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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, 2012 to June 30, 2013. 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, 2013 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**

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

TWELVE MONTHS ENDED JUNE 30, 2013

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

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Independent Auditor's Report

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

I have audited the accompanying financial statements of the Housing Authority of Tell City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of Tell City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Housing Authority of Tell City, as of June 30, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

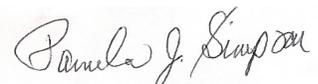
Report on Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Tell City's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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. Further, the financial data schedules shown on pages 36 to 40 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 6, 2013 on my consideration of the Housing Authority of Tell City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Certified Public Accountant

Decatur, Illinois
December 6, 2013

**TELL CITY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FYE JUNE 30, 2013**

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, 2013. 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 Position – 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 Position - 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 position, 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 position and changes in them. One can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The analysis of the change in net position will assist the reader with measuring the health or financial position of the Authority.

Over time, significant changes in the Authority's net position 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.

**TELL CITY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FYE JUNE 30, 2013**

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 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.

Financial Highlights

The Tell City Housing Authority's net position decreased from \$2,399,038 to \$2,093,685, a decrease of \$305,353 or 13%. The total assets decreased by \$328,367 or 13%.

Total revenues decreased from \$1,677,259 to \$1,290,092, a decrease of \$387,167, or 23%. Revenues comprised of rental income HUD operating grants and capital grants, interest income and other revenue.

Total expenses increased by \$103,093, from \$1,492,352 to \$1,595,445 for the current year. This represents an increase of 7%.

**TELL CITY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FYE JUNE 30, 2013**

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Position

Total Assets for FYE 2013 was \$2,216,878 and at FYE 2012 the amount was \$2,545,245. This represents a net decrease of \$328,367 or 12.9%.

Cash and Investments decreased by \$65,185 or 13.5%. HUD funding decreased from the prior fiscal year mainly because of the HUD recapture of LIPH Operating Reserves.

Other Current Assets decreased by \$25,140 or 32.2%. Other current assets decreased primarily due to the receipt of prior year HUD receivables in the current fiscal year and a decrease in prepaid expenses as compared to the prior fiscal year.

Capital Assets decreased by \$238,042 or 12%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased by \$21,871 or 16.6%. Deferred revenues in the prior fiscal year for the Capital Fund Program were expended and the revenue recognized in the current fiscal year.

Noncurrent Liabilities decreased by \$1,079 or 7.6%. The decrease is due to a decrease in the non-current portion of accrued compensated absences.

The table below illustrates our analysis:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash and Investments	417,167	482,352	(65,185)	-14%
Other Current Assets	52,959	78,099	(25,140)	-32%
Capital Assets	1,746,752	1,984,794	(238,042)	-12%
Total Assets	2,216,878	2,545,245	(328,367)	-13%
Deferred Outflows of Resources	64	0	64	100%
TOTAL	2,216,942	2,545,245	(328,303)	-13%
Current Liabilities	110,222	132,093	(21,871)	-17%
Noncurrent Liabilities	13,035	14,114	(1,079)	-8%
Total Liabilities	123,257	146,207	(22,950)	-16%
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	1,746,752	1,984,794	(238,042)	-12%
Restricted	0	11,082	(11,082)	-100%
Unrestricted	346,933	403,162	(56,229)	-14%
Total Net Position	2,093,685	2,399,038	(305,353)	-13%
TOTAL	2,216,942	2,545,245	(328,303)	-13%

**TELL CITY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FYE JUNE 30, 2013**

Analysis of Entity Wide Revenue

The Authority administers the following programs. The revenues generated from these programs during Fiscal Year Ending June 30, 2013 were as follows:

Program	Revenues Generated	
Low Income Public Housing (LIPH)	\$	914,592
Section 8 Housing Choice Vouchers (HCV)		280,892
Capital Fund Program (CFP)		94,608
Total Revenues	\$	1,290,092

Total Revenues for Fiscal Year Ending June 30, 2012 were \$1,677,259 as compared to \$1,290,092 of total revenues for Fiscal Year Ending June 30, 2013. Comparatively, Fiscal Year Ending 2013 revenues decreased from Fiscal Year Ending 2012 revenues by \$387,167 or 23.1%.

