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July 18, 2014

Board of Directors
Terre Haute Housing Authority
P.O. Box 3086
One Dreiser Square
Terre Haute, IN 47803

We have reviewed the audit report prepared by Jean Sickels, 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 Terre Haute 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 CITY OF TERRE HAUTE

AUDITED FINANCIAL STATEMENTS

Terre Haute, Indiana

September 30, 2008

Jean Sickels

Certified Public Accountant

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Fredericksburg, IN 47120
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HOUSING AUTHORITY
OF THE CITY OF TERRE HAUTE

TERRE HAUTE, INDIANA
SEPTEMBER 30, 2008

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Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Terre Haute
P O Box 3086
Terre Haute, Indiana 47803-0086

I was engaged to audit the accompanying financial statements, as listed in the table of contents, of the Housing Authority of the City of Terre Haute, herein referred to as "the Authority", as of and for the year ended September 30, 2008. These financial statements are the responsibility of the Authority's management.

Authority management was unable to provide us with written representations and other information supporting the financial statements including prior period adjustments and support for capital fund expenditures and support for certain material journal vouchers.

Because management did not provide us with written representations and sufficient supporting information, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements referred to in the first paragraph.

I have also issued my report dated June 26, 2009, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report should be considered in assessing the results of my work.

The Management's Discussion and Analysis, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries made of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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 Authority. Also, the supplemental information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. Because of the audit scope limitations as described in the second paragraph, I am unable to express, and do not express, an opinion on the supplemental information.



Certified Public Accountant

Fredericksburg, Indiana
June 26, 2009

THE MANAGEMENT DISCUSSION & ANALYSIS
WAS NOT PREPARED

FINANCIAL STATEMENTS

TERRE HAUTE HOUSING AUTHORITY
TERRE HAUTE, INDIANA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,327,320
Restricted cash & cash equivalents	172,540
Accounts receivable, net	619,541
Prepaid expenses	156,292
Inventory	169,696
Total Current Assets	<u>2,445,389</u>

Capital Assets

Land and other nondepreciable assets	601,300
Depreciable capital assets, net	12,064,585
Total Capital Assets	<u>12,665,885</u>

Total Assets 15,111,274

LIABILITIES

Current liabilities

Accounts payable	152,333
Accrued liabilities	195,184
Notes payable - current	328,245
Deferred revenue	148,461
Payable from restricted cash and cash equivalents:	
Tenant's security deposits	172,540
Total Current Liabilities	<u>996,763</u>

Noncurrent Liabilities

Accrued compensated absences	28,143
Family self sufficiency escrow	147,966
Notes payable	942,836

Total Noncurrent Liabilities 1,118,945

Total Liabilities 2,115,708

NET ASSETS

Invested in capital assets	11,394,804
Restricted	205,854
Unrestricted	1,394,908
Total Net Assets	<u>\$ 12,995,566</u>

The accompanying notes are an integral part of these financial statements.

TERRE HAUTE HOUSING AUTHORITY
TERRE HAUTE, INDIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

OPERATING REVENUES

Rental income	\$ 1,632,434
Other income	241,152

TOTAL OPERATING REVENUE	1,873,586
--------------------------------	------------------

OPERATING EXPENSES

Administrative	1,342,281
Tenant services	329,653
Utilities	819,504
Ordinary maintenance and operation	2,335,644
Protective services	5,626
General expense	368,970
Housing assistance payments	3,559,199
Depreciation expense	2,563,686

TOTAL OPERATING EXPENSES	11,324,563
---------------------------------	-------------------

OPERATING INCOME (LOSS)	(9,450,977)
-------------------------	--------------------

NONOPERATING REVENUES / (EXPENSES)

Federal operating grants	6,929,667
Loss on disposition of capital assets	(164,794)
Interest income	16,921
Interest expense	(69,601)

TOTAL NONOPERATING REVENUES	6,712,193
------------------------------------	------------------

Net income before capital contributions	(2,738,784)
---	--------------------

TOTAL NET ASSETS - BEGINNING OF YEAR, as originally stated	27,322,616
--	------------

Prior period adjustments	(11,588,266)
--------------------------	--------------

TOTAL NET ASSETS - BEGINNING OF YEAR, as restated	15,734,350
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TOTAL NET ASSETS - END OF YEAR	\$ 12,995,566
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The accompanying notes are an integral part of these financial statements.

