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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](http://www.in.gov/sboa)

May 14, 2009

Board of Commissioners  
Housing Authority of Cannelton  
302 Main Street, P.O. Box 336  
Tell City, IN 47586

We have reviewed the audit report prepared by McCauley, Nicolas & Company, LLC, Independent Public Accountants, for the period April 1, 2007 to March 31, 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 Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of Cannelton, as of March 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY OF CANNELTON  
Cannelton, Indiana**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**for the year ended March 31, 2008**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Housing Authority of Cannelton  
Cannelton, Indiana

We have audited the accompanying basic financial statements of the Housing Authority of Cannelton as of and for the year ended March 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of Cannelton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Cannelton as of March 31, 2008, and the changes in its net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

702 North Shore Drive, Suite 500 Jeffersonville, IN 47130-3104 812-288-6621 fax 812-288-2885 [www.mnccpa.com](http://www.mnccpa.com)

Kenneth N. Nicolas, CPA Ronald F. Barnes, CPA, PFS Lee E. Pieper, CPA J. Patrick Byrne, CPA  
John C. Pieper, CPA Daniel K. McCauley, CPA, ABV J. Michael Grimman, CPA Kenneth W. Coyle, CPA R. Kenneth Adams, CPA

MEMBER

PKF North American Network American Institute of CPAs AICPA PCPS Division Indiana CPA Society Kentucky Society of CPAs

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2008, on our consideration of the Housing Authority of Cannelton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our 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 is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Housing Authority of Cannelton taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 14 is presented for purposes of additional analysis as required by 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 basic financial statements. Additionally, the accompanying Financial Data Schedule on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
July 22, 2008

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

**MANAGEMENT DISCUSSION AND ANALYSIS**  
Year ended March 31, 2008

As management of Housing Authority of Cannelton (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2008.

**FINANCIAL HIGHLIGHTS**

- Net assets decreased by \$57,073 as of March 31, 2008.
- Operating revenue of the Authority increased by \$13,945 from prior year results.
- The Authority's cash balance at March 31, 2008 was \$35,128, representing a decrease of \$56,479 from March 31, 2007.

**OVERVIEW OF THE AUTHORITY**

The Housing Authority of Cannelton is organized under the laws of the State of Indiana for the purpose of providing rent assistance for the elderly and low-income families. The Authority receives funds from HUD under Annual Contribution Contract C-2041 Cannelton, Indiana, and administers 179 Section 8 Housing Choice Voucher units.

A five (5)-member board governs the Authority.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

- The Authority-wide financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these statements.

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS-Continued  
Year ended March 31, 2008

**OVERVIEW OF THE FINANCIAL STATEMENTS-Continued**

The Authority-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Assets regardless of when cash is received or paid.

- The Authority-wide statements report the Authority's net assets and how they changed. Net assets – the difference between the Authority's assets and liabilities – are one way to measure the Authority's financial position.

**AN OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS**

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

***Housing Authority of Cannelton***  
***Statement of Net Assets***

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Current assets	\$ 35,128	\$ 91,607	-61.7%
Total assets	<u>\$ 35,128</u>	<u>\$ 91,607</u>	<u>-61.7%</u>
Current liabilities	\$ 594	\$ -	0%
Total liabilities	<u>\$ 594</u>	<u>\$ -</u>	<u>0%</u>
Net assets			
Unrestricted net assets	\$ 8,513	\$ 7,618	11.7%
Restricted net assets	<u>26,021</u>	<u>83,989</u>	<u>-69.0%</u>
Total net assets	<u>\$ 34,534</u>	<u>\$ 91,607</u>	<u>-62.3%</u>

**HOUSING AUTHORITY OF CANNELTON**

Cannelton, Indiana

MANAGEMENT DISCUSSION AND ANALYSIS-Continued

Year ended March 31, 2008

**AN OVERVIEW OF THE AUTHORITY-WIDE FINANCIAL POSITION AND OPERATIONS-**  
Continued

Cash

Total cash decreased by \$56,479 or 62% as of March 31, 2008 compared to March 31, 2007. This decrease in cash was primarily due to additional HAP payments made during the year ended March 31, 2008.

