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April 8, 2014

Board of Directors  
Tell City Housing Authority  
1648 Tenth Street  
Tell City, IN 47586

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2008 to June 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Tell City Housing Authority, as of June 30, 2009 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 TELL CITY  
TELL CITY, INDIANA**

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

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**TWELVE MONTHS ENDED JUNE 30, 2009**

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

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## Independent Auditor's Report

Board of Directors  
Housing Authority of Tell City  
Tell City, Indiana

I have audited the accompanying financial statements of Housing Authority of Tell City, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of Tell City, as of June 30, 2009 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 January 26, 2010, on my consideration of the Housing Authority of Tell City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Housing Authority of Tell City, 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 financial statements of the Housing Authority of Tell City. 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 Housing Authority of Tell City. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Pamela J. Simpson". The signature is written in black ink and is positioned above the printed name and title.

Decatur, Illinois  
January 26, 2010

Certified Public Accountant

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

### **Management's Discussion and Analysis**

As management of the Tell City Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2009. 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: Executive Director, Tell City Housing Authority.

### **Overview of The Financial Statements**

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

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

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authority's 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 analysis of the change in net assets will assist the reader with measuring the health or financial position of the Authority.

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

Over time, significant changes in the Authority's 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 Authority's capital assets.

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

***Low Income Public Housing***

The Housing Authority owns 199 units in Tell City. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level, and Audit Costs. HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge its tenants.

***Section 8 Housing Choice Vouchers***

HUD has contracted with the Housing Authority support for 53 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to landlords for low-income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

***Capital Fund/Comprehensive Grant Program***

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is to improve the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds.

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

**Condensed Comparative Financial Statements**

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

**Total Assets** for FYE 2008 was \$2,253,412 and at FYE 2009 the amount was \$2,352,004. This represents a net increase of \$98,592 or 4%.

**Cash and Investments** increased by \$163,068 or 39.7%. This is due to an increase in investments in the Low Income Public Housing program as well as a slight increase in general unrestricted cash.

**Other Current Assets** increased by \$14,516 or 36%. This increase can largely be attributed to an increase in prepaid expenses and other assets.

**Capital Assets** decreased by \$78,922 or 4%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** increased by \$1,085 or 1%, due to a decrease in deferred revenue that is offset by marginal increases in other liabilities.

**Non Current Liabilities** increased by \$3,591 or 28.6%. This increase is due to an increase in the non-current portion of accrued compensated absences.

The table below illustrates our analysis:

	2009	2008	Net Change	Percent Variance
Cash & Investments	573,616	410,548	163,068	40%
Other Current Assets	55,122	40,606	14,516	36%
Capital Assets	1,723,266	1,802,258	-78,992	-4%
<b>Total Assets</b>	<b>2,352,004</b>	<b>2,253,412</b>	<b>98,592</b>	<b>4%</b>
Current Liabilities	80,605	79,520	1,085	1%
Non Current Liabilities	16,137	12,546	3,591	29%
<b>Total Liabilities</b>	<b>96,742</b>	<b>92,066</b>	<b>4,676</b>	<b>5%</b>
Invested in Capital Assets	1,723,266	1,802,258	-78,992	-4%
Restricted Net Assets	944	0	944	100%
Unrestricted Net Assets	531,052	359,088	171,964	48%
<b>Total Net Assets</b>	<b>2,255,262</b>	<b>2,161,346</b>	<b>93,916</b>	<b>4%</b>

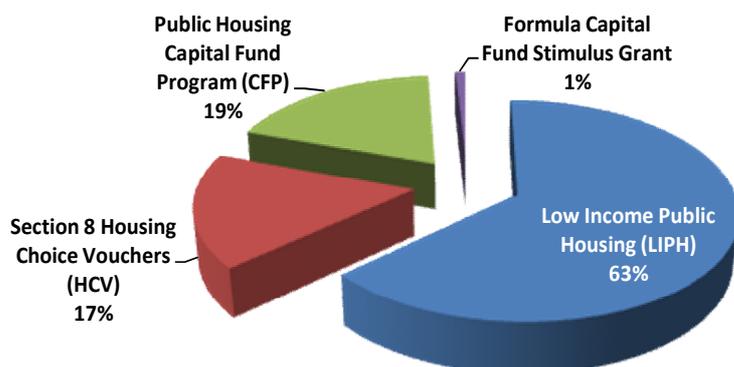
TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