Total Tenant Revenue increased by \$30,605 or 5.3%. Tenant revenue increased because of changes in tenant characteristics during the fiscal year.

HUD Operating Grants increased by \$69,554 or 12.6%. Capital fund grants were used to offset operating expenses in the current year.

HUD Capital Grants decreased by \$486,668 or 94.4%. Capital grants decreased because the Authority expended several grant phases in the prior fiscal year to complete improvement projects.

The table on the following page illustrates our analysis:

	2013	2012	Net Change	Percentage Change
Total Tenant Revenue	611,741	581,136	30,605	5.3%
HUD Operating Grants	622,119	552,565	69,554	12.6%
HUD Capital Grants	28,709	515,377	(486,668)	-94.4%
Investment Income	10,213	12,655	(2,442)	-19.3%
Other Revenue	17,310	15,526	1,784	11.5%
Total Revenue	<u>1,290,092</u>	<u>1,677,259</u>	<u>(387,167)</u>	<u>-23.1%</u>

**TELL CITY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FYE JUNE 30, 2013**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending June 30, 2013 were \$1,595,445 as compared to the \$1,492,352 of total expenditures for Fiscal Year Ending June 30, 2012. Comparatively, Fiscal Year Ending 2013 expenditures exceeded Fiscal Year Ending 2012 expenditures by \$103,093 or 6.9%. Changes by major expense category will be presented below.

Administrative expenses decreased by \$3,274 or 1.6%. Other administrative expenses decreased from the prior fiscal year.

Maintenance expenditures increased by \$52,866 or 14.4%. The Authority's maintenance expenditures increased as compared to the prior fiscal year primarily because increases in contract costs and materials.

Housing Assistance Payments increased by \$26,754. Housing Assistance Payments increased because of increased utilization of program funding

The table on the following page illustrates our analysis:

	2013	2012	Net Change	Percent Variances
Administrative	202,053	205,327	(3,274)	-1.6%
Tenant Services	3,940	5,030	(1,090)	-21.7%
Utilities	172,487	177,426	(4,939)	-2.8%
Maintenance	418,892	366,026	52,866	14.4%
Protective Services	5,916	6,012	(96)	-1.6%
General Expense	129,601	118,338	11,263	9.5%
Extraordinary Maintenance	79,444	104,061	(24,617)	-23.7%
Housing Assistance Payments	281,101	254,347	26,754	10.5%
Depreciation Expense	302,011	255,785	46,226	18.1%
Total Expenses	<u>\$1,595,445</u>	<u>\$1,492,352</u>	<u>103,093</u>	<u>6.9%</u>

**TELL CITY HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FYE JUNE 30, 2013**

Analysis of Capital Asset Activity

Buildings increased by \$5,700. The Authority capitalized the completion of the dining room addition project.

Furniture, Equipment & Machinery-Administrative increased by \$78,864. The Authority purchased a vehicle, security cameras and monitors, and a copier offset by the disposal of security cameras purchased in the prior fiscal year.

Construction in Process decreased by \$25,809. The Authority capitalized completed construction projects offset by current year purchases.

Accumulated Depreciation increased by \$296,797 due to the depreciation of capital assets during the year offset by the adjustment for disposed security cameras.

	2013	2012	Net Change	Percent Variance
Land	222,531	222,531	0	0.0%
Buildings	9,995,007	9,989,307	5,700	0.1%
Furniture, Equipment, & Machinery - Dwelling	119,089	119,089	0	0.0%
Furniture, Equipment, & Machinery - Administrative	192,664	113,800	78,864	69.3%
Construction in Progress	1,450	27,259	(25,809)	-94.7%
Total Fixed Assets	10,530,741	10,471,986	58,755	0.6%
Accumulated Depreciation	8,783,989	8,487,192	296,797	3.5%
Net Fixed Assets	1,746,752	1,984,794	(238,042)	-12.0%

Outstanding Debt

The Housing Authority had no outstanding debt for June 30, 2012 or June 30, 2013.