Accounts payable

Accounts payable increased by \$594 as of March 31, 2008.

Long-term Debt

The Authority does not have any long-term liabilities at this time.

Net Assets

Net assets decreased by \$57,073 as of March 31, 2008.

The results of operations for the Authority are presented below:

***Housing Authority of Cannelton***

***Statement of Revenue, Expenses and Changes in Net Assets***

	<u>2008</u>	<u>2007</u>	<u>Increase/Decrease</u>	
			<u>Amount</u>	<u>Percentage</u>
OPERATING REVENUE				
HUD PHA grants	<u>\$ 617,218</u>	<u>\$ 603,273</u>	<u>\$ 13,945</u>	<u>2.3%</u>
TOTAL OPERATING REVENUE	<u>617,218</u>	<u>603,273</u>	<u>13,945</u>	<u>2.3%</u>
OPERATING EXPENSES				
Administrative	<u>76,453</u>	<u>74,834</u>	<u>1,619</u>	<u>2.2%</u>
Housing assistance payments	<u>598,115</u>	<u>510,072</u>	<u>88,043</u>	<u>17.3%</u>
TOTAL OPERATING EXPENSES	<u>674,568</u>	<u>584,906</u>	<u>89,662</u>	<u>15.3%</u>
Operating income/(loss)	<u>(57,350)</u>	<u>18,367</u>	<u>(75,717)</u>	<u>-412.2%</u>
NONOPERATING REVENUE				
Interest and investment revenue	<u>277</u>	<u>521</u>	<u>(244)</u>	<u>-46.8%</u>
TOTAL NONOPERATING REVENUE	<u>277</u>	<u>521</u>	<u>(244)</u>	<u>-46.8%</u>
CHANGE IN NET ASSETS	<u>\$ (57,073)</u>	<u>\$ 18,888</u>	<u>\$ (75,961)</u>	<u>0.0%</u>

The details of the changes are explained in the Results of Operations section.

## **HOUSING AUTHORITY OF CANNELTON**

Cannelton, Indiana

### **MANAGEMENT DISCUSSION AND ANALYSIS-Continued**

Year ended March 31, 2008

#### **RESULTS OF OPERATIONS**

Net assets decreased by \$57,073 during the year ended March 31, 2008. This decrease was due primarily to the increase in units served compared to the previous year. The Authority leased up additional units using the excess net assets from the prior year.

Operating revenues of the Authority's activities are generated principally from HUD annual contributions. During the year ended March 31, 2008, the Authority's revenues for its activities totaled \$617,495. Of this total, \$617,218 or 99.9%, is from HUD annual contributions. Operating expense of the Authority's activities consist primarily of housing assistance payments. The total expenses are \$674,568 of which \$598,115, or 88.7%, were housing assistance payments.

#### **CAPITAL ASSETS**

The Authority had no capital assets as of March 31, 2008.

#### **REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report should be addressed to the following address:

Housing Authority of Cannelton  
c/o Lincoln Hills Development Corporation  
Attn: Executive Director  
P.O. Box 336  
Tell City, IN 47586

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

**STATEMENT OF NET ASSETS**  
March 31, 2008

**ASSETS**

**ASSETS**

Cash - unrestricted	\$ 9,107
Cash - other restricted	<u>26,021</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 35,128</u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable - HUD	<u>\$ 594</u>
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<b>TOTAL LIABILITIES</b>	<b><u>594</u></b>
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**NET ASSETS**

Unrestricted net assets	\$ 8,513
Restricted net assets	<u>26,021</u>

<b>TOTAL NET ASSETS</b>	<b><u>34,534</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 35,128</u></b>
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See notes to financial statements.

