



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B34339

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

May 14, 2009

Board of Commissioners
The Housing Authority of the
City of New Albany
500 Scribner Dr.
New Albany, IN 47150

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 the City of New Albany, 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

**THE HOUSING AUTHORITY OF THE
CITY OF NEW ALBANY
New Albany, Indiana**

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

for the year ended March 31, 2008

CONTENTS

Independent Auditors' Report	1 and 2
Management Discussion and Analysis	3 - 11
Financial Statements:	
Statement of Net Assets – Proprietary Fund	12
Statement of Revenue, Expenses and Changes in Net Assets – Proprietary Fund	13
Statement of Cash Flows – Proprietary Fund	14
Notes to Financial Statements	15 - 20
Supplementary Information:	
Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Audit Findings	23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 and 25
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	26 and 27
Independent Accountant's Report on Applying Agreed-Upon Procedure	28 and 29
Financial Data Schedule	30 - 34

Independent Auditors' Report

Board of Commissioners
The Housing Authority of
the City of New Albany
New Albany, Indiana 47150

We have audited the accompanying financial statement of the Housing Authority of the City of New Albany 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 the City of New Albany'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 *Governmental Auditing Standards* issued by the Controller 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 the City of New Albany as of March 31, 2008, and the results of its operations, 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's Discussion and Analysis on pages 3 through 11 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2008, on our consideration of the Housing Authority of the City of New Albany's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 taken as a whole. The accompanying schedule of expenditures of federal awards on page 21 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 also not a required part of the basic financial statements. Additionally, the accompanying Financial Data Schedule on pages 30 through 34 is 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 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
October 8, 2008

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2008

The management of the Housing Authority of the City of New Albany (the Authority) offers readers this discussion and analysis of the Authority's financial statements, including a narrative overview and discussion of the financial activities of the Authority for year ended March 31, 2008.

The MD&A is specifically designed to: 1) assist the reader in focusing on significant financial issues; 2) provide a broad scope overview of the Authority's financial activities; 3) identify and explain changes in the Authority's financial position and 4) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial statements in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the Authority's audited financial statements.

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

REPORTING ON THE AUTHORITY AS A WHOLE

The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows report information about the Authority as whole and about its activities in a format that helps the reader assess the result of operations for fiscal year 2008. Each statement is a condensed presentation of sources of funding and major activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities by \$19,941,524 at the close of the fiscal year ended March 31, 2008. Net Assets are categorized as follows:
 - ✓ Unrestricted assets of \$6,512,779 may be used to meet the Authority's ongoing obligations to citizens and creditors.
 - ✓ Restricted assets of \$434,196 consists of Escrow funds and Section 8 dollars used for their designated purpose according to HUD regulations.
 - ✓ The remainder of \$12,994,549 represents the net amount invested in land, building, furnishings, equipment, and remodeling construction.

FINANCIAL HIGHLIGHTS—Continued

- Total tenant revenue increased 13% due to increase in occupancy rate.
- Total HUD operating grants increased 4% due to increase in occupancy rate.
- Total expenses increased 2% over prior fiscal year due to rising costs of higher occupancy.

FUND FINANCIAL STATEMENTS

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

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

USING THIS ANNUAL REPORT

The Authority's annual report consists of financial statements that show combined information about the Authority's most significant programs, the Low Rent Housing Program, Section 8 Housing Choice Voucher Program and Public Housing Capital Fund Program, Resident Opportunity Self-Sufficiency, Nonfederal, Valley View Court, and Disaster Housing Assistance Program.

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

REPORTING THE AUTHORITY'S MOST SIGNIFICANT PROGRAMS

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

REPORTING THE AUTHORITY'S MOST SIGNIFICANT PROGRAMS—Continued

The Authority uses the following accounting approach for Proprietary funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator. The statements evaluated include:

Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations, if any.

Statement of Revenues, Expenses and Changes in Net Assets – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses.

Statement of Cash Flows – reports the Authority's use of cash for investing and operating activities.

The Authority maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the Authority provides for its residents:

LOW INCOME PUBLIC HOUSING

The Housing Authority of the City of New Albany owns approximately 1,083 units in developments in the City of New Albany. The 1,083 units owned by the Authority consist of elderly/disabled and family units. The Authority is responsible for the management and maintenance for all units and sites and certain utilities. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Operating Expense Level, Allowable Utilities Expenses Level, Allowable Add-ons and Audit Cost that becomes the Authority's Total Allowable Expenses. HUD will fund a portion of the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculation. Funding is subject to prorating due to congressional appropriation and may not be sufficient to fund 100% of the requested amount.

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

This grant program provides rental assistance to help extremely low and low-income families afford decent, safe, and sanitary rent housing. Qualifying tenants have their income analyzed utilizing HUD's guidelines and their rents are assessed accordingly. The Authority receives a fixed amount of budget authority on an annual basis to assist families. The Authority had approval and funding for 408 vouchers during the year ended March 31, 2008.

