accrued liabilities            | \$ 60,900           | \$ 0                 | \$ 85,908         |
| Total Noncurrent Liabilities   | <u>\$ 60,900</u>    | <u>\$ 0</u>          | <u>\$ 85,908</u>  |
| <br><u><b>NET ASSETS</b></u>   |                     |                      |                   |
| Invested in capital assets     | \$ 3,973,907        | \$ 343,175           | \$ 0              |
| Restricted                     | 0                   | 0                    | 532,537           |
| Unrestricted                   | <u>421,152</u>      | <u>0</u>             | <u>67,272</u>     |
| Total Net Assets               | <u>\$ 4,395,059</u> | <u>\$ 343,175</u>    | <u>\$ 599,809</u> |

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

**STATEMENT OF NET ASSETS  
AS OF MARCH 31, 2008**

| <u><b>ASSETS</b></u>          | <u>FEMA</u>        | <u>Housing<br/>Counseling</u> | <u>Business<br/>Activities</u> | <u>Disaster<br/>Housing</u> |
|-------------------------------|--------------------|-------------------------------|--------------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>         |                    |                               |                                |                             |
| Cash                          | \$ 0               | \$ 84,426                     | \$ 21,077                      | \$ 0                        |
| Accounts receivable           | 0                  | 0                             | 2,559                          | 11,209                      |
| Deferred charges              | <u>0</u>           | <u>230</u>                    | <u>0</u>                       | <u>0</u>                    |
| Total Assets                  | <u>\$ 0</u>        | <u>\$ 84,656</u>              | <u>\$ 23,636</u>               | <u>\$ 11,209</u>            |
| <br><b><u>LIABILITIES</u></b> |                    |                               |                                |                             |
| <b>CURRENT LIABILITIES</b>    |                    |                               |                                |                             |
| Accounts payable              | <u>\$ 0</u>        | <u>\$ 47,123</u>              | <u>\$ 0</u>                    | <u>\$ 0</u>                 |
| Total Current Liabilities     | <u>\$ 0</u>        | <u>\$ 47,123</u>              | <u>\$ 0</u>                    | <u>\$ 0</u>                 |
| <br><b><u>NET ASSETS</u></b>  |                    |                               |                                |                             |
| Invested in capital assets    | \$ 0               | \$ 0                          | \$ 0                           | \$ 0                        |
| Unrestricted                  | <u>0</u>           | <u>37,533</u>                 | <u>23,636</u>                  | <u>11,209</u>               |
| Total Net Assets              | <u><u>\$ 0</u></u> | <u><u>\$ 37,533</u></u>       | <u><u>\$ 23,636</u></u>        | <u><u>\$ 11,209</u></u>     |

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

**STATEMENT OF REVENUE AND EXPENDITURES  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Operating Income</u>                  | <u>Low Rent</u>    | <u>Capital Funds</u> | <u>Voucher</u>      |
|--|--------------------|----------------------|---------------------|
| Tenant rental revenue                    | \$ 72,490          | \$ 0                 | \$ 0                |
| Tenant revenue - other                   | <u>21,010</u>      | <u>0</u>             | <u>0</u>            |
| Total Rental Income                      | \$ 93,500          | \$ 0                 | \$ 0                |
| HUD grants - operating                   | 476,648            | 99,860               | 6,210,442           |
| Fraud recovery                           | <u>0</u>           | <u>0</u>             | <u>652</u>          |
| Total Operating Income                   | <u>\$ 570,148</u>  | <u>\$ 99,860</u>     | <u>\$ 6,211,094</u> |
| <br><u>Operating Expenses</u>            |                    |                      |                     |
| Administration                           | \$ 223,623         | \$ 51,331            | \$ 578,937          |
| Tenant services                          | 3,421              | 0                    | 0                   |
| Utilities                                | 62,826             | 0                    | 0                   |
| Ordinary maintenance and operation       | 243,265            | 0                    | 4,314               |
| General expense                          | 71,989             | 0                    | 14,867              |
| Extraordinary maintenance                | 9,845              | 0                    | 0                   |
| Housing assistance payments              | 0                  | 0                    | 5,708,345           |
| Depreciation                             | <u>276,546</u>     | <u>0</u>             | <u>0</u>            |
| Total Operating Expenses                 | <u>\$ 891,515</u>  | <u>\$ 51,331</u>     | <u>\$ 6,306,463</u> |
| Net Operating Income (Loss)              | <u>\$ -321,367</u> | <u>\$ 48,529</u>     | <u>\$ -95,369</u>   |
| <br><u>Nonoperating Income (Expense)</u> |                    |                      |                     |
| Interest income                          | \$ 10,388          | \$ 0                 | \$ 0                |
| Transfers in/out                         | <u>48,529</u>      | <u>-48,529</u>       | <u>0</u>            |
| Total Nonoperating Income (Expense)      | <u>\$ 58,917</u>   | <u>\$ -48,529</u>    | <u>\$ 0</u>         |
| <br><u>Capital Contributions</u>         |                    |                      |                     |
| Capital Funds Grants                     | \$ <u>0</u>        | \$ 121,770           | \$ <u>0</u>         |
| Changes in Net Income                    | <u>\$ -262,450</u> | <u>\$ 121,770</u>    | <u>\$ -95,369</u>   |

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

**STATEMENT OF REVENUE AND EXPENDITURES  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Operating Income</u>                  | <u>FEMA</u>        | <u>Housing<br/>Counseling</u> | <u>Business<br/>Activities</u> | <u>Disaster<br/>Housing</u> |
|--|--------------------|-------------------------------|--------------------------------|-----------------------------|
| HUD grants - operating                   | \$ 33,480          | \$ 25,000                     | \$ 0                           | \$ 11,209                   |
| Other revenue                            | <u>0</u>           | <u>0</u>                      | <u>9,793</u>                   | <u>0</u>                    |
| Total Operating Income                   | <u>\$ 33,480</u>   | <u>\$ 25,000</u>              | <u>\$ 9,793</u>                | <u>\$ 11,209</u>            |
| <br><u>Operating Expenses</u>            |                    |                               |                                |                             |
| Administrative expense                   | \$ 50              | \$ 5,688                      | \$ 9,250                       | \$ 0                        |
| Tenant services                          | 33,430             | 7,408                         | 0                              | 0                           |
| General                                  | <u>0</u>           | <u>1,246</u>                  | <u>0</u>                       | <u>0</u>                    |
| Total Operating Expenses                 | <u>\$ 33,480</u>   | <u>\$ 14,342</u>              | <u>\$ 9,250</u>                | <u>\$ 0</u>                 |
| Net Operating Income (Loss)              | <u>\$ 0</u>        | <u>\$ 10,658</u>              | <u>\$ 543</u>                  | <u>\$ 11,209</u>            |
| <br><u>Nonoperating Income (Expense)</u> |                    |                               |                                |                             |
| Interest income                          | <u>\$ 0</u>        | <u>\$ 0</u>                   | <u>\$ 235</u>                  | <u>\$ 0</u>                 |
| Total Nonoperating Income (Expense)      | <u>\$ 0</u>        | <u>\$ 0</u>                   | <u>\$ 235</u>                  | <u>\$ 0</u>                 |
| Changes in Net Assets                    | <u><u>\$ 0</u></u> | <u><u>\$ 10,658</u></u>       | <u><u>\$ 778</u></u>           | <u><u>\$ 11,209</u></u>     |

