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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, 2006 to September 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the Town of Rockville, as of September 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2007

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

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

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

I have audited the accompanying financial statements of Housing Authority of the Town of Rockville, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these 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 the 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 in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the Town of Rockville, as of September 30, 2007 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 April 28, 2008, on my consideration of the Housing Authority of the Town of Rockville's internal control over financial reporting and 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 controls 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 on pages 3 through 7, are 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 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 conducted for the purpose of forming opinions 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 financial statements of the Housing Authority of the Town of Rockville. 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 financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Decatur, Illinois
April 28, 2008


Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

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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, 2007. 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 Executive Director, Housing Authority of the City of Rockville, 107 W. High Street, Rockville, Indiana 47872, (765) 569-3639.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$192,955 (net assets).

The Authority's cash plus investment balance at September 30, 2007, was \$247,349 representing a decrease of \$4,811 from September 30, 2006.

The Authority had operating revenues of \$623,559, Department of Housing and Urban Development (HUD) grants of \$622,693, and interest income of \$866 for the year ended September 30, 2007.

During 2006, the New Construction program was closed.

As of September 30, 2007, the Authority's investment in capital assets was \$641 (net of accumulated depreciation). This investment includes building improvements, and equipment. There were no capital outlays during 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, 2007**

FUTURE EVENTS (NEW BUSINESS)

The Authority no longer submits an estimated operating budget. HUD will determine total operating revenues for the Housing Choice Voucher Program.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets

Total Current Assets for FYE 2007 were \$247,349, and at FYE 2006, the amount was \$252,160. This represents a decrease of \$4,811.

Net Capital Assets decreased \$183 from \$824 at FYE 2006 to \$641 at FYE 2007.

Total Liabilities decreased by \$4,597 from \$59,632 at FYE 2006 to \$55,035 at FYE 2007.

Revenues decreased by \$51,361. At FYE 2006 and FYE 2007, total revenues were \$674,920 and \$623,559 respectively.

Total Expenses decreased by \$11,927. Total expenses were \$635,884 in FYE 2006 and \$623,957 in FYE 2007.

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash and Investments (including restricted)	193,853	198,920	(5,067)	-3%
Other Current Assets	53,496	53,240	256	1%
Capital Assets	641	824	(183)	-22%
Total Assets	<u>247,990</u>	<u>252,984</u>	<u>(4,994)</u>	<u>-2%</u>
Current Liabilities	55,035	59,632	(4,597)	-8%
Total Liabilities	<u>55,035</u>	<u>59,632</u>	<u>(4,597)</u>	<u>-8%</u>
Net Invested in Capital Assets	641	824	(183)	-22%
Restricted Net Assets	47,418	0	47,418	100%
Unrestricted Net Assets	144,896	192,528	(47,632)	-25%
Total Net Assets	<u>192,955</u>	<u>193,352</u>	<u>(397)</u>	<u>0%</u>

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2007 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
New Construction	\$117,135
Section 8 Vouchers	\$505,558
Total	\$622,693

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

SECTION 8 NEW CONSTRUCTION BUDGETARY HIGHLIGHTS

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

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

Annual Contributions Required – Revenues

Housing Assistance Payments were less than budgeted by \$55,959, and administrative fees were equal to the budgeted amount.

The contract administration for Section 8 New Construction ended effective June 30, 2007.

Interest Income \$439.

Expenses were budgeted at \$172,170. These results were \$54,614 lower than budget.

Net loss was \$2,079.

Section 8 New Construction FYE 2007 Budget vs. Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage Change</u>
HUD Operating Grants	172,170	117,135	55,035	32%
Investment Income	0	439	(439)	100%
Total Revenue	172,170	117,574	54,596	32%
Administrative	11,871	15,313	(3,442)	-29%
Housing Assistance Payments	160,299	104,340	55,959	35%
Depreciation Expenses	0	0	0	0%
Total Expenses	172,170	119,653	52,517	31%
Net Income (Loss)	0	(2,079)	2,079	0%

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

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 2007, the total administrative fee awarded \$59,121.

Annual Contributions Required – Revenues

Interest Income \$427.

Expenses were \$504,303. Actual results were \$16,174 lower than budget.

