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May 19, 2009

Board of Commissioners
Housing Authority of the
City of Decatur
214 East Monroe Street
Decatur, IN 46733

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2006 to June 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 City of Decatur, as of June 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
CITY OF DECATUR
DECATUR, INDIANA**

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

TWELVE MONTHS ENDED JUNE 30, 2007

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Net Assets At June 30, 2007	7
Statement of Revenue and Expenditures - Proprietary Funds and Changes in Net Assets -Twelve Months Ended June 30, 2007	8
Statement of Cash Flows - Twelve Months Ended June 30, 2007	9
Notes to Financial Statements	11
SUPPLEMENTAL DATA	
Schedule of Expenditure of Federal Awards	21
Individual Program Statements:	
Statement of Net Assets at June 30, 2007	22
Statement of Revenue and Expenditures - Twelve Months Ended June 30, 2007 ...	23
Statement of Changes in Net Assets - Twelve Months Ended June 30, 2007	24
Statement of Cash Flows - Twelve Months Ended June 30, 2007	25
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	27
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	28
Schedule of Findings and Questioned Costs - Summary	31
Status of Prior Audit Findings	32
Current Findings, Recommendations and Replies	33
Schedule of Adjusting Journal Entries	34
Financial Data Schedule - REAC Electronic Submission	35

PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Housing Authority of the City of Decatur
Decatur, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Decatur, as of and for the year ended June 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 City of Decatur, as of June 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 December 10, 2007, on my consideration of the Housing Authority of the City of Decatur'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 and budgetary comparison information on pages 3 through 6, 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 City of Decatur, 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 City of Decatur. 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 City of Decatur. 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 materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
December 10, 2007


Certified Public Accountant

**DECATUR HOUSING AUTHORITY
DECATUR, INDIANA**

3

**MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2007**

The management of the Decatur Housing Authority (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended June 30, 2007. The goal is for the reader to better understand the Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begins on page 7.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of June 30, 2007 by \$60,616 (Net Assets).
- The PHA's investment in Capital Assets, net of related debt as of June 30, 2007 was \$1,826.
- The PHA's total revenue for the fiscal year end June 30, 2007 was \$913,684.
- The PHA's total expenses for the fiscal year end June 30, 2007 were \$923,068. Therefore, the PHA's total combined expenses exceeded its total combined revenue by \$9,384.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- *Statement of Net Assets* - reports the Authority current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the PHA. A comparison between this year and the preceding year is also provided.
- *Statement of Revenue and Expenses* - reports the PHA's various revenue and expenses and provides a comparison between this year and the preceding year.

**DECATUR HOUSING AUTHORITY
DECATUR, INDIANA**

4

**MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2007**

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS

	<u>2007</u>	<u>2006</u>	<u>INCREASE (DECREASE)</u>
Cash and investments	\$ 88,132	\$ 78,959	\$ 9,173
Other current assets	5,409	1,031	4,378
Notes receivable	-	-	-
Capital assets	<u>1,826</u>	<u>2,487</u>	(661)
TOTAL ASSETS	\$ <u>95,367</u>	\$ <u>82,477</u>	\$ <u>12,890</u>
Current liabilities	\$ 34,751	\$ 12,717	\$ 17,376
Long Term Liabilities	-	-	-
Non-Current liabilities	-	-	-
TOTAL LIABILITIES	<u>34,751</u>	<u>12,717</u>	<u>17,376</u>
Invested in capital assets	\$ 1,826	\$ 2,487	\$ (661)
Restricted assets	0	0	0
Unrestricted assets	<u>58,790</u>	<u>67,273</u>	-8,483
TOTAL NET ASSETS	\$ <u>60,616</u>	\$ <u>69,760</u>	\$ <u>(9,144)</u>

The increase in cash and investments is due to the increase in revenues and the decrease in expenses.

The increase in other current assets is due to a receivable from HUD in the New Construction program.

The decrease in capital assets is due to the depreciation that was recorded.

The decrease in current liabilities is due to a payable to HUD in the New Construction program.

