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May 14, 2009

Board of Commissioners  
Housing Authority of the  
City of Seymour  
P.O. Box 822  
Seymour, IN 47274

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period April 1, 2006 to March 31, 2007. 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 the City of Seymour, as of March 31, 2007, 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.

We call your attention to the findings in the report. Page 22 contains one current audit finding. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY  
OF THE CITY OF  
SEYMOUR**

**AUDITED FINANCIAL STATEMENTS**

SEYMOUR, INDIANA  
MARCH 31, 2007

*Jean Sickels*  
Certified Public Accountant

870 Cinderella Court  
Decatur, GA 30033  
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HOUSING AUTHORITY  
OF THE  
CITY OF SEYMOUR

SEYMOUR, INDIANA  
March 31, 2007

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# Jean Sickels

**Certified Public Accountant**

**870 Cinderella Court**

**Decatur, GA 30033-5812**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the City of Seymour  
P.O. Box 822  
Seymour, IN 47274

I have audited the financial statements of the Housing Authority of the City of Seymour ("the Authority") as of and for the year ended March 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Seymour as of March 31, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2007, on my consideration of the Housing Authority of the City of Seymour's internal control over financial reporting and on 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 is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis as detailed in this Report, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries 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.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Seymour. The accompanying Schedule of Expenditures of Federal Awards as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, Financial Data Schedule required by the U.S. Department of Housing and Urban Development, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Certified Public Accountant

Decatur, Georgia  
September 11, 2007

**Seymour Housing Authority**  
Seymour, Indiana

**Management's Discussion and Analysis**  
March 31, 2007

Our discussion and analysis of the Seymour Housing Authority financial performance provides the reader with an overview to the Authority's financial activities for the fiscal year ended March 31, 2007. The information contained in this Management Discussion and Analysis (MD&A) should be considered in conjunction with the Authority's basic financial statements which are included with this MD&A.

**Financial Highlights**

The Authority's cash balance at March 31, 2007 was \$119,251 representing an increase of \$40,934 from March 31, 2006.

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$124,753 (net assets).

The Authority had HUD operating grants of \$590,753, investment income of \$2,103 and fraud recovery of \$1,482 for the year ended March 31, 2007.

**Using This Annual Report**

This annual report consists of the Management's Discussion and Analysis, the financial statements, and notes to the financial statements. The MD&A provides a narrative of the Authority's financial performance and activities for the year ended March 31, 2007. The statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The financial statements consist of three statements:

Statement of Net Assets – presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.

Statement of Activities – presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this that will result in cash flows in future periods.

## Seymour Housing Authority

### Management Discussion and Analysis

March 31, 2007

(continued)

Statement of Cash Flows – presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

#### **Housing Authority Activities And Highlights**

The Seymour Housing Authority achieved a 94.7% occupancy rate in the Housing Choice Voucher Program for the fiscal year ending March 31, 2007. This rate increased from the previous fiscal year ending March 31, 2006 Housing Choice Voucher Program occupancy rate of 93%.

#### **Financial Operations Highlights**

The Seymour Housing Authority expended \$23,496 less in housing assistance payments for very low income families in Seymour in FYE March 31, 2007 than in the previous FYE March 31, 2006. Operating revenues for FYE March 31, 2007 exceeded expenses by \$37,744.

#### **Request For Information**

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

**Seymour Housing Authority**

Attn: Jean Johnson, Executive Director  
309 North Chestnut St.  
P.O. Box 822  
Seymour, IN 47274

Seymour Housing Authority

Management Discussion and Analysis

March 31, 2007

(continued)

**Financial Analysis Of The Authority**

**Statement of Net Assets** – the following table summarizes the changes in Net Assets between March 31, 2007 and March 31, 2006:

	2007	2006	Net Change
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash – Unrestricted	\$ 119,251	\$ 78,317	\$ 40,934
Prepaid Expenses	<u>3,383</u>	<u>3,570</u>	<u>(187)</u>
<b>Current Assets</b>	<u>122,634</u>	<u>81,887</u>	<u>40,747</u>
<b><u>Property and Equipment</u></b>			
Administrative Equip. – net	<u>3,666</u>	<u>7,188</u>	<u>(3,522)</u>
<b>Property &amp; Equip.</b>	<u>3,666</u>	<u>7,188</u>	<u>(3,522)</u>
<b>Total Assets</b>	<u>\$126,300</u>	<u>\$ 89,075</u>	<u>\$ 37,255</u>
<b>Liabilities &amp; Net Assets</b>			
<b><u>Current Liabilities</u></b>			
Accrued Liabilities	\$ 1,547	\$ 1,732	\$ (185)
Accounts Payable	<u>0</u>	<u>334</u>	<u>(334)</u>
<b>Current Liabilities</b>	<u>1,547</u>	<u>2,066</u>	<u>(519)</u>
<b>Total Liabilities</b>	<u>\$ 1,547</u>	<u>\$ 2,066</u>	<u>\$ (519)</u>
<b><u>Net Assets/Retained Earnings</u></b>			
	<u>\$ 124,753</u>	<u>\$ 87,009</u>	<u>\$ 37,744</u>

The unrestricted cash increased \$40,934 or 53% of the FYE 2006 cash balance. The cash increase was primarily due to the operating revenue of \$37,744. There were only minor changes in the other asset and liability categories.

Seymour Housing Authority

Management Discussion and Analysis  
 March 31, 2007  
 (continued)

**Statement of Activities** – the following table summarizes the changes in Operating Income between March 31, 2007 and March 31, 2006:

	2007	2006	Net Change
<b>Revenues</b>			
HUD Operating Grants	\$ 590,753	\$ 610,494	\$ (19,741)
Investment Income	2,103	1,696	407
Fraud Recovery Income	<u>1,482</u>	<u>0</u>	<u>1,482</u>
<b>Total Revenue</b>	<u>594,338</u>	<u>612,190</u>	<u>(17,852)</u>
<b>Expenses</b>			
Operating Expenses	\$ 68,588	\$ 72,887	\$ (4,299)
Housing Assistance Payments	484,484	507,980	(23,496)
Depreciation Expense	<u>3,522</u>	<u>3,522</u>	<u>0</u>
<b>Total Expenses</b>	<u>556,594</u>	<u>584,389</u>	<u>(27,795)</u>
<b>Net Income (Loss)</b>	<u>\$ 37,744</u>	<u>\$ 27,801</u>	<u>\$ 9,943</u>

The HUD operating grants were \$19,741 less than FYE 2006 but the Housing Authority was able to achieve a net income increase of \$9,943. The net increase was due primarily to operating expense reductions of \$4,299 and a decrease of \$23,496 in housing assistance payments. The operating expense reductions were spread over all the administrative cost categories except audit fees which experienced a slight increase.

**Capital Assets**

The following changes occurred in the capital assets:

Net Balance March 31, 2006	\$ 7,188
Depreciation Expense	<u>(3,522)</u>
Net Balance March 31, 2007	<u>3,666</u>

**Debt**

The Authority has no debt.

**FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

STATEMENT OF NET ASSETS  
MARCH 31, 2007

	Annual Contributions Contract C-2018 Section 8 Vouchers
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 119,251
Prepaid expenses	3,383
<b>Total Current Assets</b>	<u>122,634</u>
<b>Capital Assets, net</b>	<u>3,666</u>
<b>Total Assets</b>	<u>126,300</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	0
Accrued liabilities	1,547
<b>Total Current Liabilities</b>	<u>1,547</u>
<b>NET ASSETS</b>	
Invested in capital assets	3,666
Unrestricted	121,087
<b>Total Net Assets</b>	<u>\$ 124,753</u>

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

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2007

	Annual Contributions Contract C-2018 Section 8 Vouchers
<b><u>OPERATING REVENUES</u></b>	
Other income	\$ 1,482
<b>TOTAL OPERATING REVENUE</b>	<b>1,482</b>
<b><u>OPERATING EXPENSES</u></b>	
Administrative	64,471
General expense	4,117
Housing assistance payments	484,484
Depreciation expense	3,522
<b>TOTAL OPERATING EXPENSES</b>	<b>556,594</b>
OPERATING INCOME (LOSS)	<b>(555,112)</b>
<b><u>NONOPERATING REVENUES</u></b>	
Federal grants	590,753
Investment income	2,103
<b>TOTAL NONOPERATING REVENUES</b>	<b>592,856</b>
CHANGE IN NET ASSETS	37,744
TOTAL NET ASSETS - BEGINNING OF YEAR	87,009
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 124,753</b>