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

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AS OF JUNE 30, 2013**

ASSETS

Cash - operating	\$ 120,942
Cash - restricted	39,867
Receivables, net	3,411
Accrued interest receivable	1,485
Investments	256,358
Inventory	26,531
Prepaid expenses	21,532
Capital assets:	
Land, land improvements and construction in progress	\$ 223,981
Other assets, net of depreciation	<u>1,522,771</u>
Net Capital Assets	<u>\$ 1,746,752</u>
Total Assets	<u>\$ 2,216,878</u>

DEFERRED OUTFLOWS OF RESOURCES (Note 10) \$ 64

TOTAL \$ 2,216,942

LIABILITIES

Accounts payable	\$ 29,558
Other liabilities	68,097
Unearned revenue	12,567
Noncurrent liabilities:	
Compensated absences	<u>13,035</u>
Total Liabilities	<u>\$ 123,257</u>

DEFERRED INFLOWS OF RESOURCES \$ 0

NET POSITION

Net Investment in capital assets	\$ 1,746,752
Restricted	0
Unrestricted	<u>346,933</u>
Total Net Position	<u>\$ 2,093,685</u>

TOTAL \$ 2,216,942

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS**

TWELVE MONTHS ENDED JUNE 30, 2013

Operating Income

Tenant revenue	\$ 590,847
Tenant revenue - other	<u>20,894</u>
Total Tenant Revenue	\$ 611,741
HUD grants - operating	622,119
Other revenue	<u>17,310</u>
Total Operating Income	<u>\$ 1,251,170</u>

Operating Expenses

Administration	\$ 202,053
Tenant services	3,940
Utilities	172,487
Ordinary maintenance and operation	418,892
General expense	129,601
Extraordinary maintenance	79,444
Protective services	5,916
Housing assistance payments	281,101
Depreciation	<u>302,011</u>
Total Operating Expenses	<u>\$ 1,595,445</u>
Net Operating Income (Loss)	\$ -344,275

Nonoperating Income (Expense)

Interest income	10,213
-----------------	--------

Capital Contributions

HUD grants - capital	<u>28,709</u>
Changes in net position	\$ -305,353
Net position, beginning of year	<u>2,399,038</u>
Net position, end of year	<u>\$ 2,093,685</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, 2013**

Operating Activities

Operating grants	\$ 608,476
Tenant revenue	612,901
Other revenue	17,310
Housing assistance payments	-281,101
Payments to employees	-352,152
Payments to suppliers and contractors	<u>-646,127</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -40,693</u>

Investing Activities

Investments (purchased) redeemed	\$ 29,520
Interest income	<u>10,768</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 40,288</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 28,709
(Additions) deletions to fixed assets	<u>-63,969</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -35,260</u>
Net Change in Cash	\$ -35,665
Cash Balance at June 30, 2012	<u>196,474</u>
Cash Balance at June 30, 2013	<u>\$ 160,809</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, 2013**

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

Net operating income (loss)	\$ -344,275
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	302,011
(Increase) decrease in accounts receivable	11,528
(Increase) decrease in prepaid expenses	12,603
(Increase) decrease in other assets	454
(Increase) decrease in deferred outflows	-64
Increase (decrease) in accounts payable	-1,771
Increase (decrease) in other liabilities	2,708
Increase (decrease) in unearned revenues	<u>-23,887</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -40,693</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, 2013**

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 Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

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

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of 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, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Low Rent Public Housing
- * Capital Fund Program
- * Housing Choice Vouchers

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 Net Investment in Capital Assets, Restricted and Unrestricted.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the policy of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of six (6) months or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(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, 2013, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

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

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

Buildings	25	years
Equipment	3 -7	years
Transportation equipment	5 -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, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(l) Income Tax -

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

(m) Annual Contributions/Subsidies and Other Grants

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

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

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

- Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.
- Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 89,047	\$ 103,878
Voucher	<u>71,762</u>	<u>71,762</u>
Total	<u>\$ 160,809</u>	<u>\$ 175,640</u>

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 256,358</u>	<u>\$ 256,358</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

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 with Metropolitan Life. 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 2013 was \$39,454. Total annual related payroll expense was \$355,414.