**DECATUR HOUSING AUTHORITY
DECATUR, INDIANA**

5

**MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2007**

**ANALYSIS OF STATEMENT OF REVENUE AND EXPENSES
PRIOR AND CURRENT FISCAL YEAR:**

	YEAR ENDING JUNE 30,		INCREASE (DECREASE)
	<u>2007</u>	<u>2006</u>	
REVENUE			
HUD operating and capital grants	\$ 911,512	\$ 924,709	\$ (13,197)
Other governmental grants	-	-	-
Interest income	2,172	210	1,962
Other revenue	-	-	-
Fraud recovery	-	-	-
Gain/loss on disposal of fixed assets	-	(116)	116
TOTAL REVENUE	<u>\$ 913,684</u>	<u>\$ 924,803</u>	<u>\$ (11,119)</u>
EXPENSES			
Administrative expenses	\$ 120,147	\$ 104,829	\$ 15,318
Ordinary maintenance	241	438	(197)
General expenses	2,979	3,226	(247)
Interest expense	-	-	-
Housing assistance payments	799,040	793,534	5,506
Depreciation	661	684	(23)
Prior period adjustment	(240)	5,503	(5,743)
TOTAL EXPENSES	<u>\$ 922,828</u>	<u>\$ 908,214</u>	<u>\$ 9,956</u>
EXCESS OF EXPENSES OVER REVENUE	<u>\$ (8,964)</u>	<u>\$ 16,589</u>	

The decrease in HUD operating and capital grants is due to a decrease in grant money received from the government.

The increase in interest income is due to an increase in the interest rate.

The increase in gain/loss on disposal of fixed assets is due to not disposing of any assets in the fiscal year ending 2007.

The increase in administrative expenses is due to the purchase of a support contract from Tenmast Software.

The decrease in ordinary maintenance is due to a decrease in spending on maintenance materials and contracts.

The increase in housing assistance payments is due to an increase in payments made on behalf of tenants.

The decrease in depreciation is due to not purchasing any fixed assets.

DECATUR HOUSING AUTHORITY
DECATUR, INDIANA

6

MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2007

SIGNIFICANT TRANSACTIONS

The New Construction program was completed as of June 30, 2007.

BUDGETARY HIGHLIGHTS

None.

CAPITAL ASSETS ACTIVITY DURING THE YEAR

There were no capital assets purchased or disposed of during the year.

FUTURE EVENTS (NEW BUSINESS)

None Anticipated

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the PHA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Janelle Young, Executive Director, Decatur Housing Authority, 214 East Monroe Street, Decatur, IN 46733.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF NET ASSETS- PROPRIETARY FUNDS
AS OF JUNE 30, 2007**

ASSETS

CURRENT ASSETS

Cash	\$ 88,132
Accounts receivable (interfund eliminated)	4,026
Deferred charges	<u>1,383</u>
Total Current Assets	<u>\$ 93,541</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 26,077
Less: Accumulated depreciation	<u>-24,251</u>
Net Capital Assets	<u>\$ 1,826</u>
Total Assets	<u>\$ 95,367</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 31,027
Accrued liabilities	<u>3,724</u>
Total Current Liabilities	<u>\$ 34,751</u>

NET ASSETS

Invested in capital assets	\$ 1,826
Unrestricted	<u>58,790</u>
Total Net Assets	<u>\$ 60,616</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2007**

Operating Income

HUD grants - operating	\$ 911,512
Total Operating Income	<u>\$ 911,512</u>

Operating Expenses

Administration	\$ 120,147
Ordinary maintenance and operation	241
General expense	2,979
Depreciation	661
Housing assistance payments	<u>799,040</u>
Total Operating Expenses	<u>\$ 923,068</u>
Net Operating Income (Loss)	<u>\$ -11,556</u>

Nonoperating Income (Expense)

Interest income	<u>\$ 2,172</u>
Total Nonoperating Income (Expense)	<u>\$ 2,172</u>
Changes in net assets	\$ -9,384
Net assets, beginning of year	69,760
Prior period adjustments	<u>240</u>
Net assets, end of year	<u><u>\$ 60,616</u></u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

Operating Activities

Operating grants	\$ 926,857
Housing assistance payments	-799,040
Payments to employees	-69,239
Payments to suppliers and contractors	<u>-51,577</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,001</u>

Investing Activities

Interest income	<u>\$ 2,172</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 2,172</u>

Net Change in Cash	\$ 9,173
Cash Balance at June 30, 2006	<u>78,959</u>
Cash Balance at June 30, 2007	<u>\$ 88,132</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

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

Net operating income (loss)	\$ -11,556
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	661
Adjustments to net assets	240
(Increase) decrease in accounts receivable	-4,026
(Increase) decrease in deferred charges	-352
Increase (decrease) in accounts payable	20,305
Increase (decrease) in accrued liabilities	1,969
Increase (decrease) in deferred revenues	<u>-240</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,001</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Decatur was established by the City 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 City of Decatur and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with 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 City of Decatur 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 CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 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 one month or less when purchased to be cash equivalents.