TERRE HAUTE HOUSING AUTHORITY
TERRE HAUTE, INDIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 2,823,853
Payments to vendors	(14,678,327)
Payments to landlords	(3,559,199)
Payments to employees	(2,219,779)
Net Cash Used by Operating Activities	<u>(17,633,452)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	6,929,667
Net Cash From Noncapital Financing Activities	<u>6,929,667</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	16,921
Net Cash From Investing Activities	<u>16,921</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital assets purchased	11,046,908
Interest expense	(69,601)
Payments on debt	420,556
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>11,397,863</u>

Net Increase (Decrease) in Cash and Cash Equivalents 710,999

Cash - Beginning of year 788,861

Cash - End of year \$ 1,499,860

Reconciliation of Cash

Unrestricted	\$ 1,327,320
Restricted	172,540
	<u>\$ 1,499,860</u>

Continued

TERRE HAUTE HOUSING AUTHORITY
TERRE HAUTE, INDIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating Income (loss)	\$ (9,450,977)
Adjustments to reconcile net income to net cash	
Provided by operating activities:	
Depreciation	2,563,686
Changes in operating assets and liabilities	
(Increase) Decrease in:	
Accounts receivable, net	801,806
Prepaid expenses	4,281
Inventory, net	145,520
Increase (Decrease) in:	
Accounts payable	(11,938,232)
Accrued liabilities	92,003
Deferred revenue	<u>148,461</u>
Net Cash Flows (Used)	
by Operating Activities	\$ <u><u>(17,633,452)</u></u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to special purpose governments engaged in business type activities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Organization: The Housing Authority of the City of Terre Haute is a public body corporate and politic pursuant to the Laws of the State of Indiana, which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other Federal Agencies.

Reporting Entity:

The entity is a public corporation, legally separate, fiscally independent and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Terre Haute, a primary government. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

Activities of the Housing Authority:

At September 30, 2008, the Housing Authority had 1,724 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	842
Section 8 Housing Choice Vouchers	<u>882</u>
TOTAL ALL PROGRAMS	<u>1,724</u>

Other Programs

Capital Fund Program
Resident Opportunity and Supportive Services
HIV Grant

Basis of Presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The Authority's financial statements are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and ARB's issued on or before, November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted: Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Budgets: Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

Cash Equivalents: Cash equivalents consist principally of checking accounts, savings accounts and certificates of deposit. These are stated at fair value. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

Interprogram Receivables and Payables: Interprogram receivables/payables are all current, and are the result of the use of the Low Income Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances is eliminated for the financial statement presentation.

Investments: Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent through the State of Indiana's Collateralization Program. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Indiana.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

Inventories: Inventories (consisting of materials and supplies) are valued at cost using the first in, first out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. In accordance with the consumption method, inventory is expensed when items are actually placed in service.

Prepaid Items: Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

Restricted Assets: Certain assets may be classified as restricted assets on the balance sheet because their use is restricted by contracts or agreements with outside third parties and lending institutions.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets:

a. Book Value: All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Land values were derived from development closeout documentation.

Donated capital assets are recorded at their fair value at the time they are received. Donor imposed restrictions are deemed to expire as the asset depreciates. All normal expenses of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

b. Depreciation: The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings & Improvements	15-30 years
Furniture, Equipment & Machinery	5-7 years

c. Maintenance and Repair Expenditures: Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$2,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

Compensated Absences: Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Standards*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Litigation Losses: The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred the loss is probable and the loss is reasonably estimable.

Annual Contribution Contracts: Annual Contribution Contracts provide that HUD shall have the Authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

Risk Management: The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all property and equipment, employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

The Authority also participates in a public entity risk pool (Housing Authority's Risk Retention Group). Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

Operating Revenues and Expenses: Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted Assets: When both restricted and unrestricted resources are available for use, it is the Authorities policy to use unrestricted resources first, then restricted, as they are needed.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

Leasing Activities (as Lessor): The Authority is the Lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions, which impact personal income such as local job availability.

NOTE 2 - Deposits, Cash and Cash Equivalents, and Investments:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2008, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 2 - Deposits, Cash and Cash Equivalents, and Investments: (continued)

At September 30, 2008, the carrying amount of the Authority's deposits was \$1,499,860 and the bank balance was \$1,499,860. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits and Family Self Sufficiency funds.

