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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 15, 2009

Board of Commissioners
Housing Authority of the
Town of Rockville
P.O. Box 88
Rockville, IN 47872-0088

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2005 to September 30, 2006. 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 Town of Rockville, as of September 30, 2006, 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

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**HOUSING AUTHORITY
OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED SEPTEMBER 30, 2006

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

Independent Auditor's Report

Board of Directors
Housing Authority of the Town of Rockville
Rockville, Indiana

I have audited the accompanying basic financial statements of the Housing Authority of the Town of Rockville, as of and for the year ended September 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic 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 basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Housing Authority of the Town of Rockville, as of September 30, 2006 and the respective changes in financial position and cash flows for the year end 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 February 12, 2007, on my consideration of the Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulation, contracts and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting 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 my audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements of the Housing Authority of the Town of Rockville, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority of the Town of Rockville. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

Decatur, Illinois
February 12, 2007


Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

As management of the Housing Authority of the City of Rockville, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended (FYE) September 30, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$193,352 (net assets).

The Authority's cash balance at September 30, 2006, was \$198,920 representing an increase of \$43,107 from September 30, 2005.

The Authority had operating revenues of \$674,920, Department of Housing and Urban Development (HUD) grants of \$673,971, and interest income of \$949 for the year ended September 30, 2006.

During 2006, there were no grants closed.

As of September 30, 2006, the Authority's investments in capital assets were \$824 (net of accumulated depreciation). This investment includes land, buildings, improvements, and equipment. There were capital outlays of \$824 for the year.

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 Fund 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.

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2006

FUTURE EVENTS (NEW BUSINESS)

The Authority adopted an estimated operating budget for FYE September 30, 2007. This budget reflects total operating revenues of \$727,474 for the Contract Administration of the Section 8 New Construction and Housing Choice Voucher Program.

Condensed Comparative Financial Statements

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

Total Current Assets for FYE 2006 were \$252,160, and at FYE 2005 the amount was \$201,571. This represents an increase of \$50,589.

Net Capital Assets increased \$824 from \$0 at FYE 2005 to \$824 at FYE 2006.

Total Liabilities decreased by \$8,342 from \$67,974 at FYE 2005 to \$59,632 at FYE 2006.

Revenues increased by \$13,585. At FYE 2005 and FYE 2006, total revenues were \$661,335 and \$674,920, respectively.

Total Expenses decreased by \$20,914. Total expenses were \$656,889 in FYE 2005 and \$635,975 in FYE 2006.

The table below illustrates our analysis:

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	198,920	155,813	43,107	27.7%
Other Current Assets	53,240	45,758	7,482	16.4%
Capital Assets	824	0	824	100.0%
Total Assets	252,984	201,571	51,413	25.5%
Current Liabilities	59,632	67,974	(8,342)	-12.3%
Long Term Liabilities	0	0	0	0.0%
Total Liabilities	59,632	67,974	(8,342)	-12.3%
Net Invested in Capital Assets	824	0	824	100.0%
Unrestricted Net Assets	192,528	133,597	58,931	44.1%
Total Net Assets	193,352	133,597	59,755	44.7%

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

Analysis of Entity Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2006 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
New Construction	\$160,029
Section 8 Vouchers	\$514,891
Total	\$674,920

SECTION 8 NEW CONSTRUCTION PROGRAM BUDGETARY HIGHLIGHTS

The Authority is engaged in contract administration for Section 8 New Construction. The Section Administrative budget is determined by estimating the total dollars required to administer the program for the fiscal year. Annual contributions consist of estimated made by the Authority for the Housing Assistance payments, audit cost and administrative fees.

Housing Assistance Payments and audit costs are reimbursed to the Authority dollar for dollar. Administrative fee is awarded to the non-performance Contract Administrator based on the number of units the apartment complex and an annual factor applied by HUD.

Annual Contributions Required – Revenues

Housing Assistance Payments were less than budgeted by \$58,643, and administrative fees were equal to budgeted amount.

Interest Income \$585.

Expenses were budgeted \$219,076. These results were \$61,199 lower than budget.

Net Profit was \$2,152.