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

**STATEMENT OF CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Invested in Capital Assets</u>  | <u>Low Rent</u>     | <u>Capital Funds</u> | <u>Voucher</u>    |
|------------------------------------|---------------------|----------------------|-------------------|
| Balance at March 31, 2007          | \$ 4,250,453        | \$ 221,405           | \$ 0              |
| Current year net income (loss)     | <u>-276,546</u>     | <u>121,770</u>       | <u>0</u>          |
| Balance at March 31, 2008          | <u>\$ 3,973,907</u> | <u>\$ 343,175</u>    | <u>\$ 0</u>       |
| <br><u>Restricted Net Assets</u>   |                     |                      |                   |
| Balance at March 31, 2007          | \$ 0                | \$ 0                 | \$ 0              |
| Transfer                           | 0                   | 0                    | -117,460          |
| Current year net income (loss)     | <u>0</u>            | <u>0</u>             | <u>649,997</u>    |
| Balance at March 31, 2008          | <u>\$ 0</u>         | <u>\$ 0</u>          | <u>\$ 532,537</u> |
| <br><u>Unrestricted Net Assets</u> |                     |                      |                   |
| Balance at March 31, 2007          | \$ 407,056          | \$ 0                 | \$ 695,178        |
| Transfer                           | 0                   | 0                    | -649,997          |
| Current year net income (loss)     | <u>14,096</u>       | <u>0</u>             | <u>22,091</u>     |
| Balance at March 31, 2008          | <u>\$ 421,152</u>   | <u>\$ 0</u>          | <u>\$ 67,272</u>  |
| Total Net Assets                   | <u>\$ 4,395,059</u> | <u>\$ 343,175</u>    | <u>\$ 599,809</u> |

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

**STATEMENT OF CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Unrestricted Net Assets</u> | <u>FEMA</u> | <u>Housing<br/>Counseling</u> | <u>Business<br/>Activities</u> | <u>Disaster<br/>Housing</u> |
|--------------------------------|-------------|-------------------------------|--------------------------------|-----------------------------|
| Balance at March 31, 2007      | \$ 0        | \$ 26,875                     | \$ 22,858                      | \$ 0                        |
| Current year net income (loss) | <u>0</u>    | <u>10,658</u>                 | <u>778</u>                     | <u>11,209</u>               |
| Balance at March 31, 2008      | <u>\$ 0</u> | <u>\$ 37,533</u>              | <u>\$ 23,636</u>               | <u>\$ 11,209</u>            |
| Total Net Assets               | <u>\$ 0</u> | <u>\$ 37,533</u>              | <u>\$ 23,636</u>               | <u>\$ 11,209</u>            |

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Operating Activities</u>   | <u>Low Rent</u>          | <u>Capital Funds</u> | <u>Voucher</u>           |
|---|--------------------------|----------------------|--------------------------|
| Operating grants  | \$ 476,648               | \$ 41,331            | \$ 6,197,888             |
| Tenant revenue  | 92,709                   | 0                    | 0                        |
| Other revenue   | 0                        | 0                    | 652                      |
| Housing assistance payments   | 0                        | 0                    | -5,708,345               |
| Payments to employees   | -275,810                 | -7,000               | -378,510                 |
| Payments to suppliers/contractors                                       | <u>-650,332</u>          | <u>14,198</u>        | <u>21,087</u>            |
| Net Cash Provided (Used)<br>by Operating Activities                     | <u>\$ -356,785</u>       | <u>\$ 48,529</u>     | <u>\$ 132,772</u>        |
| <br><u>Investing Activities</u>   |                          |                      |                          |
| Investments (purchased) redeemed  | \$ -10,338               | \$ 0                 | \$ 0                     |
| Interest income   | <u>10,388</u>            | <u>0</u>             | <u>0</u>                 |
| Net Cash Provided (Used)<br>by Investing Activities                     | <u>\$ 50</u>             | <u>\$ 0</u>          | <u>\$ 0</u>              |
| <br><u>Capital and Related Financing Activities</u>                     |                          |                      |                          |
| HUD grants - capital  | \$ 0                     | \$ 121,770           | \$ 0                     |
| (Additions) deletions to fixed assets                                   | 0                        | -121,770             | 0                        |
| Transfers   | <u>48,529</u>            | <u>-48,529</u>       | <u>0</u>                 |
| Net Cash Provided (Used) by<br>Capital and Related Financing Activities | <u>\$ 48,529</u>         | <u>\$ -48,529</u>    | <u>\$ 0</u>              |
| Net Change in Cash  | \$ -308,206              | \$ 0                 | \$ 132,772               |
| Cash Balance at March 31, 2007  | <u>620,071</u>           | <u>0</u>             | <u>381,241</u>           |
| Cash Balance at March 31, 2008  | <u><u>\$ 311,865</u></u> | <u><u>\$ 0</u></u>   | <u><u>\$ 514,013</u></u> |

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

Reconciliation of Operating Income (Loss) to Net Cash

| <u>Provided (Used) by Operating Activities</u>  | <u>Low Rent</u>    | <u>Capital Funds</u> | <u>Voucher</u>    |
|---|--------------------|----------------------|-------------------|
| Net operating income (loss)   | \$ -321,367        | \$ 48,529            | \$ -95,369        |
| Adjustment to Reconcile Operating Income (Loss)<br>to Net Cash Flows from Operating Activities: |                    |                      |                   |
| Depreciation  | 276,546            | 0                    | 0                 |
| (Increase) decrease in accounts receivable  | -137,215           | -58,529              | 218,057           |
| (Increase) decrease in deferred charges   | -5,665             | 0                    | -713              |
| (Increase) decrease in other assets   | -50                | 0                    | 0                 |
| Increase (decrease) in accounts payable   | -169,075           | 58,529               | 21,752            |
| Increase (decrease) in accrued liabilities  | -454               | 0                    | -10,955           |
| Increase (decrease) in deferred revenues  | <u>495</u>         | <u>0</u>             | <u>0</u>          |
| Net Cash Provided (Used)<br>by Operating Activities   | <u>\$ -356,785</u> | <u>\$ 48,529</u>     | <u>\$ 132,772</u> |