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

The Authority administers the following programs. The revenues generated from these programs during Fiscal Year Ending 2009 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing (LIPH)	\$856,828
Section 8 Housing Choice Vouchers (HCV)	241,561
Public Housing Capital Fund Program (CFP)	252,669
Formula Capital Fund Stimulus Grant	12,344
<b>Total Revenue</b>	<b><u>\$1,363,402</u></b>

The diagram below illustrates the percentage of revenues generated by these programs for Fiscal Year Ending June 30, 2009:



**Percentage of total revenue (by program)**

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

**Total Revenues** for Fiscal Year Ending June 30, 2008 were \$1,393,400 as compared to \$1,363,402 of total revenues for Fiscal Year Ending June 30, 2009. Comparatively, Fiscal Year Ending 2009 revenues decreased from Fiscal Year Ending 2008 revenues by \$29,998 or 2%.

**Total Tenant Revenue** increased by \$32,198 or 7%. Tenant revenue increased because of changes in tenant characteristics during the fiscal year.

**HUD Operating Grants** increased by \$246,337 or 50%. The Authority utilized more Capital Fund Grant funding in the current fiscal year for operations than in the prior fiscal year.

**HUD Capital Grants** decreased by \$320,369 or 82%. The Authority utilized more Capital Fund Grant funding in the current fiscal year for operations than in the prior fiscal year.

**Investment Income** increased by \$1,077 or 8%, due to increased investments in the Low Income Public Housing Program.

The following table illustrates our analysis:

	2009	2008	Net Change	Percentage Change
Total Tenant Revenue	508,925	476,727	32,198	7%
HUD Operating Grants	738,705	492,368	246,337	50%
HUD Capital Grants	72,135	392,504	-320,369	-82%
Investment Income	14,048	12,971	1,077	8%
Other Revenue	29,589	18,830	10,759	57%
Total Revenue	<u>1,363,402</u>	<u>1,393,400</u>	<u>-29,998</u>	<u>-2%</u>

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending June 30, 2009 were \$1,269,486 as compared to the \$1,354,903 of total expenditures for Fiscal Year Ending June 30, 2008. Comparatively, Fiscal Year Ending 2008 expenditures exceeded Fiscal Year Ending 2009 expenditures by \$85,418 or 6%. Changes by major expense category will be presented below.

**Utilities** increased by \$16,072 or 9.6%, due to increased usage in addition to an increase in utility rates in the state of Indiana.

**Maintenance** expenditures increased by \$19,197 or 6%, due to an increase in maintenance materials, as well as an increase in routine maintenance contracts.

**Extraordinary Maintenance** expenditures increased by \$28,988. These are non-routine expenditures that are not expected to occur in subsequent years.

**Housing Assistance Payments** decreased by \$13,506 or 6.2%. Housing Assistance Payments decreased because of a decrease in the number of units leased and because HUD decreased the amount of funding available for HAP expenditures.

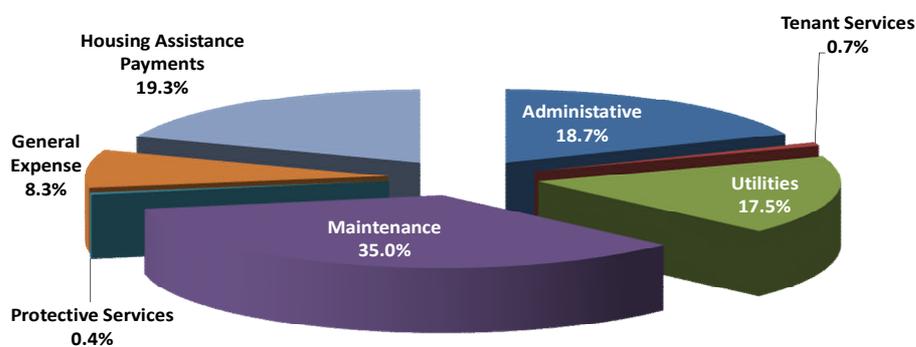
The table below illustrates our analysis:

	2009	2008	Net Change	Percent Variances
Administrative	\$ 196,666	\$ 193,873	\$ 2,793	1%
Tenant Services	7,620	4,314	3,306	77%
Utilities	184,290	168,218	16,072	10%
Maintenance	362,667	343,470	19,197	6%
Protective Services	3,796	2,940	856	29%
General Expense	87,348	79,873	7,475	9%
Extraordinary Maintenance	40,122	11,134	28,988	260%
Housing Assistance Payments	202,727	216,233	(13,506)	-6%
Depreciation Expense	184,250	334,849	(150,599)	-45%
<b>Total Expenses</b>	<b><u>\$1,269,486</u></b>	<b><u>\$1,354,904</u></b>	<b><u>-\$85,418</u></b>	<b><u>-6%</u></b>

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

This diagram illustrates the percentage of Authority expenditures by these categories excluding Depreciation Expense for Fiscal Year Ending June 30, 2009:

**Percentage of Total Expenditures, excluding depreciation (by expense class)**



TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2009

*Analysis of Capital Asset Activity*

**Buildings** increased by \$691,216 or 8.4%, which can be attributed to the completion of construction in process as well as building purchases in the Low Income Public Housing Program.

**Construction in Process** decreased by \$606,737, a change of 88%. This is due to the completion of construction during the year.

**Accumulated Depreciation** increased by \$167,055, due to the depreciation of capital assets during the year.

	2009	2008	Net Change	Percent Variance
Land	\$ 222,531	\$ 222,531	\$ -	0%
Buildings	8,941,418	8,250,202	691,216	8%
Furniture, Equip., & Mach. - Dwelling	79,104	79,104	-	0%
Furniture, Equip., & Mach. - Administrative	177,267	173,683	3,584	2%
Construction in Process	84,479	691,216	(606,737)	-88%
<b>Total Fixed Assets</b>	<b>9,504,799</b>	<b>9,416,736</b>	<b>88,063</b>	<b>1%</b>
Accumulated Depreciation	7,781,533	7,614,478	167,055	2%
<b>Net Fixed Assets</b>	<b>1,723,266</b>	<b>1,802,258</b>	<b>(78,992)</b>	<b>-4%</b>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF JUNE 30, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 228,952
Accounts receivable (net of allowance)	1,469
Accrued interest receivable	1,792
Investments	343,720
Inventory (net)	23,059
Deferred charges	<u>28,802</u>

Total Current Assets \$ 627,794

**RESTRICTED ASSETS**

Cash	<u>\$ 944</u>
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Total Restricted Assets \$ 944

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 9,504,799
Less: Accumulated depreciation	<u>-7,781,533</u>

Net Capital Assets \$ 1,723,266

Total Assets \$ 2,352,004

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (net of allowance)	\$ 37,375
Accrued liabilities	37,431
Deferred revenue	<u>5,799</u>

Total Current Liabilities \$ 80,605

**NONCURRENT LIABILITIES**

Accrued liabilities	<u>\$ 16,137</u>
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Total Noncurrent Liabilities \$ 16,137

**NET ASSETS**

Invested in capital assets	\$ 1,723,266
Restricted net assets	944
Unrestricted net assets	<u>531,052</u>

Total Net Assets \$ 2,255,262

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS  
AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED JUNE 30, 2009**

Operating Income

Tenant revenue	\$ 503,152
Tenant revenue - other	<u>5,773</u>
Total Tenant Revenue	\$ 508,925
HUD grants - operating	738,705
Other revenue	<u>29,589</u>
Total Operating Income	<u>\$ 1,277,219</u>