Deposits consist of the following:

Checking/Savings and Money Market	<u>\$ 1,499,860</u>
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NOTE 3 - Accounts Receivable:

Accounts receivables at September 30, 2008 consist of the following:

HUD	\$ 415,683
Other Government	43,811
Accounts Receivable - Miscellaneous	158,354
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$32,055	<u>1,205</u>
Total	<u>\$ 619,541</u>

NOTE 4 - Prepaid Expenses:

Prepaid Expenses at September 30, 2008 consist of the following:

Prepaid insurance and other prepaid assets	<u>\$ 156,292</u>
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NOTE 5 - Inventory:

Inventory at September 30, 2008, consist of the following:

Inventory	<u>\$ 169,696</u>
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HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 6 - Capital Assets:

A summary in changes in capital assets is as follows:

	Balance 9/30/07	Increases	Decreases	Balance 9/30/08
Capital Assets, not being depreciated				
Land	\$ 10,252,594	\$ 0	\$ (9,651,294)	\$ 601,300
Total Capital Assets, not being depreciated	<u>10,252,594</u>	<u>0</u>	<u>(9,651,294)</u>	<u>601,300</u>
Capital Assets, being depreciated				
Buildings and Improvements	34,280,326	7,908,321	0	42,188,647
Furniture, Equipment and Machinery	<u>2,483,963</u>	<u>0</u>	<u>(524,949)</u>	<u>1,959,014</u>
Total Capital Assets, being depreciated	<u>36,764,289</u>	<u>7,908,321</u>	<u>(524,949)</u>	<u>44,147,661</u>
INFORMATION NOT AVAILABLE				
Less accumulated Depreciation for Buildings and Improvements	-	-	-	-
Furniture, Equipment and Machinery	-	-	-	-
Less Accumulated Depreciation	<u>(20,575,610)</u>	<u>(2,563,686)</u>	<u>(8,943,780)</u>	<u>(32,083,076)</u>
Total Capital Assets, being depreciated net	<u>16,188,679</u>	<u>5,344,635</u>	<u>(9,468,729)</u>	<u>12,064,585</u>
Capital Assets, Net	<u>\$ 26,441,273</u>	<u>\$ 5,344,635</u>	<u>\$ (19,120,023)</u>	<u>\$ 12,665,885</u>

Depreciation expense for the year was: \$2,563,686

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of September 30, 2008:

Various Projects NONE

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 7 - Accounts Payable:

Accounts payable at September 30, 2008 consist of the following:

Vendors' Accounts Payable	<u>\$ 152,333</u>
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NOTE 8 - Accrued Liabilities:

Accrued liabilities at September 30, 2008, consists of the following:

Accounts payable other government	\$ 64,992
Accrued wages	50,291
Accrued compensated absences	<u>79,901</u>
 Total	 <u>\$ 195,184</u>

NOTE 9 - Deferred Revenue:

Deferred Revenue at June 30, 2008, consist of the following:

Prepaid annual contributions	<u>\$ 148,461</u>
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NOTE 10 - Long-Term Debt:

A. Schedule of Changes in Long-Term Debt

The Authority's outstanding long-term debt includes notes payable. The following is a schedule of changes in the Authority's long-term debt for the fiscal year ended September 30, 2008:

	Balance 09/30/08	Additions	Reductions	Balance 09/30/09	Due Within One Year	Long-Term Portion
Total Long-Term Debt	<u>\$ 850,525</u>	<u>\$ 420,556</u>	<u>\$ 0</u>	<u>\$ 1,271,081</u>	<u>\$ 328,245</u>	<u>\$ 942,836</u>

B. Bonds and Notes Payable

The following is a summary of outstanding notes payable.

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
<u>Notes Payable</u>			
First Financial Bank	INFORMATION NOT AVAILABLE	\$ 337,502	4.88%
GE Capital	INFROMATION NOT AVAILABLE	458,335	
First Financial Bank	INFORMATION NOT AVAILABLE	<u>475,244</u>	4.36%
 Total Notes Payable		 <u>\$ 1,271,081</u>	

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 10 - Long-Term Debt: (continued)

C. Debt Service Requirements

The following are the debt service requirements to maturity on the Authority's revenue bonds and notes payable.

<u>Fiscal Year</u>	<u>Notes Payable</u>		<u>Total</u>
	Principal	Interest	
2009	\$ 328,245	\$ 78,125	\$ 406,370
2010	192,881	75,046	107,111
2011	33,556	71,637	105,193
2012	35,026	68,009	103,036
2013	36,747	64,022	100,770
2014-2018	210,973	249,515	460,489
2019-2023	264,929	76,633	341,562
2024-2027	<u>168,719</u>	<u>2,986</u>	<u>171,706</u>
Total	<u>\$ 1,271,081</u>	<u>\$ 685,976</u>	<u>\$ 1,796,240</u>

Interest expense on Notes Payable for the year ended September 30, 2008 amounted to \$69,601.