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 5,198
Allowance for doubtful accounts - tenants	<u>-1,787</u>
Total	<u>\$ 3,411</u>

Note 7 - Investments

At June 30, 2013 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	0.45-4.91%	<u>\$ 256,358</u>	<u>\$ 256,358</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 10,980
Prepaid - other	<u>10,552</u>
Total	<u>\$ 21,532</u>

Note 9 - Capital Assets

Balance as of June 30, 2013	\$ 1,746,752
Balance as of June 30, 2012	<u>1,984,794</u>
Net Increase (Decrease)	<u>\$ -238,042</u>

Reconciliation

Betterments and additions	\$ 7,150
Replacement of equipment	56,819
Current year depreciation expense	<u>-302,011</u> *
Net Increase (Decrease)	<u>\$ -238,042</u>

Analysis

	<u>07/01/12</u> <u>Balance</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>06/30/13</u> <u>Balance</u>
Land	\$ 222,531	\$ 0	\$ 0	\$ 222,531
Buildings	9,989,307	5,700	0	9,995,007
Equipment and furniture	232,889	84,078	5,214	311,753
Construction in progress	<u>27,259</u>	<u>1,450</u>	<u>27,259</u>	<u>1,450</u>
Total Assets	\$ 10,471,986	\$ 91,228	\$ 32,473	\$ 10,530,741
Accumulated depreciation	<u>-8,487,192</u>	<u>5,214</u>	<u>302,011</u> *	<u>-8,783,989</u>
Net Capital Assets	<u>\$ 1,984,794</u>	<u>\$ 96,442</u>	<u>\$ 334,484</u>	<u>\$ 1,746,752</u>

*Current year depreciation expense recognized.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 10 - Deferred Outflows of Resources

HUD - admin fees	\$ <u>64</u>
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Note 11 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 2,258
Tenants security deposits	<u>27,300</u>
 Total	 \$ <u>29,558</u>

Note 12 - 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 13 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 9,741
Compensated absences	6,125
Payment in lieu of taxes	42,405
Utilities payable	<u>9,826</u>
 Total Current Portion	 \$ 68,097

Noncurrent Portion:

Compensated absences	<u>13,035</u>
 Total	 \$ <u>81,132</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 14 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2013:

	07/01/2012			06/30/2013
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Compensated absences	\$ 14,114	\$ 0	\$ 1,079	\$ 13,035

Note 15 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 12,567</u>
----------------------	------------------

Note 16 - 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 a quarterly basis.

Note 17 - 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 18 - 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 19 - Contracts/Commitments

As of June 30, 2013, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-12	\$ 190,972	\$ 101,162
CFP 501-13	<u>199,213</u>	<u>0</u>
Total	<u>\$ 390,185</u>	<u>\$ 101,162</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2013
(CONTINUED)**

Note 20 - 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 21 - Economic Dependency

The Housing Authority received most of its revenue (50%) 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, 2013**

<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 06/30/13	\$ 283,134	\$ 283,134	\$ 283,134
Housing Choice Voucher Program	14.871	C-2044V	FYE 06/30/13	\$ 273,086	\$ 273,086	\$ 273,086
Public Housing - Capital Funds	14.872	C-954	FYE 06/30/13	\$ 651,623	\$ 94,608	\$ 94,608
Total Housing Assistance				<u>\$ 1,207,843</u>	<u>\$ 650,828</u>	<u>\$ 650,828</u>

* Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P018501-09**

1. The Actual Modernization Costs of Phase IN36P018501-09 are as follows:

Funds approved	\$ 251,858
Funds expended	<u>251,858</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 251,858
Funds expended	<u>251,858</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 July 30, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P018501-11**

1. The Actual Modernization Costs of Phase IN36P018501-11 are as follows:

Funds approved	\$ 208,794
Funds expended	<u>208,794</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 208,794
Funds expended	<u>208,794</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 July 30, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



**Independent Auditor's 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 in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of Tell City, which comprise the statement of net position as of June 30, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Housing Authority of Tell City's basic financial statements and have issued my report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of Tell City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of Tell City's internal control.