Operating Expenses

Administration	\$ 196,666
Tenant services	7,620
Utilities	184,290
Ordinary maintenance and operation	362,667
General expense	87,348
Extraordinary maintenance	40,122
Protective services	3,796
Housing assistance payments	202,727
Depreciation	<u>184,250</u>
Total Operating Expenses	<u>\$ 1,269,486</u>
Net Operating Income (Loss)	\$ 7,733

Nonoperating Income (Expense)

Interest income	14,048
-----------------	--------

Capital Contributions

HUD grants - capital	<u>72,135</u>
Changes in net assets	\$ 93,916
Net assets, beginning of year	<u>2,161,346</u>
Net assets, end of year	<u>\$ 2,255,262</u>

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2009**

Operating Activities

Operating grants	\$ 738,705
Tenant revenue	509,100
Other revenue	29,589
Housing assistance payments	-202,727
Payments to employees	-294,573
Payments to suppliers and contractors	<u>-596,746</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 183,348</u>

Investing Activities

Investments (purchased) redeemed	\$ -142,604
Interest income	<u>12,843</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -129,761</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 72,135
(Additions) deletions to fixed assets	<u>-105,258</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -33,123</u>
Net Change in Cash	\$ 20,464
Cash Balance at June 30, 2008	<u>209,432</u>
Cash Balance at June 30, 2009	<u><u>\$ 229,896</u></u>

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2009**

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

Net operating income (loss)	\$	7,733
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation		184,250
(Increase) decrease in accounts receivable		175
(Increase) decrease in deferred charges		-13,040
(Increase) decrease in other assets		-446
Increase (decrease) in accounts payable		1,745
Increase (decrease) in accrued liabilities		7,935
Increase (decrease) in deferred revenues		<u>-5,004</u>
Net Cash Provided (Used) by Operating Activities	\$	<u>183,348</u>

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of Tell City was established by Tell City 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 Housing Authority of Tell City 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 Tell City is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

In the preparation of financial statements, 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. A formal policy has not been adopted, however, this is the procedure the Housing Authority follows.

(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
- \* Capital Fund Program

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

*Proprietary Fund Types:*

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The Housing Authority has not adopted a formal policy, however, they consider all demand deposits to be cash or cash equivalents.

(f) Interprogram Receivables and Payables

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2009, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of 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	25	years
Equipment	7	years
Transportation equipment	7	years
Furniture and fixtures	5	years
Leasehold improvements	10	years

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

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

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

(m) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

(n) 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 TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(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	\$ 144,750	\$ 164,511
Voucher (restricted and unrestricted)	<u>85,146</u>	<u>85,146</u>
Total	<u>\$ 229,896</u>	<u>\$ 249,657</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(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>\$ 343,720</u>	<u>\$ 343,720</u>

Note 3 - Compensated Absences

After the first twelve continuous calendar months of work an employee is entitled to two weeks (10 working days) vacation. After five years of continuous employment, the employee is entitled to three weeks vacation. After ten years of continuous employment, the employee is entitled to four weeks vacation. Vacation benefits may not exceed twenty work days per year. Permanent full-time employees will be given ten sick days per calendar year and three personal days. Sick days can accumulate to sixty days. Employees will not receive compensation for accumulated sick leave or unused personal days upon termination.

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months after full time employment. The plan requires the Housing Authority and the employee to contribute 7% and 5% of covered wages, respectively. The total contribution for 2009 was \$32,351.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 2,598
Allowance for doubtful accounts	<u>-1,129</u>
Total	<u>\$ 1,469</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(CONTINUED)**

Note 6 - Investments

At June 30, 2009 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	3.12-4.91%	\$ <u>343,720</u>	\$ <u>343,720</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ <u>28,802</u>
-------------------	------------------

Note 8 - Capital Assets

Balance as of June 30, 2009	\$ 1,723,266
Balance as of June 30, 2008	<u>1,802,258</u>
Net Increase (Decrease)	\$ <u>-78,992</u>

Reconciliation

Additions	\$ 105,258
Current year depreciation expense	<u>-184,250</u> *
Net Increase (Decrease)	\$ <u>-78,992</u>

