



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43576

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

June 2, 2014

Board of Directors
Rockport Housing Authority
P.O. Box 173
Rockport, IN 47635

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2008 to September 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Rockport Housing Authority, as of September 30, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2009

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

TABLE OF CONTENTS

Auditor’s Report 1

Management’s Discussion and Analysis 3

FINANCIAL STATEMENTS

Statement of Net Assets as of September 30, 2009 8

Statement of Revenue and Expenditures - Proprietary Funds
and Changes in Net Assets - Twelve Months Ended September 30, 2009 9

Statement of Cash Flows - Twelve Months Ended September 30, 2009 10

Notes to Financial Statements 12

SUPPLEMENTAL DATA

Schedule of Expenditure of Federal Awards 23

PHA’s Statement and Certification of Actual Modernization Cost -
Phase IN36P024501-05 24

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 25

Auditor’s Report on Compliance With Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133 27

Status of Prior Audit Findings 29

Schedule of Findings and Questioned Costs - Summary 30

Current Findings, Recommendations and Replies 31

Schedule of Adjusting Journal Entries 32

Financial Data Schedule - REAC Electronic Submission 33

PAMELA J. SIMPSON, C.P.A.

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

Independent Auditor's Report

Board of Directors
Housing Authority of the City of Rockport
Rockport, Indiana

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

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Rockport, as of September 30, 2009 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 27, 2010, on my consideration of the Housing Authority of the City of Rockport'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 7 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 City of Rockport, 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 City of Rockport. 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 City of Rockport. 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.

Decatur, Illinois
April 27, 2010

Certified Public Accountant

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2009

The management of the Housing Authority of Rockport presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending 09/30/2009. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,710,335 at the close of the fiscal year ended 09/30/2009.

Of this amount, \$587,883 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 99% of the total operating expenses for the fiscal year 2009, which means the Authority could operate about 12 months using the unrestricted assets alone.

The remainder of \$1,122,452 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net assets increased by \$90,087, a 5% change from the prior fiscal year 2008.
- The Authority spent \$283,669 on capital assets additions and renovation construction in progress during the current fiscal year.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2009

REPORTING ON THE HOUSING AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2009?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For reporting purposes all housing funds are reported in one housing enterprise fund.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant two funds, the Low Rent Housing Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately following the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of the report.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2009

REPORTING THE HOUSING AUTHORITY'S MOST SIGNIFICANT FUNDS

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach or Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,710,335 as of September 30, 2009. Of this amount, \$1,122,452 was invested in capital assets, and the remaining \$587,883 was unrestricted. No other assets are currently restricted.

**CONDENSED FINANCIAL STATEMENTS COMPARING
FYE 9/30/2008 WITH FYE 9/30/2008**

Condensed Balance Sheet		
	As of 09/30/2009	As of 09/30/2008
ASSETS		
Current Assets	\$ 635,569	597,184
Capital Assets, Net of Depreciation	1,122,452	1,068,462
Total Assets	1,758,021	1,665,646
LIABILITIES		
Current Liabilities	42,340	44,351
Non-Current Liabilities	5,346	1,047
Total Liabilities	47,686	45,398
NET ASSETS		
Invested in Capital Assets	1,122,452	1,068,462
Unrestricted	587,883	551,786
Total Net Assets	1,710,335	1,620,248
Total Liabilities and net Assets	1,758,021	1,665,646

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2009

CONDENSED FINANCIAL STATEMENTS (Continued)

Condensed Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2009

	FYE 09/30/2009	FYE 09/30/2008
OPERATING REVENUES		
Rental Revenues	\$ 282,636	280,961
Other Tenant Revenue	9,117	10,380
 Total Operating Revenues	 291,753	 291,341
OPERATING EXPENSES		
Administration	149,445	155,802
Tenant Services	5,998	6,507
Utilities	167,849	155,805
Ordinary maint. and operations	198,548	220,135
General and Other	53,969	57,669
Extraordinary maintenance	48,383	25,120
Depreciation	229,679	199,500
 Total Operating Expenses	 853,871	 800,538
 Gain (loss) from operations	 (562,118)	 (509,197)
NON-OPERATING REVENUES		
Federal Grants – Operating	321,193	246,269
Federal Grants – Capital	283,669	319,035
Interest Income and Other Revenue	47,343	52,166
 Total Non-Operating Revenue	 652,205	 617,470
 NET INCREASE (DECREASE) IN NET ASSETS	 90,087	 108,273
NET ASSETS, Beginning of Year	1,620,248	1,511,975
 NET ASSETS, End of Year	 1,710,335	 1,620,248

