



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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May 30, 2014

Board of Directors
Rockville Housing Authority
P.O. Box 88
105 W. High Street
Rockville, IN 47872

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 Rockville Housing Authority, 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

**HOUSING AUTHORITY
OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

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Independent Auditor's Report

Board of Directors
Housing Authority of the Town of Rockville
Rockville, Indiana

I have audited the accompanying financial statements of Housing Authority of the Town of Rockville, 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 Housing Authority of the Town of Rockville, 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 May 7, 2009, on my consideration of the Housing Authority of the Town of Rockville'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 on pages 3 through 6, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
May 7, 2009

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

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As management of the Housing Authority of the City of Rockville, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended (FYE) September 30, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$198,835 (net assets).

The Authority's cash balance at September 30, 2008, was \$150,721 representing a decrease of \$48,132 from September 30, 2007.

The Authority had operating revenues of \$534,898, comprised of Department of Housing and Urban Development (HUD) grants of \$534,315, and interest income of \$583 for the year ended September 30, 2008.

As of September 30, 2008, the Authority's investment in capital assets was \$998 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. There were capital outlays of \$600 for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2008

FUTURE EVENTS (NEW BUSINESS)

The Authority no longer submits an estimated operating budget. HUD will determine total operating revenues for the Housing Choice Voucher Program.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets

Total Current Assets for FYE 2008 were \$198,535, and at FYE 2007, the amount was \$247,349. This represents a decrease of \$48,814 due to a large repayment to HUD.

Net Capital Assets increased \$357 from \$641 at FYE 2007 to \$998 at FYE 2008.

Total Liabilities decreased by \$54,337 from \$55,035 at FYE 2007 to \$698 at FYE 2008 due to a repayment of funds to HUD.

Revenues decreased by \$88,661. At FYE 2008 and FYE 2007, total revenues were \$534,898 and \$623,559 respectively.

Total Expenses decreased by \$94,938. Total expenses were \$529,018 in FYE 2008 and \$623,956 in FYE 2007.

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	150,721	193,853	-43,132	23%
Other Current Assets	47,814	53,496	-5,682	11%
Capital Assets	<u>998</u>	<u>641</u>	<u>357</u>	<u>56%</u>
Total Assets	199,533	247,990	-48,457	20%
Current Liabilities	<u>698</u>	<u>55,035</u>	<u>-54,337</u>	<u>99%</u>
Total Liabilities	<u>698</u>	<u>55,035</u>	<u>-54,337</u>	<u>99%</u>
Net Invested in				
Capital Asset	998	641	357	56%
Restricted Assets	47,817	47,418	399	1%
Unrestricted assets	<u>150,020</u>	<u>144,896</u>	<u>5,124</u>	<u>4%</u>
Total Net Assets	198,835	192,955	5,880	3%

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

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Analysis of Entity Wide Revenues

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

<u>Program</u>	<u>Revenues Generated</u>
Section 8 Vouchers	\$534,315

SECTION 8 PROGRAM BUDGETARY HIGHLIGHTS

The Section 8 Administrative budget is determined by HUD on a fixed formula basis in order to arrive at the total dollars required (Annual Contributions Required) to administer the program for a fiscal year. Annual Contributions consists of dollars calculated and set forth by the U. S. Department of Housing and Urban Development (HUD) for Housing Assistance Payments (HAP) payments, audit cost, and administrative fees.

HAP payments are reimbursed up to the Authority baseline units, and audit costs are reimbursed to the Authority dollar for dollar. The administrative fee is awarded in accordance with HUD calculation. For FYE 2008, the total administrative fee awarded \$68,338.

Annual Contributions Required – Revenues

Interest Income \$307

Expenses were \$528,881. Actual results were \$7,217 lower than budget.

Net Profit \$5,741

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

The following table will summarize the Section 8 budget variance outlined above.