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

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	1,482
Payments to vendors		(17,120)
Payments to landlords		(484,484)
Payments to employees		(51,800)
Net Cash Used by Operating Activities		<u>(551,922)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		<u>590,753</u>
Net Cash Flows Provided by Noncapital Financing Activities		<u>590,753</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income		<u>2,103</u>
Net Cash Flows Provided by Investing Activities		<u>2,103</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets		<u>0</u>
Net Cash Flows (Used) by Capital and Related Financing Activities		<u>0</u>

Net Increase (Decrease) in Cash and Cash Equivalents		40,934
Cash - Beginning of year		<u>78,317</u>
Cash - End of year	\$	<u>119,251</u>

Continued

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2007  
(CONTINUED)

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

Operating income (loss)	\$	(555,112)
Adjustments to reconcile net income to net cash Provided by operating activities:		
Depreciation		3,522
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Prepaid expenses		187
Increase (Decrease) in:		
Accounts payable		(334)
Accrued liabilities		(185)
Net Cash Flows Provided (Used) by Operating Activities		<u>(551,922)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

**NOTE A - Summary of Significant Accounting Policies:**

The financial statements of the HOUSING AUTHORITY OF THE CITY OF SEYMOUR ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant Authority accounting policies are described below.

The HOUSING AUTHORITY OF THE CITY OF SEYMOUR is a political subdivision both corporate and politic and was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into an annual contributions contract with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a Section 8 Program (Contract No. C-2018).

**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 Seymour, 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.

The financial statements of the HOUSING AUTHORITY OF THE CITY OF SEYMOUR include the following:

The authority had 158 units in management at March 31, 2007:

<u>Project</u>	<u>Units</u>
Vouchers	<u>158</u>

**Basis of Presentation**

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principals (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.

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 chargers.

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Basis of Presentation: (Continued)

Generally accepted accounting principles for state and local governments require that resources be classified for accounting and reporting purposes into the following 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. The Authority has no debt.

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.

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle.

Budget compared to actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board. This budget does not represent an appropriated budget that has been signed into law or a non appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of Checking and Savings accounts and Certificate of Deposit are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no non cash investing, non capital, capital and financing activities during the year.

Tenant Receivables - Receivables, including fraud recovery for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007  
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Prepaid - Prepaids represent payments made to vendors for services that will benefit beyond March 31, 2007.

Capital Assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. The Authority's policy is to capitalize assets costing \$250 or more.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Furniture, Equipment & Machinery	3-10 years

Compensated Absences - Compensated absences (if any) are those absences for which employees will be paid, such as vacation and sick leave. 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.

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 Authority's policy to use unrestricted resources first, and then restricted resources as they are allowed.

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 liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

(Continued)

**NOTE B - HUD Deposit Restrictions:**

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

C. **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 FYE, 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.

D. **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.

The carrying amounts of the Authority's cash deposits were \$118,509 at March 31, 2007. Bank balances before reconciling items were \$119,570 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Deposits consist of the following:

Checking & Savings accounts	\$ 55,774
Certificates of Deposit	<u>63,477</u>
Total	<u>\$ 119,251</u>

**NOTE C - Prepaid Expenses:**

Prepaid expenses at March 31, 2007, consist of the following:

Prepaid insurance	<u>\$ 3,383</u>
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HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

(Continued)

**NOTE D - Capital Assets:**

A summary in changes in capital assets is as follows:

	<u>Beginning Balance 3/31/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 3/31/07</u>
Capital Assets, being depreciated:				
Furniture, Equipment & Machinery	\$ 28,580	\$ 0	\$ 0	\$ 28,580
Total Capital Assets, being depreciated	<u>28,580</u>	<u>0</u>	<u>0</u>	<u>28,580</u>
Less Accumulated Depreciation:	<u>( 21,392)</u>	<u>( 3,522)</u>	<u>0</u>	<u>( 24,914)</u>
Total Capital Assets, being depreciated, net	<u>7,188</u>	<u>( 3,522)</u>	<u>0</u>	<u>3,666</u>
Capital Assets, Net	<u>\$ 7,188</u>	<u>\$ ( 3,522)</u>	<u>\$ 0</u>	<u>\$ 3,666</u>

For the year ended March 31, 2007, depreciation expense in the amount of \$3,522 was recorded.

