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June 11, 2009

Board of Commissioners  
Housing Authority of the City of Terre Haute  
P.O. Box 3086  
Terre Haute, Indiana 47803

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period October 1, 2006 to September 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Because management did not provide the Independent Public Accountant with written representations and sufficient supporting information, the scope of the Independent Public Accountant's work was not sufficient to enable her to express, and she did not express, an opinion on the financial statements.

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

We call your attention to the findings in the report, detailed on pages 25 through 35.

STATE BOARD OF ACCOUNTS



# HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE

ANNUAL FINANCIAL STATEMENTS

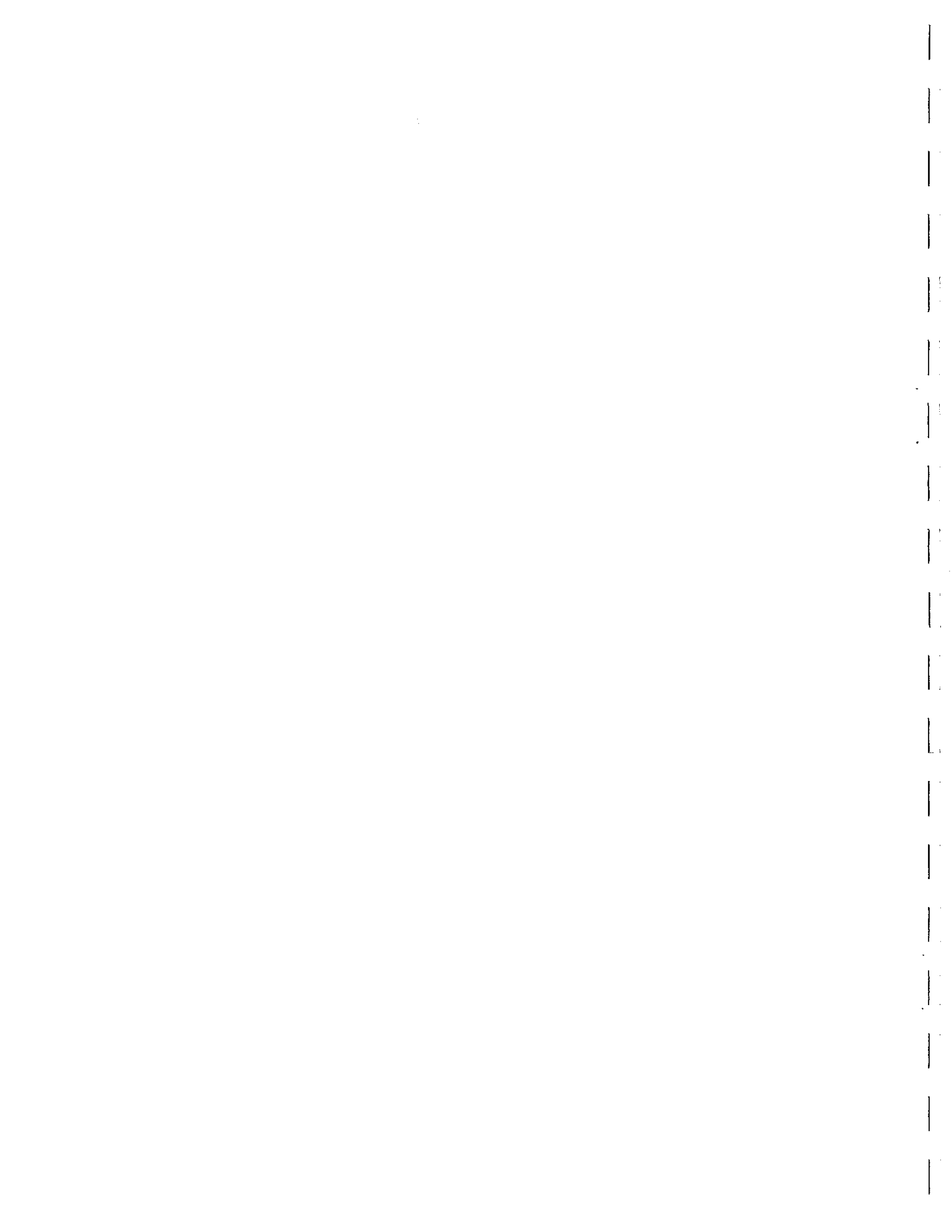
TERRE HAUTE, INDIANA  
SEPTEMBER 30, 2007

*Jean Sickels*

Certified Public Accountant

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HOUSING AUTHORITY  
OF THE CITY OF TERRE HAUTE

TERRE HAUTE, INDIANA  
SEPTEMBER 30, 2007



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# Jean Sicks

**Certified Public Accountant**

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Terre Haute  
P O Box 3086  
Terre Haute, Indiana 47803-0086

I was engaged to audit the accompanying financial statements, as listed in the table of contents, of the Housing Authority of the City of Terre Haute, herein referred to as "the Authority", as of and for the year ended September 30, 2007. These financial statements are the responsibility of the Authority's management.

Authority management was unable to provide us with written representations and other information supporting the financial statements including depreciation schedules and support for capital fund expenditures and support for certain material journal vouchers.

Because management did not provide us with written representations and sufficient supporting information, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements referred to in the first paragraph.

I have also issued my report dated March 14, 2008, on my consideration of the Authority'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 control 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 should be considered in assessing the results of my work.

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

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 Authority. Also, the supplemental information as listed in the table of contents and Financial Data Schedule are presented for purposes of additional analysis and is not a required part of the financial statements. Because of the audit scope limitations as described in the second paragraph, I am unable to express, and do not express, an opinion on the supplemental information.

  
Certified Public Accountant

Fredericksburg, Indiana  
March 14, 2008

THE MD&A WAS NOT PREPARED

FINANCIAL STATEMENTS

TERRE HAUTE HOUSING AUTHORITY  
TERRE HAUTE, INDIANA

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 610,119
Restricted cash & cash equivalents	178,742
Accounts receivable, net	1,421,347
Prepaid expenses	160,573
Inventory	315,216
<b>Total Current Assets</b>	<b><u>2,685,997</u></b>

Capital Assets

Land and other nondepreciable assets	10,252,594
Depreciable capital assets, net	16,188,679
<b>Total Capital Assets</b>	<b><u>26,441,273</u></b>

**Total Assets** 29,127,270

LIABILITIES

Current liabilities

Accounts payable	496,097
Accrued liabilities	80,630
Notes payable - current	27,430
Payable from restricted cash and cash equivalents:	
Tenant's security deposits	178,742
<b>Total Current Liabilities</b>	<b><u>782,899</u></b>

Noncurrent Liabilities

Accrued compensated absences	45,968
Family self sufficiency escrow	152,692
Notes payable	823,095
	<u>1,021,755</u>

**Total Noncurrent Liabilities** 1,021,755

**Total Liabilities** 1,804,654

NET ASSETS

Invested in capital assets	25,590,748
Unrestricted	1,731,868
<b>Total Net Assets</b>	<b>\$ <u>27,322,616</u></b>

The accompanying notes are an integral part of these financial statements.

