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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

May 14, 2009

Board of Commissioners  
Huntingburg Housing Authority  
1102 Friendship Village  
Huntingburg, IN 47542

We have reviewed the audit report prepared by Jean E. Sickels, CPA, Independent Public Accountant, for the period January 1, 2008 to December 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 Huntingburg Housing Authority, as of December 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

# HUNTINGBURG HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

HUNTINGBURG, INDIANA  
DECEMBER 31, 2008

*Jean Sickels*

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120  
812-472-3527

870 Cinderella Court  
Decatur, GA 30033  
404-297-9881

**HUNTINGBURG  
HOUSING AUTHORITY**

**Huntingburg, Indiana  
December 31, 2008**

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# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the  
City of Huntingburg  
1102 Friendship Village  
Huntingburg, Indiana

I have audited the financial statements of the Housing Authority of the City of Huntingburg ("the Authority") as of and for the year ended December 31, 2008, 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 Huntingburg as of December 31, 2008, 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 April 20, 2009, on my consideration of the Housing Authority of the City of Huntingburg'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 Huntingburg. The other supplemental information, as listed in the table of contents is presented for purposes of additional analysis and is 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

Fredericksburg, Indiana  
April 20, 2009

**HUNTINGBURG HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
HUNTINGBURG, INDIANA  
DECEMBER 31, 2008**

**Management's Discussion and Analysis**

As management of the Huntingburg Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Gayle Dugas, Executive Director of the Huntingburg Housing Authority at 812-683-2513.

**Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- 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 and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority own's (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

**HUNTINGBURG HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
HUNTINGBURG, INDIANA  
DECEMBER 31, 2008  
(Continued)**

Over time, significant changes in the Authorities net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of the City of Huntingburg:

***Low Income Public Housing***

The Housing Authority owns 50 units at 1 site in Huntingburg. The 50 units are separated into two areas, League Circle which is a family site with 20 units and Friendship Village which has 30 elderly units. The Authority is responsible for the management, maintenance and utilities for all units and sites. 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 Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

**Future Events (New Business)**

There are no future events planned by the Authority during the fiscal year ending December 31, 2008 that will significantly affect the Authority's Net Assets either positively or negatively.

**Condensed Comparative Financial Statements**

***Analysis of Entity Wide Net Assets (Statement of Net Assets)***

**Total Assets** for FYE 2008 was \$899,656 and at FYE 2007 the amount was \$981,568. This represents a net decrease of \$81,912.

**Cash** decreased by \$30,914. Cash decreased because the Authority repaid excess HUD funding received in fiscal year ending December 31, 2007 during fiscal year ending December 31, 2008.

**Other Current Assets** increased by \$4,432. Other current assets increased mainly due to an increase in the amount of materials inventory.

**Capital Assets** decreased by \$55,430. The change in Capital Assets will be presented in the section entitled Analysis of Capital Asset Activity.

**HUNTINGBURG HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
HUNTINGBURG, INDIANA  
DECEMBER 31, 2008  
(Continued)**

**Condensed Comparative Financial Statements (Continued)**

**Current Liabilities** decreased by \$18,015. Current liabilities decreased because the Authority repaid excess HUD funding received in fiscal year ending December 31, 2007 during fiscal year ending December 31, 2008.

**Long Term Liabilities** increased by \$1,720. The Authority's non-current portion of compensated absences caused this change.

The table below illustrates our analysis:

	2008	2007	Net Change	Percent Variance
Cash	\$ 185,472	\$ 216,386	\$ (30,914)	-14.3%
Other Current Assets	17,368	12,936	4,432	34.3%
Capital Assets	696,816	752,246	-55,430	-7.4%
<b>Total Assets</b>	<b>899,656</b>	<b>981,568</b>	<b>-81,912</b>	<b>-8.3%</b>
Current Liabilities	34,826	52,841	-18,015	-34.1%
Long Term Liabilities	9,142	7,422	1,720	23.2%
<b>Total Liabilities</b>	<b>43,968</b>	<b>60,263</b>	<b>-16,295</b>	<b>-27.0%</b>
Invested in Capital Assets	696,816	752,246	-55,430	-7.4%
Unrestricted Net Assets	158,872	169,059	-10,187	-6.0%
<b>Total Net Assets</b>	<b>\$ 855,688</b>	<b>\$ 921,305</b>	<b>\$ (65,617)</b>	<b>-7.1%</b>

***Analysis of Entity Wide Revenues (Statement of Activities)***

**HUD Operating Grants** decreased by \$111,381 or 51%. During fiscal year ending December 31, 2008 the Authority received no revenue for the Section 8 New Construction Program. Also, the Authority increased the use of Capital Fund Program on construction projects.