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2006

Section 8 New Construction FYE 2006 Budget vs. Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage Variance</u>
Tenant Revenue	0	0	0	0%
HUD Operating Grants	219,076	159,444	59,632	37%
HUD Capital Grants	0	0	0	0%
Investment Income	0	585	(585)	-100%
Other Revenue	0	0	0	0%
Total Revenue	219,076	160,029	59,047	37%
Administrative	15,424	12,868	2,556	20%
Housing Assistance Payments	203,652	145,009	58,643	40%
Depreciation Expenses	0	0	0	0%
Total Expenses	219,076	157,877	61,199	39%
Net Income (Loss)	0	2,152	(2,152)	-100%

SECTION 8 PROGRAM BUDGETARY HIGHLIGHTS

The Section 8 Administrative budget is determined by HUD on a fixed formula basis in order to arrive at the total dollars required (Annual Contributions Required) to administer the program for a fiscal year. Annual Contributions consists of dollars calculated and set forth by the U.S. Department of Housing and Urban Development (HUD) for Housing Assistance Payments (HAP) payments, audit cost, and administrative fees.

HAP payments are reimbursed up to the Authority baseline units, and audit costs are reimbursed to the Authority dollar for dollar. The administrative fee is awarded in accordance with HUD calculation. For FYE 2005, the total administrative fee awarded is \$61,380.

Annual Contributions Required – Revenues

Interest Income was \$364.

Expenses were \$478,007. Actual results were \$39,757 lower than budget.

Net Profit was \$36,793.

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2006

The following table will summarize the Section 8 budget variance outlined above.

Section 8 FYE 2006 Budget vs. Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage Change</u>
HUD Operating Grants	518,980	514,527	4,453	1%
Investment Income	0	364	(364)	-100%
Total Revenue	518,980	514,891	4,089	1%
Administrative	61,380	49,496	11,884	24%
General Expense	0	886	(886)	-100%
Housing Assistance Payments	456,475	427,625	28,850	7%
Depreciation Expenses	0	91	(91)	-100%
Total Expenses	517,855	478,098	39,757	8%
Net Income (Loss)	1,125	36,793	(35,668)	-97%

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AT SEPTEMBER 30, 2006**

ASSETS

CURRENT ASSETS

Cash	\$ 198,920
Investments	<u>53,240</u>

Total Current Assets	\$ <u>252,160</u>
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CAPITAL ASSETS

Land, buildings and equipment	\$ 18,998
Less: Accumulated depreciation	<u>-18,174</u>

Net Capital Assets	\$ <u>824</u>
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Total Assets	\$ <u>252,984</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ <u>59,632</u>
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Total Current Liabilities	\$ <u>59,632</u>
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NET ASSETS

Invested in capital assets	\$ 824
Unrestricted	<u>192,528</u>

Total Net Assets	\$ <u>193,352</u>
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**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

Operating Income

HUD grants - operating	\$ 673,971
Total Operating Income	<u>\$ 673,971</u>

Operating Expenses

Administration	\$ 62,364
General expense	886
Housing assistance payments	572,634
Depreciation	<u>91</u>
Total Operating Expenses	<u>\$ 635,975</u>
Net Operating Income (Loss)	<u>\$ 37,996</u>

Nonoperating Income (Expense)

Interest income	<u>\$ 949</u>
Total Nonoperating Income (Expense)	<u>\$ 949</u>
Changes in net assets	\$ 38,945
Net assets, beginning of year	133,597
Prior year adjustments	<u>20,810</u>
Net assets, end of year	<u><u>\$ 193,352</u></u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

Operating Activities

Operating grants	\$ 686,439
Housing assistance payments	-572,634
Payments to employees	-35,309
Payments to suppliers and contractors	<u>-27,941</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 50,555</u>

Investing Activities

Investments (purchased) redeemed	\$ -7,482
Interest income	<u>949</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -6,533</u>

Capital and Related Financing Activities

Acquisitions of fixed assets	<u>\$ -915</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -915</u>
Net Change in Cash	\$ 43,107
Cash Balance at September 30, 2005	<u>155,813</u>
Cash Balance at September 30, 2006	<u>\$ 198,920</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

Reconciliation of Operating Income (Loss) to Net Cash
Provided (Used) by Operating Activities

Net operating income (loss)	\$ 37,996
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	91
Adjustment to net assets	20,810
 Increase (decrease) in accounts payable	 <u>-8,342</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 50,555</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the Town of Rockville was established by the Town of Rockville pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the Town of Rockville and concluded that the Town does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Town, 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 Town government. Debt incurred by the Authority is not an obligation of the Town; the Town 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 evaluating 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 Town of Rockville is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Section 8 Choice Vouchers
- * New Construction

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of 6 months or less when purchased to be cash equivalents.