TERRE HAUTE HOUSING AUTHORITY  
TERRE HAUTE, INDIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

OPERATING REVENUES

Rental income	\$ 1,500,845
Other income	<u>669,016</u>

TOTAL OPERATING REVENUE	<u>2,169,861</u>
-------------------------	------------------

OPERATING EXPENSES

Administrative	2,088,263
Tenant services	306,725
Utilities	728,733
Ordinary maintenance and operation	1,675,609
Protective services	2,659
General expense	363,572
Housing assistance payments	3,160,049
Depreciation expense	<u>1,128,365</u>

TOTAL OPERATING EXPENSES	<u>9,453,975</u>
--------------------------	------------------

OPERATING INCOME (LOSS)	<u>(7,284,114)</u>
-------------------------	--------------------

NONOPERATING REVENUES / (EXPENSES)

Federal operating grants	6,253,883
Loss on disposition of capital assets	(35,367)
Interest income	0
Interest expense	<u>(34,772)</u>

TOTAL NONOPERATING REVENUES	<u>6,183,744</u>
-----------------------------	------------------

Net income before capital contributions	<u>(1,100,370)</u>
---	--------------------

CAPITAL CONTRIBUTIONS	<u>1,194,418</u>
-----------------------	------------------

CHANGE IN NET ASSETS	94,048
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TOTAL NET ASSETS - BEGINNING OF YEAR, as originally stated	27,225,964
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Prior period adjustments	<u>2,604</u>
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TOTAL NET ASSETS - BEGINNING OF YEAR, as restated	<u>27,228,568</u>
---	-------------------

TOTAL NET ASSETS - END OF YEAR	<u>\$ 27,322,616</u>
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The accompanying notes are an integral part of these financial statements.

TERRE HAUTE HOUSING AUTHORITY  
TERRE HAUTE, INDIANA

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 3,551,213
Payments to vendors	(3,007,726)
Payments to landlords	(3,160,049)
Payments to employees	(2,053,029)
Net Cash Used by Operating Activities	<u>(4,669,591)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>6,253,883</u>
Net Cash From Noncapital Financing Activities	<u>6,253,883</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>0</u>
Net Cash From Investing Activities	<u>0</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	1,194,418
Capital assets purchased	(864,687)
Interest expense	(34,772)
Payments on debt	<u>(1,552,489)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,257,530)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 326,762

Cash - Beginning of year 462,099

Cash - End of year \$ 788,861

Reconciliation of Cash

Unrestricted	\$ 610,119
Restricted	<u>178,742</u>
	\$ <u><u>788,861</u></u>

Continued

TERRE HAUTE HOUSING AUTHORITY  
TERRE HAUTE, INDIANA

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO  
NET CASH USED BY OPERATING ACTIVITIES

Operating Income (loss)	\$ (7,284,114)
Adjustments to reconcile net income to net cash	
Provided by operating activities:	
Depreciation	1,128,365
Changes in operating assets and liabilities	
(Increase) Decrease in:	
Accounts receivable, net	1,381,352
Prepaid expenses	96,796
Inventory, net	(24,590)
Increase (Decrease) in:	
Accounts payable	14,930
Accrued liabilities	17,670
	<hr/>
Net Cash Flows (Used)	
by Operating Activities	\$ <u>(4,669,591)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

NOTE 1 - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to special purpose governments engaged in business type activities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Organization:** The Housing Authority of the City of Terre Haute is a public body corporate and politic pursuant to the Laws of the State of Indiana, which was organized to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other Federal Agencies.

**Reporting Entity:**

The entity is a public corporation, legally separate, fiscally independent and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Terre Haute, a primary government. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

**Activities of the Housing Authority:**

At September 30, 2007, the Housing Authority had 1,724 units in management and was administering other programs as listed below:

Management

Low-Income Public Housing	842
Section 8 Housing Choice Vouchers	<u>882</u>
TOTAL ALL PROGRAMS	<u>1,724</u>

Other Programs

Capital Fund Program  
Resident Opportunity and Supportive Services  
HIV Grant

**Basis of Presentation and Accounting:** In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The Authority's financial statements are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and ARB's issued on or before, November 30, 1989, unless those pronouncements conflict with or contradicts GASB pronouncements.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007  
(continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

**Invested in Capital Assets, Net of Related Debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

**Restricted:** Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

**Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

**Budgets:** Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

**Cash Equivalents:** Cash equivalents consist principally of checking accounts, savings accounts and certificates of deposit. These are stated at fair value. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

**Interprogram Receivables and Payables:** Interprogram receivables/payables are all current, and are the result of the use of the Low Income Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all interprogram balances net zero. Offsetting due to/due from balances is eliminated for the financial statement presentation.

**Investments:** Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent through the State of Indiana's Collateralization Program. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Indiana.

**Inventories:** Inventories (consisting of materials and supplies) are valued at cost using the first in, first out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. In accordance with the consumption method, inventory is expensed when items are actually placed in service.

**Prepaid Items:** Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

**Restricted Assets:** Certain assets may be classified as restricted assets on the balance sheet because their use is restricted by contracts or agreements with outside third parties and lending institutions.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

**Use of Estimates:** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets:**

**a. Book Value:** All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Land values were derived from development closeout documentation.

Donated capital assets are recorded at their fair value at the time they are received. Donor imposed restrictions are deemed to expire as the asset depreciates.

All normal expenses of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

**b. Depreciation:** The cost of buildings and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings & Improvements	15-30 years
Furniture, Equipment & Machinery	5-7 years

**c. Maintenance and Repair Expenditures:** Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$2,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**Compensated Absences:** Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Standards*. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

**Litigation Losses:** The Authority recognizes estimated losses related to litigation in the period in which the occasion giving rise to the loss occurred the loss is probable and the loss is reasonably estimable.

**Annual Contribution Contracts:** Annual Contribution Contracts provide that HUD shall have the Authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007  
(continued)

NOTE 1 - Summary of Significant Accounting Policies and Organization: (continued)

**Risk Management:** The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all property and equipment, employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

The Authority also participates in a public entity risk pool (Housing Authority's Risk Retention Group). Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

**Operating Revenues and Expenses:** Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Restricted Assets:** When both restricted and unrestricted resources are available for use, it is the Authorities policy to use unrestricted resources first, then restricted, as they are needed.