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2009

CONDENSED FINANCIAL STATEMENTS (Continued)

The increase in net assets of these funds was accompanied by a decrease in unrestricted assets by \$90,087 from fiscal year 2008.

Compared with the prior fiscal year, total tenant revenues increased \$412.

Interest income and other revenues decreased from 2008 by \$4,823.

Compared with the prior fiscal year, total expenses increased, by \$52,921, with the extraordinary maintenance, utility, and depreciation costs all recording increases.

These changes led to an increase in total assets by \$92,375 and an increase in liabilities by \$2,288. With these changes, there is still about \$11.50 of current assets covering each dollar of liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for September 30, 2009 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability or the money it receives. If you have questions about this report, or wish to request additional financial information, contact Helen Garrett, Executive Director, Rockport Housing Authority, Box 173, Rockport, IN 47635.

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

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

ASSETS

CURRENT ASSETS

Cash	\$ 125,224
Accounts receivable (net)	2,090
Accrued interest receivable	2,261
Investments	458,340
Inventory	21,237
Deferred charges	<u>26,417</u>
 Total Current Assets	 <u>\$ 635,569</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 4,795,399
Less: Accumulated depreciation	<u>-3,672,947</u>
 Total Capital Assets	 <u>\$ 1,122,452</u>
 Total Assets	 <u>\$ 1,758,021</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable (net)	\$ 21,586
Accrued liabilities	17,857
Deferred revenue	<u>2,897</u>
 Total Current Liabilities	 <u>\$ 42,340</u>

NONCURRENT LIABILITIES

Accrued compensated absences	<u>\$ 5,346</u>
 Total Noncurrent Liabilities	 <u>\$ 5,346</u>

NET ASSETS

Invested in capital assets	\$ 1,122,452
Unrestricted	<u>587,883</u>
 Total Net Assets	 <u>\$ 1,710,335</u>

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

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

Operating Income

Tenant rental revenue	\$ 282,636
Tenant revenue - other	<u>9,117</u>
Total Rental Income	\$ 291,753
HUD grants - operating	321,193
Other revenue	<u>32,478</u>
Total Operating Income	<u>\$ 645,424</u>

Operating Expenses

Administration	\$ 149,445
Tenant services	5,998
Utilities	167,849
Ordinary maintenance and operation	198,548
General expense	53,969
Extraordinary maintenance	48,383
Depreciation	<u>229,679</u>
Total Operating Expenses	<u>\$ 853,871</u>
Net Operating Income (Loss)	\$ -208,447

Nonoperating Income (Expense)

Interest income	14,865
-----------------	--------

Capital Contributions

Capital fund grants	<u>283,669</u>
Changes in net assets	\$ 90,087
Net assets, beginning of year	<u>1,620,248</u>
Net assets, end of year	<u>\$ 1,710,335</u>

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

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

Operating Activities

Operating grants	\$ 321,193
Tenant revenue	293,353
Other revenue	32,478
Payments to employees	-209,759
Payments to suppliers and contractors	<u>-421,023</u>

Net Cash Provided (Used) by Operating Activities \$ 16,242

Investing Activities

Investments (purchased) redeemed	\$ -12,108
Interest income	<u>12,604</u>

Net Cash Provided (Used) by Investing Activities \$ 496

Capital and Related Financing Activities

Capital fund grants	\$ 283,669
Additions to fixed assets	<u>-283,669</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ 0

