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May 19, 2009

Board of Commissioners  
Housing Authority of Tell City  
1648 10<sup>th</sup> St.  
Tell City, IN 47586

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 Tell City, 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.

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**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

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**TWELVE MONTHS ENDED JUNE 30, 2007**

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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# PAMELA J. SIMPSON, C.P.A.

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(217) 872-1908

## Independent Auditor's Report

Board of Directors  
Housing Authority of Tell City  
Tell City, Indiana

I have audited the accompanying financial statements of Housing Authority of Tell City, 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 Tell City, 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 January 29, 2008, on my consideration of the Housing Authority of Tell City'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 10 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 Tell City, 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 Tell City. 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 Tell City. 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  
January 29, 2008

  
Certified Public Accountant

## **Management's Discussion and Analysis**

As management of the Tell City Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 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, Tell City Housing Authority.

## **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.

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

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

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

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

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

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2007

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

***Low Income Public Housing***

The Housing Authority owns 199 units in Tell City. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

***Section 8 Housing Choice Vouchers***

HUD has contracted with the Housing Authority support for 67 Housing Choice Vouchers. The Authority pays a Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

***Capital Fund/Comprehensive Grant Program***

These grant programs are award by HUD on an annual basis. The purpose of these grants is to improvement the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds.

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2007

**Condensed Comparative Financial Statements**

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

**Total Assets** for FYE 2006 was \$2,289,897 and at FYE 2007 the amount was \$2,236,789. This represents a net decrease of \$53,108 or 2.3%.

**Cash and Investments** decreased by \$15,968 or 2.7%. The decrease in cash and investments is due to the HUD reductions in operating subsidy provided to the LIPH program.

**Other Current Assets** decreased by \$1,984 or 4.5%. The decrease in Other Current Assets was due to a decrease in the amount of materials inventory held by the Authority net of the allowance for obsolete inventories.

**Capital Assets** decreased by \$35,156 or 2.1%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Non Current Liabilities** increased by \$787 or 6.4%. This is due to an increase in the amount of unused accrued vacation time for employees.

The table below illustrates our analysis:

	2007	2006	Net Change	Percent Variance
Cash & Investments	582,400	598,368	-15,968	-2.7%
Other Current Assets	42,070	44,054	-1,984	-4.5%
Non Current Assets	0	0	0	0.0%
Capital Assets	1,612,319	1,647,475	-35,156	-2.1%
<b>Total Assets</b>	<b>2,236,789</b>	<b>2,289,897</b>	<b>-53,108</b>	<b>-2.3%</b>
Current Liabilities	100,855	101,131	-276	-0.3%
Non Current Liabilities	13,085	12,298	787	6.4%
<b>Total Liabilities</b>	<b>113,940</b>	<b>113,429</b>	<b>511</b>	<b>0.5%</b>
Net Assets in Capital Assets	1,612,319	1,647,475	-35,156	-2.1%
Restricted Net Assets	24,310	0	24,310	100.0%
Unrestricted Net Assets	486,220	528,993	-42,773	-8.1%
<b>Total Net Assets</b>	<b>2,122,849</b>	<b>2,176,468</b>	<b>-53,619</b>	<b>-2.5%</b>

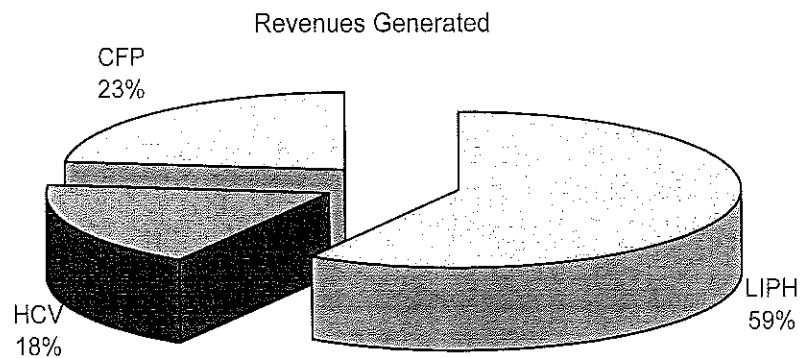
TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2007