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Operating Activities</u>                         | <u>FEMA</u>        | <u>Housing<br/>Counseling</u> | <u>Business<br/>Activities</u> | <u>Disaster<br/>Housing</u> |
|---|--------------------|-------------------------------|--------------------------------|-----------------------------|
| Operating grants                                    | \$ 33,480          | \$ 25,000                     | \$ 0                           | \$ 11,209                   |
| Other revenue                                       | 0                  | 0                             | 9,793                          | 0                           |
| Payments to employees                               | 0                  | -16,415                       | 0                              | 0                           |
| Payments to suppliers/contractors                   | <u>-49,960</u>     | <u>10,200</u>                 | <u>-9,375</u>                  | <u>-11,209</u>              |
| Net Cash Provided (Used)<br>by Operating Activities | <u>\$ -16,480</u>  | <u>\$ 18,785</u>              | <u>\$ 418</u>                  | <u>\$ 0</u>                 |
| <br><u>Investing Activities</u>                     |                    |                               |                                |                             |
| Interest income                                     | <u>\$ 0</u>        | <u>\$ 0</u>                   | <u>\$ 235</u>                  | <u>\$ 0</u>                 |
| Net Cash Provided (Used)<br>by Investing Activities | <u>\$ 0</u>        | <u>\$ 0</u>                   | <u>\$ 235</u>                  | <u>\$ 0</u>                 |
| Net Change in Cash                                  | \$ -16,480         | \$ 18,785                     | \$ 653                         | \$ 0                        |
| Cash Balance at March 31, 2007                      | <u>16,480</u>      | <u>65,641</u>                 | <u>20,424</u>                  | <u>0</u>                    |
| Cash Balance at March 31, 2008                      | <u><u>\$ 0</u></u> | <u><u>\$ 84,426</u></u>       | <u><u>\$ 21,077</u></u>        | <u><u>\$ 0</u></u>          |

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2008**

| <u>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities</u> | <u>Housing<br/>FEMA</u>        | <u>Counseling</u>           |
|--|--------------------------------|-----------------------------|
| Net operating income (loss)  | \$ 0                           | \$ 10,658                   |
| Adjustment to Reconcile Operating Income (Loss)<br>to Net Cash Flows from Operating Activities:          |                                |                             |
| (Increase) decrease in accounts receivable   | 0                              | 0                           |
| (Increase) decrease in deferred charges  | 0                              | 264                         |
| Increase (decrease) in accounts payable  | 0                              | 19,381                      |
| Increase (decrease) in accrued liabilities   | 0                              | -11,518                     |
| Increase (decrease) in deferred credits  | <u>-16,480</u>                 | <u>0</u>                    |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ -16,480</u>              | <u>\$ 18,785</u>            |
| <br>   |                                |                             |
| <u>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities</u> | <u>Business<br/>Activities</u> | <u>Disaster<br/>Housing</u> |
| Net operating income (loss)  | \$ 543                         | \$ 11,209                   |
| Adjustment to Reconcile Operating Income (Loss)<br>to Net Cash Flows from Operating Activities:          |                                |                             |
| (Increase) decrease in accounts receivable   | -125                           | -11,209                     |
| (Increase) decrease in deferred charges  | 0                              | 0                           |
| Increase (decrease) in accounts payable  | 0                              | 0                           |
| Increase (decrease) in accrued liabilities   | 0                              | 0                           |
| Increase (decrease) in deferred credits  | <u>0</u>                       | <u>0</u>                    |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 418</u>                  | <u>\$ 0</u>                 |

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

## **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 Anderson  
Anderson, Indiana

I have audited the financial statements of the governmental activities and the aggregate discretely presented component unit of Housing Authority of the City of Anderson as of and for the year ended March 31, 2008, which collectively comprise the Housing Authority of the City of Anderson's basic financial statements and have issued my report thereon dated September 24, 2008. 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 Housing Authority of the City of Anderson'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 Anderson's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Anderson's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority of the City of Anderson's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority of the City of Anderson's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Anderson's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority of the City of Anderson's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Anderson's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulation, 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 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 we reported to management of Housing Authority of the City of Anderson, in a separate letter dated September 24, 2008.

This reported in intended solely for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Pamela J. Simpson in cursive script.

Decatur, Illinois  
September 24, 2008

Certified Public Accountant

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

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

### **Compliance**

I have audited the compliance of Housing Authority of the City of Anderson with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. Housing Authority of the City of Anderson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Anderson's management. My responsibility is to express an opinion on Housing Authority of the City of Anderson's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Anderson complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

### **Internal Control Over Compliance**

The management of Housing Authority of the City of Anderson is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority of the City of Anderson's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Anderson's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Anderson in a separate letter dated September 24, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountant

Decatur, Illinois  
September 24, 2008

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended March 31, 2007 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED MARCH 31, 2008**

**Section I - Summary of Auditor's Results**

Low Risk Auditee X\_\_\_\_\_ yes \_\_\_\_\_ no

*Financial Statements*

Type of auditor's report: Unqualified

- \* Material weakness(es) identified? \_\_\_\_\_ yes X\_\_\_\_\_ no  
 \* Significant deficiency (ies) identified that are not  
 considered to be material weaknesses? \_\_\_\_\_ yes X\_\_\_\_\_ none reported

Noncompliance material to financial statements noted \_\_\_\_\_ yes X\_\_\_\_\_ no

*Federal Awards*

Internal control over major programs:

- \* Material weakness(es) identified? \_\_\_\_\_ yes X\_\_\_\_\_ no  
 \* Significant deficiency (ies) identified that are not  
 considered to be material weaknesses? \_\_\_\_\_ yes X\_\_\_\_\_ none reported

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

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

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Public and Indian Housing 14.850