**NOTE E - Accrued liabilities:**

Accrued liabilities at March 31, 2007, consist of the following:

Accrued wages and payroll taxes	<u>\$ 1,547</u>
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**NOTE F - Federal Operating Grants:**

Annual Contributions Contract C-2018

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Housing Choice Vouchers	<u>\$ 590,753</u>
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HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

(Continued)

NOTE G - Commitments and Contingencies:

Examinations: 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 March 31, 2006.

Grant Disallowances: 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 expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

NOTE H - Risk Management:

The Authority is exposed to various risks of losses 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 coverage for these risks to the extent deemed prudent by Authority management which includes public officials, workman's compensation, and auto insurance. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE I - Economic Dependency:

The Authority receives approximately 99% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

SUPPLEMENTAL FINANCIAL INFORMATION

PHA: IN056 FYED: 03/31/2007

Line Item No.	Account Description	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$119,251	\$119,251
100	Total Cash	\$119,251	\$119,251
128	Fraud Recovery	\$4,566	\$4,566
128.1	Allowance for Doubtful Accounts - Fraud	\$-4,566	\$-4,566
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0
142	Prepaid Expenses and Other Assets	\$3,383	\$3,383
150	Total Current Assets	\$122,634	\$122,634
164	Furniture, Equipment & Machinery - Administration	\$28,580	\$28,580
166	Accumulated Depreciation	\$-24,914	\$-24,914
160	Total Fixed Assets, Net of Accumulated Depreciation	\$3,666	\$3,666
180	Total Non-Current Assets	\$3,666	\$3,666
190	Total Assets	\$126,300	\$126,300

PHA: IN056 FYED: 03/31/2007

Line Item No.	Account Description	Housing Choice Vouchers	Total
321	Accrued Wage/Payroll Taxes Payable	\$1,547	\$1,547
310	Total Current Liabilities	\$1,547	\$1,547
350	Total Noncurrent Liabilities	\$0	\$0
300	Total Liabilities	\$1,547	\$1,547
508	Total Contributed Capital	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$3,666	\$3,666
511	Total Reserved Fund Balance	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0
512.1	Unrestricted Net Assets	\$121,087	\$121,087
513	Total Equity/Net Assets	\$124,753	\$124,753
600	Total Liabilities and Equity/Net Assets	\$126,300	\$126,300

PHA: IN056 FYED: 03/31/2007

Line Item No.	Account Description	Housing Choice Vouchers	Total
705	Total Tenant Revenue	\$0	\$0
706	HUD PHA Operating Grants	\$590,753	\$590,753
711	Investment Income - Unrestricted	\$2,103	\$2,103
714	Fraud Recovery	\$1,482	\$1,482
700	Total Revenue	\$594,338	\$594,338

PHA: IN056 FYED: 03/31/2007

Line Item No.	Account Description	Housing Choice Vouchers	Total
911	Administrative Salaries	\$47,654	\$47,654
912	Auditing Fees	\$2,864	\$2,864
913	Outside Management Fees	\$287	\$287
915	Employee Benefit Contributions - Administrative	\$4,146	\$4,146
916	Other Operating - Administrative	\$9,520	\$9,520
961	Insurance Premiums	\$4,117	\$4,117
969	Total Operating Expenses	\$68,588	\$68,588
970	Excess Operating Revenue over Operating Expenses	\$525,750	\$525,750
973	Housing Assistance Payments	\$484,484	\$484,484
974	Depreciation Expense	\$3,522	\$3,522
900	Total Expenses	\$556,594	\$556,594
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$37,744	\$37,744