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

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

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing (LIPH)	\$736,979
Section 8 Housing Choice Vouchers (HCV)	224,204
Public Housing Capital Fund Program (CFP)	288,312
<b>Total Revenue</b>	<b><u>\$1,249,495</u></b>

The diagram below illustrates the percentage of revenues generated by these programs for Fiscal Year Ending June 30, 2007:



TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2007

**Total Revenues** for Fiscal Year Ending June 30, 2006 were \$1,207,199 as compared to the \$1,249,495 of total revenues for Fiscal Year Ending June 30, 2007. Comparatively, Fiscal Year Ending 2007 revenues increased from Fiscal Year Ending 2006 revenues by \$42,296 or 3.5%.

**Total Tenant Revenue** increased by \$23,016 or 5.5%. Tenant revenue increased because of an increase in the number of units leased and because of changes in tenant characteristics during the fiscal year.

**HUD Operating Grants** decreased by \$46,820 or 8.9%. This decrease is due to a HUD decrease in LIPH Program funding. Nationwide, HUD approved Operating Subsidy for LIPH Programs at a lesser than the actual calculated need. Also, the Authority utilized more of it's Capital Funding on construction projects rather than operations.

**HUD Capital Grants** increased by \$64,852 or 29.0%. The Authority utilized more of it's Capital Funding on construction projects rather than operations.

**Investment Income** increased by \$741 or 5.4%. Investment income increased because of the increase in cash during the fiscal year.

The following table illustrates our analysis:

	2007	2006	Net Change	Percentage Change
Total Tenant Revenue	445,166	422,150	23,016	5.5%
HUD Operating Grants	481,433	528,253	-46,820	-8.9%
HUD Capital Grants	288,312	223,460	64,852	29.0%
Investment Income	14,435	13,694	741	5.4%
Other Revenue	20,149	19,642	507	2.6%
<b>Total Revenue</b>	<u>1,249,495</u>	<u>1,207,199</u>	<u>42,296</u>	<u>3.5%</u>

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2007

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending June 30, 2007 were \$1,303,113 as compared to the \$1,286,309 of total expenditures for Fiscal Year Ending June 30, 2006. Comparatively, Fiscal Year Ending 2007 expenditures exceeded Fiscal Year Ending 2006 expenditures by \$16,804 or 1.3%. Changes by major expense category will be presented below.

**Tenant Services** expenditures increased by \$1,439 or 37.0%. The Authority increased the amount of tenant activities.

**Maintenance** expenditures increased by \$29,393 or 8.9%. The amount of expenditures for maintenance materials and contract costs increased from the prior fiscal.

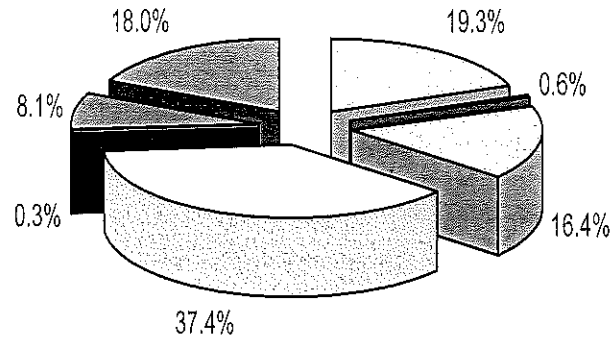
**Extraordinary Maintenance** expenditures decreased to \$0 from the prior year because the expenditures in the prior year were non routine expenditures that will not reoccur.