CAPITAL FUND PROGRAM

HUD awards this grant program on an annual basis. The purposes of this grant are to maintain the physical improvements of the Authority's sites and the administrative management to ensure completion of improvements in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

RESIDENT OPPORTUNITY AND SELF-SUFFICIENCY

HUD awards this grant program on a competitive basis. Award periods vary with some lasting as long as three years. The purpose of this grant is to provide services to tenants that will assist them with everyday activities and enhance their life experiences.

NON-FEDERAL FUNDS

These are grants awarded to the Authority by sources other than HUD. These grants were researched and applied for by the Authority and funds are intended to provide services for residents that were not funded under the HUD program.

VALLEY VIEW COURT

Valley View Court consists of 40 homes located in a subdivision in New Albany, Indiana. For many years the property functioned as a stand-alone entity, although the Authority wholly owned it.

The Authority has project-based 40 of their vouchers allowed by HUD. Rents are calculated at fair market value.

The homes of Valley View Court were acquired in the 1930's as the original properties for the Housing Authority of the City of New Albany. The homes and improvements were fully depreciated before inclusion in these financial statements. The book value shown reflects original land value and recent improvements.

DISASTER HOUSING ASSISTANCE PROGRAM

Funding was received to facilitate delivery of safe and decent housing to families and individuals who have been displaced from their housing by Hurricanes Katrina and Rita. Disaster Housing Assistance Program (DHAP) is a rental assistance program that will continue providing housing for families through March 1, 2009. Pursuant to an Inter-Agency Agreement signed by the Federal Emergency Management Agency (FEMA) and the Department of Housing and Urban Development (HUD), HUD serves as administrator of the DHAP for FEMA. The Authority was notified that funding would be available for two displaced families in our area.

AUTHORITY-WIDE CONDENSED FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

CURRENT AND OTHER ASSETS	2008	2007	Change
Cash	\$ 2,334,971	\$ 1,519,590	\$ 815,381
Other current assets	5,594,077	5,307,250	286,827
Property and equipment (net)	<u>12,994,549</u>	<u>13,979,557</u>	<u>(985,008)</u>
TOTAL ASSETS	<u>\$20,923,597</u>	<u>\$ 20,806,397</u>	<u>\$ 117,200</u>
LIABILITIES			
Accounts payable	\$ 162,220	\$ 336,376	\$ (174,156)
Other current liabilities	<u>819,853</u>	<u>528,681</u>	<u>291,172</u>
TOTAL LIABILITIES	<u>982,073</u>	<u>865,057</u>	<u>117,016</u>
NET ASSETS			
Net investment in capital assets	12,994,549	13,979,557	(985,008)
Unrestricted	6,512,779	5,801,528	711,251
Restricted	<u>434,196</u>	<u>160,255</u>	<u>273,941</u>
TOTAL NET ASSETS	<u>19,941,524</u>	<u>19,941,340</u>	<u>184</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$20,923,597</u>	<u>\$ 20,806,397</u>	<u>\$ 117,200</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Total assets are \$20,923,597 and \$20,806,397 at March 31, 2008 and March 31, 2007, respectively, representing an increase of \$117,200. One component of Total Assets, Capitalized Assets (Net), is determined by adding assets, disposing of assets, and recording accumulated depreciation. Accumulated depreciation reflects depreciation expense (\$1,775,127) that is recorded to recover the cost of assets over a specified period of time. Depreciation reduces the carrying value of the underlying asset but does not affect the cash flow of operations. The Statement of Capital Assets provides detail of assets and depreciation.

Cash and current assets increased \$1,102,208. The increase in cash of \$815,381 is due primarily to an increase in revenue resulting from management's implementation of the business philosophies promoted by project-based management which result in savings through improved administrative and management efficiency. Accounts receivable, a component of current assets, has increased \$153,899.

The increase in liabilities of \$117,016 was due to a rise in accounts payable and changes in various withholding accounts associated with payroll. These liabilities are short term and relate to typical business expenses.

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS—Continued

Net Assets is presented in conformity with GASB 34. Net Assets are \$19,941,524 and \$19,941,340 at March 31, 2008 and March 31, 2007, respectively, representing an increase of \$184. The change in Unrestricted Net Assets is a result of increased revenue and control of expenses.

The component Unrestricted Net Assets increased by \$711,251. This component represents funds that can be used to meet future obligations.

Restricted Net Assets increased by \$273,941. The total dollars for the fiscal year, \$434,196, represent funds available to house Section 8 participants. HUD regulations identify those monies as subject to restrictions of use.

STATEMENT OF AGENCY WIDE REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

STATEMENT OF REVENUES

<u>Source</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Tenant Revenue	\$ 2,224,233	\$ 1,974,816	\$ 249,417
HUD Operating Grants	6,562,641	6,320,008	242,633
Capital Grants	588,256	631,439	(43,183)
Other Income	<u>333,007</u>	<u>254,578</u>	<u>78,429</u>
Total Revenues	<u>\$ 9,708,137</u>	<u>\$ 9,180,841</u>	<u>\$ 527,296</u>

The change in revenue for the year ended March 31, 2008 is directly related to the higher overall occupancy rate. Total Tenant Revenue increased \$249,417 and total subsidy increased \$242,633.