**Leasing Activities (as Lessor):** The Authority is the Lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue". Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions, which impact personal income such as local job availability.

NOTE 2 - Deposits, Cash and Cash Equivalents, and Investments:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/PSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(continued)

NOTE 2 - Deposits, Cash and Cash Equivalents, and Investments: (continued)

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2007, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

NOTE 3 - Accounts Receivable:

Accounts receivables at September 30, 2007 consist of the following:

HUD	\$ 1,324,418
Other Government	76,090
Tenant Receivables	
Net of Allowance for Doubtful Accounts of \$12,338	<u>20,839</u>
Total	<u>\$ 1,421,347</u>

NOTE 4 - Prepaid Expenses:

Prepaid Expenses at September 30, 2007 consist of the following:

Prepaid insurance and other prepaid assets	<u>\$ 160,573</u>
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NOTE 5 - Inventory:

Inventory at September 30, 2007, consist of the following:

Inventory, net of allowance of \$(2,936)	<u>\$ 315,216</u>
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HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(continued)

**NOTE 6 - Capital Assets:**

A summary in changes in capital assets is as follows:

	Balance 9/30/06	Increases	Decreases	Balance 9/30/07
<hr/>				
Capital Assets, not being depreciated				
Land	\$ 9,931,444	\$ 321,150	\$ 0	\$ 10,252,594
Total Capital Assets, not being depreciated	<u>9,931,444</u>	<u>321,150</u>	<u>0</u>	<u>10,252,594</u>
Capital Assets, being depreciated				
Buildings and Improvements	33,777,351	502,975	0	34,280,326
Furniture, Equipment and Machinery	<u>2,491,145</u>	<u>( 7,182)</u>	<u>0</u>	<u>2,483,963</u>
Total Capital Assets, being depreciated	<u>36,268,496</u>	<u>495,793</u>	<u>0</u>	<u>36,764,289</u>
INFORMATION NOT AVAILABLE				
Less accumulated Depreciation for Buildings and Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Furniture, Equipment and Machinery	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less Accumulated Depreciation	<u>(19,459,622)</u>	<u>(1,115,988)</u>	<u>0</u>	<u>( 20,575,610)</u>
Total Capital Assets, being depreciated net	<u>16,808,874</u>	<u>(620,195)</u>	<u>0</u>	<u>16,188,679</u>
Capital Assets, Net	<u>\$ 26,740,318</u>	<u>\$ (299,045)</u>	<u>\$ 0</u>	<u>\$ 26,441,273</u>

Depreciation expense for the year was: \$1,128,365

The following is a schedule of significant capital construction projects of the Authority with remaining commitment amounts as of September 30, 2007:

Various Projects NONE

**NOTE 7 - Accounts Payable:**

Accounts payable at September 30, 2007 consist of the following:

Vendors' Accounts Payable	\$ 287,135
Accounts Payable - HUD	202,070
Other Current Liabilities	<u>6,892</u>
Total	<u>\$ 496,097</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007  
(continued)

**NOTE 8 - Accrued Liabilities:**

Accrued liabilities at September 30, 2007, consists of the following:

Accrued wages	\$ 29,415
Accrued compensated absences	<u>51,215</u>
<b>Total</b>	<b><u>\$ 80,630</u></b>

**NOTE 9 - Long-Term Debt:**

**A. Schedule of Changes in Long-Term Debt**

The Authority's outstanding long-term debt includes notes payable. The following is a schedule of changes in the Authority's long-term debt for the fiscal year ended September 30, 2007:

	Balance 09/30/07	Additions	Reductions	Balance 06/30/07	Due Within One Year	Long-Term Portion
Total Long-Term Debt	<u>\$ 2,403,014</u>	<u>\$ -0-</u>	<u>\$(1,552,489)</u>	<u>\$ 850,525</u>	<u>\$27,430</u>	<u>\$823,095</u>

**B. Bonds and Notes Payable**

The following is a summary of outstanding notes payable.

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
<b>Notes Payable</b>			
First Financial Bank	INFORMATION NOT AVAILABLE	\$ 350,193	4.88%
First Financial Bank	INFORMATION NOT AVAILABLE	<u>496,461</u>	4.36%
<b>Total Notes Payable</b>		<b><u>\$ 846,293</u></b>	

**C. Debt Service Requirements**

The following are the debt service requirements to maturity on the Authority's revenue bonds and notes payable.

INFORMATION NOT AVAILABLE

<u>Fiscal Year</u>	<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 0	\$ 0	\$ 0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
2013-2017	0	0	0
2018-2022	0	0	0
2023-2026	0	0	0
2027-2029	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>

Interest expense on Notes Payable for the year ended September 30, 2007 amounted to \$34,772.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007  
(continued)

NOTE 10 - Federal Operating Grants:

HUD and the State of Indiana contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Section 8 Vouchers	\$ 3,670,455
Low Rent Public Housing	2,381,902
Resident Opportunities and Supportive Services	58,160
HIV Grant	13,366
Capital Fund Program	<u>130,000</u>
TOTAL	<u>\$ 6,253,883</u>

NOTE 11 - Capital Contributions:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended September 30, 2007 were \$1,194,418.

NOTE 12 - Contingencies:

Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the authority in the current and prior years. There were no examinations during the year ended September 30, 2007.

There are certain major construction projects in progress at September 30, 2007. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. At September 30, 2007, the Authority had not spent a total of \$0 for the Capital Fund Program grants.

NOTE 13 - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority. Additionally, HUD no longer provides debt service information to the Authority.

NOTE 14 - Prior Period Adjustment:

Prior period adjustments consist of the following:

Miscellaneous Correction	<u>\$ 2,604</u>
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NOTE 15 - Economic Dependency:

The Authority receives approximately 78% of its revenues from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

