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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

May 20, 2009

Board of Commissioners
Housing Authority of the
City of Richmond
58 S. 15th St.
Richmond, IN 47374

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 Richmond, 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 THE CITY OF RICHMOND
RICHMOND, INDIANA**

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

TWELVE MONTHS ENDED JUNE 30, 2007

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

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PAMELA J. SIMPSON, C.P.A.

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

Independent Auditor's Report

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

I have audited the accompanying financial statements of Housing Authority of the City of Richmond, 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 Richmond, 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 23, 2008, on my consideration of the Housing Authority of the City of Richmond'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 12, 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 Richmond, 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 Richmond. 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 Richmond. 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 23, 2008


Certified Public Accountant

MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)

FISCAL YEAR ENDING
JUNE 30, 2007

PREPARED FOR THE
RICHMOND HOUSING AUTHORITY
OF
RICHMOND, INDIANA
JANUARY 2008

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Management's Discussion And Analysis (MD&A)

The Richmond Housing Authority's management discussion and analysis of the RHA financial statements including a narrative overview and discussion of the financial activities of the RHA for years and periods ending June 30, 2006 vs. June 30, 2007.

The MD&A is specifically designed to: 1.) assist the reader in focusing on significant financial issues; 2.) provide a broad scope overview of the RHA's financial activities; 3.) identify and explain changes in the RHA's financial position from 2006 to 2007; and 4.) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the RHA's audited financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Derek White, Executive Director, Richmond Housing Authority, 58 S 15th St., Richmond, IN 47374

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (a) fund financial statements and (b) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Reporting On The Housing Authority As A Whole

One of the most important questions asked about the Authority's finances are, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2007." The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

- RHA's assets decreased by \$143,090 from 2006 to 2007. The decrease in assets is due to a small decrease of cash by \$90,092, partially off-set by an increase in other current assets by \$79,864.
- Capital Assets diminished by \$132,862 with the implication of a larger amount of accumulated depreciation, partially off-set by increases in the value of building, furniture, equipment and leasehold improvements.
- Agency revenues increased by \$93,734 because of an increase in operating subsidy funding and capital fund activities.
- The overall collective effect on operating expenses for 2007 vs. 2006 was 1.3% decrease. The reduction in expenses was due to an agency wide effort to reduce all expense items except for depreciation. The net reduction in expenses for 2007 vs. 2006 is \$42,483.
- The combined increase in total revenues by \$93,734 coupled with a decline in total expenses of \$42,483 resulted in a net operating gain of \$136,217 from 2006 to 2007. This loss also impacted net assets by reducing the overall value by only \$119,550.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

Using This Annual Report

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds, the Low Rent Housing Program, Section 8 Housing Choice Voucher Program and Public Housing Capital Fund Program.

The Housing Authority auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting The Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds. All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator. The statements evaluated include:

- 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.
- Statement of Capital Assets – reports the Authority's activities to improve and/or expand its assets and reflects current renovation efforts and accumulated depreciation.

The following analysis of the entity wide financial statement is provided to assist the reader of our financial statements.

The RHA maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the authority provides for the residents of the Richmond Housing Authority:

Low Income Public Housing

The RHA owns approximately 304 units in four developments in the City of Richmond. Merle Henderson contains 104 elderly/disabled units, Southview Heights has 50 family units, Jerry Geier Apartments has 50 family units and Bobby Smith Apartments has 100 family units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an allowable Operating Expense Level, Allowable utilities Expenses Level and Audit Costs that becomes the Authority's Total Allowable Expenses. HUD will fund the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculation. The funds are utilized to provide safe, affordable, clean housing to the residents of the City of Richmond, Indiana.

Section 8 Housing Choice Voucher Program

This grant program provides Housing Assistance Payments to Landlords who participate in the program. Qualifying tenants to the program have their income analyzed utilizing HUD's guidelines and their rent are assessed accordingly. The balance between the differences of the allowable rent amount set by HUD and the tenant's contribution is equal to the Housing Assistance Payment.

