



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43511

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

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

May 28, 2014

Board of Directors
Housing Authority of the City of Union City
303 Fletcher Avenue
Union City, IN 47390

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2007 to September 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Union City, as of September 30, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Net Assets as of September 30, 2008	7
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds Twelve Months Ended September 30, 2008	8
Statement of Cash Flows - Twelve Months Ended September 30, 2008	9
Notes to Financial Statements	11
SUPPLEMENTAL DATA	
Schedule of Expenditure of Federal Awards	19
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	20
Status of Prior Audit Findings	22
Schedule of Findings and Questioned Costs - Summary	23
Current Findings, Recommendations and Replies	24
Schedule of Adjusting Journal Entries	25
Financial Data Schedule - REAC Electronic Submission	26

PAMELA J. SIMPSON, C.P.A.

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

Independent Auditor's Report

Board of Commissioners
Union City Housing Authority
Union City, Indiana

I have audited the accompanying financial statements of Union City Housing Authority, as of and for the year ended September 30, 2008, 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 Union City Housing Authority, as of September 30, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 18, 2009, on my consideration of the Union City Housing Authority'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 8, 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 Union City Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Union City Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Union City Housing Authority. 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.



Decatur, Illinois
February 18, 2009

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008
(Continued)

Our discussion and analysis of the Union City Housing Authority financial performance provides the reader with an overview to the Authority's financial activities for the fiscal year ended September 30, 2008. The information contained in this MD&A should be considered in conjunction with the Authority's basic financial statements which are included with this MD&A.

FINANCIAL HIGHLIGHTS

- The Authority's cash balance at September 30, 2008 was \$109,918 representing an increase of \$9,784 from September 30, 2007.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$124,108 (net assets).
- The Authority had HUD operating grants of \$650,501, and investment income of \$3,025 for the year ended September 30, 2008.

USING THIS ANNUAL REPORT

This annual report consists of the Management's Discussion and Analysis, the basic financial statements, and notes to the financial statements. The MD&A provides a narrative of the Authority's financial performance and activities for the year ended September 30, 2008. The basic statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

- Statement of Net Assets - presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
- Statement of Activities - presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- Statement of Cash Flows - presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

HOUSING AUTHORITY ACTIVITIES AND HIGHLIGHTS

The Union City Housing Authority achieved a 96.27% occupancy rate in the Housing Choice Voucher Program for the FYE September 30, 2008. This rate increase from the previous FYE September 30, 2007 Housing Choice Voucher Program occupancy rate of 92.65%.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

4

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008
(Continued)

FINANCIAL OPERATIONS HIGHLIGHTS

The Union City Housing Authority expended \$15,163 more in additional housing assistance payments for very low income families in Union City in FYE September 30, 2008 than in the previous FYE September 30, 2007. Fraud recovery for FYE September 30, 2007 exceeded fraud recovery for FYE September 30, 2008 by \$6,589.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Union City Housing Authority
Attn: Linda Aberle, Executive Director
321 W. Oak Street
Union City, IN 47390

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008
(Continued)

Statement of Net Assets - The following table summarizes the changes in Net Assets between September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>	<u>NET CHANGE</u>
ASSETS			
<u>Current Assets</u>			
Cash - Unrestricted	\$ 14,666	\$ 100,134	\$ (85,468)
Accounts Receivable	4,794	6,000	1,206
Accrued Interest Receivable	463	674	(211)
Prepaid Expenses	3,047	2,610	437
Current Assets	<u>22,970</u>	<u>109,418</u>	<u>(86,448)</u>
<u>Restricted Assets</u>			
Cash	95,252	0	95,252
Restricted Assets	<u>95,252</u>	<u>0</u>	<u>95,252</u>
<u>Property and Equipment</u>			
Office Equipment - net	6,574	8,282	(1,708)
Property & Equipment	<u>6,574</u>	<u>8,282</u>	<u>(1,708)</u>
TOTAL ASSETS	<u>\$ 124,796</u>	<u>\$ 117,700</u>	<u>\$ 7,096</u>
LIABILITIES & NET ASSETS			
<u>Current Liabilities</u>			
Accrued Liabilities	\$ 0	\$ 0	\$ 0
Accounts Payable	688	365	323
Total Liabilities	<u>688</u>	<u>365</u>	<u>323</u>
Net Assets/Retained Earnings	<u>124,108</u>	<u>117,335</u>	<u>6,773</u>
Total Liabilities/Net Assets	<u>\$ 124,796</u>	<u>\$ 117,700</u>	<u>\$ 1,708</u>