Capital Grant dollars are used for assets that are capitalized and depreciated over their useful life. Utilized funds are less due to the scope and nature of the projects funded. Capital Fund money is comprised of two components, capitalized (hard costs) and expendable (soft costs, a component of HUD Operating Grants), \$588,256, and \$625,499, respectively. During the year ended March 31, 2008, the Authority received Capital Fund operating grant money of \$625,499 compared to \$503,869 received in the prior year.

Significant sources of other income for the year ended March 31, 2008, were \$140,676 interest income and \$46,586 of non-federal funds.

STATEMENT OF EXPENSES

<u>Activity</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Administrative	\$1,386,730	\$ 1,183,231	\$ 203,499
Tenant Services	278,164	278,787	(623)
Utilities	1,294,528	1,166,990	127,538
Maintenance	1,880,522	2,023,961	(143,439)
Housing Assistance Payment	2,046,159	2,079,498	(33,339)
Depreciation	1,775,127	1,845,921	(70,794)
Protective Services	98,375	143,963	(45,588)
General Expenses	912,886	811,772	101,114
Total Operating Expenses	<u>\$9,672,491</u>	<u>\$ 9,534,123</u>	<u>\$ 138,368</u>

The total increase in operating expense from 2007 to 2008 was \$138,368. The increase is 1.5% and anticipated given the increase in cost of living nationwide (up 4.2% from May 2007 to May 2008), especially utilities, supplies, and employee benefits.

The increase in Administrative expense is due to reassignment of personnel, redefining of various job descriptions, and an increase in corresponding employee benefits.

The decrease in Maintenance of \$143,439, which is the second year for this trend, can be attributed to reassignment of personnel to Administrative as well as improved control of purchasing and inventory management.

Depreciation expense decreased due to fewer assets being placed into service during the fiscal year. Our capitalization policy specifies a threshold of \$500 and first and last year depreciation at fifty percent of the allowable expense.

Protective Services expense continued to decrease because of prior year's implementation of additional security measures at the new administration building and other sites.

General expenses include various categories of expense such as insurance, contract expense, office supplies, employee training, all reflecting increased expense due to rising costs from providers and agency need for training due to the requirements of HUD mandated project based management.

The 6% increase of revenue and 2% increase in operating expenses resulted in an increase in net assets of \$184. Compared to a prior year deficiency of revenue over expenses of \$360,718, the improvement may be a result of management's implementation of project based accounting as discussed in the Economic Factors section of these statements.

STATEMENT OF CAPITAL ASSETS

<u>Source</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 598,285	\$ 598,285	\$ -
Buildings	32,514,495	31,986,188	528,307
Equipment-dwelling	558,178	720,239	(162,061)
Equipment-administration	2,227,269	2,063,819	163,450
Leasehold improvements	6,879,354	6,669,461	209,893
Accumulated depreciation	<u>(29,783,032)</u>	<u>(28,058,435)</u>	<u>(1,724,597)</u>
Total	<u>\$12,994,549</u>	<u>\$13,979,557</u>	<u>\$ (985,008)</u>

Capital Assets increased \$739,589 without the implication of accumulated depreciation.

Buildings and Leasehold Improvements increased due to various expenditures that include the exterior vinyl project and first phase of bathroom renovation. At Mark Elrod Tower there were substantial expenses for roof repair and HVAC replacements. The increase in Equipment-Administration for replacement of office equipment was due to normal wear and obsolescence.

The difference in the accumulated depreciation account was due to the net effect of current year depreciation expense, purchases of new equipment, and writing off the accumulated depreciation of obsolete and/or disposed equipment. The net effect is a decrease to capital assets of \$985,008.

LONG TERM DEBT

The Authority has no long-term debt outstanding at March 31, 2008.

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by Federal budget than by local economic conditions. The amount that each local housing agency is eligible to receive to cover the gap between public housing rent revenues and operating costs is set by a federal formula. If Congress has failed to provide sufficient funding to cover the full subsidies that we are eligible to receive under the formula, the agency must find a way to raise revenue, cut costs, or tap other resources to make up for the shortfall.

Funding for the fiscal year ended March 31, 2008 was at 83.5%.

This fiscal year saw a partial conversion to the asset management program. The key elements of the program can be found in PIH Notice 2006-14. While the asset management does not change our mission, it is designed to give us new tools to manage our resources more efficiently. We anticipate further cuts in funding but fully expect that more effective use of our resources will mitigate the negative effect on our residents.

ECONOMIC FACTORS—Continued

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor, supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rent income.
- Income inflationary pressure on utility rates, supplies, and other costs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

Questions concerning any of the information provided in this report or request for additional information should be addressed to:

Mr. Robert Lane, Executive Director
New Albany Housing Authority
P.O. Box 11
New Albany, Indiana 47150

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

STATEMENT OF NET ASSETS - PROPRIETARY FUND
March 31, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 2,334,971
Cash - tenants' escrow account	83,272
Accounts receivable - HUD	337,544
Accounts receivable - miscellaneous	51,249
Accounts receivable - tenants, net	6,392
Accounts receivable - fraud recovery, net	6,125
Certificates of deposit - unrestricted	5,012,125
Prepaid expenses and other assets	7,020
Inventory - materials and supplies, net	90,350