Housing Choice Voucher Program 14.871

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

**FINDINGS, RECOMMENDATIONS AND REPLIES**

There were no audit findings discussed with Cindy Mummert, Executive Director, during the course of the audit or at an exit conference held September 24, 2008.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2008**

| <u>Low Rent</u>   | <u>Audit<br/>Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting<br/>Account Number</u> |
|---|---------------------------------|--------------|---------------|-----------------------------------|
| (1)   |                                 |              |               |                                   |
| Unrestricted net assets   | 2806                            | \$ 1,421.15  |               | 2806                              |
| Insurance expense   | 4510                            | 6,977.00     |               | 2806                              |
| Accounts payable - VO   | 1157                            | 281.05       |               | 1157                              |
| Travel  | 4150                            |              | \$ 1,125.15   | 2806                              |
| Sundry - other admin.   | 4190                            |              | 485.98        | 2806                              |
| Water and sewage  | 4310                            |              | 4,409.00      | 2806                              |
| Accumulated depreciation  | 140.05                          |              | 2,659.07      | 1400.05                           |
| (To post prior year audit adjustments)  |                                 |              |               |                                   |
| (2)   |                                 |              |               |                                   |
| Account receivable - tenants  | 1122                            | \$ 1,831.65  |               | 1122                              |
| Collection losses   | 4570                            |              | \$ 1,831.65   | 2806                              |
| (To accrue all account receivable of house tenants at year end and correct J-244) |                                 |              |               |                                   |
| (3)   |                                 |              |               |                                   |
| Employee benefits   | 4540                            | \$ 4,481.59  |               | 2806                              |
| A/P - A/R - VO  | 1157                            |              | \$ 4,481.59   | 1157                              |
| (To record LIPH portion of PERF liability @ 03/31/08)                             |                                 |              |               |                                   |
| (4)   |                                 |              |               |                                   |
| Depreciation expense  | 4800                            | \$ 2,666.32  |               | 2802                              |
| Accumulated depreciation  | 1400.05                         |              | \$ 2,666.37   | 1400.05                           |
| (To correct accumulated depreciation to actual from schedule)                     |                                 |              |               |                                   |
| (5)   |                                 |              |               |                                   |
| Prepaid insurance   | 1211                            | \$ 6,350.76  |               | 1211                              |
| Travel  | 4150                            | 1,125.15     |               | 2806                              |
| Accounts payable - VO   | 1157                            | 429.55       |               | 1157                              |
| Insurance expense   | 4510                            |              | \$ 7,905.46   | 2806                              |
| (To adjust actuals to actual)   |                                 |              |               |                                   |
| (6)   |                                 |              |               |                                   |
| Water and sewer   | 4310                            | \$ 3,564.95  |               | 2806                              |
| Maintenance supplies  | 4420                            | 3,291.58     |               | 2806                              |
| Vendor and contractor   | 2111                            |              | \$ 6,856.53   | 2111                              |
| (To set up additional amount found as March payables in April)                    |                                 |              |               |                                   |

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2008**

| <u>Voucher</u>  | <u>Audit<br/>Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting<br/>Account Number</u> |
|---|---------------------------------|--------------|---------------|-----------------------------------|
| (1)   |                                 |              |               |                                   |
| Accounts receivable - HUD   | 1125                            | \$ 12,554.00 |               | 1125                              |
| Admin subsidy   | 3401-02                         |              | \$ 12,554.00  | 2806                              |
| (To record receivables for admin subsidy 1 <sup>st</sup> quarter 2008 per HUD notice)                                   |                                 |              |               |                                   |
| (2)   |                                 |              |               |                                   |
| Admin equity (surplus)  | 2806                            | \$ 1,503.34  | \$ 1,510.83   | 2806                              |
| Insurance expense   | 4510                            | 1,228.35     |               | 2806                              |
| Sundry  | 4190                            |              | 1,503.34      | 2806                              |
| Due to/from H/C   | 1157.02                         | 563.53       |               | 1157.02                           |
| Due to/from LR  | 1157.01                         |              | 281.05        | 1127.01                           |
| (To record prior year audit AJE's for insurance and vendor payable not previously posted)                               |                                 |              |               |                                   |
| (3)   |                                 |              |               |                                   |
| Vendor payable  | 2111                            | \$ 2,472.00  | \$ 2,472.00   | 2111                              |
| HAP   | 4715                            |              | 2,472.00      | 2806.01                           |
| Sundry  | 4190                            | 2,472.00     |               | 2806                              |
| (To correct posting of 02/28/07 entry for landlord beginning balances and to record vendor accounts payable @ 03/31/08) |                                 |              |               |                                   |
| (4)   |                                 |              |               |                                   |
| Benefits  | 4540                            |              | \$ 4,481.59   | 2806                              |
| Due to/from LR  | 1157.01                         | \$ 4,481.59  |               | 1157.01                           |
| (To correct allocation of 03/31/08 PERF liability)  |                                 |              |               |                                   |
| (5)   |                                 |              |               |                                   |
| Insurance expense   | 4510                            | \$ 6,139.19  |               | 2806                              |
| Benefits  | 4540                            |              | \$ 6,644.86   | 2806                              |
| Due to/from LR  | 1157.01                         |              | 429.55        | 1157.01                           |
| Prepaid insurance   | 1211                            | 935.22       |               | 1211                              |
| (To adjust accounts to actual)  |                                 |              |               |                                   |

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2008**

| <u>Housing Counseling</u>   | <u>Audit<br/>Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting<br/>Account Number</u> |
|---|---------------------------------|--------------|---------------|-----------------------------------|
| (1)   |                                 |              |               |                                   |
| Surplus/equity  | 2806                            | \$ 563.53    |               | 2806                              |
| Accounts receivable - VO  | 1157                            |              | \$ 563.53     | 1157                              |
| (To record prior year accounts receivable entry for insurance allocation not previously posted) |                                 |              |               |                                   |
| (2)   |                                 |              |               |                                   |
| Sundry - other admin  | 4190                            | \$ 451.18    |               | 2806                              |
| Insurance expense   | 4510                            |              | \$ 451.18     | 2806                              |
| (To reclassify expenses to proper accounts)   |                                 |              |               |                                   |
| (3)   |                                 |              |               |                                   |
| Prepaid insurance   | 1211                            | \$ 229.55    |               | 1211                              |
| Insurance expense   | 4510                            |              | \$ 229.55     | 2806                              |
| (To adjust accounts to actual)  |                                 |              |               |                                   |