The table below illustrates our analysis:

	2007	2006	Net Change	Percent Variances
Administrative	186,238	181,519	4,719	2.6%
Tenant Services	5,326	3,887	1,439	37.0%
Utilities	158,660	154,947	3,713	2.4%
Maintenance	361,048	331,655	29,393	8.9%
Protective Services	3,175	3,970	-795	-20.0%
General Expense	78,145	74,998	3,147	4.2%
Extraordinary Maintenance	0	15,645	-15,645	-100.0%
Housing Assistance Payments	173,615	174,838	-1,223	-0.7%
Depreciation Expense	336,906	344,850	-7,944	-2.3%
<b>Total Expenses</b>	<b><u>\$1,303,113</u></b>	<b><u>\$1,286,309</u></b>	<b><u>\$16,804</u></b>	<b><u>1.3%</u></b>

TELL CITY HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE JUNE 30, 2007

The diagram below illustrates the percentage of Authority expenditures by these categories excluding Depreciation Expense for Fiscal Year Ending June 30, 2007:



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<input type="checkbox"/> Administrative	<input type="checkbox"/> Tenant Services	<input type="checkbox"/> Utilities
<input type="checkbox"/> Maintenance	<input type="checkbox"/> Protective Services	<input type="checkbox"/> General Expense
<input type="checkbox"/> Housing Assistance Payments		

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TELL CITY HOUSING AUTHORITY  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 FYE JUNE 30, 2007

*Analysis of Capital Asset Activity*

**Buildings** increased by \$178,895 or 2.3%. The Authority reclassified Construction in Process to Buildings because the work was completed on these work items. The Authority also had \$6,600 of parking lot improvements during the current fiscal year.

**Furniture, Equipment & Machinery – Dwelling** increased by \$6,840. The Authority purchased 6 ranges and 6 air conditioners.

**Construction in Process** increased by \$116,016. The Authority reclassified \$172,296 of completed Construction in Process to the Buildings category. The Authority had current year activity Capital Fund activity on Construction in Process of \$288,312.

**Accumulated Depreciation** increased by \$336,907. This is the amount of the Authority's depreciation expense for the year.

	2007	2006	Net Change	Percent Variance
Land	222,531	222,531	0	0.0%
Buildings	8,117,918	7,939,023	178,895	2.3%
Furniture, Equip., & Mach. - Dwelling	79,104	72,264	6,840	9.5%
Furniture, Equip., & Mach. - Administrative	173,683	173,683	0	0.0%
Construction in Process	298,712	182,696	116,016	63.5%
<b>Total Fixed Assets</b>	<u>8,891,948</u>	<u>8,590,197</u>	<u>301,751</u>	<u>3.5%</u>
Accumulated Depreciation	7,279,629	6,942,722	336,907	4.9%
<b>Net Fixed Assets</b>	<u><u>1,612,319</u></u>	<u><u>1,647,475</u></u>	<u><u>-35,156</u></u>	<u><u>-2.1%</u></u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 231,810
Accounts receivable (interfund eliminated)	1,225
Accrued interest receivable	1,521
Investments	326,280
Inventory (net)	19,696
Deferred charges	<u>19,628</u>

Total Current Assets \$ 600,160

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 8,891,948
Less: Accumulated depreciation	<u>-7,279,629</u>

Net Capital Assets \$ 1,612,319

**RESTRICTED ASSETS**

Cash	<u>\$ 24,310</u>
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Total Assets \$ 2,236,789

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 32,536
Accrued liabilities	30,452
Deferred revenue	<u>37,867</u>

Total Current Liabilities \$ 100,855

**NONCURRENT LIABILITIES**

Accrued liabilities	<u>\$ 13,085</u>
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Total Noncurrent Liabilities \$ 13,085

**NET ASSETS**

Invested in capital assets	\$ 1,612,319
Restricted	24,310
Unrestricted	<u>486,220</u>

Total Net Assets \$ 2,122,849

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Operating Income

Tenant revenue	\$ 439,532
Excess utilities	<u>5,634</u>
Total Tenant Revenue	\$ 445,166
HUD grants - operating	481,433
Other revenue	<u>20,149</u>
Total Operating Income	<u>\$ 946,748</u>

Operating Expenses

Administration	\$ 186,239
Tenant services	5,326
Utilities	158,660
Ordinary maintenance and operation	361,048
General expense	78,145
Protective services	3,175
Housing assistance payments	173,615
Depreciation	<u>336,906</u>
Total Operating Expenses	<u>\$ 1,303,114</u>
Net Operating Income (Loss)	<u>\$ -356,366</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 288,312
Interest income	<u>14,435</u>
Total Nonoperating Income (Expense)	<u>\$ 302,747</u>
Changes in net assets	\$ -53,619
Net assets, beginning of year	<u>2,176,468</u>
Net assets, end of year	<u>\$ 2,122,849</u>