Net Change in Cash \$ 16,738

Cash Balance at September 30, 2008 108,486

Cash Balance at September 30, 2009 \$ 125,224

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

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

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

Net operating income (loss)	\$ -208,447
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	229,679
(Increase) decrease in accounts receivable	1,600
(Increase) decrease in deferred charges	-1,619
(Increase) decrease in inventories	-7,259
Increase (decrease) in accounts payable	-157
Increase (decrease) in accrued liabilities	2,137
Increase (decrease) in deferred revenues	<u>308</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,242</u>

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

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

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

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

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 the City of Rockport 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 CITY OF ROCKPORT
ROCKPORT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(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
- * American Recovery and Reinvestment Act - Formula Capital Stimulus Grant

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice 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 one (1) month 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 THE CITY OF ROCKPORT
ROCKPORT, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

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

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of 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	years
Transportation equipment	7	years
Furniture and fixtures	3	years
Leasehold improvements	10	years

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

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

Note 1 - Summary of Significant Accounting Policies

(k) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(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 budgets is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted 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 disables 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 THE CITY OF ROCKPORT
ROCKPORT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(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 \$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 CITY OF ROCKPORT
ROCKPORT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(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	\$ 125,224	\$ 138,414

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	\$ 458,340	\$ 458,340

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

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

Note 3 - Compensated Absences

Annual Leave

Annual leave with pay shall be earned by all full time employees at the rate of five-sixths (5/6) day per month. Annual leave may be accumulated by an employee, not to exceed 28 days. An employee who is permanently separated shall be paid for any accumulated annual leave, not to exceed 28 days, provided he/she gives a two week notice to the Executive Director if he/she decides to terminate his/her employment. If he/she fails to give a two week notice he/she forfeits his/her vacation pay. In no event shall an employee be paid for annual leave not taken.

Sick Leave

All full time employees may be paid for absences from work because of self-illness at the rate of one day per calendar month. Sick leave may be accumulated not to exceed 12 days per year. Accumulated sick pay is accumulated beginning the first of the year. Prior year accumulated sick leave is rolled over the end of each calendar year and accumulated to no more than 30 days. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan (PERF of Indiana). The Housing Authority and the participants are required to contribute 8% (the rate fluctuated from 6.75% to 8%) and 3% of annual covered payroll, respectively. For the fiscal year ended September 30, 2009, actual contributions by the Housing Authority and plan participants were \$9,924 and \$3,990, respectively based on \$135,257 of wages.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$	2,456
Allowance for doubtful accounts		<u>-366</u>
Total	\$	<u>2,090</u>

Note 6 - Investments

At September 30, 2009 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	1.77%	\$ 203,811	\$ 203,811
Certificate of deposits	4.17-4.39%	<u>254,529</u>	<u>254,529</u>
Total		<u>\$ 458,340</u>	<u>\$ 458,340</u>

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

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

Note 7 - Fixed Assets

Balance as of September 30, 2009	\$ 1,122,452
Balance as of September 30, 2008	<u>1,068,462</u>
Net Increase (Decrease)	<u>\$ 53,990</u>

Reconciliation

Property betterments and additions	\$ 283,669
Current year depreciation expense	<u>-229,679</u> *
Net Increase (Decrease)	<u>\$ 53,990</u>

<u>Analysis</u>	<u>10/01/2008 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2009 Balance</u>
Land	\$ 164,342	\$ 0	\$ 0	\$ 164,342
Buildings	4,212,441	275,969	4,590	4,483,820
Equipment and furniture	<u>139,537</u>	<u>7,700</u>	<u>0</u>	<u>147,237</u>
Total	\$ 4,516,320	\$ 283,669	\$ 4,590	\$ 4,795,399
Accumulated depreciation	<u>-3,447,858</u>	<u>-229,679</u> *	<u>-4,590</u>	<u>-3,672,947</u>
Net Assets	<u>\$ 1,068,462</u>	<u>\$ 53,990</u>	<u>\$ 0</u>	<u>\$ 1,122,452</u>

*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 6,469
Tenants security deposits	<u>15,117</u>
Subtotal	<u>\$ 21,586</u>

Note 9 - 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.