(e) Investments -

Investments are stated at cost which approximates market.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Equipment	5 years
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(g) Income Tax -

The Authority, organized as a non-profit corporation subsidized by the Federal government, is exempt from Federal and State income taxes.

(h) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (i) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.
- (j) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	\$ 56,651	\$ 58,747
New Construction	<u>142,269</u>	<u>145,523</u>
Total	<u>\$ 198,920</u>	<u>\$ 204,270</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.
- Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

Based on the three levels of risk, all of the Housing Authority's investments are classified as Category 1.

<u>Fund</u>	<u>Book Balance</u>	<u>Market Value</u>
Voucher	\$ 47,382	\$ 47,382
New Construction	<u>5,858</u>	<u>5,858</u>
Total	<u>\$ 53,240</u>	<u>\$ 53,240</u>

Note 3 - Compensated Absences

All full-time personnel will earn vacation days at the rate of one week after the first year of employment, two weeks after the second year of employment and three weeks after the third year of employment. Maximum accumulation of vacation leave is three weeks. Upon termination of employment, an employee shall be compensated for the unused portion of earned vacation which the employee is eligible to use and earned vacation in the year of termination which has not been used. Compensation for unused vacation earned during the year of termination will be on a prorated basis. One paid sick day per month will be allowed. No payments shall be made in lieu of unused sick leave. Sick days which are unused are not carried over from year to year.

The estimated portion of the liability for vested vacation and sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(CONTINUED)**

Note 4 - Investments

At September 30, 2006 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings - New Construction	0.40%	\$ 5,858	\$ 5,858
Savings - Voucher	0.50%	<u>47,382</u>	<u>47,382</u>
Total		<u>\$ 53,240</u>	<u>\$ 53,240</u>

Note 5 - Fixed Assets

Balance as of September 30, 2006	\$ 824
Balance as of September 30, 2005	<u>0</u>
Net Increase (Decrease)	<u>\$ 824</u>

Reconciliation

Additions	\$ 915
Current year depreciation expense	<u>-91</u>
Net Increase (Decrease)	<u>\$ 824</u>

<u>Analysis</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Equipment and furniture	<u>\$ 19,267</u>	<u>\$ 915</u>	<u>\$ 1,184</u>	<u>\$ 18,998</u>
Accumulated depreciation	<u>-19,267</u>	<u>-91</u>	<u>-1,184</u>	<u>-18,174</u>
Net Capital Assets	<u>\$ 0</u>	<u>\$ 824</u>	<u>\$ 0</u>	<u>\$ 824</u>

Note 6 - Accounts Payable

This classification includes the following accounts:

Accounts payable - HUD	<u>\$ 59,632</u>
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HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(CONTINUED)

Note 7 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 8 - Prior Year Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Prior year HUD adjustments	<u>\$ 20,810</u>
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Note 9 - Economic Dependency

The Housing Authority received most of its revenue (99.9%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Lower Income Housing Assistance Program - New Construction	14.182	C-2028	FYE 09/30/06	\$ 159,444	\$ 159,444	\$ 159,444
Housing Choice Voucher Program*	14.871	C-2043V	FYE 09/30/06	\$ 514,527	\$ 514,527	\$ 514,527
Total Housing Assistance				<u>\$ 673,971</u>	<u>\$ 673,971</u>	<u>\$ 673,971</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

Note 1: Expenditures to the Housing Choice Voucher Program are reported as equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF NET ASSETS
AT SEPTEMBER 30, 2006**