Statement of Activities - The following table summarizes the changes in Operating Income between September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>	<u>NET CHANGE</u>
REVENUES			
HUD Operating Grants	\$ 650,501	\$ 613,574	\$ 36,927
Investment Income	3,025	3,129	(104)
Fraud Recovery Income	0	6,589	(6,589)
Other Income	0	0	0
TOTAL REVENUE	<u>653,526</u>	<u>623,292</u>	<u>\$ 30,234</u>
EXPENSES			
Operating Expenses	\$ 80,516	\$ 71,639	\$ 8,877
Housing Assistance Payments	563,844	548,681	15,163
Depreciation Expense	2,393	2,412	(19)
TOTAL EXPENSES	<u>646,753</u>	<u>622,732</u>	<u>24,021</u>
Net Income (Loss)	<u>\$ 6,773</u>	<u>\$ 560</u>	<u>\$ 6,213</u>

UNION CITY HOUSING AUTHORITY
Union City, Indiana

6

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008
(Continued)

Statement of Cash Flows - The following table summarizes the changes in cash between September 30, 2008 and 2007:

	2008	2007	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating income	\$ 3,748	\$ (7,981)	
Depreciation	2,393	2,412	
Changes in operating assets & liabilities:			
(Increase) Decrease in:			
Accounts receivable	1,206	(6,000)	
Accrued Interest Receivable	211	(674)	
Prepaid expenses	(437)	(2,235)	
Increase (Decrease) in:			
Accounts payable	323	(61)	
Net Cash Flows Provided (Used)			
By Operating Activities	7,444	(14,539)	
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(685)	(480)	
Net Cash Flows Provided (Used)			
By Capital & Related Financing Activities	(685)	(480)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	3,025	3,129	
Net Cash Flows Provided			
By Investing Activities	3,025	3,129	
Prior Period Adjustment	0	5,412	
Net Increase (Decrease) in Cash	9,784	(6,478)	
BEGINNING CASH & CASH EQUIVALENTS	100,134	106,612	
ENDING CASH & CASH EQUIVALENTS	\$ 109,918	\$ 100,134	
RECONCILIATION OF PROPERTY & EQUIPMENT			
	2008	2007	NET CHANGE
Balance	\$6,574	\$8,282	\$(1,708)

The changes in property and equipment consist of the following:

Purchase of door awning	\$ 685
9/30/08 depreciation	(2,393)
Change in property and equipment	\$ (1,708)

DEBT

The Housing Authority has no debt.

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2008**

ASSETS

CURRENT ASSETS

Cash	\$ 14,666
Accounts receivable	4,794
Accrued interest receivable	463
Deferred charges	<u>3,047</u>

Total Current Assets \$ 22,970

RESTRICTED ASSETS

Cash	<u>\$ 95,252</u>
------	------------------

Total Restricted Assets \$ 95,252

CAPITAL ASSETS

Land, buildings and equipment	\$ 18,777
Less: Accumulated depreciation	<u>-12,203</u>

Total Capital Assets \$ 6,574

Total Assets \$ 124,796

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>\$ 688</u>
------------------	---------------

Total Current Liabilities \$ 688

NET ASSETS

Invested in capital assets	\$ 6,574
Restricted	95,252
Unrestricted	<u>22,282</u>

Total Net Assets \$ 124,108

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Operating Income

HUD grants - operating	\$ <u>650,501</u>
Total Operating Income	\$ <u>650,501</u>

Operating Expenses

Administration	\$ 79,841
Ordinary maintenance and operation	175
General expense	500
Housing assistance payments	563,844
Depreciation	<u>2,393</u>
Total Operating Expenses	\$ <u>646,753</u>
Net Operating Income (Loss)	\$ 3,748

Nonoperating Income (Expense)

Interest income	<u>3,025</u>
Changes in net assets	\$ 6,773
Net assets, beginning of year	<u>117,335</u>
Net assets, end of year	<u>\$ 124,108</u>

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Operating Activities

Operating grants	\$ 650,501
Housing assistance payments	-563,844
Payments to employees	-46,384
Payments to suppliers and contractors	<u>-33,040</u>

Net Cash Provided (Used) by Operating Activities \$ 7,233

Investing Activities

Interest income \$ 3,236

Net Cash Provided (Used) by Investing Activities \$ 3,236

Capital and Related Financing Activities

Additions (deletions) to fixed assets \$ -685

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -685

Net Change in Cash \$ 9,784

Cash Balance at September 30, 2007 100,134

Cash Balance at September 30, 2008 \$ 109,918

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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

Net operating income (loss)	\$ 3,748
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	2,393
(Increase) decrease in accounts receivable	1,206
(Increase) decrease in deferred charges	-437
Increase (decrease) in accounts payable	<u>323</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,233</u>

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Union City Housing Authority was established by the 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 housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of providing annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Union 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 Union City Housing Authority 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.

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * 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 Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of three (3) months or less when purchased to be cash equivalents.

(f) Investments -

Investments are stated at cost which approximates market.

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) 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 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:

Furniture and fixtures	5-15	years
------------------------	------	-------

(h) Income Tax -

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

(i) Annual Contributions/Subsidies and Other Grants -

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

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

(k) 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.

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

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.