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Operating Activities

Operating grants	\$ 508,968
Tenant revenue	444,838
Other revenue	20,149
Housing assistance payments	-173,615
Payments to employees	-278,943
Payments to suppliers and contractors	<u>-538,392</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ -16,995</u>
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Investing Activities

Investments (purchased) redeemed	\$ -9,540
Interest income	<u>14,465</u>

Net Cash Provided (Used) by Investing Activities	<u>\$ 4,925</u>
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Capital and Related Financing Activities

HUD grants - capital	\$ 288,312
(Additions) deletions to fixed assets	<u>-301,750</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -13,438</u>
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Net Change in Cash	\$ -25,508
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Cash Balance at June 30, 2006	<u>281,628</u>
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Cash Balance at June 30, 2007	<u><u>\$ 256,120</u></u>
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**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, 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)	\$ -356,366
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	336,906
(Increase) decrease in accounts receivable	305
(Increase) decrease in deferred charges	177
(Increase) decrease in other assets	1,472
Increase (decrease) in accounts payable	-27,377
Increase (decrease) in accrued liabilities	986
Increase (decrease) in deferred revenues	<u>26,902</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -16,995</u>

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, 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 Tell City was established by Tell 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 Housing Authority of Tell City 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 Tell City 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 TELL CITY  
TELL CITY, 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:

- \* Low Rent Public Housing
- \* Section 8 Choice Vouchers
- \* Capital Fund Program

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 (1) month or less when purchased to be cash equivalents.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2007, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(f) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(g) Investments -

Investments are stated at cost which approximates market.

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(h) 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:

Buildings	25	years
Equipment	7	years
Transportation equipment	7	years
Furniture and fixtures	5	years
Leasehold improvements	10	years

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(i) Income Tax -

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

(j) Annual Contributions/Subsidies and Other Grants

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

Other grants (such as CFP 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.

(k) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

(l) 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.

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Note 2 - Cash and Investments (Continued)

*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.

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>
Low Rent	\$ 156,000	\$ 176,941
Voucher (restricted and unrestricted)	<u>100,120</u>	<u>106,909</u>
Total	<u>\$ 256,120</u>	<u>\$ 283,850</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ <u>326,280</u>	\$ <u>326,280</u>

Note 3 - Compensated Absences

After the first twelve continuous calendar months of work an employee is entitled to two weeks (10 working days) vacation. After five years of continuous employment, the employee is entitled to three weeks vacation. After ten years of continuous employment, the employee is entitled to four weeks vacation. Vacation benefits may not exceed twenty work days per year. Permanent full-time employees will be given ten sick days per calendar year and three personal days. Sick days can accumulate to sixty days. Employees will not receive compensation for accumulated sick leave or unused personal days upon termination.

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months after full time employment. The plan requires the Housing Authority and the employee to contribute 7% and 5% of covered wages, respectively. The total contribution for 2007 was \$31,792.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 2,079
Allowance for doubtful accounts	<u>-854</u>
Total	<u>\$ 1,225</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Note 6 - Investments

At June 30, 2007 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	2.48-4.91%	<u>\$ 326,280</u>	<u>\$ 326,280</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 19,628</u>
-------------------	------------------

Note 8 - Capital Assets

Balance as of June 30, 2007	\$ 1,612,319
Balance as of June 30, 2006	<u>1,647,475</u>
Net Increase (Decrease)	<u>\$ -35,156</u>

Reconciliation

Additions	\$ 301,750
Current year depreciation expense	<u>-336,906</u>
Net Increase (Decrease)	<u>\$ -35,156</u>