TOTAL CURRENT ASSETS 7,929,048

PROPERTY AND EQUIPMENT

Land	598,285
Buildings	32,514,495
Furniture, equipment and machinery - dwellings	558,178
Furniture, equipment and machinery - administration	2,227,269
Leasehold improvements	6,879,354
	<u>42,777,581</u>
Less accumulated depreciation	<u>(29,783,032)</u>
Property and equipment, net	<u>12,994,549</u>

TOTAL ASSETS \$ 20,923,597

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Bank overdraft	\$ 300,592
Accounts payable	162,220
Accounts payable - other government	52,429
Accrued compensated absences	92,260
Tenant security deposits	175,960
Deferred revenue	24,535
Accrued expenses	83,451
Other liabilities	90,626

TOTAL CURRENT LIABILITIES 982,073

NET ASSETS

Invested in capital assets	12,994,549
Unrestricted net assets	6,512,779
Restricted net assets	434,196

TOTAL NET ASSETS 19,941,524

TOTAL LIABILITIES AND NET ASSETS \$ 20,923,597

See notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY

New Albany, Indiana

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS-
PROPRIETARY FUND

for the year ended March 31, 2008

OPERATING REVENUE

Tenant revenue	\$ 2,224,233
HUD PHA operating grants	6,562,641
Other government grants	10,785
Fraud recovery	37,864
Other revenue	148,296
Loss on disposal of fixed assets	<u>(4,614)</u>

TOTAL OPERATING REVENUE 8,979,205

OPERATING EXPENSES

Administration	1,386,730
Tenant service	278,164
Utilities	1,294,528
Ordinary maintenance and operations	1,880,522
Protective services	98,375
General expenses	912,886
Housing assistance payments	2,046,159
Depreciation expense	<u>1,775,127</u>

TOTAL OPERATING EXPENSES 9,672,491

Operating loss (693,286)

NONOPERATING REVENUE (EXPENSE)

Interest revenue	140,676
Extraordinary maintenance and casualty losses	(13,517)
Fraud losses	<u>(21,945)</u>

TOTAL NONOPERATING REVENUE 105,214

Loss before capital fund grant (588,072)

Capital fund grant 588,256

CHANGE IN NET ASSETS 184

Net assets, beginning of year 19,941,340

Net assets, end of year \$ 19,941,524

See notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

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

OPERATING ACTIVITIES	
Cash received from tenants	\$ 2,212,862
HUD PHA grants	6,963,305
Other government grants	10,785
Interest earned	140,676
Other cash received	199,827
	<u>9,527,455</u>
Administrative expenses	1,387,039
Tenant service	278,164
Utilities	1,294,528
Ordinary maintenance and operating	1,956,016
Protective services	98,375
General expenses	906,859
Extraordinary maintenance	13,517
Housing assistance payments	2,055,744
	<u>7,990,242</u>
Net cash provided by operating activities	<u>1,537,213</u>
INVESTING ACTIVITIES	
Purchase of property and equipment	(794,733)
Purchase of certificates of deposit	(132,773)
Net additions to tenants' escrow account	<u>(9,585)</u>
Net cash used by investing activities	<u>(937,091)</u>
Net increase in cash	600,122
OPERATING CASH AND CASH EQUIVALENTS	
Beginning of year	<u>1,434,257</u>
End of year	<u>\$ 2,034,379</u> *
OPERATING ACTIVITIES	
Change in net assets	\$ 184
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	1,775,127
Bad debt expense	90,639
Fraud losses	21,945
Loss on disposal of equipment	4,614
(Increase) decrease in:	
Tenants' accounts receivable	(92,558)
Accounts receivable - HUD	(187,592)
Accounts receivable - fraud recovery	(2,692)
Accounts receivable - miscellaneous	16,359
Prepaid expenses and other assets	(4,233)
Inventory - materials and supplies	13,663
Increase (decrease) in:	
Accounts payable	(127,754)
Accounts payable - HUD	-
Accounts payable - other government	6,027
Accrued compensated absences	3,924
Tenant security deposits	13,661
Deferred revenue	(23,113)
Accrued expenses	12,683
Other liabilities	16,329
Net cash provided by operating activities	<u>\$ 1,537,213</u>
* Cash reconciliation as reported on the Statement of Net Assets:	
Cash	\$ 2,334,971
Bank Overdraft	(300,592)
	<u>\$ 2,034,379</u>

See notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, 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 New Albany (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, a nonprofit organization, is organized under the laws of the State of Indiana for the purpose of engaging in the development and administration of low-rent housing programs. The Authority owns and operates 1,083 public housing units and administers 408 Section 8 units under Annual Contributions Contract C-912 in New Albany, Indiana.

Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of New Albany 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 the City of New Albany is a separate reporting entity.

Basis of Presentation

All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. 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.

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 funds follow 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.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued
March 31, 2008

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 with an original maturity of three months or less to be cash equivalents. There were 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. The allowance for doubtful accounts was \$56,040 for accounts receivable – tenants. The allowance for doubtful accounts was \$49,377 for accounts receivable – fraud recovery.