Capital Fund Program

This grant program is awarded by HUD on an annual basis. The purposes of this grant is to maintain the physical improvements of the Authority's sites and the administrative management to ensure those improvements are completed in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

Authority-Wide Condensed Financial Statements

Statement of Net Assets

Current & Other Assets	2007	2006	Change
Cash & Cash Equivalents	1,355,094	1,445,186	(90,092)
Other Current Assets	243,278	163,414	79,864
Capital Assets (Net)	5,327,652	5,460,514	(132,862)
Total Assets	6,926,024	7,069,114	(143,090)
Liabilities			
Accounts Payable	65,959	98,126	(32,167)
Other Liabilities	93,069	84,442	8,627
Total Liabilities	159,028	182,568	(23,540)
Net Assets			
Net Investment in Capital Assets	5,327,652	5,460,514	(132,862)
Unrestricted	1,439,344	1,426,032	13,312
Total Net Assets	6,766,996	6,886,546	(119,550)

Major Factors affecting the statement of Net Assets

Total Assets for FYE 2007 are \$6,926,024 and at FYE 2006 the amount was \$7,069,114. This represents a decrease of \$143,090 for which the major reason was the large reduction in net capital assets of \$132,862, offset by other current assets.

Total liabilities decreased by \$23,540 with the major impact due to the decrease in accounts payable.

Net Assets declined by \$119,550 from 2006 to 2007 with the major reason being accumulated depreciation which increased by \$580,514.

Statement of Agency Wide Revenues, Expenses, and Net Assets

Statement of Revenues

Source	2007	2006	Change
Public Housing Rental	397,652	447,549	(49,897)
HUD Operating Subsidy	2,135,861	2,099,866	35,995
HUD Capital Fund	428,366	320,153	108,213
Other Income	62,320	62,897	(577)
Total Revenues	3,024,199	2,930,465	93,734

The combined affect of revenue sources for 2007 created an increase of \$93,734 vs. 2006. There were increases of \$35,995 in operating subsidy and \$108,213 in capital funds which more than off-set the reduction in public housing rental income by \$49,897.

Statement of Expenses

Activity	2007	2006	Change
Administrative	621,231	639,242	(18,011)
Tenant Services	29,271	37,214	(7,943)
Utilities	228,778	241,956	(13,178)
Maintenance	539,345	569,866	(30,521)
Housing Assistance Payment	1,028,658	1,045,267	(16,609)
Depreciation	580,514	512,146	68,368
General Expense	104,402	139,262	(34,860)
Casualty Losses	11,550	0	11,550
Gain/Loss on sale of Fixed Assets	0	1,279	(1,279)
Total Expenses	3,143,749	3,186,232	(42,483)

Through a concentrated effort by the agency all expense activities reflect a reduction compared to FY 2006 except for depreciation which increased by \$68,368. The cumulative reduction in all other expense areas diminished total expense by \$42,483 for 2007.

The combination of an increase in revenues by \$93,734 and a decrease in operating expenses by \$42,483 resulted in a net operating gain of \$136,217 from 2006 vs. 2007.

Statement of Capital Assets

Source	2007	2006	Change
Land	900,488	900,488	0
Buildings	11,389,420	10,946,524	442,896
Equipment And Furniture	819,424	806,822	12,602
Leasehold Improvements	676,698	669,730	6,968
Construction in progress	753,425	768,241	(14,816)
Accumulated Depreciation	(9,211,803)	(8,631,291)	(580,512)
Total Assets	5,327,652	5,460,514	(132,862)

Net property and equipment value has decreased by \$132,862 from 2006 to 2007. The major negative impact to capital asset is accumulated depreciation that increased by \$580,512 plus a reduction in construction in progress. This negative factor was reduced by increases in the value of buildings, equipment and leasehold improvements of \$462,466.

Economic Factors

The Housing Authority's primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for 2007 fiscal year have already been submitted to HUD for approval and no major changes are expected.

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental.
- Income Inflationary pressure on utility rates, supplies and other costs.