Analysis

	<u>07/01/06 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/07 Balance</u>
Land	\$ 222,531	\$ 0	\$ 0	\$ 222,531
Buildings	7,939,023	178,895	0	8,117,918
Equipment and furniture	245,947	6,840	0	252,787
Construction in progress	<u>182,696</u>	<u>288,311</u>	<u>172,295</u>	<u>298,712</u>
Total Assets	\$ 8,590,197	\$ 474,046	\$ 172,295	\$ 8,891,948
Accumulated depreciation	<u>-6,942,722</u>	<u>-336,907</u>	<u>0</u>	<u>-7,279,629</u>
Net Capital Assets	<u>\$ 1,647,475</u>	<u>\$ 137,139</u>	<u>\$ 172,295</u>	<u>\$ 1,612,319</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 10,546
Tenants security deposits	<u>21,990</u>
Total	<u>\$ 32,536</u>

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 1,801
Payment in lieu of taxes	<u>28,651</u>
Total Current Portion	\$ 30,452

Noncurrent Portion:

Accrued compensated absences	<u>13,085</u>
Total	<u>\$ 43,537</u>

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 10,332
Other deferred revenue	<u>27,535</u>
Total	<u>\$ 37,867</u>

Note 12 - 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 13 - 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 TELL CITY  
TELL CITY, INDIANA**

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

Note 14 - 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 15 - Economic Dependency

The Housing Authority received most of its revenue (62%) 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 TELL CITY  
TELL CITY, 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:						
Public and Indian Housing **	14.850a	C-954	FYE 06/30/07	\$ <u>257,229</u>	\$ <u>257,229</u>	\$ <u>257,229</u>
Housing Choice Voucher Program	14.871	C-2044V	FYE 06/30/07	\$ <u>224,204</u>	\$ <u>224,204</u>	\$ <u>224,204</u>
Public Housing - Capital Funds **	14.872	C-954	FYE 06/30/07	\$ <u>288,312</u>	\$ <u>288,312</u>	\$ <u>288,312</u>
Total Housing Assistance				\$ <u>769,745</u>	\$ <u>769,745</u>	\$ <u>769,745</u>