Net Profit \$1,682.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage Change</u>
HUD Operating Grants	519,292	505,558	13,734	3%
Investment Income	0	427	(427)	100%
Total Revenue	519,292	505,985	13,307	3%
Administrative	60,618	52,769	7,849	13%
General Expense	1,185	1,415	(230)	-19%
Housing Assistance Payments	458,674	449,936	8,738	2%
Depreciation Expenses	0	183	(183)	100%
Total Expenses	520,477	504,303	16,174	3%
Net Income (Loss)	(1,185)	1,682	(2,867)	242%

HOUSING AUTHORITY OF THE CITY OF ROCKVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

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ANALYSIS OF CAPITAL ASSET ACTIVITY

	2007	2006	Variance	Percentage Change
Furniture, Equipment, & Machinery - Administration	18,998	18,998	0	0.0%
Leasehold Improvements	0	0	0	0.0%
Total Fixed Assets	<u>18,998</u>	<u>18,998</u>	<u>0</u>	<u>0.0%</u>
Accumulated Depreciation	18,357	18,174	183	1.0%
Net Fixed Assets	<u>641</u>	<u>824</u>	<u>-183</u>	<u>-22.2%</u>

OUTSTANDING DEBT

The Housing Authority had no long term debt in fiscal year 2006 or 2007.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AT SEPTEMBER 30, 2007**

ASSETS

CURRENT ASSETS

Cash	\$ 146,435
Investments	<u>53,496</u>
Total Current Assets	<u>\$ 199,931</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 18,998
Less: Accumulated depreciation	<u>-18,357</u>
Net Capital Assets	<u>\$ 641</u>

RESTRICTED

Cash	<u>\$ 47,418</u>
Total Assets	<u>\$ 247,990</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	<u>\$ 55,035</u>
Total Current Liabilities	<u>\$ 55,035</u>

NET ASSETS

Invested in capital assets	\$ 641
Restricted - HAP equity	47,418
Unrestricted	<u>144,896</u>
Total Net Assets	<u><u>\$ 192,955</u></u>

**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, 2007**

Operating Income

HUD grants - operating	\$ 622,693
Total Operating Income	<u>\$ 622,693</u>

Operating Expenses

Administration	\$ 68,082
General expense	1,415
Housing assistance payments	554,276
Depreciation	<u>183</u>
Total Operating Expenses	<u>\$ 623,956</u>
Net Operating Income (Loss)	<u>\$ -1,263</u>

Nonoperating Income (Expense)

Interest income	\$ 866
Total Nonoperating Income (Expense)	<u>\$ 866</u>
Changes in net assets	\$ -397
Net assets, beginning of year	<u>193,352</u>
Net assets, end of year	<u>\$ 192,955</u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

Operating Activities

Operating grants	\$ 627,290
Housing assistance payments	-554,276
Payments to employees	-38,085
Payments to suppliers and contractors	<u>-40,606</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -5,677</u>

Investing Activities

Investments (purchased) redeemed	\$ -256
Interest income	<u>866</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 610</u>
Net Change in Cash	\$ -5,067
Cash Balance at September 30, 2006	<u>198,920</u>
Cash Balance at September 30, 2007	<u><u>\$ 193,853</u></u>

The notes to financial statements are an integral part of this statement.

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

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

Net operating income (loss)	\$ -1,263
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	183
Increase (decrease) in accounts payable	<u>-4,597</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -5,677</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

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, 2007
(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, 2007
(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, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (i) The Housing Authority adopts an internal budget annually.
- (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.

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	\$ 58,278	\$ 61,743
New Construction	<u>135,575</u>	<u>135,621</u>
Total	<u>\$ 193,853</u>	<u>\$ 197,364</u>

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>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Voucher	\$ 47,620	\$ 47,620
New Construction	<u>5,876</u>	<u>5,876</u>
Total	<u>\$ 53,496</u>	<u>\$ 53,496</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

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.

Note 4 - Investments

At September 30, 2007 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings - New Construction	0.40%	\$ 5,876	\$ 5,876
Savings - Voucher	0.50%	<u>47,620</u>	<u>47,620</u>
Total		<u>\$ 53,496</u>	<u>\$ 53,496</u>

Note 5 - Fixed Assets

Balance as of September 30, 2007	\$ 641
Balance as of September 30, 2006	<u>824</u>
Net Increase (Decrease)	<u>\$ -183</u>

Reconciliation

Current year depreciation expense	<u>\$ -183</u>
Net Increase (Decrease)	<u>\$ -183</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 5 - Fixed Assets (Continued)