SUPPLEMENTAL FINANCIAL INFORMATION

TERRE HAUTE HOUSING AUTHORITY  
TERRE HAUTE, INDIANA

COMBINING SCHEDULE OF PROGRAM NET ASSETS  
SEPTEMBER 30, 2007

	Annual Contributions Contracts		
	A-3168	A-3168	A-3168V
	Low Income Public Housing	Capital Fund Program	Housing Choice Vouchers
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 491,211	\$ 0	\$ 118,908
Restricted cash & cash equivalents	178,742	0	0
Accounts receivable, net	91,071	1,324,418	0
Interprogram due from	1,162,373	0	159,492
Prepaid items	160,573	0	0
Inventory	315,216	0	0
<b>Total Current Assets</b>	<b>2,399,186</b>	<b>1,324,418</b>	<b>278,400</b>
<b>Capital Assets</b>			
Land and other nondepreciable assets	9,763,514	489,080	0
Depreciable capital assets, net	14,289,657	1,899,022	0
<b>Total Capital Assets</b>	<b>24,053,171</b>	<b>2,388,102</b>	<b>0</b>
<b>Total Assets</b>	<b>26,452,357</b>	<b>3,712,520</b>	<b>278,400</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 496,097	\$ 0	\$ 0
Accrued liabilities	70,962	5,248	4,232
Interprogram due to	0	1,319,170	0
Notes payable - current	27,430	0	0
Payable from restricted cash and cash equivalents:			
Tenants security deposits	178,742		0
<b>Total Current Liabilities</b>	<b>773,231</b>	<b>1,324,418</b>	<b>4,232</b>
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	41,547	0	4,232
Family self sufficiency escrow	33,872	0	118,820
Notes payable	823,095	0	0
<b>Total Noncurrent Liabilities</b>	<b>898,514</b>	<b>0</b>	<b>123,052</b>
<b>Total Liabilities</b>	<b>1,671,745</b>	<b>1,324,418</b>	<b>127,284</b>
<b>NET ASSETS</b>			
Invested in capital assets	23,202,646	2,388,102	0
Unrestricted	1,577,966	0	151,116
<b>Total Net Assets</b>	<b>\$ 24,780,612</b>	<b>\$ 2,388,102</b>	<b>\$ 151,116</b>

<u>Business</u> <u>Activities</u>	<u>Interfund</u> <u>Elimination</u>	<u>Total</u>
\$ 0	\$ 0	\$ 610,119
0	0	178,742
5,858	0	1,421,347
0	(1,321,865)	0
0		160,573
0	0	315,216
<u>5,858</u>	<u>(1,321,865)</u>	<u>2,685,997</u>
0	0	10,252,594
0	0	16,188,679
0	0	<u>26,441,273</u>
<u>5,858</u>	<u>(1,321,865)</u>	<u>29,127,270</u>
\$ 0	\$ 0	\$ 496,097
188	0	80,630
2,695	(1,321,865)	0
0	0	27,430
0		178,742
<u>2,883</u>	<u>(1,321,865)</u>	<u>782,899</u>
189	0	45,968
0	0	152,692
0	0	823,095
<u>189</u>	<u>0</u>	<u>1,021,755</u>
<u>3,072</u>	<u>(1,321,865)</u>	<u>1,804,654</u>
0	0	25,590,748
2,786	0	1,731,868
<u>\$ 2,786</u>	<u>\$ 0</u>	<u>\$ 27,322,616</u>

TERRE HAUTE HOUSING AUTHORITY  
TERRE HAUTE, INDIANA

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Annual Contributions Contract		
	A-3168	A-3168	A-3168
	Low Income Public Housing	Capital Fund Program	Resident Opportunitie Program
<b><u>OPERATING REVENUES</u></b>			
Rental income	\$ 1,500,845	\$ 0	\$ 0
Other income	666,299	0	0
<b>TOTAL OPERATING REVENUE</b>	<b>2,167,144</b>	<b>0</b>	<b>0</b>
<b><u>OPERATING EXPENSES</u></b>			
Administrative	1,506,643	0	58,160
Tenant services	306,725	0	0
Utilities	728,733	0	0
Ordinary maintenance and operation	1,675,543	0	0
Protective services	2,659	0	0
General expense	361,166	0	0
Housing assistance payments	0	0	0
Depreciation expense	1,128,365	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>5,709,834</b>	<b>0</b>	<b>58,160</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,542,690)</b>	<b>0</b>	<b>(58,160)</b>
<b><u>NONOPERATING REVENUES / (EXPENSES)</u></b>			
Federal operating grants	2,381,902	130,000	58,160
Loss on disposition of capital assets	(35,367)	0	0
Interest income	0	0	0
Interest expense	(34,772)	0	0
<b>TOTAL NONOPERATING REVENUES</b>	<b>2,311,763</b>	<b>130,000</b>	<b>58,160</b>
<b>Net income before capital contributions</b>	<b>(1,230,927)</b>	<b>130,000</b>	<b>0</b>
Capital contributions	0	1,194,418	0
<b>CHANGE IN NET ASSETS</b>	<b>(1,230,927)</b>	<b>1,324,418</b>	<b>0</b>
TOTAL NET ASSETS - BEGINNING OF YEAR as originally stated	23,083,847	3,949,575	0
Equity transfers and prior period adjustments	2,927,692	(2,885,891)	0
TOTAL NET ASSETS - BEGINNING OF YEAR as restated	26,011,539	1,063,684	0
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 24,780,612</b>	<b>\$ 2,388,102</b>	<b>\$ 0</b>

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	<u>A-3168V</u>		
	<u>Housing</u>	<u>Business</u>	
s	<u>Choice</u>	<u>Activities</u>	<u>Total</u>
	<u>Vouchers</u>		
\$	0	\$ 0	\$ 1,500,845
	2,717	0	669,016
	<u>2,717</u>	<u>0</u>	<u>2,169,861</u>
	512,946	10,514	2,088,263
	0	0	306,725
	0	0	728,733
	0	66	1,675,609
	0	0	2,659
	2,406	0	363,572
	3,160,049	0	3,160,049
	0	0	1,128,365
	<u>3,675,401</u>	<u>10,580</u>	<u>9,453,975</u>
	<u>(3,672,684)</u>	<u>(10,580)</u>	<u>(7,284,114)</u>
	3,670,455	13,366	6,253,883
	0	0	(35,367)
	0	0	0
	0	0	(34,772)
	<u>3,670,455</u>	<u>13,366</u>	<u>6,183,744</u>
	<u>(2,229)</u>	<u>2,786</u>	<u>(1,100,370)</u>
	0	0	1,194,418
	<u>(2,229)</u>	<u>2,786</u>	<u>94,048</u>
	153,345	39,197	27,225,964
	0	(39,197)	2,604
	<u>153,345</u>	<u>0</u>	<u>27,228,568</u>
\$	<u>151,116</u>	\$ <u>2,786</u>	\$ <u>27,322,616</u>