PHA: IN006 FYED: 03/31/2008

| Line Item No. | Account Description  | Business Activities | Housing Counseling Assistance Program | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Component Units | Emergency Food and Shelter National Board Program |
|---------------|--|---------------------|---------------------------------------|-------------------------|-------------------------|-------------------------------------|-----------------|---|
| 111           | Cash - Unrestricted  | \$21,077            | \$84,426                              | \$277,431               | \$0                     | \$0                                 | \$85,885        | \$0   |
| 113           | Cash - Other Restricted                                    | \$0                 | \$0                                   | \$0                     | \$514,013               | \$0                                 | \$0             | \$0   |
| 114           | Cash - Tenant Security Deposits                            | \$0                 | \$0                                   | \$34,434                | \$0                     | \$0                                 | \$0             | \$0   |
| 100           | Total Cash   | \$21,077            | \$84,426                              | \$311,865               | \$514,013               | \$0                                 | \$85,885        | \$0   |
| 122           | Accounts Receivable - HUD Other Projects                   | \$0                 | \$0                                   | \$0                     | \$12,554                | \$91,346                            | \$0             | \$0   |
| 125           | Accounts Receivable - Miscellaneous                        | \$2,559             | \$0                                   | \$0                     | \$0                     | \$0                                 | \$480           | \$0   |
| 126           | Accounts Receivable - Tenants - Dwelling Rents             | \$0                 | \$0                                   | \$5,263                 | \$0                     | \$0                                 | \$0             | \$0   |
| 126.1         | Allowance for Doubtful Accounts - Dwelling Rents           | \$0                 | \$0                                   | \$-2,309                | \$0                     | \$0                                 | \$0             | \$0   |
| 126.2         | Allowance for Doubtful Accounts - Other                    | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$0             | \$0   |
| 129           | Accrued Interest Receivable                                | \$0                 | \$0                                   | \$429                   | \$0                     | \$0                                 | \$0             | \$0   |
| 120           | Total Receivables, net of allowances for doubtful accounts | \$2,559             | \$0                                   | \$3,383                 | \$12,554                | \$91,346                            | \$480           | \$0   |
| 131           | Investments - Unrestricted                                 | \$0                 | \$0                                   | \$251,245               | \$0                     | \$0                                 | \$0             | \$0   |
| 132           | Investments Restricted                                     | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$55,555        | \$0   |
| 142           | Prepaid Expenses and Other Assets                          | \$0                 | \$230                                 | \$30,246                | \$5,979                 | \$0                                 | \$0             | \$0   |
| 143           | Inventories  | \$0                 | \$0                                   | \$12,294                | \$0                     | \$0                                 | \$0             | \$0   |
| 143.1         | Allowance for Obsolete Inventories                         | \$0                 | \$0                                   | \$-12,294               | \$0                     | \$0                                 | \$0             | \$0   |
| 144           | Interprogram Due From                                      | \$0                 | \$0                                   | \$135,231               | \$193,214               | \$0                                 | \$0             | \$0   |
| 150           | Total Current Assets                                       | \$23,636            | \$84,656                              | \$731,970               | \$725,760               | \$91,346                            | \$141,920       | \$0   |
| 161           | Land   | \$0                 | \$0                                   | \$324,548               | \$0                     | \$0                                 | \$10,600        | \$0   |
| 162           | Buildings  | \$0                 | \$0                                   | \$7,514,491             | \$0                     | \$0                                 | \$96,663        | \$0   |
| 163           | Furniture, Equipment & Machinery - Dwellings               | \$0                 | \$0                                   | \$253,989               | \$0                     | \$0                                 | \$0             | \$0   |
| 164           | Furniture, Equipment & Machinery - Administration          | \$0                 | \$0                                   | \$856,199               | \$27,843                | \$0                                 | \$2,000         | \$0   |
| 165           | Leasehold Improvements                                     | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$0             | \$0   |
| 166           | Accumulated Depreciation                                   | \$0                 | \$0                                   | \$-4,975,320            | \$-27,843               | \$0                                 | \$-27,632       | \$0   |
| 167           | Construction In Progress                                   | \$0                 | \$0                                   | \$0                     | \$0                     | \$343,175                           | \$0             | \$0   |
| 160           | Total Fixed Assets, Net of Accumulated Depreciation        | \$0                 | \$0                                   | \$3,973,907             | \$0                     | \$343,175                           | \$81,631        | \$0   |
| 180           | Total Non-Current Assets                                   | \$0                 | \$0                                   | \$3,973,907             | \$0                     | \$343,175                           | \$81,631        | \$0   |
| 190           | Total Assets   | \$23,636            | \$84,656                              | \$4,705,877             | \$725,760               | \$434,521                           | \$223,551       | \$0   |

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| Line Item No. | Account Description  | Disaster Housing Assistance Grant | Total        |
|---------------|--|-----------------------------------|--------------|
| 111           | Cash - Unrestricted  | \$0                               | \$468,819    |
| 113           | Cash - Other Restricted                                    | \$0                               | \$514,013    |
| 114           | Cash - Tenant Security Deposits                            | \$0                               | \$34,434     |
| 100           | Total Cash   | \$0                               | \$1,017,266  |
| 122           | Accounts Receivable - HUD Other Projects                   | \$0                               | \$103,900    |
| 125           | Accounts Receivable - Miscellaneous                        | \$0                               | \$3,039      |
| 126           | Accounts Receivable - Tenants - Dwelling Rents             | \$0                               | \$5,263      |
| 126.1         | Allowance for Doubtful Accounts - Dwelling Rents           | \$0                               | \$-2,309     |
| 126.2         | Allowance for Doubtful Accounts - Other                    | \$0                               | \$0          |
| 129           | Accrued Interest Receivable                                | \$0                               | \$429        |
| 120           | Total Receivables, net of allowances for doubtful accounts | \$0                               | \$110,322    |
| 131           | Investments - Unrestricted                                 | \$0                               | \$251,245    |
| 132           | Investments Restricted                                     | \$0                               | \$55,555     |
| 142           | Prepaid Expenses and Other Assets                          | \$0                               | \$36,455     |
| 143           | Inventories  | \$0                               | \$12,294     |
| 143.1         | Allowance for Obsolete Inventories                         | \$0                               | \$-12,294    |
| 144           | Interprogram Due From                                      | \$11,209                          | \$339,654    |
| 150           | Total Current Assets                                       | \$11,209                          | \$1,810,487  |
| 161           | Land   | \$0                               | \$335,148    |
| 162           | Buildings  | \$0                               | \$7,611,154  |
| 163           | Furniture, Equipment & Machinery - Dwellings               | \$0                               | \$253,989    |
| 164           | Furniture, Equipment & Machinery - Administration          | \$0                               | \$886,042    |
| 165           | Leasehold Improvements                                     | \$0                               | \$0          |
| 166           | Accumulated Depreciation                                   | \$0                               | \$-5,030,795 |
| 167           | Construction In Progress                                   | \$0                               | \$343,175    |
| 160           | Total Fixed Assets, Net of Accumulated Depreciation        | \$0                               | \$4,398,713  |
| 180           | Total Non-Current Assets                                   | \$0                               | \$4,398,713  |
| 190           | Total Assets   | \$11,209                          | \$6,209,210  |