<u>Analysis</u>	10/01/2006 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	09/30/2007 <u>Balance</u>
Equipment and furniture	\$ <u>18,998</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>18,998</u>
Accumulated depreciation	<u>-18,174</u>	<u>-183</u>	<u>0</u>	<u>-18,357</u>
Net Capital Assets	<u>\$ <u>824</u></u>	<u>\$ <u>-183</u></u>	<u>\$ <u>0</u></u>	<u>\$ <u>641</u></u>

Note 6 - Accounts Payable

This classification includes the following accounts:

Accounts payable - HUD	<u>\$ <u>55,035</u></u>
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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 - 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, 2007**

<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 09/30/07	\$ <u>117,135</u>	\$ <u>117,135</u>	\$ <u>117,135</u>
Housing Choice Voucher Program*	14.871	C-2043V	FYE 09/30/07	\$ <u>505,558</u>	\$ <u>505,558</u>	\$ <u>505,558</u>
Total Housing Assistance				\$ <u>622,693</u>	\$ <u>622,693</u>	\$ <u>622,693</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

Note 1: Expenditures to the Housing Choice Voucher Program are reported as equal to revenues recognized.

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

**STATEMENT OF NET ASSETS
AT SEPTEMBER 30, 2007**

<u>ASSETS</u>	<u>Voucher</u>	<u>New Construction</u>
CURRENT ASSETS		
Cash	\$ 10,860	\$ 135,575
Investments	<u>47,620</u>	<u>5,876</u>
Total Current Assets	<u>\$ 58,480</u>	<u>\$ 141,451</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 14,681	\$ 4,317
Less: Accumulated depreciation	<u>-14,040</u>	<u>-4,317</u>
Net Capital Assets	<u>\$ 641</u>	<u>\$ 0</u>
RESTRICTED		
Cash	<u>\$ 47,418</u>	<u>\$ 0</u>
Total Assets	<u>\$ 106,539</u>	<u>\$ 141,451</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 0</u>	<u>\$ 55,035</u>
Total Current Liabilities	<u>\$ 0</u>	<u>\$ 55,035</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 641	\$ 0
Restricted	47,418	0
Unrestricted	<u>58,480</u>	<u>86,416</u>
Total Net Assets	<u>\$ 106,539</u>	<u>\$ 86,416</u>

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

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Operating Income</u>	<u>Voucher</u>	<u>New Construction</u>
HUD grants - operating	\$ 505,558	\$ 117,135
Total Operating Income	<u>\$ 505,558</u>	<u>\$ 117,135</u>
 <u>Operating Expenses</u>		
Administration	\$ 52,769	\$ 15,313
General expense	1,415	0
Depreciation	183	0
Housing assistance payments	<u>449,936</u>	<u>104,340</u>
Total Operating Expenses	<u>\$ 504,303</u>	<u>\$ 119,653</u>
Net Operating Income (Loss)	<u>\$ 1,255</u>	<u>\$ -2,518</u>
 <u>Nonoperating Income (Expense)</u>		
Interest income	<u>\$ 427</u>	<u>\$ 439</u>
Total Nonoperating Income (Expense)	<u>\$ 427</u>	<u>\$ 439</u>
Changes in Net Assets	<u><u>\$ 1,682</u></u>	<u><u>\$ -2,079</u></u>

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

**CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Unrestricted</u>	<u>Voucher</u>	<u>New Construction</u>
Balance at September 30, 2006	\$ 104,033	\$ 88,495
Current year net income (loss)	<u>1,865</u>	<u>-2,079</u>
Balance at September 30, 2007	<u>\$ 105,898</u>	<u>\$ 86,416</u>
 <u>Invested in Capital Assets</u>		
Balance at September 30, 2006	\$ 824	\$ 0
Current year net income (loss)	<u>-183</u>	<u>0</u>
Balance at September 30, 2007	<u>\$ 641</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 106,539</u>	<u>\$ 86,416</u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Operating Activities</u>	<u>Voucher</u>	<u>New Construction</u>
Operating grants	\$ 505,558	\$ 121,732
Housing assistance payments	-449,936	-104,340
Payments to employees	-28,343	-9,742
Payments to suppliers and contractors	<u>-25,841</u>	<u>-14,765</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,438</u>	<u>\$ -7,115</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -238	\$ -18
Interest income	<u>427</u>	<u>439</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 189</u>	<u>\$ 421</u>
Net Change in Cash	\$ 1,627	\$ -6,694
Cash Balance at September 30, 2006	<u>56,651</u>	<u>142,269</u>
Cash Balance at September 30, 2007	<u>\$ 58,278</u>	<u>\$ 135,575</u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Voucher</u>	<u>New Construction</u>
Net operating income (loss)	\$ 1,255	\$ -2,518
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	183	0
Increase (decrease) in accounts payable	<u>0</u>	<u>-4,597</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,438</u>	<u>\$ -7,115</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, 2007, which collectively comprise the Housing Authority of the Town of Rockville's basic financial statements and have issued my report thereon dated April 28, 2008. 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 Housing Authority of the Town of Rockville'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 Housing Authority of the Town of Rockville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the Town of Rockville's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, 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 Housing Authority of the Town of Rockville'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 Housing Authority of the Town of Rockville's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the Town of Rockville's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority of the Town of Rockville'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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, regulation, 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 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.