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

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

ASSETS

CURRENT ASSETS

Cash	\$ 1,355,094
Accounts receivable (interfund eliminated)	131,721
Accrued interest receivable	37,011
Inventory	11,760
Deferred charges	<u>62,786</u>
 Total Current Assets	 <u>\$ 1,598,372</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 14,539,455
Less: Accumulated depreciation	<u>-9,211,803</u>
 Net Capital Assets	 <u>\$ 5,327,652</u>

Total Assets	<u>\$ 6,926,024</u>
--------------	---------------------

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 65,959
Accrued liabilities	12,963
Deferred revenue	<u>1,883</u>
 Total Current Liabilities	 <u>\$ 80,805</u>

NONCURRENT LIABILITIES

Trust and deposit liabilities	<u>\$ 78,223</u>
 Total Noncurrent Liabilities	 <u>\$ 78,223</u>

NET ASSETS

Invested in capital assets	\$ 5,327,652
Unrestricted	<u>1,439,344</u>
 Total Net Assets	 <u>\$ 6,766,996</u>

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

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

Operating Income

Tenant rental revenue	\$ 362,040
Tenant revenue - other	<u>35,612</u>
Total Tenant Revenue	\$ 397,652
HUD grants - operating	2,135,861
Fraud recovery	3,146
Other revenue	<u>24,579</u>
Total Operating Income	\$ <u>2,561,238</u>

Operating Expenses

Administration	\$ 621,231
Tenant services	29,271
Utilities	228,778
Ordinary maintenance and operation	539,345
General expense	104,402
Housing assistance payments	1,028,658
Depreciation	<u>580,514</u>
Total Operating Expenses	\$ <u>3,132,199</u>
Net Operating Income (Loss)	\$ <u>-570,961</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 428,366
Interest income	34,595
Casualty losses	<u>-11,550</u>
Total Nonoperating Income (Expense)	\$ <u>451,411</u>
Changes in net assets	\$ -119,550
Net assets, beginning of year	<u>6,886,546</u>
Net assets, end of year	\$ <u>6,766,996</u>

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

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

Operating Activities

Operating grants	\$ 2,074,012
Tenant revenue	400,103
Other revenue	27,725
Housing assistance payments	-1,028,658
Payments to employees	-589,348
Payments to suppliers and contractors	<u>-989,235</u>

Net Cash Provided (Used) by Operating Activities \$ -105,401

Investing Activities

Interest income \$ 34,595

Net Cash Provided (Used) by Investing Activities \$ 34,595

Capital and Related Financing Activities

HUD grants - capital	\$ 428,366
Additions (deletions) to fixed assets	<u>-447,652</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -19,286

Net Change in Cash \$ -90,092

Cash Balance at June 30, 2006 1,445,186

Cash Balance at June 30, 2007 \$ 1,355,094

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, 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)	\$ -582,511
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	580,514
(Increase) decrease in accounts receivable	-53,410
(Increase) decrease in deferred charges	85
(Increase) decrease in inventories	2,920
(Increase) decrease in other assets	-22,311
Increase (decrease) in accounts payable	-39,315
Increase (decrease) in accrued liabilities	3,227
Increase (decrease) in deferred revenues	-1,625
Increase (decrease) in other liabilities	<u>7,025</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -105,401</u>

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, 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 Richmond 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 Richmond 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 Richmond 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 RICHMOND
RICHMOND, 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
- * Business Activities

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 THE CITY OF RICHMOND
RICHMOND, 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	40	years
Equipment	5-10	years
Transportation equipment	5	years
Furniture and fixtures	10	years
Building improvements	10-40	years
Land improvements	20	years

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, 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 THE CITY OF RICHMOND
RICHMOND, 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>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 1,281,909	\$ 1,394,265
Business Activities	<u>73,185</u>	<u>73,828</u>
Total	<u>\$ 1,355,094</u>	<u>\$ 1,468,093</u>

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

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

Note 3 - Compensated Absences

An employee's eligibility to use accrued vacation is based on the calendar year. Introductory employees are not eligible to take vacation but will be given credit for accrued vacation hours once regular employment status is achieved retroactively to their date of employment. Eligible employees accrue credit for each pay period of service in which the employee is actively in Housing Authority of the City of Richmond employment and in a paid status. Vacation credit will not be earned for any month in which the employee is on a leave of absence or disciplinary suspension, regardless of the number of workdays absent for these reasons.

Full-time employees, defined here as working a regularly scheduled workweek of forty hours, will accrue paid vacation credit as follows:

0 - 1 years in service	1.5 hours per pay period
1 - 6 years in service	3.1 hours per pay period
7 - 14 years in service	4.6 hours per pay period
15+ years in service	6.2 hours per pay period

Regular part-time employees must normally work 20-27 hours per week to be eligible for vacation credit equivalent to one-half of the full-time rate and part-time employees working a 28-34 hour scheduled work week will accrue vacation credit at the rate of three-fourths the full-time rate.