Inventories

Inventories, consisting of materials and supplies, are stated at the lower of cost or market, reported on a first-in, first-out basis. Management has established an allowance for obsolete inventory which totaled \$39,412.

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred; renewals or betterments are capitalized. Gain or loss on retirements and disposition of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts.

Depreciation is provided on the basis of the estimated useful lives of the assets using the straight-line method. The estimated useful lives are 10 - 30 years for building and improvements and 5 - 10 years for building equipment, furniture, maintenance equipment and miscellaneous assets.

Revenue and Expenses

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

The Authority has entered into annual contribution contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 programs whereby the Authority pays the owner a portion of the rent, a housing assistance payment (HAP), on behalf of the family. Such contributions are reflected as HUD grants in the accompanying financial statements.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, 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. Additionally, in accordance with Section 401-(E) of the HUD/PHA Annual Contributions Contract, it is the policy of the Authority to invest its funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Authority, and comply with all federal, State and local statutes or ordinances governing the investment of public funds.

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 as of March 31, 2008, were insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company or depository financial institutions. The deposits exceeding the insured or registered limits are collateralized with securities held by the Authority's financial institution.

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's investment policy 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's investment policy requires investment in instruments authorized by HUD Notice PIH 95-27.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued
March 31, 2008

NOTE 2—CASH DEPOSITS—Continued

D. Concentration of Credit Risk

The Authority's investment policy requires 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.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect fair value of an investment or a deposit. All of the Authority's deposits and investments are denominated in United States currency.

The carrying value of cash, including tenants' escrow account and certificates of deposit owned at March 31, 2008, was \$2,034,379 and \$5,012,125, respectively. The bank balance of cash and certificates of deposit owned at March 31, 2008 was \$2,289,266 and \$5,012,125, respectively.

NOTE 3—PROPERTY AND EQUIPMENT

The following is the detail of property and equipment transactions during the year ended March 31, 2008:

	<u>Balance</u> <u>3/31/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>3/31/08</u>
Land	\$ 598,285	\$ -	\$ -	\$ -	\$ 598,285
Buildings	31,986,188	528,307	-	-	32,514,495
Furniture, equipment and machinery – dwellings	720,239	41,837	(32,223)	(171,675)	558,178
Furniture, equipment and machinery – administration	2,063,819	14,696	(22,921)	171,675	2,227,269
Leasehold improvements	<u>6,669,461</u>	<u>209,893</u>	<u>-</u>	<u>-</u>	<u>6,879,354</u>
	<u>\$42,037,992</u>	<u>\$ 794,733</u>	<u>\$(55,144)</u>	<u>\$ -</u>	<u>\$42,777,581</u>

Total depreciation expense for the year ended March 31, 2008 was \$1,775,127.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued
March 31, 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. Accordingly, the Authority has recorded \$434,196 as restricted net assets at March 31, 2008 in the Housing Choice Voucher Program.

NOTE 5—RETIREMENT PLAN

The Authority has a non-contributory retirement plan which covers substantially all employees and is approved by the Department of Housing and Urban Development. Monthly premiums are based on a percentage of participants' annual salaries. Total expense under the plan was \$157,440 for the year ended March 31, 2008, and is included within Administrative Expenses in the Statement of Revenue, Expenses and Changes in Net Assets – Proprietary Fund.

The Authority also has a 457(b) deferred compensation plan. Eligible employees may contribute a portion of their annual salary to the plan. The Authority may, but is not required, to make matching contributions on behalf of eligible employees. As of March 31, 2008, the Authority had made no contributions to the plan.

NOTE 6—COMPENSATED ABSENCES

Regular full and part-time employees receive Paid Time Off (PTO) based upon length of employment. PTO benefits accumulate and can be carried forward to successive years. Accordingly, at March 31, 2008, a liability of \$92,260 has been recorded for accrued compensated absences.

NOTE 7—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 8—MAJOR FUNDING SOURCE

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

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS—Continued
March 31, 2008

NOTE 9—RISK MANAGEMENT

The Authority is exposed to various risks of loss from torts, theft of, damages to, or destruction of assets, business interruption, errors or omissions, job related illnesses or injuries to employees, and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure to such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductible and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of such uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage levels, and insurance coverage, by major categories of risk, is consistent with coverage in the prior year.

NOTE 10—CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended March 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Number</u> <u>Title</u>	Federal CFDA	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Low Rent Public Housing	14.850a	\$3,137,385
Resident Opportunity and Supportive Services	14.864	257,490
Section 8 Housing Choice Vouchers	14.871	2,542,267
Public Housing – Capital Fund Program		
Operating Grant Funds	14.872	\$ 625,499
Capital Grant Funds	14.872	<u>588,256</u>
		1,213,755
Disaster Housing Assistance Grant	97.109	<u>10,785</u>
		<u>\$7,161,682</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.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended March 31, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Housing Authority of the City of New Albany (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 auditor's 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 awards programs for the Authority which are required to be reported under Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program included:

<u>Description</u>	<u>Federal CFDA No.</u>
Low Rent Public Housing	14.850a
Housing Choice Vouchers	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. FINDING—MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs.

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

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

None.