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
for the year ended March 31, 2008

<b>OPERATING REVENUE</b>	
· HUD PHA grants	<u>\$ 617,218</u>
<b>TOTAL OPERATING REVENUE</b>	<u>617,218</u>
<b>OPERATING EXPENSES</b>	
Administrative	76,453
Housing assistance payments	<u>598,115</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>674,568</u>
Operating loss	<u>(57,350)</u>
<b>NONOPERATING REVENUE</b>	
Interest revenue - unrestricted	35
Interest revenue - restricted	<u>242</u>
<b>TOTAL NONOPERATING REVENUE</b>	<u>277</u>
<b>CHANGE IN NET ASSETS</b>	<u>(57,073)</u>
Net assets, beginning of year	<u>91,607</u>
Net assets, end of year	<u>\$ 34,534</u>

See notes to financial statements.

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

STATEMENT OF CASH FLOWS  
for the year ended March 31, 2008

**OPERATING ACTIVITIES**

HUD PHA grants received	\$ 617,812
Interest received	<u>277</u>
	<u>618,089</u>
Administrative expenses	76,453
Housing assistance payments	<u>598,115</u>
	<u>674,568</u>
Net cash used by operating activities	<u>(56,479)</u>
Net decrease in cash	(56,479)

**OPERATING CASH**

Beginning of year	<u>91,607</u>
End of year	<u>\$ 35,128</u>

**OPERATING ACTIVITIES**

Change in net assets	\$ (57,073)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Accounts payable - HUD	<u>594</u>
Net cash used by operating activities	<u>\$ (56,479)</u>

See notes to financial statements.

## HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

### NOTES TO FINANCIAL STATEMENTS

March 31, 2008

#### **NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Housing Authority of Cannelton (the Authority) is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representation of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

##### Nature of Operations

The Authority is organized under the laws of the State of Indiana for the purpose of providing rent assistance for the elderly and low-income families. The Authority administers 179 Section 8 Housing Choice Voucher units under Annual Contribution Contract C-2041 in Cannelton, Indiana. The funds are disbursed to various landlords to provide tenant assistance. The Authority does not own the housing facilities.

##### Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Cannelton and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget; is not entitled to any surplus funds generated by the Authority's operations, and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of Cannelton is a separate reporting entity.

##### Basis of Presentation

The Authority's program is accounted for as an enterprise fund. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designated to recover its costs.

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued  
March 31, 2008

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

Basis of Presentation-Continued

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority's proprietary fund follows all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with or contradict a GASB pronouncement.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. The Authority had no cash equivalents at March 31, 2008.

Allowance for Doubtful Accounts

The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. There were no accounts receivable outstanding at March 31, 2008; therefore, no allowance was necessary.

Revenue and Expenses

Revenue is recorded as earned and expenses are charged against such revenue as incurred without regard to the date of receipt or payment of cash.

Renewal Funding

Calendar year 2008 renewal funding for housing assistance payments will be based on each housing authority's actual costs incurred during federal FY 2007 (October 1, 2006 through September 30, 2007) for unit months leased up to baseline. Adjustments will be made for new units obligated to a housing authority, units held from leasing to meet a project-based commitment and certain first time renewals, and the FY 2008 Annual Adjustment Factors will be applied to the total eligibility.

## HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

### NOTES TO FINANCIAL STATEMENTS—Continued

March 31, 2008

#### NOTE 2—CASH DEPOSITS

In March 2003, the GASB issued Statement No. 40 "Deposits and Investment Risk Disclosures," which is effective for periods beginning after June 15, 2004. Risk disclosures in previous financial statements (under the provisions of GASB Statement No. 3) focused only on custodial credit risk. GASB Statement No. 40 not only addresses custodial credit risk but other common areas of investment risk as well, including interest rate risk, credit risk, and concentration of credit risk.

##### A. Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Authority may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. Statutes authorize the 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 depository financial institutions. The deposits exceeding the insured or registered limits are covered by collateral provided by First State Bank, Southwest Indiana.

##### B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Authority limits investments to provide the optimum return on the investment consistent with the cash management program of the Authority.

Investments are made based upon prevailing market conditions at the time of the transaction. The Authority reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flow needs. Investments will typically be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the Authority.

##### C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments. The Authority requires investment in instruments authorized by HUD Notice PIH 95-27.