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to the management of the Housing Authority of Tell City in a separate letter dated December 6, 2013.

Purpose of this Report

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



Certified Public Accountant

Decatur, Illinois
December 6, 2013



**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Program

I have audited the Housing Authority of Tell City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Housing Authority of Tell City's major federal programs for the year ended June 30, 2013. The 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.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Housing Authority of Tell City's major federal programs based on my audit of the types of compliance requirements referred to above. 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 (OMB Circular A-133)*. 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 material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major program. However, my audit does not provide a legal determination of the Housing Authority of Tell City's compliance.

Opinion on Each Major Program

In my opinion, the Housing Authority of Tell City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of my auditing procedures also disclosed no material instances of noncompliance which are to be reported in accordance with *OMB Circular A-133*.

I noted certain matters that I reported to the management of the Housing Authority of Tell City in a separate letter dated December 6, 2013.

Report on Internal Control Over Compliance

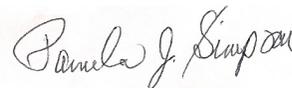
Management of the Housing Authority of Tell City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of Tell City's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

A deficiency in 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 and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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

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

Decatur, Illinois
December 6, 2013



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, 2012 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED JUNE 30, 2013**

Summary of Auditor's Results

Financial Statements

Type of auditor's report:

Unqualified

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

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Unqualified

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

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.850a

Public and Indian Housing

Dollar threshold used to distinguish between
type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X yes _____ no

**HOUSING AUTHORITY OF 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 December 6, 2013.

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 December 6, 2013.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2013**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Insurance - liability	4510.10	\$ 7,598.03		2806
Insurance - workers comp	4510.20	5,421.94		2806
Insurance - other	4510.30	5,758.27		2806
Insurance - property	4510		\$ 10,958.06	2806
Prepaid insurance	1211		7,820.18	1211
(To reclassify insurance accounts by insurance type)				
(2)				
Grant funds received - soft portion	8029.S	\$.80		2806
Operating transfer in	9110	.80		2806
Operating transfer out	9111		\$.80	2806
Undesignated fund balance	2806		.80	2806
(To post prior year adjustment)				
(3)				
Compensated absences	4120	\$ 20,453.76		2806
Administrative salaries	4110		\$ 5,631.36	2806
Maintenance labor	4410		14,822.40	2806
(To reclassify earned portion of vacation days for each employee)				

Housing Authority of the City of Tell City (IN018)

TELL CITY, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$49,180	\$71,762	\$120,942	\$120,942
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$27,300		\$27,300	\$27,300
115 Cash - Restricted for Payment of Current Liabilities	\$12,567		\$12,567	\$12,567
100 Total Cash	\$89,047	\$71,762	\$160,809	\$160,809
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects		\$64	\$64	\$64
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$5,198		\$5,198	\$5,198
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,787		-\$1,787	-\$1,787
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable	\$1,485		\$1,485	\$1,485
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,896	\$64	\$4,960	\$4,960
131 Investments - Unrestricted	\$256,358		\$256,358	\$256,358
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$21,532		\$21,532	\$21,532
143 Inventories	\$27,346		\$27,346	\$27,346
143.1 Allowance for Obsolete Inventories	-\$815		-\$815	-\$815
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$398,364	\$71,826	\$470,190	\$470,190
161 Land	\$222,531		\$222,531	\$222,531
162 Buildings	\$9,995,007		\$9,995,007	\$9,995,007
163 Furniture, Equipment & Machinery - Dwellings	\$119,089		\$119,089	\$119,089
164 Furniture, Equipment & Machinery - Administration	\$144,566	\$48,098	\$192,664	\$192,664
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$8,762,285	-\$21,704	-\$8,783,989	-\$8,783,989
167 Construction in Progress	\$1,450		\$1,450	\$1,450
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,720,358	\$26,394	\$1,746,752	\$1,746,752
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$1,720,358	\$26,394	\$1,746,752	\$1,746,752
190 Total Assets	\$2,118,722	\$98,220	\$2,216,942	\$2,216,942