(e) 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.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(e) Fixed Assets - (Continued)

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:

Buildings	15-40	years
Equipment	5-10	years
Transportation equipment	5-10	years
Furniture and fixtures	5-10	years
Leasehold improvements	15	years

(f) Income Tax -

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

(g) 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.

- (h) The Housing Authority New Construction program adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.
- (i) 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.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

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 CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 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	<u>\$ 88,132</u>	<u>\$ 93,150</u>

Note 3 - Compensated Absences

Sick Leave

Each employee shall be entitled to twelve (12) sick days per year. Unused sick leave may be accumulated up to two hundred (200) days. They will not accumulate more until accrued sick days fall below two hundred (200).

Upon retirement of honorable job termination, an employee shall receive compensation days for accumulated sick days:

1-15 years of service 10% of accumulated days

16-24 years of service 12 ½% of accumulated days

25 or more years of service 15% of accumulated days

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

Note 3 - Compensated Absences (Continued)

Vacation

All full-time employees hired after January 1, 1993, shall be entitled to accrue vacation time after completion of one (1) full year of continuous employment. Vacation shall accrue as follows:

Completed one year	Non-exempt employees: Forty (40) hours Exempt employees: Five (5) days
Completed 3 years	Non-exempt employees: Eighty (80) Exempt employees: Ten (10)
Completed 8 years	Non-exempt employees: (120) hours Exempt employees: Fifteen (15) days
Completed 15 years	Non-exempt employees: (160) hours Exempt employees: Twenty (20) days

Days accrued assumes an employee's pay status is 2080 hours per year or 40 hours per week. Exempt employees must take vacation benefit days in increments of full days (8 hours). Accrual of vacation time does not start until beginning of second year.

Vacation time does not accumulate from year to the next and must be taken within twelve (12) months following an employee's anniversary date. Upon separation from service, an employee is entitled to compensation for accrued but unused vacation for current year.

Vacation accumulation does not accrue for full-time employees for time spent on any leave of absences without pay.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority contributes 6% of total wages, then the employees contribute 50% of that amount. For the fiscal year ended June 30, 2007, actual contributions by the Housing Authority and plan participants were \$4,920.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable	\$ 4,026
Subtotal	\$ 4,026
Interfund	<u>32,385</u>
Total	<u>\$ 36,411</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 1,383</u>
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Note 7 - Fixed Assets

Balance as of June 30, 2007	\$ 1,826
Balance as of June 30, 2006	<u>2,487</u>
Net Increase (Decrease)	<u>\$ -661</u>

Reconciliation

Current year depreciation expense	\$ <u>-661</u>
Net Increase (Decrease)	<u>\$ -661</u>

<u>Analysis</u>	07/01/2006 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	06/30/2007 <u>Balance</u>
Equipment and furniture	\$ 26,077	\$ 0	\$ 0	\$ 26,077
Accumulated depreciation	<u>-23,590</u>	<u>-661</u>	<u>0</u>	<u>-24,251</u>
Net Capital Assets	<u>\$ 2,487</u>	<u>\$ -661</u>	<u>\$ 0</u>	<u>\$ 1,826</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

Note 8 - Accounts Payable

This classification includes the following accounts:

Accounts payable - employee benefits	\$ 934
Accounts payable - HUD	<u>30,093</u>
Subtotal	\$ 31,027
Interfund	<u>32,385</u>
Total	<u><u>\$ 63,412</u></u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued wages	\$ 1,010
Accrued compensated absences	<u>2,714</u>
Total	<u><u>\$ 3,724</u></u>

Note 10 - 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 11 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

Note 12 - Prior Period Adjustments

The following adjustments were posted directly to surplus:

Prior period adjustment to deferred revenue	\$ <u>240</u>
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Note 13 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years.

Note 14 - Economic Dependency

The Housing Authority received most of its revenue (99%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 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	IN062NC	FYE 06/30/07	\$ 262,806	\$ 262,806	\$ 262,806
Housing Choice Voucher Program*	14.871	IN062V	FYE 06/30/07	\$ 648,706	\$ 648,706	\$ 648,706
Total Housing Assistance				<u>\$ 911,512</u>	<u>\$ 911,512</u>	<u>\$ 911,512</u>

*Denotes major program.