**HUD Capital Grants** increased by \$49,040. The Authority utilized more Capital Funds in fiscal year ending December 31, 2008 than in the fiscal year ending December 31, 2007 because the Authority had a need for more capital improvements in fiscal year ending December 31, 2008.

**HUNTINGBURG HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
HUNTINGBURG, INDIANA  
DECEMBER 31, 2008  
(Continued)**

**Investment Income** increased by \$2,180 or 29% because the interest rates the Authority obtained on its CD's has decreased as compared to prior years.

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>	<u>Percentage Change</u>
Total Tenant Revenue	\$ 149,542	\$ 148,202	\$ 1,340	1%
HUD Operating Grants	108,369	219,750	-111,381	-51%
HUD Capital Grants	56,177	7,137	49,040	687%
Other Income	0	2,747	-2,747	-100%
Investment Income	5,422	7,602	-2,180	-29%
Total Revenue	<u>\$ 319,510</u>	<u>\$ 385,438</u>	<u>\$ (65,928)</u>	<u>-17%</u>

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2008 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$ 243,111
Public Housing Capital Fund Program	76,399
Total Revenue	<u>\$ 319,510</u>

***Analysis of Entity Wide Expenditures***

**Total Expenditures** for Fiscal Year Ending December 31, 2008 were \$385,127 as compared to the \$452,096 of total expenditures for Fiscal Year Ending December 31, 2007. Comparatively, Fiscal Year Ending 2008 expenditures decreased by \$66,969 or 14% from Fiscal Year Ending 2007 expenditures. Changes by major expense category will be presented below.

**HUNTINGBURG HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
HUNTINGBURG, INDIANA  
DECEMBER 31, 2008  
(Continued)**

**Administrative** expenditures increased by \$5,146 or 4%. The increase is due to a standard increase in employee salaries and related employee benefit cost increases. Administrative expenses also increased because of increases in software expenses and other operating expenses.

**Maintenance** expenditures decreased by \$14,039 or 20%. The Authority no longer had maintenance employees after the middle of the fiscal year. Maintenance staff was replaced by with contractors saving the Authority the expense of benefits costs.

**General Expense** increased by \$3,966 or 13%. The increase in general expenses is due to the change in current year compensated absences and because of an increase in the amount of tenant receivables consider uncollectible.

**Housing Assistance Payments** decreased by \$63,118. HUD transferred the Section 8 New Construction program to Quadel for future administration of the program. The transfer occurred as of June 30, 2007.

The table on the below illustrates our analysis:

	2008	2007	Net Change	Percent Variances
Administrative	\$ 102,559	\$ 97,413	\$ 5,146	5%
Tenant Services	1,250	0	1,250	100%
Utilities	64,269	62,910	1,359	2%
Maintenance	54,989	69,028	-14,039	-20%
General Expense	35,501	31,535	3,966	13%
Extraordinary Maintenance	14,952	15,769	-817	-5%
Housing Assistance Payments	0	63,118	-63,118	-100%
Depreciation Expense	111,607	112,323	-716	-1%
<b>Total Expenses</b>	<b>\$ 385,127</b>	<b>\$ 452,096</b>	<b>\$ (66,969)</b>	<b>-14%</b>

**HUNTINGBURG HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
HUNTINGBURG, INDIANA  
DECEMBER 31, 2008  
(Continued)**

*Analysis of Capital Asset Activity*

**Leasehold Improvements** increased by \$20,813. The Authority closed CFP 2006 and reclassified the capital assets from construction in process.

**Furniture, Equipment, & Machinery** increased by \$4,558. The Authority purchased computer equipment and air conditioners.

**Construction in Process** increased by \$30,167. Construction in process increased by \$50,980 because of improvements made through the Capital Fund for improvements to the Authority's dwelling units. Construction in process decreased by \$20,813 because the Authority closed CFP 2006 and reclassified the fixed assets to Leasehold Improvements.