PHA: IN021 FYED: 09/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$456,900	\$0	\$88	\$0	\$0	\$456,988
115	Cash - Restricted for Payment of Current Liabilities	\$283	\$0	\$0	\$0	\$0	\$283
113	Cash - Other Restricted	\$34,028	\$0	\$118,820	\$0	\$0	\$152,848
114	Cash - Tenant Security Deposits	\$178,742	\$0	\$0	\$0	\$0	\$178,742
100	Total Cash	\$669,953	\$0	\$118,908	\$0	\$0	\$788,861
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$1,324,418	\$0	\$1,324,418
124	Accounts Receivable - Other Government	\$70,232	\$0	\$0	\$0	\$5,858	\$76,090
126	Accounts Receivable - Tenants - Dwelling Rents	\$33,177	\$0	\$0	\$0	\$0	\$33,177
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-12,338	\$0	\$0	\$0	\$0	\$-12,338
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$91,071	\$0	\$0	\$1,324,418	\$5,858	\$1,421,347
142	Prepaid Expenses and Other Assets	\$160,573	\$0	\$0	\$0	\$0	\$160,573
143	Inventories	\$318,152	\$0	\$0	\$0	\$0	\$318,152
143.1	Allowance for Obsolete Inventories	\$-2,936	\$0	\$0	\$0	\$0	\$-2,936
144	Interprogram Due From	\$1,162,373	\$0	\$159,492	\$0	\$0	\$1,321,865
150	Total Current Assets	\$2,399,186	\$0	\$278,400	\$1,324,418	\$5,858	\$4,007,862
161	Land	\$9,763,514	\$0	\$0	\$489,080	\$0	\$10,252,594
162	Buildings	\$32,406,965	\$0	\$0	\$1,873,361	\$0	\$34,280,326
163	Furniture, Equipment & Machinery - Dwellings	\$585,905	\$0	\$0	\$9,959	\$0	\$595,864
164	Furniture, Equipment & Machinery - Administration	\$1,872,397	\$0	\$0	\$15,702	\$0	\$1,888,099
166	Accumulated Depreciation	\$-20,575,610	\$0	\$0	\$0	\$0	\$-20,575,610
160	Total Fixed Assets, Net of Accumulated Depreciation	\$24,053,171	\$0	\$0	\$2,388,102	\$0	\$26,441,273
180	Total Non-Current Assets	\$24,053,171	\$0	\$0	\$2,388,102	\$0	\$26,441,273
190	Total Assets	\$26,452,357	\$0	\$278,400	\$3,712,520	\$5,858	\$30,449,135

PHA: IN021 FYED: 09/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
312	Accounts Payable <= 90 Days	\$287,135	\$0	\$0	\$0	\$0	\$287,135
321	Accrued Wage/Payroll Taxes Payable	\$29,415	\$0	\$0	\$0	\$0	\$29,415
322	Accrued Compensated Absences - Current Portion	\$41,547	\$0	\$4,232	\$5,248	\$188	\$51,215
331	Accounts Payable - HUD PHA Programs	\$202,070	\$0	\$0	\$0	\$0	\$202,070
341	Tenant Security Deposits	\$178,742	\$0	\$0	\$0	\$0	\$178,742
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$27,430	\$0	\$0	\$0	\$0	\$27,430
345	Other Current Liabilities	\$6,892	\$0	\$0	\$0	\$0	\$6,892
347	Interprogram Due To	\$0	\$0	\$0	\$1,319,170	\$2,695	\$1,321,865
310	Total Current Liabilities	\$773,231	\$0	\$4,232	\$1,324,418	\$2,883	\$2,104,764
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$823,095	\$0	\$0	\$0	\$0	\$823,095
354	Accrued Compensated Absences - Non Current	\$41,547	\$0	\$4,232	\$0	\$189	\$45,968

353	Noncurrent Liabilities - Other	\$33,872	\$0	\$118,820	\$0	\$0	\$152,692
350	Total Noncurrent Liabilities	\$898,514	\$0	\$123,052	\$0	\$189	\$1,021,755
300	Total Liabilities	\$1,671,745	\$0	\$127,284	\$1,324,418	\$3,072	\$3,126,519
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$23,202,646	\$0	\$0	\$2,388,102	\$0	\$25,590,748
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$1,577,966	\$0	\$151,116	\$0	\$2,786	\$1,731,868
513	Total Equity/Net Assets	\$24,780,612	\$0	\$151,116	\$2,388,102	\$2,786	\$27,322,616
600	Total Liabilities and Equity/Net Assets	\$26,452,357	\$0	\$278,400	\$3,712,520	\$5,858	\$30,449,135

PHA: IN021 FYED: 09/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$1,233,824	\$0	\$0	\$0	\$0	\$1,233,824
704	Tenant Revenue - Other	\$267,021	\$0	\$0	\$0	\$0	\$267,021
705	Total Tenant Revenue	\$1,500,845	\$0	\$0	\$0	\$0	\$1,500,845
706	HUD PHA Operating Grants	\$2,381,902	\$58,160	\$3,670,455	\$130,000	\$0	\$6,240,517
706.1	Capital Grants	\$0	\$0	\$0	\$1,194,418	\$0	\$1,194,418
708	Other Government Grants	\$0	\$0	\$0	\$0	\$13,366	\$13,366
711	Investment Income - Unrestricted	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$66,299	\$0	\$2,717	\$0	\$0	\$69,016
716	Gain/Loss on Sale of Fixed Assets	\$-35,367	\$0	\$0	\$0	\$0	\$-35,367
700	Total Revenue	\$4,513,679	\$58,160	\$3,673,172	\$1,324,418	\$13,366	\$9,582,795

PHA: IN021 FYED: 09/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
911	Administrative Salaries	\$758,578	\$40,000	\$163,755	\$0	\$8,250	\$970,583
912	Auditing Fees	\$11,344	\$0	\$3,000	\$0	\$0	\$14,344
914	Compensated Absences	\$6,931	\$0	\$1,757	\$0	\$376	\$9,064
915	Employee Benefit Contributions - Administrative	\$238,896	\$18,160	\$66,783	\$0	\$1,400	\$325,239
916	Other Operating - Administrative	\$490,894	\$0	\$277,651	\$0	\$488	\$769,033
924	Tenant Services - Other	\$306,725	\$0	\$0	\$0	\$0	\$306,725
931	Water	\$228,364	\$0	\$0	\$0	\$0	\$228,364
932	Electricity	\$239,786	\$0	\$0	\$0	\$0	\$239,786
933	Gas	\$260,583	\$0	\$0	\$0	\$0	\$260,583
941	Ordinary Maintenance and Operations - Labor	\$576,987	\$0	\$0	\$0	\$0	\$576,987
942	Ordinary Maintenance and Operations - Materials and Other	\$207,314	\$0	\$0	\$0	\$0	\$207,314
943	Ordinary Maintenance and Operations - Contract Costs	\$543,454	\$0	\$0	\$0	\$66	\$543,520
945	Employee Benefit Contributions - Ordinary Maintenance	\$180,220	\$0	\$0	\$0	\$0	\$180,220
952	Protective Services - Other Contract Costs	\$2,659	\$0	\$0	\$0	\$0	\$2,659
961	Insurance Premiums	\$260,071	\$0	\$2,406	\$0	\$0	\$262,477
963	Payments in Lieu of Taxes	\$58,418	\$0	\$0	\$0	\$0	\$58,418
964	Bad Debt - Tenant Rents	\$41,357	\$0	\$0	\$0	\$0	\$41,357
967	Interest Expense	\$34,772	\$0	\$0	\$0	\$0	\$34,772
968	Severance Expense	\$1,320	\$0	\$0	\$0	\$0	\$1,320
969	Total Operating Expenses	\$4,448,673	\$58,160	\$515,352	\$0	\$10,580	\$5,092,765
970	Excess Operating Revenue over Operating Expenses	\$65,006	\$0	\$3,157,820	\$1,324,418	\$2,786	\$4,550,030
971	Extraordinary Maintenance	\$199,136	\$0	\$0	\$0	\$0	\$199,136
972	Casualty Losses - Non-Capitalized	\$-31,568	\$0	\$0	\$0	\$0	\$-31,568
973	Housing Assistance Payments	\$0	\$0	\$3,160,049	\$0	\$0	\$3,160,049
974	Depreciation Expense	\$1,128,365	\$0	\$0	\$0	\$0	\$1,128,365
900	Total Expenses	\$5,744,606	\$58,160	\$3,675,401	\$0	\$10,580	\$9,488,747
1001	Operating Transfers In	\$130,000	\$0	\$0	\$0	\$0	\$130,000
1002	Operating Transfers Out	\$0	\$0	\$0	\$-130,000	\$0	\$-130,000
1010	Total Other Financing Sources (Uses)	\$130,000	\$0	\$0	\$-130,000	\$0	\$0