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| Line Item No. | Account Description                             | Business Activities | Housing Counseling Assistance Program | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Component Units | Emergency Food and Shelter National Board Program |
|---------------|---|---------------------|---------------------------------------|-------------------------|-------------------------|-------------------------------------|-----------------|---|
| 312           | Accounts Payable <= 90 Days                     | \$0                 | \$0                                   | \$9,537                 | \$1,247                 | \$0                                 | \$1,900         | \$0   |
| 321           | Accrued Wage/Payroll Taxes Payable              | \$0                 | \$0                                   | \$6,388                 | \$18,042                | \$0                                 | \$0             | \$0   |
| 322           | Accrued Compensated Absences - Current Portion  | \$0                 | \$0                                   | \$8,188                 | \$9,545                 | \$0                                 | \$0             | \$0   |
| 333           | Accounts Payable - Other Government             | \$0                 | \$0                                   | \$882                   | \$0                     | \$0                                 | \$0             | \$0   |
| 341           | Tenant Security Deposits                        | \$0                 | \$0                                   | \$34,434                | \$0                     | \$0                                 | \$0             | \$0   |
| 342           | Deferred Revenues                               | \$0                 | \$0                                   | \$513                   | \$0                     | \$0                                 | \$0             | \$0   |
| 347           | Interprogram Due To                             | \$0                 | \$47,123                              | \$189,976               | \$11,209                | \$91,346                            | \$0             | \$0   |
| 310           | Total Current Liabilities                       | \$0                 | \$47,123                              | \$249,918               | \$40,043                | \$91,346                            | \$1,900         | \$0   |
| 354           | Accrued Compensated Absences - Non Current      | \$0                 | \$0                                   | \$60,900                | \$85,908                | \$0                                 | \$0             | \$0   |
| 350           | Total Noncurrent Liabilities                    | \$0                 | \$0                                   | \$60,900                | \$85,908                | \$0                                 | \$0             | \$0   |
| 300           | Total Liabilities                               | \$0                 | \$47,123                              | \$310,818               | \$125,951               | \$91,346                            | \$1,900         | \$0   |
| 508           | Total Contributed Capital                       | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$0             | \$0   |
| 508.1         | Invested in Capital Assets, Net of Related Debt | \$0                 | \$0                                   | \$3,973,907             | \$0                     | \$343,175                           | \$81,631        | \$0   |
| 511           | Total Reserved Fund Balance                     | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$0             | \$0   |
| 511.1         | Restricted Net Assets                           | \$0                 | \$0                                   | \$0                     | \$532,537               | \$0                                 | \$0             | \$0   |
| 512.1         | Unrestricted Net Assets                         | \$23,636            | \$37,533                              | \$421,152               | \$67,272                | \$0                                 | \$140,020       | \$0   |
| 513           | Total Equity/Net Assets                         | \$23,636            | \$37,533                              | \$4,395,059             | \$599,809               | \$343,175                           | \$221,651       | \$0   |
| 500           | Total Liabilities and Equity/Net Assets         | \$23,636            | \$84,656                              | \$4,705,877             | \$725,760               | \$434,521                           | \$223,551       | \$0   |

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| Line Item No. | Account Description                             | Disaster Housing Assistance Grant | Total       |
|---------------|---|-----------------------------------|-------------|
| 312           | Accounts Payable <= 90 Days                     | \$0                               | \$12,684    |
| 321           | Accrued Wage/Payroll Taxes Payable              | \$0                               | \$24,430    |
| 322           | Accrued Compensated Absences - Current Portion  | \$0                               | \$17,733    |
| 333           | Accounts Payable - Other Government             | \$0                               | \$882       |
| 341           | Tenant Security Deposits                        | \$0                               | \$34,434    |
| 342           | Deferred Revenues                               | \$0                               | \$513       |
| 347           | Interprogram Due To                             | \$0                               | \$339,654   |
| 310           | Total Current Liabilities                       | \$0                               | \$430,330   |
| 354           | Accrued Compensated Absences - Non Current      | \$0                               | \$146,808   |
| 350           | Total Noncurrent Liabilities                    | \$0                               | \$146,808   |
| 300           | Total Liabilities                               | \$0                               | \$577,138   |
| 508           | Total Contributed Capital                       | \$0                               | \$0         |
| 508.1         | Invested in Capital Assets, Net of Related Debt | \$0                               | \$4,398,713 |
| 511           | Total Reserved Fund Balance                     | \$0                               | \$0         |
| 511.1         | Restricted Net Assets                           | \$0                               | \$532,537   |
| 512.1         | Unrestricted Net Assets                         | \$11,209                          | \$700,822   |
| 513           | Total Equity/Net Assets                         | \$11,209                          | \$5,632,072 |
| 600           | Total Liabilities and Equity/Net Assets         | \$11,209                          | \$6,209,210 |

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| Line Item No. | Account Description               | Business Activities | Housing Counseling Assistance Program | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Component Units | Emergency Food and Shelter National Board Program |
|---------------|-----------------------------------|---------------------|---------------------------------------|-------------------------|-------------------------|-------------------------------------|-----------------|---|
| 703           | Net Tenant Rental Revenue         | \$0                 | \$0                                   | \$72,480                | \$0                     | \$0                                 | \$0             | \$0   |
| 704           | Tenant Revenue - Other            | \$0                 | \$0                                   | \$21,010                | \$0                     | \$0                                 | \$0             | \$0   |
| 705           | Total Tenant Revenue              | \$0                 | \$0                                   | \$93,560                | \$0                     | \$0                                 | \$0             | \$0   |
| 706           | HUD PHA Operating Grants          | \$0                 | \$25,000                              | \$476,648               | \$6,210,442             | \$99,860                            | \$0             | \$33,480  |
| 706.1         | Capital Grants                    | \$0                 | \$0                                   | \$0                     | \$0                     | \$121,770                           | \$0             | \$0   |
| 708           | Other Government Grants           | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$29,585        | \$0   |
| 711           | Investment Income - Unrestricted  | \$235               | \$0                                   | \$10,388                | \$0                     | \$0                                 | \$269           | \$0   |
| 714           | Fraud Recovery                    | \$0                 | \$0                                   | \$0                     | \$652                   | \$0                                 | \$0             | \$0   |
| 715           | Other Revenue                     | \$9,793             | \$0                                   | \$0                     | \$0                     | \$0                                 | \$2,220         | \$0   |
| 716           | Gain/Loss on Sale of Fixed Assets | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$-10,000       | \$0   |
| 720           | Investment Income - Restricted    | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$275           | \$0   |
| 700           | Total Revenue                     | \$10,028            | \$25,000                              | \$580,536               | \$6,211,094             | \$221,630                           | \$22,349        | \$33,480  |