NOTE 11 - Federal Operating Grants:

HUD and the State of Indiana contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Section 8 Vouchers	\$ 3,926,943
Low Rent Public Housing	2,942,819
HIV Grant	<u>59,905</u>
TOTAL	<u>\$ 6,929,667</u>

NOTE 12 - Contingencies:

Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the authority in the current and prior years. There were no examinations during the year ended September 30, 2008.

There are certain major construction projects in progress at September 30, 2008. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. At September 30, 2008, the Authority had not spent a total of \$0 for the Capital Fund Program grants.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(continued)

NOTE 13 - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority. Additionally, HUD no longer provides debt service information to the Authority.

NOTE 14 - Prior Period Adjustment:

Prior period adjustments consist of the following:

Depreciation adjustments	\$ (11,804,233)
Section 8 adjustments	<u>215,967</u>
Total	<u>\$ (11,588,266)</u>

NOTE 15 - Economic Dependency:

The Authority receives approximately 78% of its revenues from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

SUPPLEMENTAL FINANCIAL INFORMATION

TERRE HAUTE HOUSING AUTHORITY
TERRE HAUTE, INDIANA

COMBINING SCHEDULE OF PROGRAM NET ASSETS
SEPTEMBER 30, 2008

	Annual Contributions Contracts		
	A-3168	A-3168	A-3168V
	Low Income Public Housing	Capital Fund Program	Housing Choice Vouchers
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 357,607	\$ 0	\$ 407,511
Restricted cash & cash equivalents	172,540	0	0
Accounts receivable, net	418,155	0	0
Prepaid items	134,180	0	3,698
Inventory	169,696	0	0
Total Current Assets	1,252,178	0	411,209
<u>Capital Assets</u>			
Land and other nondepreciable asset	589,452	0	0
Depreciable capital assets, net	10,791,523	0	0
Total Capital Assets	11,380,975	0	0
Total Assets	12,633,153	0	411,209
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable	\$ 71,529	\$ 0	\$ 2,169
Accrued liabilities	111,589	0	11,310
Notes payable - current	297,406	0	0
Deferred revenue	148,461	0	0
Payable from restricted cash and cash equivalents:			
Tenants security deposits	172,540	0	0
Total Current Liabilities	801,525	0	13,479
<u>Noncurrent Liabilities</u>			
Accrued compensated absences	17,970	0	4,859
Family self sufficiency escrow	64,404	0	83,562
Notes payable	155,709	0	0
Total Noncurrent Liabilities	238,083	0	88,421
Total Liabilities	1,039,608	0	101,900
NET ASSETS			
Invested in capital assets	10,927,860	0	0
Restricted	0	0	205,854
Unrestricted	665,685	0	103,455
Total Net Assets	\$ 11,593,545	\$ 0	\$ 309,309

Central Office Cost Center	Business Activities	Total
\$ 562,202	\$ 0	\$ 1,327,320
0	0	172,540
194,133	7,253	619,541
18,414	0	156,292
0	0	169,696
<u>774,749</u>	<u>7,253</u>	<u>2,445,389</u>
11,848	0	601,300
<u>1,273,062</u>	<u>0</u>	<u>12,064,585</u>
<u>1,284,910</u>	<u>0</u>	<u>12,665,885</u>
<u>2,059,659</u>	<u>7,253</u>	<u>15,111,274</u>
\$ 76,873	\$ 1,762	\$ 152,333
71,470	815	195,184
30,839	0	328,245
0	0	148,461
0	0	172,540
<u>179,182</u>	<u>2,577</u>	<u>996,763</u>
5,314	0	28,143
0	0	147,966
<u>787,127</u>	<u>0</u>	<u>942,836</u>
<u>792,441</u>	<u>0</u>	<u>1,118,945</u>
<u>971,623</u>	<u>2,577</u>	<u>2,115,708</u>
466,944	0	11,394,804
0	0	205,854
<u>621,092</u>	<u>4,676</u>	<u>1,394,908</u>
<u>\$ 1,088,036</u>	<u>\$ 4,676</u>	<u>\$ 12,995,566</u>