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

Note 1: Expenditures to the Housing Choice Voucher Program are reported 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 CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007**

<u>ASSETS</u>	<u>Voucher</u>	<u>New Construction</u>
CURRENT ASSETS		
Cash	\$ 88,132	\$ 0
Accounts receivable	0	36,411
Deferred charges	<u>1,383</u>	<u>0</u>
Total Current Assets	<u>\$ 89,515</u>	<u>\$ 36,411</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 26,077	\$ 0
Less: Accumulated depreciation	<u>-24,251</u>	<u>0</u>
Net Capital Assets	<u>\$ 1,826</u>	<u>\$ 0</u>
Total Assets	<u>\$ 91,341</u>	<u>\$ 36,411</u>
 <u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 33,319	\$ 30,093
Accrued liabilities	<u>3,724</u>	<u>0</u>
Total Current Liabilities	<u>\$ 37,043</u>	<u>\$ 30,093</u>
 <u>NET ASSETS</u>		
Invested in capital assets	\$ 1,826	\$ 0
Unrestricted	<u>52,472</u>	<u>6,318</u>
Total Net Assets	<u>\$ 54,298</u>	<u>\$ 6,318</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

<u>Operating Income</u>	<u>Voucher</u>	<u>N/C Limberlost</u>	<u>N/C VG II</u>
HUD grants - operating	\$ 648,706	\$ 77,316	\$ 185,490
Total Operating Income	<u>\$ 648,706</u>	<u>\$ 77,316</u>	<u>\$ 185,490</u>
 <u>Operating Expenses</u>			
Administration	\$ 102,311	\$ 6,941	\$ 10,895
Ordinary maintenance and operation	198	17	27
General expense	2,519	178	281
Housing assistance payments	554,774	70,183	174,083
Depreciation	<u>661</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>\$ 660,463</u>	<u>\$ 77,319</u>	<u>\$ 185,286</u>
Net Operating Income (Loss)	<u>\$ -11,757</u>	<u>\$ -3</u>	<u>\$ 204</u>
 <u>Nonoperating Income (Expense)</u>			
Interest income	<u>\$ 2,172</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Nonoperating Income (Expense)	<u>\$ 2,172</u>	<u>\$ 0</u>	<u>\$ 0</u>
Change in Net Assets	<u><u>\$ -9,585</u></u>	<u><u>\$ -3</u></u>	<u><u>\$ 204</u></u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2007**

<u>Unrestricted</u>	<u>Voucher</u>	<u>New Construction</u>
Balance at June 30, 2006	\$ 61,156	\$ 6,117
Current year net income (loss)	-8,924	201
Prior year adjustments	<u>240</u>	<u>0</u>
Balance at June 30, 2007	<u>\$ 52,472</u>	<u>\$ 6,318</u>
 <u>Invested in Capital Assets</u>		
Balance at June 30, 2006	\$ 2,487	\$ 0
Current year net income (loss)	<u>-661</u>	<u>0</u>
Balance at June 30, 2007	<u>\$ 1,826</u>	<u>\$ 0</u>
Total Net Assets	<u>\$ 54,298</u>	<u>\$ 6,318</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

<u>Operating Activities</u>	<u>Voucher</u>	<u>New Construction</u>
Operating grants	\$ 648,706	\$ 278,151
Housing assistance payments	-554,774	-244,266
Payments to employees	-58,990	-10,249
Payments to suppliers and contractors	<u>-27,941</u>	<u>-23,636</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,001</u>	<u>\$ 0</u>
 <u>Investing Activities</u>		
Interest income	\$ <u>2,172</u>	\$ <u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 2,172</u>	<u>\$ 0</u>
Net Change in Cash	\$ 9,173	\$ 0
Cash Balance at June 30, 2006	<u>78,959</u>	<u>0</u>
Cash Balance at June 30, 2007	<u>\$ 88,132</u>	<u>\$ 0</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

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

<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)	\$ -11,757	\$ 201
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	661	0
Adjustments to net assets	240	0
(Increase) decrease in accounts payable	0	-19,466
(Increase) decrease in deferred charges	-492	140
Increase (decrease) in accounts payable	16,374	19,371
Increase (decrease) in accrued liabilities	2,215	-246
Increase (decrease) in deferred credits	<u>-240</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,001</u>	<u>\$ 0</u>

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners
Housing Authority of the City of Decatur
Decatur, Indiana

I have audited the financial statements of the governmental activities and the aggregate discretely presented component unit of Housing Authority of the City of Decatur as of and for the year ended June 30, 2007, which collectively comprise the Housing Authority of the City of Decatur's basic financial statements and have issued my report thereon dated December 10, 2007. 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 City of Decatur'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 City of Decatur's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Decatur'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 City of Decatur'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 City of Decatur's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Decatur'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 City of Decatur'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 City of Decatur'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 City of Decatur, in a separate letter dated December 10, 2007.