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
The Housing Authority of
the City of New Albany
New Albany, Indiana 47150

We have audited the financial statements of the Housing Authority of the City of New Albany (the "Authority"), a nonprofit organization, as of and for the year ended March 31, 2008, and have issued our report thereon dated October 8, 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 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.

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 disclose 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 Commissioners, management and grantor agencies and is not intended to be and should not be used by anyone other than these specific parties.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
October 8, 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
The Housing Authority of
the City of New Albany
New Albany, Indiana 47150

Compliance

We have audited the compliance of the Housing Authority of the City of New Albany (the "Authority"), a nonprofit organization, 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, 2008. The Authority'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 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 each of its major federal programs 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 entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 Commissioners, management and grantor agencies and is not intended to be and should not be used by anyone other than these specific parties.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

New Albany, Indiana
October 8, 2008



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Board of Commissioners
The Housing Authority of
the City of New Albany
New Albany, Indiana 47150

We have performed the procedure described in the second paragraph, which was agreed to by the Housing Authority of the City of New Albany (the Housing 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 Housing 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 Housing Authority as of and for the year ended March 31, 2008, and have issued our reports thereon dated October 8, 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 October 8, 2008, was expressed in relation to the basic financial statements of the Housing 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 Housing 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 Housing 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
December 4, 2008

ATTACHMENT TO INDEPENDENT ACCOUNTANT'S 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)	Auditor's supplemental report on FDS	Agrees
Audit Findings Narrative (data element G5200-010)	Schedule of Findings and Questioned Costs	Agrees
General information (data element series G2001, 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

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

FINANCIAL DATA SCHEDULE

PHA: IN012 FYED: 03/31/2008

Line Item No.	Account Description	Business Activities	* Public and Indian Housing	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Disaster Housing Assistance Grant	Total
111	Cash - Unrestricted	\$195,558	\$815,913	\$512,889	\$0	\$57,130	\$0	\$153,761	\$2,823	\$1,738,084
113	Cash - Other Restricted	\$0	\$0	\$22,706	\$0	\$494,773	\$0	\$0	\$0	\$617,479
114	Cash - Tenant Security Deposits	\$0	\$0	\$162,680	\$0	\$0	\$0	\$0	\$0	\$162,680
100	Total Cash	\$195,558	\$815,913	\$698,285	\$0	\$551,903	\$0	\$153,761	\$2,823	\$2,418,243
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$79,095	\$6,375	\$252,074	\$0	\$0	\$337,544
125	Accounts Receivable - Miscellaneous	\$15,015	\$106,261	\$759	\$0	\$124	\$0	\$27,235	\$0	\$149,394
126	Accounts Receivable - Tenants - Dwelling Rents	\$166	\$0	\$62,286	\$0	\$0	\$0	\$0	\$0	\$62,432
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$56,040)	\$0	\$0	\$0	\$0	\$0	(\$56,040)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$5,393	\$0	\$54,863	\$0	\$0	\$0	\$61,256
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	(\$5,754)	\$0	(\$49,377)	\$0	\$0	\$0	(\$55,131)
120	Total Receivables, net of allowances for doubtful accounts	\$15,181	\$106,261	\$7,624	\$79,095	\$11,985	\$252,074	\$27,235	\$0	\$499,455
131	Investments - Unrestricted	\$0	\$0	\$5,012,125	\$0	\$0	\$0	\$0	\$0	\$5,012,125
142	Prepaid Expenses and Other Assets	\$0	\$0	\$6,617	\$0	\$403	\$0	\$0	\$0	\$7,020
143	Inventories	\$0	\$129,762	\$0	\$0	\$0	\$0	\$0	\$0	\$129,762
143.1	Allowance for Obsolete Inventories	\$0	(\$39,412)	\$0	\$0	\$0	\$0	\$0	\$0	(\$39,412)
150	Total Current Assets	\$210,739	\$1,012,524	\$5,724,651	\$79,095	\$564,291	\$252,074	\$180,996	\$2,823	\$8,027,193
161	Land	\$3,915	\$0	\$594,370	\$0	\$0	\$0	\$0	\$0	\$598,285
162	Buildings	\$0	\$0	\$32,065,756	\$0	\$0	\$448,739	\$0	\$0	\$32,514,495
163	Furniture, Equipment & Machinery - Dwellings	\$10,704	\$0	\$547,474	\$0	\$0	\$0	\$0	\$0	\$558,178
164	Furniture, Equipment & Machinery - Administration	\$16,520	\$416,970	\$1,657,283	\$0	\$122,979	\$13,517	\$0	\$0	\$2,227,269
165	Leasehold Improvements	\$92,049	\$0	\$6,661,305	\$0	\$0	\$126,000	\$0	\$0	\$6,879,354
166	Accumulated Depreciation	(\$22,954)	(\$385,394)	(\$29,267,752)	\$0	(\$69,880)	(\$17,052)	\$0	\$0	(\$29,783,032)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$100,234	\$31,576	\$12,258,436	\$0	\$33,099	\$571,204	\$0	\$0	\$12,994,549
180	Total Non-Current Assets	\$100,234	\$31,576	\$12,258,436	\$0	\$33,099	\$571,204	\$0	\$0	\$12,994,549
190	Total Assets	\$310,973	\$1,044,100	\$17,983,087	\$79,095	\$697,390	\$823,278	\$180,996	\$2,823	\$21,021,742

* This column represents the Central Office Cost Center (COCC).