TERRE HAUTE HOUSING AUTHORITY
TERRE HAUTE, INDIANA

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Annual Contributions Contract		
	A-3168	A-3168	A-3168
	Low Income Public Housing	Capital Fund Program	Resident Opportunities Program
<u>OPERATING REVENUES</u>			
Rental income	\$ 1,632,434	\$ 0	\$ 0
Other income	30,639	0	0
TOTAL OPERATING REVENUE	1,663,073	0	0
<u>OPERATING EXPENSES</u>			
Administrative	875,725	0	59,905
Tenant services	285,074	0	0
Utilities	789,166	0	0
Ordinary maintenance and operation	1,802,335	0	0
Protective services	5,626	0	0
General expense	328,882	0	0
Housing assistance payments	0	0	0
Depreciation expense	2,163,046	0	0
TOTAL OPERATING EXPENSES	6,249,854	0	59,905
	0		
OPERATING INCOME (LOSS)	(4,586,781)	0	(59,905)
<u>NONOPERATING REVENUES / (EXPENSES)</u>			
Federal operating grants	2,886,879	0	59,905
Loss on disposition of capital assets	(133,580)	0	0
Interest income	8,520	0	0
Interest expense	(69,601)	0	0
TOTAL NONOPERATING REVENUES	2,692,218	0	59,905
CHANGE IN NET ASSETS	(1,894,563)	0	0
TOTAL NET ASSETS - BEGINNING OF YEAR as originally stated	21,100,445	0	0
Equity transfers and prior period adjustments	(7,612,337)	0	0
TOTAL NET ASSETS - BEGINNING OF YEAR as restated	13,488,108	0	0
TOTAL NET ASSETS - END OF YEAR	\$ 11,593,545	\$ 0	\$ 0

s

<u>A-3168V</u>					
<u>Housing</u>	<u>Central</u>	<u>Business</u>			
<u>Choice</u>	<u>Office</u>	<u>Activities</u>	<u>Elimination</u>		<u>Total</u>
<u>Vouchers</u>	<u>Cost Center</u>				
\$ 0	\$ 0	\$ 0	\$ 0	\$	1,632,434
78,670	1,006,142	592	(874,891)		241,152
<u>78,670</u>	<u>1,006,142</u>	<u>592</u>	<u>(874,891)</u>		<u>1,873,586</u>
499,550	777,456	4,536	(874,891)		1,342,281
0	843	43,736	0		329,653
0	30,338	0	0		819,504
0	533,096	213	0		2,335,644
0	0	0	0		5,626
9,573	27,145	3,370	0		368,970
3,559,199	0	0	0		3,559,199
0	400,640	0	0		2,563,686
<u>4,068,322</u>	<u>1,769,518</u>	<u>51,855</u>	<u>(874,891)</u>		<u>11,324,563</u>
<u>(3,989,652)</u>	<u>(763,376)</u>	<u>(51,263)</u>	<u>0</u>		<u>(9,450,977)</u>
3,926,943	0	55,940	0		6,929,667
0	(31,214)	0	0		(164,794)
4,935	3,466	0	0		16,921
0	0	0	0		(69,601)
<u>3,931,878</u>	<u>(27,748)</u>	<u>55,940</u>	<u>0</u>		<u>6,712,193</u>
<u>(57,774)</u>	<u>(791,124)</u>	<u>4,677</u>	<u>0</u>		<u>(2,738,784)</u>
151,116	6,068,269	2,786	0		27,322,616
215,967	(4,189,109)	(2,787)	0		(11,588,266)
367,083	1,879,160	(1)	0		15,734,350
<u>\$ 309,309</u>	<u>\$ 1,088,036</u>	<u>\$ 4,676</u>	<u>\$ 0</u>	<u>\$</u>	<u>12,995,566</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
IN021	Low Rent Public Housing	14.850	\$ 2,886,789	\$ 2,886,879
IN021	Housing Choice Vouchers	14.871	3,926,943	3,926,943
IN021	Capital Fund Program	14.872	<u>1,303,033</u>	<u>724</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 8,116,765</u>	<u>\$ 6,814,546</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 - The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

OTHER REPORTS

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS

Board of Commissioners
Housing Authority of the City of Terre Haute
P O Box 3086
Terre Haute, Indiana 47803-0086

I was engaged to audit the financial statements of the Housing Authority of the City of Terre Haute, as of and for the year ended September 30, 2008 and have issued my report thereon dated June 26, 2009. My report disclaimed an opinion on the financial statements due to the lack of sufficient audit evidence in the form of management representations and other supporting information.

Internal Control Over Financial Reporting

In planning and performing my work, I considered the Authority's internal control over financial reporting as a basis for designing my engagement 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 Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These are items 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, and 2008-7.

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 Authority's internal control.

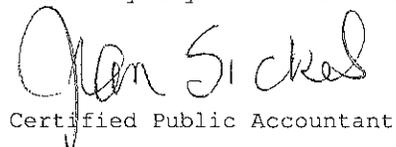
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, I consider items 2008-03, 2008-04, and 2008-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Terre Haute's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my engagement, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, and 2008-7.