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
December 10, 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 on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Housing Authority of the City of Decatur
Decatur, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Decatur 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 June 30, 2007. Housing Authority of the City of Decatur's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Decatur's management. My responsibility is to express an opinion on Housing Authority of the City of Decatur's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Decatur 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 June 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 City of Decatur 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 City of Decatur'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 City of Decatur'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 City of Decatur in a separate letter dated December 10, 2007.

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
December 10, 2007


Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

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

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

There were no audit findings discussed with Janelle L. Young, Executive Director, during the course of the audit or at an exit conference held December 4, 2007.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2007**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Employee benefit contribution	4182	\$ 934.12		4182
Accounts payable - employee	2117.04		\$ 934.12	2117.04
(To accrue second quarter 2007 employee contributions at year end)				
(2)				
Administrative salaries	4110	\$ 1,009.79		4110
Accrued wages	2135		\$ 1,009.79	2135
(To record accrued wages earned @ 06/30/07 paid 07/13/07)				
(3)				
Accrued absence expense	4181	\$ 2,714.40		4181
Accrued absence	2134		\$ 2,714.40	2134
(To accrue vacation and sick leave earned in 2007 not used @ 06/30/07)				

PHA: IN062 FYED: 06/30/2007

Line Item No.	Account Description	N/C S/R Section 8 Programs	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$0	\$88,132	\$88,132
100	Total Cash	\$0	\$88,132	\$88,132
122	Accounts Receivable - HUD Other Projects	\$4,026	\$0	\$4,026
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$4,026	\$0	\$4,026
142	Prepaid Expenses and Other Assets	\$0	\$1,383	\$1,383
144	Interprogram Due From	\$32,385	\$0	\$32,385
150	Total Current Assets	\$36,411	\$89,515	\$125,926
164	Furniture, Equipment & Machinery - Administration	\$0	\$26,077	\$26,077
166	Accumulated Depreciation	\$0	\$-24,251	\$-24,251
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$1,826	\$1,826
180	Total Non-Current Assets	\$0	\$1,826	\$1,826
190	Total Assets	\$36,411	\$91,341	\$127,752
312	Accounts Payable <= 90 Days	\$0	\$934	\$934
321	Accrued Wage/Payroll Taxes Payable	\$0	\$1,010	\$1,010
322	Accrued Compensated Absences - Current Portion	\$0	\$2,714	\$2,714
331	Accounts Payable - HUD PHA Programs	\$30,093	\$0	\$30,093
347	Interprogram Due To	\$0	\$32,385	\$32,385
310	Total Current Liabilities	\$30,093	\$37,043	\$67,136
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$30,093	\$37,043	\$67,136
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$1,826	\$1,826
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$6,318	\$52,472	\$58,790
513	Total Equity/Net Assets	\$6,318	\$54,298	\$60,616
600	Total Liabilities and Equity/Net Assets	\$36,411	\$91,341	\$127,752
705	Total Tenant Revenue	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$262,806	\$648,706	\$911,512
711	Investment Income - Unrestricted	\$0	\$2,172	\$2,172
700	Total Revenue	\$262,806	\$650,878	\$913,684
911	Administrative Salaries	\$10,248	\$58,990	\$69,238
912	Auditing Fees	\$592	\$2,698	\$3,290
914	Compensated Absences	\$-245	\$1,205	\$960
915	Employee Benefit Contributions - Administrative	\$2,270	\$13,566	\$15,836
916	Other Operating - Administrative	\$4,971	\$25,852	\$30,823
942	Ordinary Maintenance and Operations - Materials and Other	\$22	\$101	\$123
943	Ordinary Maintenance and Operations - Contract Costs	\$21	\$97	\$118
961	Insurance Premiums	\$460	\$2,519	\$2,979
969	Total Operating Expenses	\$18,339	\$105,028	\$123,367
970	Excess Operating Revenue over Operating Expenses	\$244,467	\$545,850	\$790,317
973	Housing Assistance Payments	\$244,266	\$554,774	\$799,040
974	Depreciation Expense	\$0	\$661	\$661
900	Total Expenses	\$262,605	\$660,463	\$923,068
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$201	\$-9,585	\$-9,384

1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$6,117	\$63,643	\$69,760
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$240	\$240
1120	Unit Months Available	780	2,136	2,916
1121	Number of Unit Months Leased	696	2,119	2,815
1117	Administrative Fee Equity	\$0	\$17,872	\$17,872
1118	Housing Assistance Payments Equity	\$0	\$36,426	\$36,426

Report Generated: 01/03/2008 12:59:39
Date Submission Created: 10/29/2007

| Top of Page |