1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-1,100,927	\$0	\$-2,229	\$1,194,418	\$2,786	\$94,048
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PHA: IN021 FYED: 09/30/2007

Line Item No.	Account Description	Low Rent Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$23,083,847	\$0	\$153,345	\$3,949,575	\$39,197	\$27,225,964
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$2,797,692	\$0	\$0	\$-2,755,891	\$-39,197	\$2,604
1120	Unit Months Available	10,101	0	10,584	0	0	20,685
1121	Number of Unit Months Leased	9,788	0	9,969	0	0	19,767
1117	Administrative Fee Equity	\$0	\$0	\$30,327	\$0	\$0	\$30,327
1118	Housing Assistance Payments Equity	\$0	\$0	\$120,789	\$0	\$0	\$120,789

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Date Submission Created: 01/04/2008

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HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
	<u>U. S. DEPARTMENT OF HUD</u>			
IN021	Low Rent Public Housing	14.850	\$ 2,381,902	\$ 2,381,902
IN021	Resident and Opportunity Support Services	14.852	58,160	58,160
IN021	Housing Choice Vouchers	14.871	3,670,455	3,670,455
IN021	Capital Fund Program	14.872	<u>1,303,033</u>	<u>1,324,418</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 7,413,550</u>	<u>\$ 7,434,935</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 - The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

OTHER REPORTS

# Jean Sicksels

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS

Board of Commissioners  
Housing Authority of the City of Terre Haute  
P O Box 3086  
Terre Haute, Indiana 47803-0086

I was engaged to audit the financial statements of the Housing Authority of the City of Terre Haute, as of and for the year ended September 30, 2007 and have issued my report thereon dated March 14, 2008. My report disclaimed an opinion on the financial statements due to the lack of sufficient audit evidence in the form of management representations and other supporting information.

Internal Control Over Financial Reporting

In planning and performing my work, I considered the Authority's internal control over financial reporting as a basis for designing my engagement 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 Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority'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 Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These are items 2007-02, 2007-03, 2007-04, 2007-05, 2007-06, 2007-07, 2007-08, 2007-10 and 2007-11.

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 Authority's internal control.

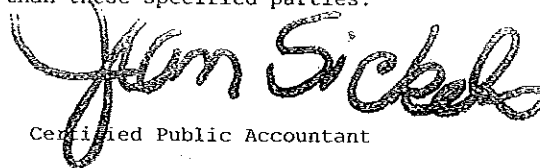
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, I consider items 2007-02, 2007-03, 2007-04, 2007-05, 2007-06, 2007-07, 2007-08, 2007-10 and 2007-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Terre Haute's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, 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 engagement, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2007-02, 2007-03, 2007-04, 2007-05, 2007-06, 2007-07, 2007-08, 2007-10 and 2007-11.

I noted certain matters that I reported to the management of the Authority in a separate letter dated March 14, 2008.

This report is intended solely for the information and use of the management, audit committee, board of directors, others within the entity charged with governance and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Fredericksburg, Indiana  
March 14, 2008

# Jean Sidels

Certified Public Accountant  
8518 S Kays Chapel Rd  
Fredericksburg, IN 47120

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

Board of Commissioners  
Housing Authority of the City of Terre Haute  
P O Box 3086  
Terre Haute, Indiana 47803-0086

## Compliance

I have audited the compliance of the Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

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

As described in items 2007-01, 2007-03, 2007-05, 2007-06, 2007-07, 2007-08, 2007-09, 2007-10 and 2007-11 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding eligibility, allowable costs, activities allowed or unallowed, special tests and provisions and cash management that are applicable to its Section 8 Voucher and Capital Fund programs. Compliance with such requirements is necessary, in my opinion, for the Authority to comply with the requirements applicable to those programs.

In my opinion, because of the effects of the noncompliance described in the preceding paragraph, the Authority did not comply in all material respects, with the requirements referred to above that are applicable to Section 8 Voucher and Capital Fund programs.

## Internal Control Over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies and others that I consider to be material weaknesses.

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 a 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. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-01, 2007-03, 2007-05, 2007-06, 2007-07, 2007-08, 2007-09, 2007-10 and 2007-11 to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider items 2007-03, 2007-05, 2007-06, 2007-08, and 2007-11 to be material weaknesses.

The Housing Authority of the City of Terre Haute's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Authority of The City of Terre Haute's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management, audit committee, board of directors, others within the entity charged with governance and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountant

Fredericksburg, Indiana  
March 14, 2008

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:  
~ Material weakness(es) identified?  X  yes   no  
~ Significant deficiencies identified that are not considered to be material weaknesses?  X  yes   none reported

Noncompliance material to financial statements noted?  X  yes   no

FEDERAL AWARDS

Internal control over major programs:  
~ Material weakness(es) identified?  X  yes   no  
~ Significant deficiencies identified that are not considered to be material weakness(es)?  X  yes   none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers
14.182	Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   yes  X  no

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings 2007-02, 2007-03, 2007-04, 2007-05, 2007-06, 2007-07, 2007-08, 2007-10, 2007-11 are Financial Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings 2007-01, 2007-03, 2007-05, 2007-06, 2007-07, 2007-08, 2007-09, 2007-10, 2007-11 are Federal Award Findings.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-01      CURRENT  
CONDITION:      MINUTES

The Authority does not have printed minutes that have been approved by the Board, signed and bound.