I noted certain matters that I reported to the management of the Authority in a separate letter dated June 26, 2009.

This report is intended solely for the information and use of the management, audit committee, board of directors, others within the entity charged with governance and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

Fredericksburg, Indiana
June 26, 2009

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

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 City of Terre Haute
P O Box 3086
Terre Haute, Indiana 47803-0086

Compliance

I have audited the compliance of the Housing Authority of the City of Terre Haute with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Housing Authority of the City of Terre Haute'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 the Housing Authority of the City of Terre Haute's management. My responsibility is to express an opinion on the Housing Authority of the City of Terre Haute'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 the Housing Authority of the City of Terre Haute'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 on the Housing Authority of the City of Terre Haute's compliance with those requirements.

In my opinion, Housing Authority of the City of Terre Haute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-02.

Internal Control Over Compliance

The management of the Housing Authority of the City of Terre Haute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Authority of the City of Terre Haute's internal control over compliance with 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 Authority's internal control over compliance.

Internal Control Over Compliance (Continued)

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a certain significant deficiency in internal control over compliance that I consider to be a significant deficiency.

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 a 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 the entity's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-02 to be significant deficiencies.

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. However, I do not consider the significant deficiency described above as item 2008-02 to be a material weakness.

The Housing Authority of the City of Terre Haute's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Authority of the City of Terre Haute's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Authority's management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

Fredericksburg, Indiana
June 26, 2009

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:
~ Material weakness(es) identified? X yes no
~ Significant deficiencies identified that are
not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements
noted? X yes no

FEDERAL AWARDS

Internal control over major programs:
~ Material weakness(es) identified? yes X no
~ Significant deficiencies identified that are
not considered to be material weakness(es)? X yes 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? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, and 2008-07 are Financial
Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2008-02 is a Federal Award Findings.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR YEAR FINDINGS

2007-01	PRIOR CONDITION:	<u>MINUTES</u> The Authority does not have printed minutes that have been approved by the Board, signed and bound.
	CURRENT CONDITION:	The Authority has monthly minutes that are approved by the Board, signed and bound. <u>This finding is cleared.</u>
2007-02	PRIOR CONDITION:	<u>RENTAL DEPOSITS</u> Continued as 2008-01
2007-03	PRIOR CONDITION:	<u>CASH DISBURSEMENTS</u> Continued as 2008-02
2007-04	PRIOR CONDITION:	<u>INVENTORY</u> Continued as 2008-03
2007-05	PRIOR CONDITION:	<u>RESIDENT FILES</u> In the sample of 44 resident files the following deficiencies were noted: 8-Income/Deduction not verified or calculated properly 12-Rent calculations not correct 2-9886 not dated 3-Leases not correct 44-No rent reasonableness 44-No lead based paint notices 8-Incorrect or no Section 214 Citizenship Declarations
	CURRENT CONDITION:	See the management letter. <u>This finding is cleared.</u>
2007-06	PRIOR CONDITION:	<u>JOURNAL VOUCHERS</u> Continued as 2008-04

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR YEAR FINDINGS
(Continued)

2007-07	PRIOR CONDITION:	<u>BANK RECONCILIATIONS</u> Continued as 2008-05
2007-08	PRIOR CONDITION:	<u>CASH DISBURSEMENTS AND PROCUREMENT</u> In a sample of 40 cash disbursements from the capital fund program and 6 contractors from the CFP; 30 exceptions were noted where procurement compliance was not followed. Additionally, it was found that an individual is both an employee and a contractor. CURRENT CONDITION: There were no current procurement files tested that lacked compliance with HUD rules and regulations. The Authority has updated it's procurement policy and new procedures were in place to ensure that procurement procedures are followed. <u>This finding is cleared.</u>
2007-09	PRIOR CONDITION:	<u>SEMAP</u> In a review of SEMAP indicators # 1-7; Indicators #2, 3 & 7 have no supporting documentation and should receive a zero (0) score. CURRENT CONDITION: The Authority has maintained supporting documentation for the indicators submitted. <u>This finding is cleared.</u>
2007-10	PRIOR CONDITION:	<u>PAYROLL</u> Continued as 2008-06
2007-11	PRIOR CONDITION:	<u>SAS 112</u> Continued as 2008-07

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT YEAR FINDINGS

2008-01 PRIOR
CONDITION: RENTAL DEPOSITS

In a sample of 40 deposits, there was one deposit with a lag of 13 days and one deposit with a lag of 43 days. The Authority does not do monthly reconciliations of TAR's.