Analysis

	<u>07/01/07 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/08 Balance</u>
Land	\$ 222,531	\$ 0	\$ 0	\$ 222,531
Buildings	8,250,202	691,216	0	8,941,418
Equipment and furniture	252,787	20,779	17,195	256,371
Construction in progress	<u>691,216</u>	<u>72,135</u>	<u>678,872</u>	<u>84,479</u>
Total Assets	\$ 9,416,736	\$ 784,130	\$ 696,067	\$ 9,504,799
Accumulated depreciation	<u>-7,614,478</u>	<u>-184,250</u> *	<u>-17,195</u>	<u>-7,781,533</u>
Net Capital Assets	\$ <u>1,802,258</u>	\$ <u>599,880</u>	\$ <u>678,872</u>	\$ <u>1,723,266</u>

\*Current year depreciation expense recognized.

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 13,815
Tenants security deposits	<u>23,560</u>
Total	<u>\$ 37,375</u>

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 1,651
Accrued wages	3,317
Payment in lieu of taxes	<u>32,463</u>
Total Current Portion	\$ 37,431

Noncurrent Portion:

Accrued compensated absences	<u>16,137</u>
Total	<u>\$ 53,568</u>

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 5,799</u>
----------------------	-----------------

Note 12 - 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.

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2009  
(CONTINUED)**

Note 13 - 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 14 - 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 in the current or past three years.

Note 15 - Economic Dependency

The Housing Authority received most of its revenue (59%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-954	FYE 06/30/09	\$ 314,524	\$ 314,524	\$ 314,524
Housing Choice Voucher Program*	14.871	C-2044V	FYE 06/30/09	\$ 231,303	\$ 231,303	\$ 231,303
Public Housing - Capital Funds	14.872	C-954	FYE 06/30/09	\$ 252,669	\$ 252,669	\$ 252,669
Formula Capital Fund Stimulus Grant	14.885	C-954	FYE 06/30/09	\$ 319,829	\$ 12,344	\$ 12,344
Total Housing Assistance				<u>\$ 1,118,325</u>	<u>\$ 810,840</u>	<u>\$ 810,840</u>

\*Denotes a major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED JUNE 30, 2009**

Note 1: Expenditures to the Housing Choice Voucher Program are reported as 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 TELL CITY  
TELL CITY, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P018501-08**

1. The Actual Modernization Costs of Phase IN36P018501-08 are as follows:

Funds approved	\$ 252,669
Funds expended	<u>252,669</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 252,669
Funds expended	<u>252,669</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated April 14, 2009, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

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## **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 Tell City  
Tell City, Indiana

I have audited the financial statements of the Housing Authority of Tell City as of and for the year ended June 30, 2009, which collectively comprise the Housing Authority of Tell City's basic financial statements and have issued my report thereon dated January 26, 2010. 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 Tell City'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 Tell City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of Tell City'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 Tell City'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 Tell City's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of Tell City'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 Tell City's internal control.

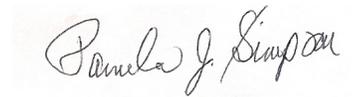
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any 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 Tell City'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 Tell City, in a separate letter dated January 26, 2010.

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.

A handwritten signature in black ink that reads "Pamela J. Simpson". The signature is written in a cursive style and is positioned above the printed name.

Certified Public Accountant

Decatur, Illinois  
January 26, 2010

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

433 WEST PERSHING ROAD

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(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 Tell City  
Tell City, Indiana

### **Compliance**

I have audited the compliance of Housing Authority of Tell City 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 June 30, 2009. Housing Authority of Tell City'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 Tell City's management. My responsibility is to express an opinion on Housing Authority of Tell City'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 Tell City'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 Tell City's compliance with those requirements.

In my opinion, Housing Authority of Tell City 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 June 30, 2009. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

### **Internal Control Over Compliance**

The management of Housing Authority of Tell City 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 Tell City'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 Tell City'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.