CFDA #:            14.871

CRITERIA:        HUD rules and regulations require the Board to review and approve the minutes. The minutes are required to be bound and signed.

CAUSE/EFFECT:    The Authority was using a disk system and the disks have been erased.

RECOMMENDATION: Provide the Board members with a packet before the Board meetings that includes the printed minutes from the previous meeting.

REPLY:            The Authority was recording the minutes of each Board meeting onto a computer disc. The previous Executive Director, serving as Secretary, printed a brief synopsis of the recorded minutes that have been bound in a minute book. The previous Executive Director had informed the Board that this was an allowable means of recording the Board minutes. All synopses of minutes for the subject fiscal year have been located.

As of November 8, 2007, the minutes of each Board meeting have been manually taken by the Interim Secretary, provided to Board members prior to each meeting, signed upon Board approval and bound into a minute book. Future adherence of this regulation becomes the responsibility of the Executive Director upon his hiring, June 1, 2008.

DISCUSSED  
WITH:              Audit Committee 1/25/08

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-02

CURRENT  
CONDITION:

RENTAL DEPOSITS

In a sample of 40 deposits, there was one deposit with a lag of 13 days and one deposit with a lag of 43 days. The Authority does not do monthly reconciliations of TAR's.

CFDA #:

14.850

CRITERIA:

HUD rules and regulations require timely deposits of rental collections and internal controls over tenant accounts receivable.

CAUSE/EFFECT:

A bank error was made that was not rectified until 43 days later. The Authority does an annual reconciliation of TAR's.

RECOMMENDATION:

The Authority should analyze the situation and determine if the banks performance is adequate. The internal controls over TAR's should be reviewed.

REPLY:

The Authority's arrangement with the bank is that each tenant submits a three-part rent statement to the bank teller with payment. The bank teller deposits the tenant rent receipt into the Authority's bank account.

Current staff has been made aware of the need to not only verify deposit amounts, but also the bank account listed on the deposit slip. The Authority is utilizing the bank's on-line cash management software and viewing the deposits posted to its bank account on a daily basis. If a deposit has posted to the bank and the supporting documentation has not been received, the bank is called to inquire about the support needed. The Authority will monitor the banks performance.

Property Managers balance their rent rolls, deposits and other charges to tenant accounts receivable on a monthly basis.

DISCUSSED  
WITH:

Audit Committee 1/25/08

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

CURRENT YEAR FINDINGS

(Continued)

2007-03

CURRENT  
CONDITION:

CASH DISBURSEMENTS

The charge card statements lack appropriate supporting documentation. Expenditures have been made for unallowable costs.

CFDA #: 14.850

CRITERIA: HUD rules and regulations required adequate accounting and record keeping for travel, salaries and wages. A system of internal control including segregation of duties is also required.

QUESTIONED  
COSTS: \$38,952

CAUSE/EFFECT: Supporting documentation was not attached. Travel expenses are not sufficiently supported.

RECOMMENDATION: The Authority should review A-87 & A-122 and stop spending federal funds on unallowable costs. Standard Vouchers should be used to support travel.

REPLY: The Authority has reviewed OMB Circulars A-87 and A-122 and made them available to staff who review and approve purchases and other expenses. The Support Services Officer responsible for accounts payable entry has reviewed the two OMB Circulars. At the request of the Director of Finance, the Interim Director notified all staff about allowable costs.

We have reviewed receipts in a box located in the previous Executive Director's office and attached them as support for expenses. We requested copies of missing support from vendors and have attached the copies as support for expenses. All support was located except for those covering \$629.80. After a review of all VISA Card payments during the fiscal year ending 9-30-07, we have determined that \$2,419.61 was unallowable because it was either not adequately supported with a receipt for services that are allowable or the supported receipt is for a service that is unallowable per OMB Circulars. In the future, proper documentation will be obtained prior to payment of credit card statements.

DISCUSSED  
WITH:

Audit Committee 1/25/08

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-04

CURRENT  
CONDITION:

INVENTORY

In a sample count of 20 items there were 15 discrepancies. Additionally, it was noted that the inventory on the books is \$318,152.

CFDA #:

14.850

CRITERIA:

HUD rules and regulations require sufficient Internal Controls over expendable inventory.

CAUSE/EFFECT:

The Authority is experiencing some computer errors. Some training is needed with the maintenance staff.

RECOMMENDATION:

Thoroughly count the inventory. Consider using different software or providing additional training. The inventory needs to be significantly reduced.

REPLY:

We have conducted a thorough review of the inventory software and changes have been made to correct irregularities. The Authority will evaluate its inventory software and will consider a software change that will provide a more useful tracking system.

The Authority conducted a physical inventory count on April 24 and 25, 2008.

We will reduce the total amount of our inventory significantly in the future by moving toward a 'just in time' inventory system. We will conduct a minimum of four (4) sample/random inventory counts during the fiscal year to check for computer error and count accuracy.

We will schedule no less than three (3) maintenance staff meetings during the fiscal year to discuss and train in the areas of inventory procedures, inventory control and security measures.

DISCUSSED

WITH:

Audit Committee 1/25/08

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-05

CURRENT  
CONDITION:

RESIDENT FILES

In the sample of 44 resident files the following deficiencies were noted:

8-Income/Deduction not verified or calculated properly  
12-Rent calculations not correct  
2-9886 not dated  
3-Leases not correct  
44-No rent reasonableness  
44-No lead based paint notices  
8-Incorrect or no Section 214 Citizenship Declarations

CFDA #: 14.871

CRITERIA: HUD rules and regulations require specific documentation to be present in the resident files.

QUESTIONED  
COSTS: \$9,648

CAUSE/EFFECT: The Authority policies prohibited lead base paint notices, rent reasonableness and immigration status forms, and other required forms.

RECOMMENDATION: The Authority should implement all applicable HUD regulations, conduct supervisory reviews and ensure that all documentation is present in the resident files.

REPLY: It is the policy of the Authority that proper documentation, as required by HUD, is placed in the resident files. We will provide staff training at least twice a year to review procedures and policy. Supervisors will be responsible for providing to the staff any current updates or changes.

Lead based paint disclosures are attached to the Request for Tenancy Approval. All renewal and new applicants are required to complete and sign the form. The form will be placed in the resident's file.

Rent comparables have been sent to current landlords that participate in the Section 8 program and landlords that advertise in the local newspaper so that we could gather information for the database. The estimated time for completion was 60 to 90 days. Rent comparables have been completed and will be on-going. The policy will be put into effect with the July 2008 renewals.