Employees begin to accrue personal leave credit on the first of the month following their hire date. Introductory employees are not eligible to use personal leave, but will be given credit for accrued personal leave hours once regular employment status is achieved retroactively to the month in which credit begin to accrue. Introductory employees who are absent due to illness or nonwork-related injury may have their pay adjusted to reflect an unpaid absence. Regular employees who are absent due to illness and have used all accrued sick days will have their pay adjusted to reflect an unpaid absence.

Personal leave accrues annually for eligible employees.

Sick Days	15 days per year
Personal Days	3 days per year
Bereavement	3 days per family member

Part-time employees working a 20-27 hour workweek schedule will accrue at one-half the full-time rate, and employees working a 28-34 hour scheduled work week will accrue at three-fourths the full-time rate.

The accrual of personal leave credit can be, and is encouraged to be, accumulated up to the established maximum number of dates in the event of serious injury (60 days maximum sick time). Upon separation from agency service, accrued sick days will not be paid in any manner. Personal days cannot be carried over or accumulated year from year. Bereavement time will not be charged to the employee's sick days; but are not given unless there is a death in the family.

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

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

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan (IRA-SEP 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 the date of employment. The plan requires the Housing Authority to contribute 14.5% of covered wages. The Housing Authority's contribution for each employee are vested immediately. In fiscal year 2007, the Housing Authority contributed \$96,486.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable net	\$ 21,848
Accounts receivable - HUD	109,573
Accounts receivable - other	<u>300</u>
Subtotal	\$ 131,721
Interfund	<u>389,510</u>
Total	<u>\$ 521,231</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 62,786</u>
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Note 7 - Fixed Assets

Balance as of June 30, 2007	\$ 5,327,652
Balance as of June 30, 2006	<u>5,460,514</u>
Net Increase (Decrease)	<u>\$ -132,862</u>

Reconciliation

Additions	\$ 447,652
Depreciation expense	<u>-580,514</u>
Total	<u>\$ -132,862</u>

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

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

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	<u>07/01/06 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/07 Balance</u>
Land	\$ 900,488	\$ 0	\$ 0	\$ 900,488
Buildings	10,946,524	442,896	0	11,389,420
Equipment and furniture	806,822	24,607	12,005	819,424
Leasehold improvements	669,730	6,968	0	676,698
Construction in progress	<u>768,241</u>	<u>350,018</u>	<u>364,834</u>	<u>753,425</u>
Total Assets	\$ 14,091,805	\$ 824,489	\$ 376,839	\$ 14,539,455
Accumulated depreciation	<u>-8,631,291</u>	<u>2</u>	<u>580,514</u>	<u>-9,211,803</u>
Total	<u>\$ 5,460,514</u>	<u>\$ 824,491</u>	<u>\$ 957,353</u>	<u>\$ 5,327,652</u>

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 23,006
Tenants security deposits	39,693
Payroll taxes payable	<u>3,260</u>
Subtotal	\$ 65,959
Interfund	<u>389,510</u>
Total	<u>\$ 455,469</u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued compensated absences	<u>\$ 12,963</u>
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Note 10 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 1,883</u>
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**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, INDIANA**

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

Note 11 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is established by HUD on a calendar year basis.

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.

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 (85%) 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 RICHMOND
RICHMOND, 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-853	FYE 06/30/07	\$ 711,124	\$ 711,124	\$ 711,124
Housing Choice Voucher Program*	14.871	IN009VO	FYE 06/30/07	\$ 1,216,274	\$ 1,216,274	\$ 1,216,274
Public Housing - Capital Fund*	14.872	C-853	FYE 06/30/07	\$ 2,110,338	\$ 636,829	\$ 636,829
Total Housing Assistance				<u>\$ 4,037,736</u>	<u>\$ 2,564,227</u>	<u>\$ 2,564,227</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 as equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