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| Line Item No. | Account Description               | Disaster Housing Assistance Grant | Total       |
|---------------|-----------------------------------|-----------------------------------|-------------|
| 703           | Net Tenant Rental Revenue         | \$0                               | \$72,490    |
| 704           | Tenant Revenue - Other            | \$0                               | \$21,010    |
| 705           | Total Tenant Revenue              | \$0                               | \$93,500    |
|               |                                   |                                   |             |
|               |                                   | \$11,209                          | \$6,856,639 |
| 706           | HUD PHA Operating Grants          | \$0                               | \$121,770   |
| 706.1         | Capital Grants                    | \$0                               | \$29,585    |
| 708           | Other Government Grants           | \$0                               | \$10,892    |
| 711           | Investment Income - Unrestricted  | \$0                               | \$652       |
| 714           | Fraud Recovery                    | \$0                               | \$12,013    |
| 715           | Other Revenue                     | \$0                               | \$-10,000   |
| 716           | Gain/Loss on Sale of Fixed Assets | \$0                               | \$275       |
| 720           | Investment Income - Restricted    | \$11,209                          | \$7,115,326 |
| 700           | Total Revenue                     |                                   |             |

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| Line Item No. | Account Description  | Business Activities | Housing Counseling Assistance Program | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Component Units | Emergency Food and Shelter National Board Program |
|---------------|--|---------------------|---------------------------------------|-------------------------|-------------------------|-------------------------------------|-----------------|---|
| 911           | Administrative Salaries  | \$0                 | \$0                                   | \$131,610               | \$378,354               | \$7,000                             | \$0             | \$0   |
| 912           | Auditing Fees  | \$0                 | \$1,170                               | \$1,470                 | \$2,700                 | \$0                                 | \$2,160         | \$0   |
| 915           | Employee Benefit Contributions - Administrative                  | \$0                 | \$0                                   | \$42,569                | \$105,506               | \$3,000                             | \$0             | \$0   |
| 916           | Other Operating - Administrative                                 | \$9,250             | \$4,518                               | \$47,974                | \$92,377                | \$41,331                            | \$513           | \$50  |
| 921           | Tenant Services - Salaries                                       | \$0                 | \$4,897                               | \$2,303                 | \$0                     | \$0                                 | \$0             | \$0   |
| 923           | Employee Benefit Contributions - Tenant Services                 | \$0                 | \$2,511                               | \$736                   | \$0                     | \$0                                 | \$0             | \$0   |
| 924           | Tenant Services - Other  | \$0                 | \$0                                   | \$382                   | \$0                     | \$0                                 | \$29,585        | \$33,430  |
| 931           | Water  | \$0                 | \$0                                   | \$35,903                | \$0                     | \$0                                 | \$3,883         | \$0   |
| 932           | Electricity  | \$0                 | \$0                                   | \$19,431                | \$0                     | \$0                                 | \$0             | \$0   |
| 933           | Gas  | \$0                 | \$0                                   | \$7,492                 | \$0                     | \$0                                 | \$0             | \$0   |
| 941           | Ordinary Maintenance and Operations - Labor                      | \$0                 | \$0                                   | \$142,535               | \$0                     | \$0                                 | \$0             | \$0   |
| 942           | Ordinary Maintenance and Operations - Materials and Other        | \$0                 | \$0                                   | \$27,998                | \$2,728                 | \$0                                 | \$1,663         | \$0   |
| 943           | Ordinary Maintenance and Operations - Contract Costs             | \$0                 | \$0                                   | \$31,507                | \$1,586                 | \$0                                 | \$350           | \$0   |
| 945           | Employee Benefit Contributions - Ordinary Maintenance            | \$0                 | \$0                                   | \$41,225                | \$0                     | \$0                                 | \$0             | \$0   |
| 961           | Insurance Premiums   | \$0                 | \$1,246                               | \$59,857                | \$14,342                | \$0                                 | \$2,853         | \$0   |
| 962           | Other General Expenses   | \$0                 | \$0                                   | \$4,958                 | \$525                   | \$0                                 | \$0             | \$0   |
| 963           | Payments in Lieu of Taxes  | \$0                 | \$0                                   | \$882                   | \$0                     | \$0                                 | \$0             | \$0   |
| 964           | Bad Debt - Tenant Rents  | \$0                 | \$0                                   | \$6,292                 | \$0                     | \$0                                 | \$0             | \$0   |
| 969           | Total Operating Expenses   | \$9,250             | \$14,342                              | \$605,124               | \$598,118               | \$51,331                            | \$40,807        | \$33,480  |
| 970           | Excess Operating Revenue over Operating Expenses                 | \$778               | \$10,658                              | \$-24,588               | \$5,612,976             | \$170,299                           | \$-18,458       | \$0   |
| 971           | Extraordinary Maintenance  | \$0                 | \$0                                   | \$9,845                 | \$0                     | \$0                                 | \$0             | \$0   |
| 973           | Housing Assistance Payments                                      | \$0                 | \$0                                   | \$0                     | \$5,708,345             | \$0                                 | \$0             | \$0   |
| 974           | Depreciation Expense   | \$0                 | \$0                                   | \$276,546               | \$0                     | \$0                                 | \$3,455         | \$0   |
| 900           | Total Expenses   | \$9,250             | \$14,342                              | \$891,515               | \$6,306,463             | \$51,331                            | \$44,262        | \$33,480  |
| 1001          | Operating Transfers In   | \$0                 | \$0                                   | \$48,529                | \$0                     | \$0                                 | \$0             | \$0   |
| 1002          | Operating Transfers Out  | \$0                 | \$0                                   | \$0                     | \$0                     | \$-48,529                           | \$0             | \$0   |
| 1010          | Total Other Financing Sources (Uses)                             | \$0                 | \$0                                   | \$48,529                | \$0                     | \$-48,529                           | \$0             | \$0   |
| 1000          | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$778               | \$10,658                              | \$-262,450              | \$-95,369               | \$121,770                           | \$-21,913       | \$0   |