Section 8 FYE 2008 Budget vs. Actual

	<u>Budget</u>	<u>Actual</u>	Variance
HUD Operating			
Grants	535,013	534,315	698
Investment Income	<u>0</u>	<u>307</u>	<u>-307</u>
Total Revenue	<u>535,013</u>	<u>534,622</u>	<u>391</u>
Administrative	63,258	61,367	-1,891
General Expense	1,085	1,539	454
Housing Assistance			
Payments	471,755	465,772	-5,983
Depreciation			
Expenses	<u>0</u>	<u>203</u>	<u>203</u>
Total Expenses	<u>536,098</u>	<u>528,881</u>	<u>-7,217</u>
Net Income (loss)	-1,085	5,741	6,826

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

ASSETS

CURRENT ASSETS

Cash	\$ 102,904
Investments	<u>47,814</u>

Total Current Assets	<u>\$ 150,718</u>
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RESTRICTED ASSETS

Cash	\$ <u>47,817</u>
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Total Restricted Assets	<u>\$ 47,817</u>
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CAPITAL ASSETS

Land, buildings and equipment	\$ 19,373
Less: Accumulated depreciation	<u>-18,375</u>

Net Capital Assets	<u>\$ 998</u>
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Total Assets	<u>\$ 199,533</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ <u>698</u>
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Total Current Liabilities	<u>\$ 698</u>
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NET ASSETS

Invested in capital assets	\$ 998
Restricted - HAP equity	47,817
Unrestricted	<u>150,020</u>

Total Net Assets	<u><u>\$ 198,835</u></u>
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**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

Operating Income

HUD grants - operating	\$ <u>534,315</u>
Total Operating Income	\$ <u>534,315</u>

Operating Expenses

Administration	\$ 61,464
General expense	1,539
Housing assistance payments	465,772
Depreciation	<u>243</u>
Total Operating Expenses	\$ <u>529,018</u>
Net Operating Income (Loss)	\$ 5,297

Nonoperating Income (Expense)

Interest income	<u>583</u>
Changes in net assets	\$ 5,880
Net assets, beginning of year	<u>192,955</u>
Net assets, end of year	<u>\$ 198,835</u>

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

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

Operating Activities

Operating grants	\$ 534,315
Housing assistance payments	-465,772
Payments to employees	-39,286
Payments to suppliers and contractors	<u>-78,054</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -48,797</u>

Investing Activities

Investments (purchased) redeemed	\$ 5,682
Interest income	<u>583</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 6,265</u>

Capital and Related Financing Activities

Additions (deletions) to fixed assets	<u>\$ -600</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -600</u>
Net Change in Cash	\$ -43,132
Cash Balance at September 30, 2007	<u>193,853</u>
Cash Balance at September 30, 2008	<u><u>\$ 150,721</u></u>

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

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, 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)	\$ 5,297
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	243
Increase (decrease) in accounts payable	<u>-54,337</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -48,797</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the Town of Rockville was established by the Town of Rockville 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 Town of Rockville and concluded that the Town does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Town, 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 Town government. Debt incurred by the Authority is not an obligation of the Town; the Town does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the Town of Rockville 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 THE TOWN OF ROCKVILLE
ROCKVILLE, 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. The Housing Authority has not adopted these definitions formally, but follow the procedures for statement preparation.

(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:

- * Section 8 Choice Vouchers
- * New Construction

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 (no formal policy adopted), the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of 6 months or less when purchased to be cash equivalents.

(f) Investments -

Investments are stated at cost which approximates market.

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

Land, buildings and equipment contains the following:

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

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

Equipment	5 years
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(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.

Other 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.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

- (j) The Housing Authority adopts an internal budget annually.
- (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.

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.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(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>
Voucher	\$ 64,526	\$ 68,931
New Construction	<u>86,195</u>	<u>86,195</u>
Total	<u>\$ 150,721</u>	<u>\$ 155,126</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>
Voucher	<u>\$ 47,814</u>	<u>\$ 47,814</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

Note 3 - Compensated Absences

All full-time personnel will earn vacation days at the rate of one week after the first year of employment, two weeks after the second year of employment and three weeks after the third year of employment. Maximum accumulation of vacation leave is three weeks. Upon termination of employment, an employee shall be compensated for the unused portion of earned vacation which the employee is eligible to use and earned vacation in the year of termination which has not been used. Compensation for unused vacation earned during the year of termination will be on a prorated basis. One paid sick day per month will be allowed. No payments shall be made in lieu of unused sick leave. Sick days which are unused are not carried over from year to year.