**Accumulated Depreciation** increased by \$111,608. This is the amount of depreciation expense recognized during the fiscal year.

	2008	2007	Net Change	Percent Variance
Land	\$ 14,750	\$ 14,750	\$ -	0.0%
Buildings	955,747	955,747	0	0.0%
Furniture, Equip., & Mach. - Dwelling	128,200	128,200	0	0.0%
Furniture, Equip., & Mach. - Administrative	126,370	121,812	4,558	3.7%
Leasehold Improvements	1,169,855	1,149,042	20,813	1.8%
Infrastructure	108,120	108,120	0	0.0%
Construction in Process	50,980	20,813	30,167	144.9%
<b>Total Fixed Assets</b>	<b>2,554,022</b>	<b>2,498,484</b>	<b>55,538</b>	<b>2.2%</b>
Accumulated Depreciation	1,857,206	1,745,598	111,608	6.4%
<b>Net Fixed Assets</b>	<b>\$ 696,816</b>	<b>\$ 752,886</b>	<b>\$ (56,070)</b>	<b>-7.4%</b>

**FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 180,021
Restricted cash and cash equivalents	5,451
Accounts receivable, net	1,233
Prepaid insurance	2,235
Inventory	<u>13,900</u>
 Total Current Assets	 <u>202,840</u>

CAPITAL ASSETS

Land and other nondepreciable assets	65,730
Depreciable capital assets, net	<u>631,086</u>
Total Capital Assets	<u>696,816</u>

Total Assets	<u>899,656</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	2,003
Accrued liabilities	14,192
Payable from restricted cash and cash equivalents:	
Tenant's security deposits	5,451
Deferred revenue	<u>13,180</u>
 Total Current Liabilities	 <u>34,826</u>

NONCURRENT LIABILITIES

Compensated absences	<u>9,142</u>
Total Noncurrent Liabilities	<u>9,142</u>

Total Liabilities	<u>43,968</u>
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NET ASSETS

Invested in capital assets	696,816
Unrestricted	<u>158,872</u>

TOTAL NET ASSETS	<u>\$ 855,688</u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATING REVENUES

Rental income \$ 149,542

**TOTAL OPERATING REVENUES** 149,542

OPERATING EXPENSES

Administrative 102,559

Tenant services 1,250

Utilities 64,269

Ordinary maintenance  
and operation 69,941

General expense 35,501

Depreciation expense 111,607

**TOTAL OPERATING EXPENSES** 385,127

OPERATING INCOME (LOSS) (235,585)

NONOPERATING REVENUES (EXPENSES)

Federal operating grants 108,369

Interest income 5,422

**TOTAL NONOPERATING REVENUES** 113,791

CAPITAL CONTRIBUTIONS 56,177

CHANGE IN NET ASSETS (65,617)

NET ASSETS, BEGINNING OF YEAR 921,305

NET ASSETS, END OF YEAR \$ 855,688

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

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from residents and other deposits	\$ 149,138
Payments to suppliers	(196,773)
Payments to/for employees	<u>(97,878)</u>
 Net Cash Flows Provided (Used) by Operating Activities	  <u>(144,705)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>5,422</u>
 Net Cash Provided by Investing Activities	 <u>5,422</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	56,177
Capital assets purchased	<u>(56,177)</u>
 Net Cash Provided (Used) from Capital and Related Financing Activities	  <u>0</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>108,369</u>
 Net Cash Flows Provided by Noncapital Financing Activities	  <u>108,369</u>

Net Increase (Decrease) in Cash and Cash Equivalents (30,914)

Beginning Cash and Cash  
Cash - Beginning of year 216,386

Ending Cash and Cash  
Cash - End of year \$ 185,472

Reconciliation of Cash  
Unrestricted \$ 180,021  
Restricted 5,451  
\$ 185,472

Continued

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(CONTINUED)

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(235,585)
Adjustments to reconcile net income to net cash Provided by operating activities:		
Depreciation		111,607
(Increase) Decrease in:		
Accounts receivable		404
Prepaid expenses		335
Inventory		(5,171)
Increase (Decrease) in:		
Accounts payable		(33,057)
Accrued liabilities		5,546
Deferred revenue		11,216
		<hr/>
Net Cash Flows Provided (Used) by Operating Activities	\$	<u>(144,705)</u>

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

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

NOTE A - Summary of Significant Accounting Policies:

The HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG ("the Authority") is a political subdivision both corporate and politic which was organized under the laws of the State of Indiana to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other Federal Agencies to be the Administrator of a Public Housing Program.