##### D. Concentration of Credit Risk

The Authority's management considers diversification of the overall portfolio to eliminate the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer and/or a specific class of securities.

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued  
March 31, 2008

**NOTE 2—CASH DEPOSITS—Continued**

The carrying value of cash owned at March 31, 2008 was \$35,128. The bank balance of cash owned at March 31, 2008 was \$35,128.

**NOTE 3—ACCOUNTS PAYABLE – HUD**

At March 31, 2008, the Housing Authority had an accounts payable to HUD of \$594 related to administrative fees earned for the first quarter of 2008.

**NOTE 4—RESTRICTED NET ASSETS**

In accordance with guidelines established by HUD, any housing assistance payment (HAP) budget authority provided to a Housing Authority in excess of actual program expenses for the same period must be maintained as restricted net assets to be used only for HAP payments incurred in the running of the Housing Choice Voucher program. During the year ended March 31, 2008, the Authority used \$57,968 of restricted net asset for additional HAP payments. Accordingly, the Authority has a balance of \$26,021 in restricted net assets at March 31, 2008.

**NOTE 5—ADMINISTRATIVE FEE**

The Authority receives an "Administrative Fee" as part of Annual Contribution Contract with HUD to cover the costs (including overhead) of administering the Section 8 program. The Authority entered into an annual agreement with Lincoln Hills Development Corporation (LHDC) whereby LHDC would administer the Section 8 Housing Choice Voucher Program in the County of Perry, Indiana, exclusive of the area in the corporate limits of the City of Tell City, Indiana. The fee paid to LHDC was \$38.48 per month for each unit leased during the year ended March 31, 2008. The total amount charged to the expense under this agreement during the year ended March 31, 2008 was \$69,379 which is included as part of "Administrative" expense in the Statement of Revenue, Expenses and Changes in Net Assets.

**NOTE 6—INCOME TAXES**

The Authority has qualified with the Internal Revenue Service and the Indiana Department of Revenue as a tax-exempt organization for income tax purposes and, accordingly, there is no provision in the financial statements for federal or state income taxes.

**NOTE 7—MAJOR FUNDING SOURCE**

The Authority is substantially funded by Federal awards. Management does not anticipate any material change in funding.

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended March 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Section 8 Housing Choice Voucher Program	14.871	<u>\$617,218</u>

**Basis of Presentation**

The above schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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 Cannelton  
Cannelton, Indiana

We have audited the financial statements of the Housing Authority of Cannelton (the "Authority") as of and for the year ended March 31, 2008, and have issued our report thereon dated July 22, 2008. We conducted our 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 our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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, we 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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative or regulatory bodies and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
July 22, 2008



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 Cannelton  
Cannelton, Indiana

Compliance

We have audited the compliance of the Housing Authority of Cannelton (the Authority) 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 its major federal program for the year ended March 31, 2008. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our 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 we 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2008.

Internal Control Over Compliance

The management of the Authority 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 our audit, we considered the Authority'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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an organization'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 organization'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 organization'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 organization's internal control.

Our consideration of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative or regulatory bodies and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
July 22, 2008

# HOUSING AUTHORITY OF CANNELTON

Cannelton, Indiana

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended March 31, 2008

### A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of Cannelton (the "Authority").
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unqualified opinion.
6. The audit disclosed no audit findings relating to major federal award programs for the Authority which are required to be reported under Section 510(a) of OMB Circular A-133.
7. The program tested as a major program included:

<u>Description</u>	<u>Federal CFDA No.</u>
Section 8 Housing Choice Voucher Program	14.871

8. The threshold for distinguishing Type A and B programs was \$300,000.

9. The Authority was determined to be a low-risk auditee.

### B. FINDINGS—FINANCIAL STATEMENTS AUDIT

None.