Housing Authority of the City of Tell City (IN018)

TELL CITY, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$2,258		\$2,258	\$2,258
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$9,741		\$9,741	\$9,741
322 Accrued Compensated Absences - Current Portion	\$6,125		\$6,125	\$6,125
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$42,405		\$42,405	\$42,405
341 Tenant Security Deposits	\$27,300		\$27,300	\$27,300
342 Deferred Revenues	\$12,567		\$12,567	\$12,567
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other	\$9,826		\$9,826	\$9,826
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$110,222	\$0	\$110,222	\$110,222
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$13,035		\$13,035	\$13,035
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$13,035	\$0	\$13,035	\$13,035
300 Total Liabilities	\$123,257	\$0	\$123,257	\$123,257
508.1 Invested In Capital Assets, Net of Related Debt	\$1,720,358	\$26,394	\$1,746,752	\$1,746,752
511.1 Restricted Net Assets				
512.1 Unrestricted Net Assets	\$275,107	\$71,826	\$346,933	\$346,933
513 Total Equity/Net Assets	\$1,995,465	\$98,220	\$2,093,685	\$2,093,685
600 Total Liabilities and Equity/Net Assets	\$2,118,722	\$98,220	\$2,216,942	\$2,216,942

Housing Authority of the City of Tell City (IN018)

TELL CITY, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$590,847		\$590,847	\$590,847
70400 Tenant Revenue - Other	\$20,894		\$20,894	\$20,894
70500 Total Tenant Revenue	\$611,741	\$0	\$611,741	\$611,741
70600 HUD PHA Operating Grants	\$349,033	\$273,086	\$622,119	\$622,119
70610 Capital Grants	\$28,709		\$28,709	\$28,709
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$10,213		\$10,213	\$10,213
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue	\$9,504	\$7,806	\$17,310	\$17,310
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,009,200	\$280,892	\$1,290,092	\$1,290,092
91100 Administrative Salaries	\$111,720	\$8,000	\$119,720	\$119,720
91200 Auditing Fees	\$3,985	\$1,200	\$5,185	\$5,185
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$38,613		\$38,613	\$38,613
91600 Office Expenses	\$3,966		\$3,966	\$3,966
91700 Legal Expense	\$1,327		\$1,327	\$1,327
91800 Travel	\$743		\$743	\$743
91810 Allocated Overhead				
91900 Other	\$26,699	\$5,800	\$32,499	\$32,499
91000 Total Operating - Administrative	\$187,053	\$15,000	\$202,053	\$202,053
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$3,940		\$3,940	\$3,940
92500 Total Tenant Services	\$3,940	\$0	\$3,940	\$3,940

Housing Authority of the City of Tell City (IN018)