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 Huntingburg, 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 HUNTINGBURG include Low-Income Public Housing under Annual Contributions Contract C-543.

The authority had 50 units in management at December 31, 2008:

<u>Project</u>	<u>Units</u>
Authority owned	50

The authority was also administering Capital Fund Programs.

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 principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

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

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

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

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(Continued)

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

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. The capital fund budgets are adopted on a "project length" basis.

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 and approved by HUD. This budget does not represent an appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of Checking accounts and Certificates of Deposits and 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 purposes 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 noncash investing, non capital, capital and financing activities during the year.

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(Continued)

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

Tenant Receivables - Receivables for rentals and service charges are reported net of an allowance for doubtful accounts. The Housing Authority Board takes monthly action as required to write off specific uncollectable accounts receivable balances.

Prepaid - Prepaids, when present, represent payments made to vendors for services that will benefit beyond December 31, 2008.

Inventories - Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

Interprogram Due From and Due To - During the course of its operations, the authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram receivables and payables have been eliminated for financial statement presentation.

Capital Assets - Capital assets purchased in the proprietary fund types 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 \$500 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>
Building & Improvements	15-40 years
Furniture, Equipment & Fixtures	3-7 years

Compensated Absences - Compensated absences 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.

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 HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)

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

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 nonoperating 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, then restricted resources as they are allowed.

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

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

NOTE B - Deposits, Cash and Cash Equivalents:

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.

At December 31, 2008, the carrying amount of the Authority's deposits was \$185,472. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits.

Deposits consist of the following:

Checking accounts	\$ 86,737
Certificates of Deposit	<u>98,735</u>
Total	\$ <u>185,472</u>

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

(Continued)

**NOTE C - Accounts Receivable:**

Accounts receivable at December 31, 2008, consist of the following:

Tenants accounts receivable - net allowance for doubtful accounts of \$405	\$ 19
Accrued interest	<u>1,214</u>
Total	<u>\$ 1,233</u>

**NOTE D - Prepaid Expenses:**

There were 2,235 of prepaid insurance expenses at December 31, 2008.

**NOTE E - Inventory:**

Inventory at December 31, 2008, consist of the following:

Materials and supplies	<u>\$ 13,900</u>
------------------------	------------------

Materials inventories are recorded at the lower of cost or market. The first-in first-out (FIFO) inventory flow assumption is used to determine expenses. Expenses are recorded when inventory is consumed.

**NOTE F - Capital Assets:**

A summary in changes in capital assets is as follows:

	Beginning Balance <u>12/31/07</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>12/31/08</u>
Capital assets, not being depreciated:				
Land	\$ 14,750	\$ 0	\$ 0	\$ 14,750
Construction in Progress	<u>20,813</u>	<u>50,980</u>	<u>( 20,813)</u>	<u>50,980</u>
Total Capital Assets, not being depreciated	<u>35,563</u>	<u>50,980</u>	<u>( 20,813)</u>	<u>65,730</u>
Capital Assets, being depreciated:				
Buildings & Improvements	2,212,909	20,813	0	2,233,722
Furniture, Equipment & Machinery	<u>249,372</u>	<u>5,198</u>	<u>0</u>	<u>254,570</u>
Total Capital Assets, being depreciated	<u>2,462,281</u>	<u>26,011</u>	<u>0</u>	<u>2,488,292</u>

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)

NOTE F - Capital Assets: (Continued)

Less Accumulated Depreciation for:				
Buildings & Improvements	( 1,499,598)	(109,385)	0	( 1,608,983)
Furniture, Equipment and Machinery	<u>( 246,000)</u>	<u>( 2,223)</u>	<u>0</u>	<u>( 248,223)</u>
Total Accumulated Depreciation	<u>( 1,745,598)</u>	<u>(111,608)</u>	<u>0</u>	<u>( 1,857,206)</u>
Total Capital Assets, being depreciated, net	<u>716,683</u>	<u>( 85,597)</u>	<u>0</u>	<u>631,086</u>
Capital Assets, Net	<u>\$ 752,246</u>	<u>\$ ( 34,617)</u>	<u>\$ (20,813)</u>	<u>\$ 696,816</u>

Major construction renovation through the Capital Fund Program costs of \$ are yet to be expended under the current programs. HUD has approved funding for the above amount. Depreciation expense for the year ended December 31, 2008, was \$111,608.