### C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs.

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
for the year ended March 31, 2008

None



## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Board of Commissioners  
Housing Authority of Cannelton  
Cannelton, Indiana

We have performed the procedure described in the second paragraph, which was agreed to by the Housing Authority of Cannelton (the Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with related hard copy documents included within the OMB Circular A-133 reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, for the Authority as of and for the year ended March 31, 2008, and have issued our reports thereon dated July 22, 2008. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated July 22, 2008, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the financial statement package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

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

*McCauley, Nicolas & Company, LLC*

McCauley, Nicolas & Company, LLC  
Certified Public Accountants

Jeffersonville, Indiana  
August 12, 2008

ATTACHMENT TO INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURE

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule, all CFDAs	Agrees
Footnotes (data element G5000-010)	Footnotes to audited basic financial statements.	Agrees
Type of opinion on FDS (data element G5100-010)	Auditors' supplemental report on FDS	Agrees
Audit Findings Narrative (data element G5200-010)	Schedule of Findings and Questioned Costs	Agrees
General information (data element series G2000, G2100, G2200, G2300, G9000, G9100)	OMB Data Collection Form	Agrees
Financial statement report information (data element G3000-010 to G3000-050, G3100-010 to G3100-030, G3200-010 to G3200-030, G3300-010 to G3300-060, G3400-010 to G3400-020)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Agrees
Federal program report information (data element G4000-010 to G4000-040)	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	Agrees
Federal agencies required to receive reporting package (data element G4000-050)	OMB Data Collection Form	Agrees
Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

**FINANCIAL DATA SCHEDULE**

PHA: IN043 FYED: 03/31/2008

Line Item No.	Account Description	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$9,107	\$9,107
113	Cash - Other Restricted	\$26,021	\$26,021
100	Total Cash	\$35,128	\$35,128
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0
143.1	Allowance for Obsolete Inventories	\$0	\$0
150	Total Current Assets	\$35,128	\$35,128
165	Leasehold Improvements	\$0	\$0
166	Accumulated Depreciation	\$0	\$0
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0
180	Total Non-Current Assets	\$0	\$0
190	Total Assets	\$35,128	\$35,128

PHA: IN043 FYED: 03/31/2008

Line Item No.	Account Description	Housing Choice Vouchers	Total
331	Accounts Payable - HUD PHA Programs	\$594	\$594
310	Total Current Liabilities	\$594	\$594
350	Total Noncurrent Liabilities	\$0	\$0
300	Total Liabilities	\$594	\$594
508	Total Contributed Capital	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0
511	Total Reserved Fund Balance	\$0	\$0
511.1	Restricted Net Assets	\$26,021	\$26,021
512.1	Unrestricted Net Assets	\$8,513	\$8,513
513	Total Equity/Net Assets	\$34,534	\$34,534
600	Total Liabilities and Equity/Net Assets	\$35,128	\$35,128

**HOUSING AUTHORITY OF CANNELTON**  
Cannelton, Indiana

**FINANCIAL DATA SCHEDULE—Continued**

PHA: IN043 FYED: 03/31/2008

Line Item No.	Account Description	Housing Choice Vouchers	Total
705	Total Tenant Revenue	\$0	\$0
706	HUD PHA Operating Grants	\$617,218	\$617,218
711	Investment Income - Unrestricted	\$35	\$35
720	Investment Income - Restricted	\$242	\$242
700	Total Revenue	\$617,495	\$617,495

PHA: IN043 FYED: 03/31/2008

Line Item No.	Account Description	Housing Choice Vouchers	Total
912	Auditing Fees	\$6,024	\$6,024
913	Outside Management Fees	\$69,379	\$69,379
916	Other Operating - Administrative	\$1,050	\$1,050
969	Total Operating Expenses	\$76,453	\$76,453
970	Excess Operating Revenue over Operating Expenses	\$541,042	\$541,042
973	Housing Assistance Payments	\$598,115	\$598,115
900	Total Expenses	\$674,568	\$674,568
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$57,073)	(\$57,073)

PHA: IN043 FYED: 03/31/2008

Line Item No.	Account Description	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$91,607	\$91,607
1120	Unit Months Available	2,148	2,148
1121	Number of Unit Months Leased	1,803	1,803
1117	Administrative Fee Equity	\$8,513	\$8,513
1118	Housing Assistance Payments Equity	\$26,021	\$26,021