\*\*Audited as a 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 as equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 156,000	\$ 0	\$ 75,810
Accounts receivable	1,225	27,535	0
Accrued interest receivable	1,521	0	0
Investments	326,280	0	0
Inventory	19,696	0	0
Deferred charges	<u>19,628</u>	<u>0</u>	<u>0</u>
Total Current Assets	<u>\$ 524,350</u>	<u>\$ 27,535</u>	<u>\$ 75,810</u>
<b>CAPITAL ASSETS</b>			
Land, buildings and equipment	\$ 8,562,532	\$ 298,712	\$ 30,704
Less: Accumulated depreciation	<u>-7,252,816</u>	<u>0</u>	<u>-26,813</u>
Net Capital Assets	<u>\$ 1,309,716</u>	<u>\$ 298,712</u>	<u>\$ 3,891</u>
<b>RESTRICTED ASSETS</b>			
Cash	\$ 0	\$ 0	\$ 24,310
Total Assets	<u>\$ 1,834,066</u>	<u>\$ 326,247</u>	<u>\$ 104,011</u>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 60,071	\$ 0	\$ 0
Accrued liabilities	30,452	0	0
Deferred revenue	<u>10,332</u>	<u>27,535</u>	<u>0</u>
Total Current Liabilities	<u>\$ 100,855</u>	<u>\$ 27,535</u>	<u>\$ 0</u>
<b>NONCURRENT LIABILITIES</b>			
Accrued liabilities	<u>\$ 13,085</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 13,085</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets	\$ 1,309,716	\$ 298,712	\$ 3,891
Restricted	0	0	24,310
Unrestricted	<u>410,410</u>	<u>0</u>	<u>75,810</u>
Total Net Assets	<u>\$ 1,720,126</u>	<u>\$ 298,712</u>	<u>\$ 104,011</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Tenant revenue	\$ 439,532	\$ 0	\$ 0
Excess utilities	<u>5,634</u>	<u>0</u>	<u>0</u>
Total Rental Revenue	\$ 445,166	\$ 0	\$ 0
HUD grants - operating	257,229	0	224,204
Other income	<u>20,149</u>	<u>0</u>	<u>0</u>
Total Operating Income	<u>\$ 722,544</u>	<u>\$ 0</u>	<u>\$ 224,204</u>
 <u>Operating Expenses</u>			
Administration	\$ 156,638	\$ 0	\$ 29,601
Tenant services	5,326	0	0
Utilities	158,660	0	0
Ordinary maintenance and operation	361,048	0	0
General expense	78,145	0	0
Protective services	3,175	0	0
Housing assistance payments	0	0	173,615
Depreciation	<u>331,756</u>	<u>0</u>	<u>5,150</u>
Total Operating Expenses	<u>\$ 1,094,748</u>	<u>\$ 0</u>	<u>\$ 208,366</u>
Net Operating Income (Loss)	<u>\$ -372,204</u>	<u>\$ 0</u>	<u>\$ 15,838</u>
 <u>Nonoperating Income (Expense)</u>			
HUD grants - capital	\$ 0	\$ 288,312	\$ 0
Interest income	14,435	0	0
Transfer	<u>207,263</u>	<u>-207,263</u>	<u>0</u>
Total Nonoperating Income (Expense)	<u>\$ 221,698</u>	<u>\$ 81,049</u>	<u>\$ 0</u>
Changes in Net Assets	<u>\$ -150,506</u>	<u>\$ 81,049</u>	<u>\$ 15,838</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Balance at June 30, 2006	\$ 1,420,770	\$ 217,663	\$ 9,042
Current year net income (loss)	-331,757	288,312	-5,150
Transfer	207,263	-207,263	0
Additions	<u>13,440</u>	<u>0</u>	<u>0</u>
Balance at June 30, 2007	<u>\$ 1,309,716</u>	<u>\$ 298,712</u>	<u>\$ 3,892</u>
 <u>Restricted</u>			
Balance at June 30, 2006	\$ 0	\$ 0	\$ 0
Current year net income (loss)	0	0	20,630
Equity transfer	<u>0</u>	<u>0</u>	<u>3,680</u>
Balance at June 30, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,310</u>
 <u>Unrestricted</u>			
Balance at June 30, 2006	\$ 449,862	\$ 0	\$ 79,131
Equity transfer	0	0	-3,680
Current year net income (loss)	<u>-39,452</u>	<u>0</u>	<u>358</u>
Balance at June 30, 2007	<u>\$ 410,410</u>	<u>\$ 0</u>	<u>\$ 75,809</u>
Total Net Assets	<u>\$ 1,720,126</u>	<u>\$ 298,712</u>	<u>\$ 104,011</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Operating grants	\$ 257,229	\$ 0	\$ 224,204
Tenant revenue	444,838	0	0
Other revenue	20,149	0	0
Housing assistance payments	0	0	-173,615
Payments to employees	-264,143	0	-14,800
Payments to suppliers and contractors	<u>-496,055</u>	<u>0</u>	<u>-14,801</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -37,982</u>	<u>\$ 0</u>	<u>\$ 20,988</u>
 <u>Investing Activities</u>			
Investments (purchased) redeemed	\$ -9,540	\$ 0	\$ 0
Interest income	<u>14,465</u>	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 4,925</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>			
HUD grants - capital	\$ 0	\$ 288,312	\$ 0
Additions (deletions) to fixed assets	<u>-13,440</u>	<u>-288,312</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -13,440</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Cash	\$ -46,497	\$ 0	\$ 20,988
Cash Balance at June 30, 2006	<u>202,497</u>	<u>0</u>	<u>79,132</u>
Cash Balance at June 30, 2007	<u>\$ 156,000</u>	<u>\$ 0</u>	<u>\$ 100,120</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Net operating income (loss)	\$ -372,204	\$ 0	\$ 15,838
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Depreciation	331,756	0	5,150
(Increase) decrease in accounts receivable	305	-27,535	0
(Increase) decrease in deferred charges	177	0	0
(Increase) decrease in other assets	1,472	0	0
Increase (decrease) in accounts payable	159	0	0
Increase (decrease) in accrued liabilities	986	0	0
Increase (decrease) in deferred revenues	<u>-633</u>	<u>27,535</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -37,982</u>	<u>\$ 0</u>	<u>\$ 20,988</u>