NOTE G - Accounts Payable:

Accounts payable at December 31, 2008, consist of the following:

Vendors' and contractors	<u>\$ 2,003</u>
--------------------------	-----------------

NOTE H - Accrued Liabilities:

Accrued liabilities at December 31, 2008, consist of the following:

Payment in lieu of taxes	\$ 7,260
Accrued Utilities	5,872
Accrued compensated absences	<u>1,060</u>
Total	<u>\$ 14,192</u>

NOTE I - Deferred revenue:

Deferred revenue at December 31, 2008, consists of the following:

Prepaid Rent	\$ 680
Capital Fund Revenue	<u>12,500</u>
Total	<u>\$ 13,180</u>

NOTE J - Noncurrent Liabilities:

Noncurrent liabilities at December 31, 2008, consist of the following:

	<u>12/31/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/08</u>
Long term compensated absences	<u>\$ 7,422</u>	<u>\$ 1,720</u>	<u>\$ 0</u>	<u>\$ 9,142</u>

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008  
(Continued)

NOTE K - Federal Operating Grants:

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

Low Rent Public Housing	\$ 88,147
Capital Fund Program	<u>20,222</u>
Total	<u>\$ 108,369</u>

NOTE L - Federal Capital Grants:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended December 31, 2008 were \$56,177.

NOTE M - Pension Plan:

Plan Description

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Authority the power to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

The Authority's contributions were calculated using the base salary amount of \$68,006. During the year ended December 31, 2008, the Authority's required and actual contributions amounted to \$9,297, which was 13.9% of its current-year covered payroll in the amount of \$66,942. Contributions for 2007 were \$6,128. Contributions for 2007 were \$6,128.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employee's Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

**Basis of Accounting** - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

(Continued)

NOTE M - Pension Plan: (Continued)

Valuation of Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

NOTE N - Economic Dependency:

The Authority receives approximately 59% 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.

NOTE O - 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 December 31, 2008.

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

Construction Projects - There are certain major construction projects in progress at December 31, 2008. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

NOTE P - 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. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE Q - Conduit Type Debt:

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

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

**SUPPLEMENTAL FINANCIAL INFORMATION**

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS

DECEMBER 31, 2008

		<u>Annual Contributions Contracts</u>	
		<u>C-543</u>	<u>C-543</u>
		Low	
	Business	Income	Capital
	Activities	Public	Fund
		<u>Housing</u>	<u>Program</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	\$ 22,758	\$ 157,263	\$ 0
Restricted cash and cash equivalents	0	5,451	0
Accounts receivable, net	0	1,233	0
Prepaid insurance	0	2,235	0
Inventory	0	13,900	0
Interfund	0	0	0
<b>Total Current Assets</b>	<b><u>22,758</u></b>	<b><u>180,082</u></b>	<b><u>0</u></b>
<b><u>CAPITAL ASSETS</u></b>			
Land and other nondepreciable assets	0	65,730	0
Depreciable capital assets, net	0	631,086	0
<b>Total Capital Assets</b>	<b><u>0</u></b>	<b><u>696,816</u></b>	<b><u>0</u></b>
<b>Total Assets</b>	<b><u>22,758</u></b>	<b><u>876,898</u></b>	<b><u>0</u></b>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts payable	0	2,003	0
Accrued liabilities	0	14,192	0
Payable from restricted cash and cash equivalents:			
Tenant's security deposits	0	5,451	0
Interfund	0	0	0
Deferred revenue	0	13,180	0
<b>Total Current Liabilities</b>	<b><u>0</u></b>	<b><u>34,826</u></b>	<b><u>0</u></b>
<b><u>NONCURRENT LIABILITIES</u></b>			
Compensated absences	0	9,142	0
<b>Total Noncurrent Liabilities</b>	<b><u>0</u></b>	<b><u>9,142</u></b>	<b><u>0</u></b>
<b>Total Liabilities</b>	<b><u>0</u></b>	<b><u>43,968</u></b>	<b><u>0</u></b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets	0	696,816	0
Unrestricted	22,758	136,114	0
<b>TOTAL NET ASSETS</b>	<b><u>\$ 22,758</u></b>	<b><u>\$ 832,930</u></b>	<b><u>\$ 0</u></b>