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

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

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 1,157
Accrued wages	4,310
Payment in lieu of taxes	<u>12,390</u>
Total Current Portion	\$ 17,857

Noncurrent Portion:

Accrued compensated absences	<u>5,346</u>
Total	<u>\$ 23,203</u>

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 2,897</u>
----------------------	-----------------

Note 12 - 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 13 Contracts/Commitments

As of September 30, 2009, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-08	\$ 172,177	\$ 172,004
CFP 501-09	171,278	0
Stimulus Grant 501-09	<u>217,942</u>	<u>8,150</u>
Total	<u>\$ 561,397</u>	<u>\$ 180,154</u>

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

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

Note 14 - Risk Management

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

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

Note 15 - Economic Dependency

The Housing Authority received most of its revenue (64%) 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 THE CITY OF ROCKPORT
ROCKPORT, INDIANA**

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

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-748	FYE 09/30/09	\$ 317,653	\$ 317,653	\$ 317,653
Public Housing - Capital Fund	14.872	C-748	FYE 09/30/09	\$ 519,847	\$ 279,059	\$ 279,059
Capital Fund - Stimulus Grant	14.885	C-748	FYE 09/30/09	\$ 217,942	\$ 8,150	\$ 8,150
Total Housing Assistance				<u>\$ 1,055,442</u>	<u>\$ 604,862</u>	<u>\$ 604,862</u>

*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P024501-06**

1. The Actual Modernization Costs of Phase IN36P024501-06 are as follows:

Funds approved	\$ 171,807
Funds expended	<u>171,807</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 171,807
Funds expended	<u>171,807</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 January 15, 2009, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

I have audited the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2009, which collectively comprise the Housing Authority of the City of Rockport's basic financial statements and have issued my report thereon dated April 27, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Housing Authority of the City of Rockport's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control over financial reporting.

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

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

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

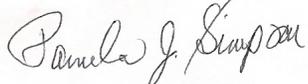
Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority of the City of Rockport, in a separate letter dated April 27, 2010.

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

Decatur, Illinois
April 27, 2010



Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

Compliance

I have audited the compliance of Housing Authority of the City of Rockport 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, 2009. Housing Authority of the City of Rockport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Rockport's management. My responsibility is to express an opinion on Housing Authority of the City of Rockport's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Rockport 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, 2009. However, 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 City of Rockport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority of the City of Rockport's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control over compliance.

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

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Rockport in a separate letter dated April 27, 2010.

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

Decatur, Illinois
April 27, 2010



Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

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

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

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

Section I - Summary of Auditor's Results

Low Risk Auditee X yes no

Financial Statements

Type of auditor's report: Unqualified

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

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major programs:

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

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

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

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

Public and Indian Housing 14.850a

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

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held April 27, 2010.

Section III - Federal Awards Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held April 27, 2010.

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

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

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Prepaid insurance	1211	\$ 1,888.89		1211
Development costs	1400.2	.46		1400.2
PILOT	2137		\$.37	2137
Unreserved surplus	2810		1,888.98	2810
(To post prior year audit adjustments)				
(2)				
Development costs	1400.2	\$ 22,787.00		1400.2
Development costs - contra	1400.3		\$ 22,787.00	1400.3
(To adjust books to depreciation schedule)				
(3)				
Investments	1162	\$ 5,592.92		1162
Accrued interest receivable	1145	2,261.18		1145
Interest income	3610		\$ 7,854.10	2810
(To correct investments to actual and set up accrued interest receivable)				
(4)				
Insurance expense	4510	\$ 3,288.89		2810
Prepaid insurance	1211		\$ 3,288.89	1211
(To adjust insurance expense and prepaid to actual per audit)				
(5)				
PILOT	2137	\$ 6,620.82		2137
PILOT expense	4520		\$ 6,620.82	2810
(To adjust to actual per year end calculation)				

PAMELA J. SIMPSON, C.P.A.

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

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control.

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

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

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

1. During my review of the Housing Authority, it was noted that the depreciation schedule does not reconcile to general ledger. The schedule still contains items that were disposed of per the general ledger during prior years. Housing Authority should take a physical count of inventory that includes all assets and reconcile physical inventory counts to the depreciation schedule and general ledger.

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

Decatur, Illinois
April 27, 2010


Certified Public Accountant