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P018501-05**

1. The Actual Modernization Costs of Phase IN36P018501-05 are as follows:

Funds approved	\$ 256,803
Funds expended	<u>256,803</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds advanced	
Project notes, non-HUD	\$ 256,803
Funds expended	<u>256,803</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated August 12, 2007, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD  
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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 Tell City  
Tell City, Indiana

I have audited the financial statements of the governmental activities of Housing Authority of Tell City as of and for the year ended June 30, 2007, which collectively comprise the Housing Authority of Tell City's basic financial statements and have issued my report thereon dated January 29, 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 Tell City'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 Tell City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of Tell City'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 Tell City'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 Tell City's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of Tell City'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 Tell City'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 Tell City'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 Tell City, in a separate letter dated January 29, 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  
January 29, 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 on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners  
Housing Authority of Tell City  
Tell City, Indiana

### Compliance

I have audited the compliance of Housing Authority of Tell City 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 Tell City'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 Tell City's management. My responsibility is to express an opinion on Housing Authority of Tell City'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 Tell City'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 Tell City's compliance with those requirements.

In my opinion, Housing Authority of Tell City 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 Tell City 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 Tell City'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 Tell City'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 Tell City in a separate letter dated January 29, 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  
January 29, 2008

  
Certified Public Accountant

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

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

**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

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

Low Rent Public Housing 14.850

Public Housing - Capital Funds 14.872

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

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

**HOUSING AUTHORITY OF TELL CITY  
TELL CITY, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

There were no audit findings discussed with Bobbi J. Polster, Executive Director during the course of the audit or at an exit conference held on January 29, 2008.

PHA: IN018 FYED: 06/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$134,010	\$75,810	\$0	\$209,820
113	Cash - Other Restricted	\$0	\$24,310	\$0	\$24,310
114	Cash - Tenant Security Deposits	\$21,990	\$0	\$0	\$21,990
100	Total Cash	\$156,000	\$100,120	\$0	\$256,120
126	Accounts Receivable - Tenants - Dwelling Rents	\$2,079	\$0	\$0	\$2,079
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-854	\$0	\$0	\$-854
129	Accrued Interest Receivable	\$1,521	\$0	\$0	\$1,521
120	Total Receivables, net of allowances for doubtful accounts	\$2,746	\$0	\$0	\$2,746
131	Investments - Unrestricted	\$326,280	\$0	\$0	\$326,280
142	Prepaid Expenses and Other Assets	\$19,628	\$0	\$0	\$19,628
143	Inventories	\$21,763	\$0	\$0	\$21,763
143.1	Allowance for Obsolete Inventories	\$-2,067	\$0	\$0	\$-2,067
144	Interprogram Due From	\$0	\$0	\$27,535	\$27,535
150	Total Current Assets	\$524,350	\$100,120	\$27,535	\$652,005
161	Land	\$222,531	\$0	\$0	\$222,531
162	Buildings	\$8,117,918	\$0	\$0	\$8,117,918
163	Furniture, Equipment & Machinery - Dwellings	\$79,104	\$0	\$0	\$79,104
164	Furniture, Equipment & Machinery - Administration	\$142,979	\$30,704	\$0	\$173,683
165	Leasehold Improvements	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$-7,252,816	\$-26,813	\$0	\$-7,279,629
167	Construction In Progress	\$0	\$0	\$298,712	\$298,712
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,309,716	\$3,891	\$298,712	\$1,612,319
180	Total Non-Current Assets	\$1,309,716	\$3,891	\$298,712	\$1,612,319
190	Total Assets	\$1,834,066	\$104,011	\$326,247	\$2,264,324
312	Accounts Payable <= 90 Days	\$10,546	\$0	\$0	\$10,546
322	Accrued Compensated Absences - Current Portion	\$1,801	\$0	\$0	\$1,801
333	Accounts Payable - Other Government	\$28,651	\$0	\$0	\$28,651
341	Tenant Security Deposits	\$21,990	\$0	\$0	\$21,990
342	Deferred Revenues	\$10,332	\$0	\$27,535	\$37,867
347	Interprogram Due To	\$27,535	\$0	\$0	\$27,535
310	Total Current Liabilities	\$100,855	\$0	\$27,535	\$128,390
354	Accrued Compensated Absences - Non Current	\$13,085	\$0	\$0	\$13,085
350	Total Noncurrent Liabilities	\$13,085	\$0	\$0	\$13,085
300	Total Liabilities	\$113,940	\$0	\$27,535	\$141,475
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$1,309,716	\$3,891	\$298,712	\$1,612,319
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$24,310	\$0	\$24,310
512.1	Unrestricted Net Assets	\$410,410	\$75,810	\$0	\$486,220
513	Total Equity/Net Assets	\$1,720,126	\$104,011	\$298,712	\$2,122,849
600	Total Liabilities and Equity/Net Assets	\$1,834,066	\$104,011	\$326,247	\$2,264,324
703	Net Tenant Rental Revenue	\$439,532	\$0	\$0	\$439,532
704	Tenant Revenue - Other	\$5,634	\$0	\$0	\$5,634
705	Total Tenant Revenue	\$445,166	\$0	\$0	\$445,166
706	HUD PHA Operating Grants	\$257,229	\$224,204	\$0	\$481,433
706.1	Capital Grants	\$0	\$0	\$288,312	\$288,312
711	Investment Income - Unrestricted	\$14,435	\$0	\$0	\$14,435
715	Other Revenue	\$20,149	\$0	\$0	\$20,149
700	Total Revenue	\$736,979	\$224,204	\$288,312	\$1,249,495
911	Administrative Salaries	\$99,235	\$14,800	\$0	\$114,035
912	Auditing Fees	\$3,400	\$1,000	\$0	\$4,400