CURRENT
CONDITION: In a sample of 40 deposits, the following was found:

Rental receipts numbers are not sequential
One receipt was not in the deposit batch and not found
11 of the postings to the General Ledger were not accurate
The TAR report did not agree with the General Ledger

CRITERIA: HUD rules and regulations require timely deposits of rental collections and internal controls over tenant accounts receivable.

CAUSE/EFFECT: There are inaccuracies within the TAR accounting software. Monthly reconciliation of TAR's were not completed.

RECOMMENDATION: The Authority should review the internal controls over TAR's and make relevant changes.

REPLY: The vast majority of rental receipts are paid at the bank by the tenants. There are two and one half percent, (2.5%), occurrence of rental deposits being made after the close of the next business day. As always the Housing Authority, (THHA), will strive to deposit all receipts by the close of the next business day. The software currently in use by the THHA is not capable of producing an accurate "TAR" trial balance report which can be checked to the general ledger. The THHA is in the process of installing new software that will remedy this situation. The target date for the completion of this installation is October 1, 2009.

DISCUSSED
WITH: Jeff Stewart, Executive Director 6/26/09

2008-02 PRIOR
CONDITION: CASH DISBURSEMENTS

The charge card statements lack appropriate supporting documentation. Expenditures have been made for unallowable costs.

CURRENT
CONDITION: The charge card statements lack appropriate supporting documentation. Expenditures have been made for unallowable costs. This situation was corrected around December 2008.

CFDA #: 14.871

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

CURRENT YEAR FINDINGS

(Continued)

2008-02 (Continued)

CRITERIA: HUD rules and regulations required adequate accounting and record keeping for travel, salaries and wages. A system of internal control including segregation of duties is also required.

QUESTIONED COSTS: \$1,769

CAUSE/EFFECT: Supporting documentation was not attached. Travel expenses are not sufficiently supported.

RECOMMENDATION: The Authority should review OMB Circular A-87 and stop spending federal funds on unallowable costs. Standard Vouchers should be used to support travel.

REPLY: The lack of supporting documentation and unallowable expenditures involving charge card purchases occurred during the tenure of the previous Executive Director. No unsupported or unallowable charge card expenditures have been made since November, 2008. The THHA has reviewed OMB Circular A-87 and provided copies of this document to every employee who has the authority to initiate a purchase.

DISCUSSED WITH: Jeff Stewart, Executive Director 6/26/09

2008-03

PRIOR CONDITION: INVENTORY

In a sample count of 20 items there were 15 discrepancies. Additionally, it was noted that the inventory on the books is \$318,152.

CURRENT CONDITION: In a sample count of 50 items there were 36 discrepancies. Additionally, it was noted that the inventory software allows for negative quantities and values.

CRITERIA: HUD rules and regulations require sufficient Internal Controls over expendable inventory.

CAUSE/EFFECT: The Authority is experiencing some computer errors. Some training is needed with the maintenance staff.

RECOMMENDATION: Thoroughly count the inventory. Consider using different software or providing additional training.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT YEAR FINDINGS
(Continued)

2008-03 (Continued)

REPLY: The software currently in use by the THHA is not capable of producing accurate inventory reports. The THHA is in the process of installing new software that will remedy this situation. The target date for the completion of this installation is October 1, 2009. In preparation for the installation of new software, the THHA has completed a thorough, (100%), count of expendable inventory. This will ensure accurate input data for the new system.

DISCUSSED WITH: Jeff Stewart, Executive Director 6/26/09

2008-04

PRIOR
CONDITION:

JOURNAL VOUCHERS

The journal vouchers are not sequentially numbered, properly signed or supported.

CURRENT
CONDITION:

The journal vouchers did not have supporting documentation behind them. There was no evidence of supervisory review or approval.

CRITERIA:

HUD guidebook 7511 Chapter 3 requires journal vouchers to be numbered, reviewed and supported.

CAUSE/EFFECT:

There is inadequate supporting of documentation for many account balances.

RECOMMENDATION:

The Authority should standardize the internal controls over journal vouchers. They should be signed by the preparer and reviewed before posting. The journal vouchers should be numbered and filed with supporting documentation behind them.

REPLY:

The THHA is currently reconstructing the financial records. The journal vouchers for fiscal year 2008 were prepared by a fee accountant. The THHA is in the process of installing new software which will allow for the accurate preparation and reporting of financial data. The target date for the completion of this installation is October 1, 2009. After this date, the journal vouchers will be prepared by the THHA, signed by the preparer, reviewed, and filed with supporting documentation.