Total

\$ 180,021  
5,451  
1,233  
2,235  
13,900  
0  
202,840

65,730  
631,086  
696,816

899,656

2,003  
14,192

5,451  
0  
13,180  
34,826

9,142  
9,142  
43,968

696,816  
158,872  
\$ 855,688

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business Activities	C-543 Low Income Public Housing	C-543 Capital Fund Program	Total
<b><u>OPERATING REVENUES</u></b>				
Rental income	\$ 0	\$ 149,542	\$ 0	\$ 149,542
<b>TOTAL OPERATING REVENUES</b>	<b>0</b>	<b>149,542</b>	<b>0</b>	<b>149,542</b>
<b><u>OPERATING EXPENSES</u></b>				
Administrative	0	102,559	0	102,559
Tenant Services	0	1,250	0	1,250
Utilities	0	64,269	0	64,269
Ordinary maintenance and operation	0	69,941	0	69,941
General expense	0	35,501	0	35,501
Depreciation expense	0	111,607	0	111,607
<b>TOTAL OPERATING EXPENSES</b>	<b>0</b>	<b>385,127</b>	<b>0</b>	<b>385,127</b>
<b>OPERATING INCOME (LOSS)</b>	<b>0</b>	<b>(235,585)</b>	<b>0</b>	<b>(235,585)</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Federal operating grants	0	88,147	20,222	108,369
Interest income	0	5,422	0	5,422
<b>TOTAL NONOPERATING REVENUES</b>	<b>0</b>	<b>93,569</b>	<b>20,222</b>	<b>113,791</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>0</b>	<b>0</b>	<b>56,177</b>	<b>56,177</b>
<b>CHANGE IN NET ASSETS</b>	<b>0</b>	<b>(142,016)</b>	<b>76,399</b>	<b>(65,617)</b>
<b>NET ASSETS, BEGINNING OF YEAR, as originally stated</b>	<b>85,128</b>	<b>836,177</b>	<b>0</b>	<b>921,305</b>
Operating transfers	(62,370)	138,769	(76,399)	0
Total net Assets - Beginning of year as restated	22,758	974,946	(76,399)	921,305
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 22,758</b>	<b>\$ 832,930</b>	<b>\$ 0</b>	<b>\$ 855,688</b>

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED  
DECEMBER 31, 2008

Annual Contributions Contract C-543

	<u>502-06</u>	<u>501-06</u>
1. The Capital Fund Grant Costs are as follows:		
Funds Approved	\$ 5,167.00	\$ 64,363.00
Funds Expended	<u>5,167.00</u>	<u>64,363.00</u>
Excess / (Deficiency) of Funds Approved	\$ <u>0.00</u>	\$ <u>0.00</u>
Funds Advanced	\$ 5,167.00	\$ 64,363.00
Funds Expended	<u>5,167.00</u>	<u>64,363.00</u>
Excess / (Deficiency) of Funds Advanced	\$ <u>0.00</u>	\$ <u>0.00</u>

2. Costs additions totaling \$ 68,899.31 were made during the current audit period and, accordingly, were audited by Jean Sickels, CPA.

3. The total amount of the Capital Fund Grant Costs at December 31, 2008 as shown above are in agreement with the Actual Development Cost Certificate submitted to HUD and approved by HUD.

4. All Capital Fund Grant work in connection with the Project has been completed.

5. All liabilities have been paid and there are no undischarged liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.

6. There were no budget overruns.

OTHER REPORTS

# Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

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

Board of Commissioners  
Housing Authority of the City of Huntingburg  
1102 Friendship Village  
Huntingburg, Indiana

I have audited the financial statements of the Housing Authority of the City of Huntingburg ("the Authority") as of and for the year ended December 31, 2008, and have issued my report thereon dated April 20, 2009, 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. There were no deficiencies noted in internal control over financial reporting.

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 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 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.



Certified Public Accountant

Fredericksburg, Indiana  
April 20, 2009

HOUSING AUTHORITY OF THE CITY OF HUNTINGBURG  
Huntingburg, Indiana

DECEMBER 31, 2008

SCHEDULE OF FINDINGS AND RESPONSES

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

There are no current year findings.