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

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

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>	<u>Business Activities</u>
CURRENT ASSETS				
Cash	\$ 1,281,909	\$ 0	\$ 0	\$ 73,185
Accounts receivable	411,358	29,516	80,057	300
Accrued interest receivable	34,895	0	0	2,116
Inventory	11,760	0	0	0
Deferred charges	<u>59,645</u>	<u>0</u>	<u>2,423</u>	<u>718</u>
Total Current Assets	<u>\$ 1,799,567</u>	<u>\$ 29,516</u>	<u>\$ 82,480</u>	<u>\$ 76,319</u>
CAPITAL ASSETS				
Land, buildings and equipment	\$ 13,330,088	\$ 934,023	\$ 6,865	\$ 268,479
Less: Accumulated depreciation	<u>-9,090,198</u>	<u>-35,237</u>	<u>-6,233</u>	<u>-80,135</u>
Net Capital Assets	<u>\$ 4,239,890</u>	<u>\$ 898,786</u>	<u>\$ 632</u>	<u>\$ 188,344</u>
Total Assets	<u>\$ 6,039,457</u>	<u>\$ 928,302</u>	<u>\$ 83,112</u>	<u>\$ 264,663</u>
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 65,868	\$ 29,516	\$ 127,292	\$ 232,793
Accrued liabilities	12,600	0	363	0
Deferred revenue	<u>1,883</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 80,351</u>	<u>\$ 29,516</u>	<u>\$ 127,655</u>	<u>\$ 232,793</u>
NONCURRENT LIABILITIES				
Home Buyer reserves	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,223</u>
Total Noncurrent Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,223</u>
<u>NET ASSETS</u>				
Invested in capital assets	\$ 4,239,890	\$ 898,786	\$ 632	\$ 188,344
Unrestricted	<u>1,719,216</u>	<u>0</u>	<u>-45,175</u>	<u>-234,697</u>
Total Net Assets	<u>\$ 5,959,106</u>	<u>\$ 898,786</u>	<u>\$ -44,543</u>	<u>\$ -46,353</u>

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, 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>	<u>Business Activities</u>
Tenant rental revenue	\$ 357,990	\$ 0	\$ 0	\$ 4,050
Tenant revenue - other	<u>35,612</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Tenant Revenue	\$ 393,602	\$ 0	\$ 0	\$ 4,050
HUD grants - operating	711,124	208,463	1,216,274	0
Fraud recovery	0	0	3,146	0
Other revenue	<u>24,574</u>	<u>0</u>	<u>0</u>	<u>5</u>
Total Operating Income	<u>\$ 1,129,300</u>	<u>\$ 208,463</u>	<u>\$ 1,219,420</u>	<u>\$ 4,055</u>
 <u>Operating Expenses</u>				
Administration	\$ 396,770	\$ 108,919	\$ 114,177	\$ 1,365
Tenant services	29,271	0	0	0
Utilities	227,937	0	841	0
Ordinary maintenance and operation	534,050	0	5,082	213
General expense	99,363	0	4,232	807
Housing assistance payments	0	0	1,028,658	0
Depreciation	<u>548,709</u>	<u>24,375</u>	<u>77</u>	<u>7,353</u>
Total Operating Expenses	<u>\$ 1,836,100</u>	<u>\$ 133,294</u>	<u>\$ 1,153,067</u>	<u>\$ 9,738</u>
Net Operating Income (Loss)	<u>\$ -706,800</u>	<u>\$ 75,169</u>	<u>\$ 66,353</u>	<u>\$ -5,683</u>
 <u>Nonoperating Income (Expense)</u>				
HUD grants - capital	\$ 0	\$ 428,366	\$ 0	\$ 0
Interest income	32,046	0	0	2,549
Casualty losses	-11,550	0	0	0
Transfer	<u>99,544</u>	<u>-99,544</u>	<u>0</u>	<u>0</u>
Total Nonoperating Income (Expense)	<u>\$ 120,040</u>	<u>\$ 328,822</u>	<u>\$ 0</u>	<u>\$ 2,549</u>
Changes in Net Assets	<u>\$ -586,760</u>	<u>\$ 403,991</u>	<u>\$ 66,353</u>	<u>\$ -3,134</u>

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

**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>	<u>Business Activities</u>
Balance at June 30, 2006	\$ 4,398,589	\$ 867,136	\$ 708	\$ 194,081
Current year net income (loss)	-531,040	403,991	-76	-5,737
Transfer	<u>372,341</u>	<u>-372,341</u>	<u>0</u>	<u>0</u>
Balance at June 30, 2007	<u>\$ 4,239,890</u>	<u>\$ 898,786</u>	<u>\$ 632</u>	<u>\$ 188,344</u>
 <u>Unrestricted</u>				
Balance at June 30, 2006	\$ 1,774,936	\$ 0	\$ -111,604	\$ -237,300
Current year net income (loss)	<u>-55,720</u>	<u>0</u>	<u>66,429</u>	<u>2,603</u>
Balance at June 30, 2007	<u>\$ 1,719,216</u>	<u>\$ 0</u>	<u>\$ -45,175</u>	<u>\$ -234,697</u>
Total Net Assets	<u>\$ 5,959,106</u>	<u>\$ 898,786</u>	<u>\$ -44,543</u>	<u>\$ -46,353</u>