914	Compensated Absences	\$967	\$0	\$0	\$967
915	Employee Benefit Contributions - Administrative	\$26,353	\$6,500	\$0	\$32,853
916	Other Operating - Administrative	\$26,683	\$7,301	\$0	\$33,984
924	Tenant Services - Other	\$5,326	\$0	\$0	\$5,326
931	Water	\$33,229	\$0	\$0	\$33,229
932	Electricity	\$72,491	\$0	\$0	\$72,491
933	Gas	\$52,940	\$0	\$0	\$52,940
941	Ordinary Maintenance and Operations - Labor	\$164,907	\$0	\$0	\$164,907
942	Ordinary Maintenance and Operations - Materials and Other	\$72,683	\$0	\$0	\$72,683
943	Ordinary Maintenance and Operations - Contract Costs	\$79,724	\$0	\$0	\$79,724
945	Employee Benefit Contributions - Ordinary Maintenance	\$43,734	\$0	\$0	\$43,734
952	Protective Services - Other Contract Costs	\$3,175	\$0	\$0	\$3,175
961	Insurance Premiums	\$45,844	\$0	\$0	\$45,844
962	Other General Expenses	\$28,650	\$0	\$0	\$28,650
964	Bad Debt - Tenant Rents	\$3,651	\$0	\$0	\$3,651
969	Total Operating Expenses	\$762,992	\$29,601	\$0	\$792,593
970	Excess Operating Revenue over Operating Expenses	\$-26,013	\$194,603	\$288,312	\$456,902
973	Housing Assistance Payments	\$0	\$173,615	\$0	\$173,615
974	Depreciation Expense	\$331,756	\$5,150	\$0	\$336,906
900	Total Expenses	\$1,094,748	\$208,366	\$0	\$1,303,114
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-357,769	\$15,838	\$288,312	\$-53,619
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,870,632	\$88,173	\$217,663	\$2,176,468
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$207,263	\$0	\$-207,263	\$0
1120	Unit Months Available	2,388	654	0	3,042
1121	Number of Unit Months Leased	2,364	631	0	2,995
1117	Administrative Fee Equity	\$0	\$79,701	\$0	\$79,701
1118	Housing Assistance Payments Equity	\$0	\$24,310	\$0	\$24,310

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