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>
Voucher	\$ 109,918	\$ 109,918

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 3 - Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on length of service with the Housing Authority. Sick leave accrues to full-time, permanent employees to specified maximums. After one year of service, employees are entitled to their sick leave balance and accrued vacation leave upon termination.

The estimated portion of the liability for vested vacation and sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs.

Note 4 - Defined Contribution Plan

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. The PERF retirement benefit consists of the pension annuity savings account. The annuity savings accounts consists of member's contributions, set by state statute of three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

The Authority's total payroll in fiscal year 2008 was \$46,384. The Authority made the required contributions, amounting to \$2,203 from the Authority and \$1,392 from the employees.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Fraud recovery	\$ 33,360
Allowance for doubtful accounts	-28,648
Accounts receivable - HUD	<u>82</u>
Total	<u>\$ 4,794</u>

Note 6 - Deferred Charges

This classification includes the following:

Prepaid insurance	\$ 375
Prepaid computer service	<u>2,672</u>
Total	<u>\$ 3,047</u>

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 7 - Fixed Assets

Balance as of September 30, 2008	\$ 6,574
Balance as of September 30, 2007	<u>8,282</u>
Net Increase (Decrease)	<u>\$ -1,708</u>

Reconciliation

Additions	\$ 685
Current year depreciation expense	<u>-2,393</u> *
Net Increase (Decrease)	<u>\$ -1,708</u>

<u>Analysis</u>	<u>10/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2008 Balance</u>
Equipment and furniture	\$ 19,747	\$ 685	\$ 1,655	\$ 18,777
Accumulated depreciation	<u>-11,465</u>	<u>-2,393</u> *	<u>-1,655</u>	<u>-12,203</u>
Net Assets	<u>\$ 8,282</u>	<u>\$ -1,708</u>	<u>\$ 0</u>	<u>\$ 6,574</u>

* Current year depreciation expense.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	<u>\$ 688</u>
-------------------------	---------------

Note 9 - Administrative Fee

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

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 10 - 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 11 - Risk Management

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

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

Note 12 - Economic Dependency

The Housing Authority received most of its revenue (99.5%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

<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:						
Housing Choice Voucher Program	14.871	IN-086	FYE 09/30/08	\$ 650,501	\$ 650,501	\$ 650,501
Total Housing Assistance				<u>\$ 650,501</u>	<u>\$ 650,501</u>	<u>\$ 650,501</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Union City Housing Authority
Union City, Indiana

I have audited the financial statements of Union City Housing Authority as of and for the year ended September 30, 2008, which collectively comprise the Union City Housing Authority's basic financial statements and have issued my report thereon dated February 18, 2009. 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 Union City Housing Authority'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 Union City Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Union City Housing Authority'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 Union City Housing Authority'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 Union City Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Union City Housing Authority'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 Union City Housing Authority'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 Union City Housing Authority'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 Union City Housing Authority, in a separate letter dated February 18, 2009.

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.



Decatur, Illinois
February 18, 2009

Certified Public Accountant

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2007 contained one federal award finding. The corrective action implemented by the Housing Authority is detailed below:

Finding 2007-01 Tenant File

In a sample of 10% of tenant files, it was noted that several files did not contain the required, fully executed forms (current inspections, current leases, etc). During the current audit period, 10% of the files were examined. During that examination, there were no missing documents noted.

This finding is considered closed.

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Section I - Summary of Auditor Results

Low Risk Auditee _____ yes X no

Financial Statements

Type of auditor's report: Unqualified

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

* Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

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

* Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

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

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

Major Programs: (Threshold \$300,000) CFDA Number(s)

Housing Choice Voucher Program 14.871

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CURRENT FINDINGS AND RECOMMENDATIONS**

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Linda Aberle, Executive Director, during the course of the audit or at an exit conference held February 17, 2009.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Linda Aberle, Executive Director, during the course of the audit or at an exit conference held February 17, 2009.

**UNION CITY HOUSING AUTHORITY
UNION CITY, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2008**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accounts receivable - HUD	1125	\$ 82.00		1125
Revenues - admin fee	3410.10		\$ 82.00	2810.002
(To record adjustment of 3 rd quarter admin fee received 01/27/09)				

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Board of Commissioners
Union City Housing Authority
Union City, Indiana

In planning and performing my audit of the financial statements of Union City Housing Authority as of and for the year ended September 30, 2008, 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 Union City Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Union City Housing Authority'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. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999 from every depository utilized. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute depository agreements with all financial institutions and for any that have undergone ownership or name changes.
2. Management needs to review their procedures in anticipating income for the calculation of rent and housing assistance payments and the related quality control reviews of those files. In a review of 10% Section 8 participant files some immaterial variances were noted in the calculation of anticipated income. In these instances, the discrepancy related to inconsistent methods of anticipating income in different files.

Management should review their methods of anticipating income with all housing intake staff and adopt a policy to use consistent procedures for each file. Additionally it is suggested that management increase the number of quality assurance reviews that are completed on all files.

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
February 18, 2009