TELL CITY, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
93100 Water	\$18,898		\$18,898	\$18,898
93200 Electricity	\$87,493		\$87,493	\$87,493
93300 Gas	\$36,560		\$36,560	\$36,560
93400 Fuel				
93500 Labor				
93600 Sewer	\$29,536		\$29,536	\$29,536
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$172,487	\$0	\$172,487	\$172,487
94100 Ordinary Maintenance and Operations - Labor	\$208,006	\$4,000	\$212,006	\$212,006
94200 Ordinary Maintenance and Operations - Materials and Other	\$47,987		\$47,987	\$47,987
94300 Ordinary Maintenance and Operations Contracts	\$85,591		\$85,591	\$85,591
94500 Employee Benefit Contributions - Ordinary Maintenance	\$73,308		\$73,308	\$73,308
94000 Total Maintenance	\$414,892	\$4,000	\$418,892	\$418,892
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other	\$5,916		\$5,916	\$5,916
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$5,916	\$0	\$5,916	\$5,916
96110 Property Insurance	\$36,673		\$36,673	\$36,673
96120 Liability Insurance	\$7,598		\$7,598	\$7,598
96130 Workmen's Compensation	\$5,422		\$5,422	\$5,422
96140 All Other Insurance	\$5,758		\$5,758	\$5,758
96100 Total insurance Premiums	\$55,451	\$0	\$55,451	\$55,451
96200 Other General Expenses				
96210 Compensated Absences	\$23,688		\$23,688	\$23,688
96300 Payments in Lieu of Taxes	\$42,405		\$42,405	\$42,405
96400 Bad debt - Tenant Rents	\$8,057		\$8,057	\$8,057
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$74,150	\$0	\$74,150	\$74,150
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$913,889	\$19,000	\$932,889	\$932,889
97000 Excess of Operating Revenue over Operating Expenses	\$95,311	\$261,892	\$357,203	\$357,203

Housing Authority of the City of Tell City (IN018)

TELL CITY, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
97100 Extraordinary Maintenance	\$79,444		\$79,444	\$79,444
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$273,745	\$273,745	\$273,745
97350 HAP Portability-In		\$7,356	\$7,356	\$7,356
97400 Depreciation Expense	\$299,393	\$2,618	\$302,011	\$302,011
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,292,726	\$302,719	\$1,595,445	\$1,595,445
10010 Operating Transfer In	\$65,899		\$65,899	\$65,899
10020 Operating transfer Out	-\$65,899		-\$65,899	-\$65,899
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$283,526	-\$21,827	-\$305,353	-\$305,353
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,278,991	\$120,047	\$2,399,038	\$2,399,038
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0	\$0
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$98,220	\$98,220	\$98,220
11180 Housing Assistance Payments Equity		\$0	\$0	\$0
11190 Unit Months Available	2388	804	3192	3192
11210 Number of Unit Months Leased	2371	744	3115	3115
11270 Excess Cash	\$163,922		\$163,922	\$163,922
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$7,150		\$7,150	\$7,150
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$32,489		\$32,489	\$32,489
11650 Leasehold Improvements Purchases	\$0		\$0	\$0
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0



Board of Commissioners
Housing Authority of 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, 2013, in accordance with auditing standards generally accepted in the United States 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 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 judgments 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. While reviewing the SEMAP submission and supporting documentation, it was noted that the utility allowances need to be reviewed and updated. Per HUD regulations, utility allowances must be reviewed at least annually and adjusted if necessary.

Additionally, the quality control sample worksheets should include move in dates in order to assist with the documentation of the verification of tenant selection from waiting list was proper.

2. I noted that the Public Housing depreciation schedule listed a line item labeled as an "audit adjustment" for a \$17,285 disposal. Each line of the detailed schedule should pertain to a specific asset and the disposals properly removed.

3. HUD has developed a “Financial Data Schedule and Line Definition Guide” dated 06/30/2008 (Updated most recently in 2013) that provides the prescribed chart of account and FDS Definition Guide to be used in financial statement preparation. The Housing Authority should update their general ledger accounts to include sub-categories of insurance expense as prescribed by the new guide.
4. While reviewing insurance policies, I noted that the Dishonesty Policy contains language that indicates that only employees are covered. The Housing Authority should check the coverage to insure that the board members are also covered under the policy. A section in the policy talks about different exceptions.
5. It was noted that some of tenants have accepted part-time positions with the Housing Authority and in return receive a reduction in their rent. I suggest that job descriptions be developed for each of those positions to provide clear cut duties performed in return for the reduced rental rate.

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



Certified Public Accountant

Decatur, Illinois
December 6, 2013