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

FINANCIAL DATA SCHEDULE—Continued

PHA: IN012 FYED: 03/31/2008

Line Item No.	Account Description	Business Activities	* Public and Indian Housing	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Disaster Housing Assistance Grant	Total
311	Bank Overdraft	\$0	\$0	\$0	\$70,780	\$0	\$229,802	\$0	\$0	\$300,582
312	Accounts Payable <= 90 Days	\$53,552	\$4,534	\$112,814	\$968	\$1,566	\$10,023	\$438	\$0	\$183,895
321	Accrued Wage/Payroll Taxes Payable	\$3,202	\$53,151	\$9,344	\$8,785	\$4,068	\$4,901	\$0	\$0	\$83,451
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$88,784	\$0	\$3,476	\$0	\$0	\$0	\$92,260
333	Accounts Payable - Other Government	\$0	\$0	\$49,606	\$0	\$0	\$0	\$0	\$2,823	\$52,429
341	Tenant Security Deposits	\$13,280	\$0	\$182,680	\$0	\$0	\$0	\$0	\$0	\$175,960
342	Deferred Revenues	\$0	\$0	\$24,535	\$0	\$0	\$0	\$0	\$0	\$24,535
345	Other Current Liabilities	\$0	\$0	\$99,182	\$0	\$60,566	\$7,348	\$0	\$0	\$167,096
310	Total Current Liabilities	\$70,034	\$57,685	\$546,945	\$80,543	\$69,676	\$252,074	\$438	\$2,823	\$1,080,218
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
300	Total Liabilities	\$70,034	\$57,685	\$546,945	\$80,543	\$69,676	\$252,074	\$438	\$2,823	\$1,080,218
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$100,234	\$31,576	\$12,258,436	\$0	\$33,099	\$571,204	\$0	\$0	\$12,984,549
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$434,196	\$0	\$0	\$0	\$434,196
512.1	Unrestricted Net Assets	\$140,705	\$954,839	\$5,177,706	(\$1,448)	\$60,419	\$0	\$180,558	\$0	\$6,512,779
513	Total Equity/Net Assets	\$240,939	\$986,415	\$17,436,142	(\$1,448)	\$527,714	\$571,204	\$180,558	\$0	\$19,941,524
600	Total Liabilities and Equity/Net Assets	\$310,973	\$1,044,100	\$17,983,087	\$79,095	\$597,390	\$823,278	\$180,996	\$2,823	\$21,021,742

* This column represents the Central Office Cost Center (COCC).

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

FINANCIAL DATA SCHEDULE—Continued

PHA: IN012 FYED: 03/31/2008

Line Item No.	Account Description	Business Activities	* Public and Indian Housing	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Disaster Housing Assistance Grant	Total
703	Nel Tenant Rental Revenue	\$0	\$0	\$1,844,905	\$0	\$0	\$0	\$0	\$0	\$1,844,905
704	Tenant Revenue - Other	\$199,124	\$0	\$180,204	\$0	\$0	\$0	\$0	\$0	\$379,328
705	Total Tenant Revenue	\$199,124	\$0	\$2,025,109	\$0	\$0	\$0	\$0	\$0	\$2,224,233
706	HUD PHA Operating Grants	\$0	\$0	\$3,137,385	\$257,490	\$2,542,267	\$625,499	\$0	\$0	\$6,562,641
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$588,256	\$0	\$0	\$588,256
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,785	\$10,785
711	Investment Income - Unrestricted	\$0	\$1,060	\$134,809	\$0	\$377	\$0	\$0	\$0	\$136,246
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$37,864	\$0	\$0	\$0	\$37,864
715	Other Revenue	\$518	\$563	\$83,364	\$0	\$17,265	\$0	\$46,586	\$0	\$148,296
716	Gain/Loss on Sale of Fixed Assets	(\$804)	\$0	(\$3,810)	\$0	\$0	\$0	\$0	\$0	(\$4,614)
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$4,430	\$0	\$0	\$0	\$4,430
700	Total Revenue	\$198,838	\$1,623	\$5,376,857	\$257,490	\$2,602,203	\$1,213,755	\$46,586	\$10,785	\$9,708,137

* This column represents the Central Office Cost Center (COCC).