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 - Investments

At September 30, 2008 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings - Voucher	0.10%	<u>\$ 47,817</u>	<u>\$ 47,817</u>

Note 5 - Fixed Assets

Balance as of September 30, 2008	\$ 998
Balance as of September 30, 2007	<u>641</u>
Net Increase (Decrease)	<u>\$ 357</u>

Reconciliation

Additions	\$ 600
Current year depreciation expense	<u>-243</u> *
Net Increase (Decrease)	<u>\$ 357</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

Note 5 - Fixed Assets (Continued)

<u>Analysis</u>	10/01/2007 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	09/30/2008 <u>Balance</u>
Equipment and furniture	\$ 18,998	\$ 600	\$ 225	\$ 19,373
Accumulated depreciation	<u>-18,357</u>	<u>-243</u>	* <u>-225</u>	<u>-18,375</u>
Net Capital Assets	<u>\$ 641</u>	<u>\$ 357</u>	<u>\$ 0</u>	<u>\$ 998</u>

*Current year depreciation expense recognized.

Note 6 - Accounts Payable

This classification includes the following accounts:

Accounts payable - HUD	<u>\$ 698</u>
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Note 7 - 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 8 - Economic Dependency

The Housing Authority received most of its revenue (99.9%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, 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	C-2043V	FYE 09/30/08	\$ <u>534,315</u>	\$ <u>534,315</u>	\$ <u>534,315</u>
Total Housing Assistance				\$ <u>534,315</u>	\$ <u>534,315</u>	\$ <u>534,315</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 as equal to revenues recognized.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Housing Authority of the Town of Rockville
Rockville, Indiana

I have audited the financial statements of the Housing Authority of the Town of Rockville as of and for the year ended September 30, 2008, which collectively comprise the Housing Authority of the Town of Rockville's basic financial statements and have issued my report thereon dated May 7, 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 Housing Authority of the Town of Rockville's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Town of Rockville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the Town of Rockville's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority of the Town of Rockville, in a separate letter dated May 7, 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
May 7, 2009



Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Housing Authority of the Town of Rockville
Rockville, Indiana

Compliance

I have audited the compliance of Housing Authority of the Town of Rockville with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Housing Authority of the Town of Rockville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the Town of Rockville's management. My responsibility is to express an opinion on Housing Authority of the Town of Rockville's compliance based on my audit.

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

In my opinion, Housing Authority of the Town of Rockville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

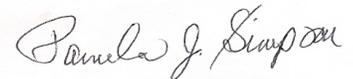
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the Town of Rockville in a separate letter dated May 7, 2009.

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

Decatur, Illinois
May 7, 2009



Certified Public Accountant

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2007 contained no findings.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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

Section I - Summary of Auditor's Results

Low Risk Auditee X_____ yes _____ no

Financial Statements

Type of auditor's report: Unqualified

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

Noncompliance material to financial statements noted _____ yes X_____ no

Federal Awards

Internal control over major programs:

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

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

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

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

Housing Choice Voucher Program 14.871

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings were discussed with Judith Holaday, Executive Director, during the course of the audit and at an exit conference held May 7, 2009.

Section III - Federal Awards Findings

There were no audit findings were discussed with Judith Holaday, Executive Director, during the course of the audit and at an exit conference held May 7, 2009.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, 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)				
HUD grant	3401	\$ 698.00		2806
Accounts payable - HUD	2180		\$ 698.00	2180
(To record 2 nd quarter admin fee settlement)				
(2)				
Land, structures, equipment	1400.4	\$ 199.99	\$ 224.98	1400.4
Accumulated depreciation	1400.5	224.98	20.00	1400.5
Sundry	4190		199.99	2806
Depreciation expense	4800	20.00		2806
(To record additions and disposals for current year and also to correct depreciation on new asset.)				
New Construction				
(1)				
Depreciation expense	4800	\$ 40.00		2806
Accumulated depreciation	1400.5		\$ 40.00	1400.5
(To record ½ year depreciation on new printer purchased 07/08)				

PAMELA J. SIMPSON, C.P.A.

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(217) 872-1908**

Board of Commissioners
Housing Authority of the Town of Rockville
Rockville, Indiana

In planning and performing my audit of the financial statements of Housing Authority of the Town of Rockville 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 Housing Authority of the Town of Rockville's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the Town of Rockville'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. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in a written policy/procedural manual.

In addition to the current policies/procedures, I suggest that a written manual be prepared to include the following (if applicable): (a) approval of journal entries (hard copies initialed or signed) (b) documentation of approval of payroll (payroll registers should be initialed or signed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc) and (e) reconciliation of HAP registers including written documentation of approval.

The written policies should also cover the extent that outside consultants are used to enhance internal controls. The policies should include the detail of level of responsibility the fee accountant is assuming in the preparation and review of the year end financial statements as compared to the level responsibility the housing is authority is maintaining.

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

2. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. 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 new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.

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
May 7, 2009