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| Line Item No. | Account Description  | Disaster Housing Assistance Grant | Total       |
|---------------|--|-----------------------------------|-------------|
| 911           | Administrative Salaries  | \$0                               | \$516,964   |
| 912           | Auditing Fees  | \$0                               | \$7,500     |
| 915           | Employee Benefit Contributions - Administrative                  | \$0                               | \$151,075   |
| 916           | Other Operating - Administrative                                 | \$0                               | \$196,013   |
| 921           | Tenant Services - Salaries                                       | \$0                               | \$7,200     |
| 923           | Employee Benefit Contributions - Tenant Services                 | \$0                               | \$3,247     |
| 924           | Tenant Services - Other  | \$0                               | \$63,397    |
| 931           | Water  | \$0                               | \$39,786    |
| 932           | Electricity  | \$0                               | \$19,431    |
| 933           | Gas  | \$0                               | \$7,492     |
| 941           | Ordinary Maintenance and Operations - Labor                      | \$0                               | \$142,535   |
| 942           | Ordinary Maintenance and Operations - Materials and Other        | \$0                               | \$32,389    |
| 943           | Ordinary Maintenance and Operations - Contract Costs             | \$0                               | \$33,443    |
| 945           | Employee Benefit Contributions - Ordinary Maintenance            | \$0                               | \$41,225    |
| 961           | Insurance Premiums   | \$0                               | \$78,098    |
| 962           | Other General Expenses   | \$0                               | \$5,483     |
| 963           | Payments in Lieu of Taxes  | \$0                               | \$882       |
| 964           | Bad Debt - Tenant Rents  | \$0                               | \$6,202     |
| 969           | Total Operating Expenses   | \$0                               | \$1,352,452 |
| 970           | Excess Operating Revenue over Operating Expenses                 | \$11,209                          | \$5,762,874 |
| 971           | Extraordinary Maintenance  | \$0                               | \$9,845     |
| 973           | Housing Assistance Payments                                      | \$0                               | \$5,708,345 |
| 974           | Depreciation Expense   | \$0                               | \$280,001   |
| 900           | Total Expenses   | \$0                               | \$7,350,643 |
| 1001          | Operating Transfers In   | \$0                               | \$48,529    |
| 1002          | Operating Transfers Out  | \$0                               | \$-48,529   |
| 1010          | Total Other Financing Sources (Uses)                             | \$0                               | \$0         |
| 1000          | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$11,209                          | \$-235,317  |

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| Line Item No. | Account Description                        | Business Activities | Housing Counseling Assistance Program | Low Rent Public Housing | Housing Choice Vouchers | Public Housing Capital Fund Program | Component Units | Emergency Food and Shelter National Board Program |
|---------------|--|---------------------|---------------------------------------|-------------------------|-------------------------|-------------------------------------|-----------------|---|
| 1102          | Debt Principal Payments - Enterprise Funds | \$0                 | \$0                                   | \$0                     | \$0                     | \$0                                 | \$0             | \$0   |
| 1103          | Beginning Equity                           | \$22,858            | \$26,875                              | \$4,657,509             | \$695,178               | \$221,405                           | \$243,564       | \$0   |
| 1120          | Unit Months Available                      | 0                   | 0                                     | 1,584                   | 13,299                  | 0                                   | 0               | 0   |
| 1121          | Number of Unit Months Leased               | 0                   | 0                                     | 1,526                   | 13,299                  | 0                                   | 0               | 0   |
| 1117          | Administrative Fee Equity                  | \$0                 | \$0                                   | \$0                     | \$67,272                | \$0                                 | \$0             | \$0   |
| 1118          | Housing Assistance Payments Equity         | \$0                 | \$0                                   | \$0                     | \$532,537               | \$0                                 | \$0             | \$0   |

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| Line Item No. | Account Description                        | Disaster Housing Assistance Grant | Total       |
|---------------|--|-----------------------------------|-------------|
| 1102          | Debt Principal Payments - Enterprise Funds | \$0                               | \$0         |
| 1103          | Beginning Equity                           | \$0                               | \$5,887,389 |
| 1120          | Unit Months Available                      | 0                                 | 14,883      |
| 1121          | Number of Unit Months Leased               | 0                                 | 14,825      |
| 1117          | Administrative Fee Equity                  | \$0                               | \$67,272    |
| 1118          | Housing Assistance Payments Equity         | \$0                               | \$532,537   |

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# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD  
DECATUR, ILLINOIS 62526  
(217) 872-1908

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Anderson as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Anderson's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Anderson's internal control.

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

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

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

1. During the review of payroll and personnel files it was noted that some of the files lacked current W-4's for employees. Current W-4's are required for authorization of current withholding status. Additionally the files should contain current authorization of approved pay rates at each adjustment date and authorization of miscellaneous withholdings. Each employee files should be reviewed for completeness and updated accordingly.
2. Management should review procedures being used in anticipating income for the calculation of rent and housing assistance payments. In a review of twenty four Section 8 participant files and eleven public housing files, immaterial discrepancies were noted in the calculation of anticipated income. It appears that in several instances, various methods of anticipating income from confirmed prior income was incorporated into the calculation. Written procedures may provide for more consistent methods of calculation from tenant to tenant. In a few cases immaterial math errors were noted.
3. During the review of the agency's SEMAP certification, the Housing Authority could not provide complete, detailed written documentation to substantiate that the required number of participant files and units had been tested as a basis for data collection for the submission. This documentation needs to be retained as support for the certification.

4. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in the written policy/procedural manual.

In addition to the current policies/procedures, I suggest that the written manual be expanded to include: (a) approval of journal entries (hard copies initialed or signed) (b) documentation of approval of payroll (payroll registers should be initialed or signed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc) (e) reconciliation of rent rolls and HAP registers with written documentation of approval and (f) method of maintenance inventory physical inventory reconciliation and valuation methods.

The written policies should also cover the extent that outside consultants are used to enhance internal controls. The policies should include the detail of level of responsibility the fee accountant is assuming in the preparation and review of the year end financial statements as compared the level responsibility the housing is authority is maintaining. The written procedures should indicate who will prepare and maintain copies of year end schedules, journal entries and reconciliations. However the Housing Authority management should keep in mind that you have the ultimate responsibility for preparation of accurate and complete financial statements.

A more detailed written manual will aid in the training of new staff, assure management of consistency in policy application as well as accurate financial reporting.

5. During my review of insurance coverage, I noted that the Housing Authority maintains a 'position' surety bond. While this type of bond coverage is allowable, it only provides surety coverage for those individuals/positions named in the bond. I suggest that the Housing Authority investigate the possibility of adding a more comprehensive blanket bond for surety/bonding insurance purposes.

Additionally, the Housing Authority needs to increase their bond amount from \$125,000 to \$150,000 in order maintain insured levels suggested in the HUD insurance guide.

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

Decatur, Illinois  
September 24, 2008

Certified Public Accountant