DISCUSSED WITH:

Jeff Stewart, Executive Director 6/26/09

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT YEAR FINDINGS
(Continued)

2008-05

PRIOR
CONDITION:

BANK RECONCILIATIONS

The Authority does not reconcile bank accounts by individual program.

CURRENT
CONDITION:

The Authority has made great strides by separating the non profit corporations and tax credit projects, however, the voucher program still needs to be separated from the low rent program.

CRITERIA:

HUD rules and regulations require federal funds be segregated by CFDA#. Co-mingling is not allowed.

CAUSE/EFFECT:

The Authority did not separately reconcile the voucher and low rent bank statements.

RECOMMENDATION:

The Authority should reconcile each account separately.

REPLY:

Beginning January, 2009, the THHA has transferred voucher funds received for HUD into a separate bank account which is reconciled on a monthly basis.

DISCUSSED
WITH:

Jeff Stewart, Executive Director 6/26/09

2008-06

PRIOR
CONDITION:

PAYROLL

The payroll reconciliation for audit does not match by \$38,554.81. No other documentation has been provided. The 941's do not agree to the salaries expense.

CURRENT
CONDITION:

The Authority does not have a cost allocation plan. A schedule of all positions and salaries was not approved by the board.

CRITERIA:

A board approved allocation plan should be utilized in the posting of expenses.

CAUSE/EFFECT:

Not known

RECOMMENDATION:

The Authority should examine their internal controls over payroll and determine if they are adequate.

REPLY:

The THHA is currently collecting time allocation data in anticipation of drafting a cost allocation plan for board approval. The target date for implementation of this plan is October 1, 2009.

DISCUSSED
WITH:

Jeff Stewart, Executive Director 6/26/09

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT YEAR FINDINGS
(Continued)

2008-07 PRIOR
 CONDITION: SAS 112

 The Authority is required to have internal controls over their financial statements. The following account balances lacked adequate support:

 1. Capital Fund expenses
 2. Capital assets and depreciation
 3. Compensated absences
 4. HAP receipts
 5. Prepaid insurance
 6. Payments in lieu of taxes

 CURRENT
 CONDITION: The Authority did not have procedures in place to review the Fee Accountant's monthly accounting work.

 CRITERIA: HUD rules and regulations require internal controls over the general ledger.

 CAUSE/EFFECT: The Authority does not have a system in place to check account balances on a monthly basis. The Authority should develop it's own internal checklist to review each month's financial statements and accountant balances in order to ensure accuracy throughout the year.

 RECOMMENDATION: The Authority should review the internal controls over the general ledger and determine if they are adequate.

 REPLY: Although the THHA's accountant reviews the monthly accounting work provided by the fee accountant, there is no formal review checklist in place. The THHA will develop and use a checklist for reviewing the accounting work provided by the fee accountant beginning with May, 2009.

 DISCUSSED
 WITH: Jeff Stewart, Executive Director 6/26/09

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SEPTEMBER 30, 2008

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>Number</u>	<u>Finding</u>	<u>Status</u>
2007-01	Minutes	Cleared
2007-02	Rental Deposits	Continued as 2008-01
2007-03	Cash Disbursements	Continued as 2008-02
2007-04	Inventory	Continued as 2008-03
2007-05	Resident Files	Cleared
2007-06	Journal Vouchers	Continued as 2008-04
2007-07	Bank Reconciliations	Continued as 2008-05
2007-08	Cash Disbursements & Procurement	Cleared
2007-09	SEMAP	Cleared
2007-10	Payroll	Continued as 2008-06
2007-11	SAS 112	Continued as 2008-07

Jean Sickels

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June 26, 2009

Management and
Board of Commissioners of the
Housing Authority of the City of Terre Haute
Terre Haute, Indiana

In the conduct of my work over the financial statements of the Housing Authority of the City of Terre Haute as of and for the year ended September 30, 2008, I was engaged to consider the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my work, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated March 14, 2008 on the financial statements of the Authority.

I will review the status of the comment during my next audit engagement. I have already discussed the comment and suggestion with Authority personnel, and will be pleased to discuss the comment in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comments are summarized as follows:

CONDITION: SECTION 8 CLIENT FILES

The Authority was missing some documentation in 2 old move out files.

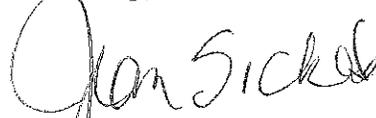
RECOMMENDATION:

The Authority should ensure that each client file is complete at each annual exam.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Board of Commissioners, Management, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Jean Sickels
Certified Public Accountant