<u>ASSETS</u>	<u>Voucher</u>	<u>New Construction</u>
CURRENT ASSETS		
Cash	\$ 56,651	\$ 142,269
Investments	<u>47,382</u>	<u>5,858</u>
Total Current Assets	<u>\$ 104,033</u>	<u>\$ 148,127</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 14,681	\$ 4,317
Less: Accumulated depreciation	<u>-13,857</u>	<u>-4,317</u>
Net Capital Assets	<u>\$ 824</u>	<u>\$ 0</u>
Total Assets	<u>\$ 104,857</u>	<u>\$ 148,127</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 0</u>	<u>\$ 59,632</u>
Total Current Liabilities	<u>\$ 0</u>	<u>\$ 59,632</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 824	\$ 0
Unrestricted	<u>104,033</u>	<u>88,495</u>
Total Net Assets	<u>\$ 104,857</u>	<u>\$ 88,495</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

<u>Operating Income</u>	<u>Voucher</u>	<u>New Construction</u>
HUD grants - operating	\$ 514,527	\$ 159,444
Total Operating Income	<u>\$ 514,527</u>	<u>\$ 159,444</u>
<u>Operating Expenses</u>		
Administration	\$ 49,496	\$ 12,868
General expense	886	0
Depreciation	91	0
Housing assistance payments	<u>427,625</u>	<u>145,009</u>
Total Operating Expenses	<u>\$ 478,098</u>	<u>\$ 157,877</u>
Net Operating Income (Loss)	<u>\$ 36,429</u>	<u>\$ 1,567</u>
<u>Nonoperating Income (Expense)</u>		
Interest income	<u>\$ 364</u>	<u>\$ 585</u>
Total Nonoperating Income (Expense)	<u>\$ 364</u>	<u>\$ 585</u>
Changes in Net Assets	<u><u>\$ 36,793</u></u>	<u><u>\$ 2,152</u></u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

<u>Unrestricted</u>	<u>Voucher</u>	<u>New Construction</u>
Balance at September 30, 2005	\$ 47,254	\$ 86,343
Current year net income (loss)	35,969	2,152
Prior year adjustments	<u>20,810</u>	<u>0</u>
Balance at September 30, 2006	<u>\$ 104,033</u>	<u>\$ 88,495</u>
 <u>Invested in Capital Assets</u>		
Balance at September 30, 2005	\$ 0	\$ 0
Current year net income (loss)	<u>824</u>	<u>0</u>
Balance at September 30, 2006	<u>\$ 824</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 104,857</u>	<u>\$ 88,495</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

<u>Operating Activities</u>	<u>Voucher</u>	<u>New Construction</u>
Operating grants	\$ 503,825	\$ 182,614
Housing assistance payments	-427,625	-145,009
Payments to employees	-26,353	-8,956
Payments to suppliers and contractors	<u>-24,029</u>	<u>-3,912</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,818</u>	<u>\$ 24,737</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -6,186	\$ -1,296
Interest income	<u>364</u>	<u>585</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -5,822</u>	<u>\$ -711</u>
 <u>Capital and Related Financing Activities</u>		
Acquisitions of fixed assets	<u>\$ -915</u>	<u>\$ 0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -915</u>	<u>\$ 0</u>
 Net Change in Cash	 \$ 19,081	 \$ 24,026
Cash Balance at September 30, 2005	<u>37,570</u>	<u>118,243</u>
Cash Balance at September 30, 2006	<u>\$ 56,651</u>	<u>\$ 142,269</u>

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	<u>Voucher</u>	<u>New Construction</u>
Net operating income (loss)	\$ 36,429	\$ 1,567
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	91	0
Adjustment to net assets	20,810	0
Increase (decrease) in accounts payable	<u>-31,512</u>	<u>23,170</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,818</u>	<u>\$ 24,737</u>

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Commissioners
Housing Authority of the Town of Rockville
Rockville, Indiana

I have audited the financial statements of the Housing Authority of the Town of Rockville as of and for the year ended September 30, 2006, and have issued my report thereon dated February 12, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Rockville's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Authority of the Town of Rockville's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
February 12, 2007


Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Housing Authority of the Town of Rockville
Rockville, Indiana

Compliance

I have audited the compliance of the Housing Authority of the Town of Rockville 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 September 30, 2006. The Housing Authority of the Town of Rockville's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the Town of Rockville's management. My responsibility is to express an opinion on the Housing Authority of the Town of Rockville's compliance based on my audit.