I noted certain matters that we reported to management of Housing Authority of the Town of Rockville, in a separate letter dated April 28, 2008.

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

Decatur, Illinois
April 28, 2008


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 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, 2007. 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 Housing Authority of the Town of Rockville's management. My responsibility is to express an opinion on 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 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 of Housing Authority of the Town of Rockville's compliance with those requirements.

In my opinion, 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, 2007. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the Town of Rockville in a separate letter dated April 28, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
April 28, 2008


Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2006 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section I - 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**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings were discussed with Judith Holaday, Executive Director, during the course of the audit and at an exit conference held April 28, 2008.

Section III - Federal Awards Findings

There were no audit findings were discussed with Judith Holaday, Executive Director, during the course of the audit and at an exit conference held April 28, 2008.

PHA: IN048 FYED: 09/30/2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$135,575	\$10,860	\$146,435
113	Cash - Other Restricted	\$0	\$47,418	\$47,418
100	Total Cash	\$135,575	\$58,278	\$193,853
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$0
131	Investments - Unrestricted	\$5,876	\$47,620	\$53,496
150	Total Current Assets	\$141,451	\$105,898	\$247,349
164	Furniture, Equipment & Machinery - Administration	\$4,317	\$14,681	\$18,998
165	Leasehold Improvements	\$0	\$0	\$0
166	Accumulated Depreciation	\$-4,317	\$-14,040	\$-18,357
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$641	\$641
180	Total Non-Current Assets	\$0	\$641	\$641
190	Total Assets	\$141,451	\$106,539	\$247,990

PHA: IN048 FYED: 09/30/2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
331	Accounts Payable - HUD PHA Programs	\$55,035	\$0	\$55,035
310	Total Current Liabilities	\$55,035	\$0	\$55,035
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$55,035	\$0	\$55,035
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$641	\$641
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$47,418	\$47,418
512.1	Unrestricted Net Assets	\$86,416	\$58,480	\$144,896
513	Total Equity/Net Assets	\$86,416	\$106,539	\$192,955
600	Total Liabilities and Equity/Net Assets	\$141,451	\$106,539	\$247,990

PHA: IN048 FYED: 09/30/2007

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	\$117,135	\$505,558	\$622,693
711	Investment Income - Unrestricted	\$439	\$427	\$866
700	Total Revenue	\$117,574	\$505,985	\$623,559

PHA: IN048 FYED: 09/30/2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
911	Administrative Salaries	\$9,742	\$28,343	\$38,085
912	Auditing Fees	\$1,185	\$1,185	\$2,370
915	Employee Benefit Contributions - Administrative	\$1,327	\$6,753	\$8,080
916	Other Operating - Administrative	\$3,059	\$16,488	\$19,547
961	Insurance Premiums	\$0	\$1,415	\$1,415
969	Total Operating Expenses	\$15,313	\$54,184	\$69,497
970	Excess Operating Revenue over Operating Expenses	\$102,261	\$451,801	\$554,062
973	Housing Assistance Payments	\$104,340	\$449,936	\$554,276
974	Depreciation Expense	\$0	\$183	\$183
900	Total Expenses	\$119,653	\$504,303	\$623,956
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-2,079	\$1,682	\$-397

PHA: IN048 FYED: 09/30/2007

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	\$88,495	\$104,857	\$193,352
1120	Unit Months Available	720	1,596	2,316
1121	Number of Unit Months Leased	720	1,500	2,220
1117	Administrative Fee Equity	\$0	\$59,121	\$59,121
1118	Housing Assistance Payments Equity	\$0	\$47,418	\$47,418

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