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

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

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>
Operating grants	\$ 711,124	\$ 226,671
Tenant revenue	396,053	0
Other revenue	24,574	0
Payments to employees	-469,743	-42,867
Payments to suppliers and contractors	<u>-870,728</u>	<u>-84,260</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -208,720</u>	<u>\$ 99,544</u>
 <u>Investing Activities</u>		
Interest income	<u>\$ 32,046</u>	<u>\$ 0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 32,046</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>		
HUD grant - capital	\$ 0	\$ 428,366
Additions (deletions) to fixed assets	-17,669	-428,366
Transfer	<u>99,544</u>	<u>-99,544</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 81,875</u>	<u>\$ -99,544</u>
Net Change in Cash	\$ -94,799	\$ 0
Cash Balance at June 30, 2006	<u>1,376,708</u>	<u>0</u>
Cash Balance at June 30, 2007	<u><u>\$ 1,281,909</u></u>	<u><u>\$ 0</u></u>

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, 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>Low Rent</u>	<u>Capital Funds</u>
Net operating income (loss)	\$ -718,350	\$ 75,169
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	548,709	24,375
(Increase) decrease in accounts receivable	8,114	18,208
(Increase) decrease in deferred charges	-121	0
(Increase) decrease in inventories	2,920	0
(Increase) decrease in other assets	-20,907	0
Increase (decrease) in accounts payable	-32,258	-18,208
Increase (decrease) in accrued liabilities	4,798	0
Increase (decrease) in deferred revenues	<u>-1,625</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -208,720</u>	<u>\$ 99,544</u>

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

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

<u>Operating Activities</u>	<u>Voucher</u>	<u>Business Activities</u>
Operating grants	\$ 1,136,217	\$ 0
Tenant revenue	0	4,050
Other revenue	3,146	5
Housing assistance payments	-1,028,658	0
Payments to employees	-76,738	0
Payments to suppliers and contractors	<u>-33,966</u>	<u>-281</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1</u>	<u>\$ 3,774</u>
 <u>Investing Activities</u>		
Interest income	<u>\$ 0</u>	<u>\$ 2,549</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 0</u>	<u>\$ 2,549</u>
 <u>Capital and Related Financing Activities</u>		
Additions to fixed assets	<u>\$ -1</u>	<u>\$ -1,616</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -1</u>	<u>\$ -1,616</u>
Net Change in Cash	\$ 0	\$ 4,707
Cash Balance at June 30, 2006	<u>0</u>	<u>68,478</u>
Cash Balance at June 30, 2007	<u><u>\$ 0</u></u>	<u><u>\$ 73,185</u></u>

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, 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>Business</u> <u>Activities</u>
Net operating income (loss)	\$ 66,353	\$ -5,683
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	77	7,353
(Increase) decrease in accounts receivable	-80,057	325
(Increase) decrease in deferred charges	183	23
(Increase) decrease in other assets	0	-1,404
Increase (decrease) in accounts payable	15,016	-3,865
Increase (decrease) in accrued liabilities	-1,571	0
Increase (decrease) in other liabilities	<u>0</u>	<u>7,025</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1</u>	<u>\$ 3,774</u>

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P009502-03**

1. The Actual Modernization Costs of Phase IN36P009502-03 are as follows:

Funds approved	\$ 96,644
Funds expended	<u>96,644</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds advanced	
Project notes, non-HUD	\$ 96,644
Funds expended	<u>96,644</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 September 28, 2006, 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
DECATUR, ILLINOIS 62526
(217) 872-1908