PHA: IN056 FYED: 03/31/2007

Line Item No.	Account Description	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$87,009	\$87,009
1113	Maximum Annual Contributions Commitment (Per ACC)	\$588,242	\$588,242
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0
1116	Total Annual Contributions Available	\$588,242	\$588,242
1120	Unit Months Available	1,896	1,896
1121	Number of Unit Months Leased	1,795	1,795
1117	Administrative Fee Equity	\$63,521	\$63,521
1118	Housing Assistance Payments Equity	\$61,232	\$61,232

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HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2007

<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>			
IN2018	Section 8 Housing Choice Voucher Program	14.871	\$ 590,753	\$ 590,753
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 590,753</u></b>	<b><u>\$ 590,753</u></b>

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**  
870 Cinderella Court  
Decatur, GA 30033-5812

**REPORT ON INTERNAL CONTROL OVER FINANCIAL**  
**REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT**  
**OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Housing Authority of the City of Seymour  
P.O. Box 822  
Seymour, IN 47274

I have audited the financial statements of the Housing Authority of the City of Seymour ("the Authority") as of and for the year ended March 31, 2007, and have issued my report thereon dated September 11, 2007, which included a disclaimer of opinion on Management's Discussion and Analysis. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entities 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity'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 and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I 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, I performed tests of its compliance with certain provision 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 audit, 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.

I noted certain matters that I reported to the management of the Housing Authority of The City of Seymour in a separate letter dated September 11, 2007.

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

*Jean Sickels*  
Certified Public Accountant

Decatur, Georgia  
September 11, 2007

# Jean Sickels

**Certified Public Accountant**  
870 Cinderella Court  
Decatur, GA 30033-5812

**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 Seymour  
P.O. Box 822  
Seymour, IN 47274

## **Compliance**

I have audited the compliance of the Housing Authority of the City of Seymour 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 March 31, 2007. The Housing Authority of the City of Seymour's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Seymour's management. My responsibility is to express an opinion on the Housing Authority of the City of Seymour's compliance based on my audit.

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

In my opinion, the Housing Authority of the City of Seymour 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 March 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-01.

## **Internal Control Over Compliance**

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

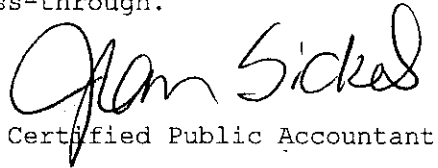
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

A control deficiency in an authority'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 authority'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 authority's internal control. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a significant deficiency.

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 authority's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Housing Authority of the City of Seymour'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 Seymour's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of, management, others within the authority, and federal awarding agencies and pass-through.

  
Certified Public Accountant

Decatur, Georgia  
September 11, 2007

HOUSING AUTHORITY OF THE CITY OF SEYMOUR  
Seymour, Indiana

MARCH 31, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
~ Material weakness(es) identified?        yes   X   no  
~ Significant Deficiency (s) identified that are  
not considered to be material weaknesses?        yes   X   no

Noncompliance material to financial statements  
noted?        yes   X   no

FEDERAL AWARDS

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

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>CEFA Number</u>	<u>Name of Federal Program</u>
14.871	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

There were no audit findings during the current audit period ending March 31,  
2007.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2007-01 is a Federal Award Finding.



*Jean Sickels*

**Certified Public Accountant**

**870 Cinderella Court  
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**Mobile No. (404) 307-5903**

**Mobile No. (404) 210-0394**

September 11, 2007

Management and  
Board of Commissioners of the  
Housing Authority of the City of Seymour  
Seymour, Indiana

In planning and performing my audit of the financial statements of the Housing Authority of the City of Seymour as of and for the year ended March 31, 2007, I considered 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 audit, I became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter does not affect my report dated September 11, 2006 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: JOURNAL VOUCHERS**

The Authority does not have a system for numbering and approving journal vouchers. There are very few journal vouchers in the section 8 program.

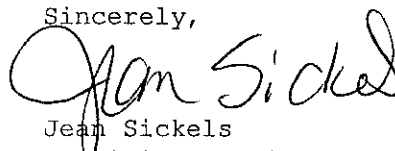
**RECOMMENDATION:**

The Authority should utilize the journal voucher internal control system that is recommended in Chapter 3 of the HUD 7511 guidebook.

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