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

In my opinion, the Housing Authority of the Town of Rockville 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 September 30, 2006.

Internal Control Over Compliance

The management of the Housing Authority of the Town of Rockville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Authority of the Town of Rockville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.


Schedule of Expenditures of Federal Awards

I have audited the financial statements of the Housing Authority of the Town of Rockville of and for the year ended September 30, 2006, and have issued my report hereon dated February 12, 2007. My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
February 12, 2007



Certified Public Accountant

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Summary of Auditor's Results

Low Risk Auditee X yes _____ no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

* Reportable condition(s) identified that are not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

* Reportable condition(s) identified that are not
considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of Circular A-133? _____ yes X no

Major Programs: (Threshold \$300,000) CFDA Number(s)

Housing Choice Voucher Program 14.871

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2005 contained no findings.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

There were no audit findings were discussed with Judith Holaday, Executive Director, during the course of the audit and at an exit conference held February 12, 2007.

**HOUSING AUTHORITY OF THE TOWN OF ROCKVILLE
ROCKVILLE, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2006**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accumulated depreciation	1400.5	\$ 1,092.50		1400.5
Depreciation expense	4800	91.50		2806
Land, structures and equipment	1400.4		\$ 1,184.00	1400.4
(To record depreciation expense on the books)				
 <u>New Construction</u>				
(1)				
HUD subsidy	3401		\$ 2,010.00	2806
Accounts payable - HUD	2118	\$ 2,010.00		2118
(To adjust to revised YES statement)				

PHA: IN048 FYED: 09/30/2006

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$142,269	\$56,651	\$198,920
100	Total Cash	\$142,269	\$56,651	\$198,920
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$0
131	Investments - Unrestricted	\$5,858	\$47,382	\$53,240
150	Total Current Assets	\$148,127	\$104,033	\$252,160
164	Furniture, Equipment & Machinery - Administration	\$4,317	\$14,681	\$18,998
165	Leasehold Improvements	\$0	\$0	\$0
166	Accumulated Depreciation	\$-4,317	\$-13,857	\$-18,174
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$824	\$824
180	Total Non-Current Assets	\$0	\$824	\$824
190	Total Assets	\$148,127	\$104,857	\$252,984

PHA: IN048 FYED: 09/30/2006

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
331	Accounts Payable - HUD PHA Programs	\$59,632	\$0	\$59,632
310	Total Current Liabilities	\$59,632	\$0	\$59,632
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$59,632	\$0	\$59,632
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$824	\$824
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$88,495	\$104,033	\$192,528
513	Total Equity/Net Assets	\$88,495	\$104,857	\$193,352
600	Total Liabilities and Equity/Net Assets	\$148,127	\$104,857	\$252,984

PHA: IN048 FYED: 09/30/2006

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
705	Total Tenant Revenue	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$159,444	\$514,527	\$673,971
711	Investment Income - Unrestricted	\$585	\$364	\$949
700	Total Revenue	\$160,029	\$514,891	\$674,920

PHA: IN048 FYED: 09/30/2006

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
911	Administrative Salaries	\$8,956	\$26,353	\$35,309
912	Auditing Fees	\$1,085	\$1,085	\$2,170
915	Employee Benefit Contributions - Administrative	\$1,780	\$6,600	\$8,380
916	Other Operating - Administrative	\$1,047	\$15,458	\$16,505
961	Insurance Premiums	\$0	\$886	\$886
969	Total Operating Expenses	\$12,868	\$50,382	\$63,250
970	Excess Operating Revenue over Operating Expenses	\$147,161	\$464,509	\$611,670
973	Housing Assistance Payments	\$145,009	\$427,625	\$572,634
974	Depreciation Expense	\$0	\$91	\$91
900	Total Expenses	\$157,877	\$478,098	\$635,975
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$2,152	\$36,793	\$38,945

PHA: IN048 FYED: 09/30/2006

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$86,343	\$47,254	\$133,597
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$20,810	\$20,810
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0
1120	Unit Months Available	720	1,596	2,316
1121	Number of Unit Months Leased	720	1,550	2,270
1117	Administrative Fee Equity	\$0	\$57,681	\$57,681
1118	Housing Assistance Payments Equity	\$0	\$47,176	\$47,176

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