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 Richmond
Richmond, Indiana

I have audited the financial statements of the Housing Authority of the City of Richmond as of and for the year ended June 30, 2007, which collectively comprise the Housing Authority of the City of Richmond's basic financial statements and have issued my report thereon dated January 23, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Housing Authority of the City of Richmond'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 Richmond's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Richmond'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 Richmond'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 Richmond's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Richmond'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 Richmond'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 Richmond'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 Richmond, in a separate letter dated January 23, 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 23, 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 the City of Richmond
Richmond, Indiana

Compliance

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

In my opinion, Housing Authority of the City of Richmond 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 Richmond 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 Richmond'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 Richmond'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 Richmond in a separate letter dated January 23, 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 23, 2008


Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF RICHMOND
RICHMOND, 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

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

Public and Indian Housing	14.850
Housing Choice Voucher Program	14.871
Capital Fund Program	14.872

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

CURRENT FINDINGS AND RECOMMENDATIONS

There were no audit findings discussed with Derek White, Executive Director during the course of the audit or at an exit conference held January 24, 2008.

PHA: IN009 FYED: 06/30/2007

Line Item No.	Account Description	Business Activities	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$73,185	\$1,242,216	\$0	\$0	\$1,315,401
114	Cash - Tenant Security Deposits	\$0	\$39,693	\$0	\$0	\$39,693
100	Total Cash	\$73,185	\$1,281,909	\$0	\$0	\$1,355,094
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$80,057	\$29,516	\$109,573
125	Accounts Receivable - Miscellaneous	\$300	\$0	\$0	\$0	\$300
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$81,740	\$0	\$0	\$81,740
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$-59,892	\$0	\$0	\$-59,892
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$2,116	\$34,895	\$0	\$0	\$37,011
120	Total Receivables, net of allowances for doubtful accounts	\$2,416	\$56,743	\$80,057	\$29,516	\$168,732
142	Prepaid Expenses and Other Assets	\$718	\$59,645	\$2,423	\$0	\$62,786
143	Inventories	\$0	\$11,760	\$0	\$0	\$11,760
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$389,510	\$0	\$0	\$389,510
150	Total Current Assets	\$76,319	\$1,799,567	\$82,480	\$29,516	\$1,987,882
161	Land	\$9,231	\$891,257	\$0	\$0	\$900,488
162	Buildings	\$254,795	\$11,057,175	\$0	\$77,450	\$11,389,420
163	Furniture, Equipment & Machinery - Dwellings	\$4,453	\$217,597	\$0	\$8,270	\$230,320
164	Furniture, Equipment & Machinery - Administration	\$0	\$487,361	\$6,865	\$94,878	\$589,104
165	Leasehold Improvements	\$0	\$676,698	\$0	\$0	\$676,698
166	Accumulated Depreciation	\$-80,135	\$-9,090,198	\$-6,233	\$-35,237	\$-9,211,803
167	Construction In Progress	\$0	\$0	\$0	\$753,425	\$753,425
160	Total Fixed Assets, Net of Accumulated Depreciation	\$188,344	\$4,239,890	\$632	\$898,786	\$5,327,652
180	Total Non-Current Assets	\$188,344	\$4,239,890	\$632	\$898,786	\$5,327,652
190	Total Assets	\$264,663	\$6,039,457	\$83,112	\$928,302	\$7,315,534
312	Accounts Payable <= 90 Days	\$0	\$22,915	\$91	\$0	\$23,006
321	Accrued Wage/Payroll Taxes Payable	\$0	\$3,260	\$0	\$0	\$3,260
322	Accrued Compensated Absences - Current Portion	\$0	\$12,600	\$363	\$0	\$12,963
341	Tenant Security Deposits	\$0	\$39,693	\$0	\$0	\$39,693
342	Deferred Revenues	\$0	\$1,883	\$0	\$0	\$1,883
347	Interprogram Due To	\$232,793	\$0	\$127,201	\$29,516	\$389,510
310	Total Current Liabilities	\$232,793	\$80,351	\$127,655	\$29,516	\$470,315
353	Noncurrent Liabilities - Other	\$78,223	\$0	\$0	\$0	\$78,223
350	Total Noncurrent Liabilities	\$78,223	\$0	\$0	\$0	\$78,223
300	Total Liabilities	\$311,016	\$80,351	\$127,655	\$29,516	\$548,538
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$188,344	\$4,239,890	\$632	\$898,786	\$5,327,652
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$-234,697	\$1,719,216	\$-45,175	\$0	\$1,439,344
513	Total Equity/Net Assets	\$-46,353	\$5,959,106	\$-44,543	\$898,786	\$6,766,996
600	Total Liabilities and Equity/Net Assets	\$264,663	\$6,039,457	\$83,112	\$928,302	\$7,315,534
703	Net Tenant Rental Revenue	\$4,050	\$357,990	\$0	\$0	\$362,040
704	Tenant Revenue - Other	\$0	\$35,612	\$0	\$0	\$35,612
705	Total Tenant Revenue	\$4,050	\$393,602	\$0	\$0	\$397,652
706	HUD PHA Operating Grants	\$0	\$711,124	\$1,216,274	\$208,463	\$2,135,861
706.1	Capital Grants	\$0	\$0	\$0	\$428,366	\$428,366
711	Investment Income - Unrestricted	\$2,549	\$32,046	\$0	\$0	\$34,595
714	Fraud Recovery	\$0	\$0	\$3,146	\$0	\$3,146
715	Other Revenue	\$5	\$24,574	\$0	\$0	\$24,579
700	Total Revenue	\$6,604	\$1,161,346	\$1,219,420	\$636,829	\$3,024,199