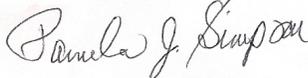
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 Tell City in a separate letter dated January 26, 2010.

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.

Decatur, Illinois  
January 26, 2010

  
Certified Public Accountant

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2008 contained no findings.

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2009**

**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

Audited as Major Programs: (Threshold \$300,000)

CFDA Number(s)

Public and Indian Housing  
Housing Choice Voucher Program

14.850a

14.871

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Audit Findings**

There were no financial statement audit findings discussed with Bobbi J. Polster, Executive Director during the course of the audit or at an exit conference held on January 26, 2010.

**Section III - Federal Award Audit Findings**

There were no federal award audit findings discussed with Bobbi J. Polster, Executive Director during the course of the audit or at an exit conference held on January 26, 2010.

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2009**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accumulated depreciation	1400.5	\$ 6,541.19		1400.5
Undesignated fund balance	2806		\$ 6,541.19	2802
(To post prior year audit adjustment)				
(2)				
Prepaid elevator	1213	\$ 5,120.00		1213
Maintenance contracts	4430		\$ 5,120.00	2806
(To set up portion of elevator maintenance that is prepaid at year end)				
(3)				
Insurance proceeds	4610.4	\$ 10,258.85		2802
Equipment	1400.9		\$ 10,258.85	1400.9
Accumulated depreciation	1400.5	1,195.51		1400.5
Depreciation expense	4800		1,195.51	2802
(To record transfer of insurance proceeds for van that was wrecked on voucher side, proceeds were then deposited on LR and proceeds were used to purchase new vehicle. Transfer portion of purchase price equal to insurance proceeds to voucher.)				
<u>Voucher</u>				
(1)				
Unrestricted	2806	\$ 1,206.00		2806
HUD admin subsidy	3402		\$ 1,206.00	2806
(To record prior year audit adjustment and subsequent settlement of 2008 payable)				
(2)				
Accumulated depreciation	1400.5	\$ 17,195.00		1400.5
Furniture, equipment - admin	1400.9		\$ 17,195.00	1400.9
(To remove the van that was disposed of on 08/29/2008)				
(3)				
Equipment	1400.9	\$ 10,258.85		1400.9
Insurance proceeds	4610.4		\$ 10,258.85	2806
Accumulated depreciation	1400.5		1,195.51	1400.5
Depreciation expense	4800	1,195.51		2806
(To record transfer of insurance proceeds for van that was wrecked on voucher side, proceeds were then deposited on LR and proceeds were used to purchase new vehicle. Transfer portion of purchase price equal to insurance proceeds to voucher.)				

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

**433 WEST PERSHING ROAD**

**DECATUR, ILLINOIS 62526**

**(217) 872-1908**

Board of Commissioners  
Housing Authority of Tell City  
Tell City, Indiana

In planning and performing my audit of the financial statements of Housing Authority of Tell City as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of Tell City's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of Tell City'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 a review of your insurance expense and related policies in force, it came to my attention that the Housing Authority maintains a position bond. While a position bond provides insurance coverage for the positions listed in the policy, a blanket bond would provide a more comprehensive coverage. It is my recommendation that the Housing Authority review the bond coverage.
2. During my audit, it came to my attention that Capital Fund programs 501-05, 501-06 and 501-07 had been closed out in general ledger but have not been added to the depreciation schedule for public housing. The Housing Authority add these assets to schedule and properly depreciate them.

3. While reviewing a sample of purchases made by the Housing Authority one expenditure was noted that was not supported by three quotes per the current purchasing policy. If there is a specific reason why quotes are not received (sole source vendors or emergency purchases) the exceptions should be documented and retained, otherwise, the Authority should document all quotes that are obtained and retain that documentation.
4. During my audit, it was noted the Housing Authority uses a debit card for some of purchases. The use of a debit card by-passes the prescribed approval process set forth by your internal control policy. When a debit card, the disbursement process is completed immediately without invoice approval, or board approval. PHA should look into obtaining a credit card instead of a debit card and create policy and procedures for its use.

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  
January 26, 2010



Certified Public Accountant