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

FINANCIAL DATA SCHEDULE—Continued

PHA: IN012 FYED: 03/31/2008

Line Item No.	Account Description	Business Activities	* Public and Indian Housing	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Disaster Housing Assistance Grant	Total
911	Administrative Salaries	\$14,436	\$298,855	\$362,307	\$0	\$82,307	\$83,573	\$0	\$0	\$841,478
912	Auditing Fees	\$0	\$225	\$11,880	\$0	\$5,750	\$7,020	\$0	\$0	\$24,875
913	Outside Management Fees	\$30,015	(\$869,161)	\$845,312	\$0	\$93,834	\$0	\$0	\$0	\$0
914	Compensated Absences	\$0	\$0	\$88,784	\$0	\$3,476	\$0	\$0	\$0	\$92,260
915	Employee Benefit Contributions - Administrative	\$3,760	\$96,518	\$140,555	\$0	\$22,295	\$12,056	\$0	\$0	\$275,184
916	Other Operating - Administrative	\$926	\$26,834	\$26,430	\$0	\$3,196	\$95,547	\$0	\$0	\$152,933
921	Tenant Services - Salaries	\$0	\$0	\$0	\$165,000	\$12,563	\$0	\$0	\$0	\$177,563
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$46,783	\$3,283	\$0	\$0	\$0	\$50,046
924	Tenant Services - Other	\$0	\$0	\$27,050	\$23,505	\$0	\$0	\$0	\$0	\$50,555
931	Water	\$4,263	\$0	\$152,500	\$0	\$0	\$0	\$0	\$0	\$156,763
932	Electricity	\$1,283	\$0	\$376,088	\$0	\$0	\$0	\$0	\$0	\$377,371
933	Gas	\$1,649	\$0	\$412,031	\$0	\$0	\$0	\$0	\$0	\$413,680
938	Other Utilities Expense	\$1,040	\$0	\$344,873	\$0	\$801	\$0	\$0	\$0	\$346,714
941	Ordinary Maintenance and Operations - Labor	\$35,847	\$0	\$692,847	\$0	\$0	\$0	\$0	\$0	\$728,694
942	Ordinary Maintenance and Operations - Materials and Other	\$57,838	\$0	\$251,796	\$0	\$0	\$109,961	\$0	\$0	\$419,615
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$588	\$473,925	\$0	\$0	\$0	\$0	\$0	\$474,513
945	Employee Benefit Contributions - Ordinary Maintenance	\$9,335	\$0	\$248,365	\$0	\$0	\$0	\$0	\$0	\$257,700
951	Protective Services - Labor	\$0	\$0	\$33,389	\$0	\$0	\$0	\$0	\$0	\$33,389
952	Protective Services - Other Contract Costs	\$0	\$0	\$52,998	\$0	\$0	\$0	\$0	\$0	\$52,998
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$11,988	\$0	\$0	\$0	\$0	\$0	\$11,988
961	Insurance Premiums	\$10,186	\$24,551	\$334,906	\$0	\$683	\$0	\$0	\$0	\$370,326
962	Other General Expenses	\$13,150	\$17,981	\$257,241	\$22,347	\$31,571	\$47,585	\$4,132	\$8,608	\$402,315
963	Payments in Lieu of Taxes	\$0	\$0	\$49,606	\$0	\$0	\$0	\$0	\$0	\$49,606
964	Bad Debt - Tenant Rents	\$0	\$0	\$90,639	\$0	\$0	\$0	\$0	\$0	\$90,639
969	Total Operating Expenses	\$183,728	(\$503,909)	\$5,285,510	\$257,635	\$259,739	\$355,762	\$4,132	\$8,608	\$5,851,205
970	Excess Operating Revenue over Operating Expenses	\$15,110	\$505,532	\$91,347	(\$145)	\$2,342,464	\$857,993	\$42,454	\$2,177	\$3,856,932
971	Extraordinary Maintenance	\$0	\$0	\$11,127	\$0	\$0	\$0	\$0	\$0	\$11,127
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$2,390	\$0	\$0	\$0	\$0	\$0	\$2,390
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$2,043,982	\$0	\$0	\$2,177	\$2,046,159
974	Depreciation Expense	\$3,767	\$49,137	\$1,685,098	\$0	\$20,073	\$17,052	\$0	\$0	\$1,775,127
975	Fraud Losses	\$0	\$0	\$0	\$0	\$21,945	\$0	\$0	\$0	\$21,945
900	Total Expenses	\$187,495	(\$454,772)	\$6,984,125	\$257,635	\$2,345,739	\$372,814	\$4,132	\$10,785	\$9,707,953
1001	Operating Transfers In	\$0	\$0	\$269,737	\$0	\$0	\$0	\$0	\$0	\$269,737
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	(\$269,737)	\$0	\$0	(\$269,737)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$269,737	\$0	\$0	(\$269,737)	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$11,343	\$456,395	(\$1,337,531)	(\$145)	\$256,464	\$571,204	\$42,454	\$0	\$184

* This column represents the Central Office Cost Center (COCC).

THE HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

FINANCIAL DATA SCHEDULE—Continued

PHA: IN012 FYED: 03/31/2008

Line Item No.	Account Description	Business Activities	* Public and Indian Housing	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Disaster Housing Assistance Grant	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$229,598	\$0	\$18,701,625	(\$1,303)	\$271,250	\$602,068	\$138,104	\$0	\$19,941,340
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$530,020	\$72,048	\$0	\$0	(\$602,068)	\$0	\$0	\$0
1120	Unit Months Available	0	0	13,020	0	4,898	0	0	3	17,919
1121	Number of Unit Months Leased	0	0	12,684	0	4,812	0	0	3	17,499
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$93,518	\$0	\$0	\$0	\$93,518
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$434,196	\$0	\$0	\$0	\$434,196

* This column represents the Central Office Cost Center (COCC).