911	Administrative Salaries	\$0	\$205,397	\$76,738	\$42,867	\$325,002
912	Auditing Fees	\$0	\$4,064	\$452	\$0	\$4,516
914	Compensated Absences	\$0	\$4,798	\$-1,571	\$0	\$3,227
915	Employee Benefit Contributions - Administrative	\$0	\$101,239	\$28,002	\$0	\$129,241
916	Other Operating - Administrative	\$1,365	\$81,272	\$10,556	\$66,052	\$159,245
921	Tenant Services - Salaries	\$0	\$14,052	\$0	\$0	\$14,052
923	Employee Benefit Contributions - Tenant Services	\$0	\$6,475	\$0	\$0	\$6,475
924	Tenant Services - Other	\$0	\$8,744	\$0	\$0	\$8,744
931	Water	\$0	\$56,364	\$28	\$0	\$56,392
932	Electricity	\$0	\$111,333	\$532	\$0	\$111,865
933	Gas	\$0	\$2,218	\$246	\$0	\$2,464
938	Other Utilities Expense	\$0	\$58,022	\$35	\$0	\$58,057
941	Ordinary Maintenance and Operations - Labor	\$0	\$253,489	\$0	\$0	\$253,489
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$58,594	\$766	\$0	\$59,360
943	Ordinary Maintenance and Operations - Contract Costs	\$213	\$100,213	\$4,316	\$0	\$104,742
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$121,754	\$0	\$0	\$121,754
961	Insurance Premiums	\$807	\$77,394	\$4,232	\$0	\$82,433
964	Bad Debt - Tenant Rents	\$0	\$21,969	\$0	\$0	\$21,969
969	Total Operating Expenses	\$2,385	\$1,287,391	\$124,332	\$108,919	\$1,523,027
970	Excess Operating Revenue over Operating Expenses	\$4,219	\$-126,045	\$1,095,088	\$527,910	\$1,501,172
972	Casualty Losses - Non-Capitalized	\$0	\$11,550	\$0	\$0	\$11,550
973	Housing Assistance Payments	\$0	\$0	\$1,028,658	\$0	\$1,028,658
974	Depreciation Expense	\$7,353	\$548,709	\$77	\$24,375	\$580,514
900	Total Expenses	\$9,738	\$1,847,650	\$1,153,067	\$133,294	\$3,143,749
1001	Operating Transfers In	\$0	\$99,544	\$0	\$0	\$99,544
1002	Operating Transfers Out	\$0	\$0	\$0	\$-99,544	\$-99,544
1010	Total Other Financing Sources (Uses)	\$0	\$99,544	\$0	\$-99,544	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-3,134	\$-586,760	\$66,353	\$403,991	\$-119,550
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$-43,219	\$6,173,525	\$-110,896	\$867,136	\$6,886,546
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$372,341	\$0	\$-372,341	\$0
1120	Unit Months Available	36	3,636	3,173	0	6,845
1121	Number of Unit Months Leased	36	3,394	3,028	0	6,458
1117	Administrative Fee Equity	\$0	\$0	\$-52,389	\$0	\$-52,389
1118	Housing Assistance Payments Equity	\$0	\$0	\$7,846	\$0	\$7,846

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