Currently the Section 8 Supervisor is conducting the quality control reviews. Future adherence of this regulation becomes the responsibility of the Executive Director upon his hiring, June 1, 2008. The Executive Director will conduct the supervisory reviews.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-05 DISCUSSED  
WITH: Audit Committee 1/25/08

2007-06 CURRENT  
CONDITION: JOURNAL VOUCHERS

The journal vouchers are not sequentially numbered, properly signed or supported.

CFDA #: 14.871, 14.872

CRITERIA: HUD guidebook 7511 Chapter 3 requires journal vouchers to be numbered, reviewed and supported.

QUESTIONED COSTS: \$1,257,652

CAUSE/EFFECT: There is inadequate supporting of documentation for many account balances.

RECOMMENDATION: The Authority should standardize the internal controls over journal vouchers. They should be signed by the preparer and reviewed before posting. The journal vouchers should be numbered and filed with supporting documentation behind them.

REPLY: Upon the auditor's recommendation for increased internal control, journal vouchers are initialed by the preparer and reviewed and approved by the Director of Administration and Finance or the Executive Director. Computer access to journal voucher entry has been limited to accounting personnel.

The former Executive Director made journal entry postings to the General Ledger that were not numbered and without support attached. All other journal vouchers were numbered, bound by journal entry type and with support attached.

DISCUSSED  
WITH: Audit Committee 1/25/08

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-07

CURRENT  
CONDITION:

BANK RECONCILIATIONS

The Authority does not reconcile bank accounts by individual program.

CFDA #: 14.871, 14.872

CRITERIA: HUD rules and regulations require federal funds be segregated by CFDA#. Co-mingling is not allowed.

CAUSE/EFFECT: The Authority does not do a reconciliation by fund or entity.

RECOMMENDATION: The Authority should reconcile each account separately.

REPLY: The Authority does not have separate bank accounts by individual program. The Authority will review all applicable HUD rules and regulations and make appropriate adjustments to ensure that federal funds are adequately segregated.

DISCUSSED  
WITH: Audit Committee 1/25/08

2007-08

CURRENT  
CONDITION:

CASH DISBURSEMENTS & PROCUREMENT

In a sample of 40 cash disbursements from the capital fund program and 6 contractors from the CFP; 30 exceptions were noted where procurement compliance was not followed. Additionally, it was found that an individual is both an employee and a contractor.

CFDA #: 14.872

CRITERIA: Any contract under \$25,000 must have 3 bids, by phone, writing or orally with the bid tabulations kept on file as required by 24 CFR 85.36 and the procurement policy. Also, verification of insurance and Davis Beacon Compliance is required.

CAUSE/EFFECT: The Authority uses contractors repeatedly instead of bidding out jobs.

RECOMMENDATION: The Authority should follow the procurement rules and regulations and document the process.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

CURRENT YEAR FINDINGS

(Continued)

2007-08      REPLY:                    The Authority Procurement Policy will be strictly enforced in the future. It is understood that verification of insurance is required for all contract work. All bids and supporting documentation will be reviewed and approved by the Director of Maintenance and then filed accordingly. The Physical Plant Superintendent is responsible for reviewing and determining what contract work is covered by Davis Bacon. It is also his responsibility to abide by all codes and regulations as specified by Davis Bacon. No employee contractors will be allowed in the future.

DISCUSSED  
WITH:                    Board 3/14/08

2007-09      CURRENT  
CONDITION:                SEMAP  
  
                                 In a review of SEMAP indicators # 1-7; Indicators #2, 3 & 7 have no supporting documentation and should receive a zero (0) score.

CFDA #:                    14.871

CRITERIA:                SEMAP indicators # 1-7 are required by HUD to be answered with supporting documentation in 24 CFR 985.101.

CAUSE/EFFECT:            A lack of delegation of duties to subordinate personnel in charge of specific tasks leads to improper data being submitted.

RECOMMENDATION:        The Authority should develop a system for maintenance documentation for the SEMAP indicators reported.

REPLY:                    The Executive Director, or his designee, will assume the responsibility of performing periodical reviews. In addition, every employee will be given specific instructions regarding their duties and job responsibilities. Every employee will review their individual files before they are filed away. The Section 8 Coordinator will be required to review, at random, 10-15% of the files each month to check for errors and the proper supporting documentation.

DISCUSSED  
WITH:                    Board 3/14/08

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-10

CURRENT  
CONDITION:

PAYROLL

The payroll reconciliation for audit does not match by \$38,554.81. No other documentation has been provided. The 941's do not agree to the salaries expense.

CFDA #: 14.871, 14.872

CRITERIA: Payroll 941 totals should match the reported amounts on the FDS and other managed entities.

CAUSE/EFFECT: Not known

RECOMMENDATION: The Authority should examine their internal controls over payroll and determine if they are adequate.

REPLY: The Authority will review its system of payroll reconciliation and adopt any procedures needed to ensure that future 941s agree with salary expense and that the figures reconcile appropriately.

DISCUSSED  
WITH: Board 3/14/08

2007-11

CURRENT  
CONDITION:

SAS 112

The Authority is required to have internal controls over their financial statements. The following account balances lacked adequate support:

1. Capital Fund expenses
2. Capital assets and depreciation
3. Compensated absences
4. HAP receipts
5. Prepaid insurance
6. Payments in lieu of taxes

CFDA #: 14.871, 14.872

CRITERIA: HUD rules and regulations require internal controls over the general ledger.

CAUSE/EFFECT: The Authority does not have a system in place to check account balances on a monthly basis.

RECOMMENDATION: The Authority should review the internal controls over the general ledger and determine if they are adequate.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

CURRENT YEAR FINDINGS  
(Continued)

2007-11      REPLY:      The Board of Commissioners has contracted two accountants to provide basic accounting services; work with staff members; recommend corrective actions to existing practices if needed; all resulting towards a written response to the annual audit findings. Management will review the accountant's recommendations and act accordingly.

During the course of the accountants review of the general ledger and Financial Statements, and in collaboration with the Director of Finance, the noted accounts have been reconciled and adjusting journal entries have been suggested where needed.

The Authority will adjust the REAC Financial Statements to correct all known errors and inconsistencies.

DISCUSSED  
WITH:

Board 3/14/08

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE  
Terre Haute, Indiana

SEPTEMBER 30, 2007

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

There were no prior year findings.

# Jean Sickels

Certified Public Accountant

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Fredericksburg, IN 47120

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March 14, 2008

Management and  
Board of Commissioners of the  
Housing Authority of the City of Terre Haute  
Terre Haute, Indiana

In the conduct of my work over the financial statements of the Housing Authority of the City of Terre Haute as of and for the year ended September 30, 2007, I was engaged to consider the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my work, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated March 14, 2008 on the financial statements of the Authority.

I will review the status of the comment during my next audit engagement. I have already discussed the comment and suggestion with Authority personnel, and will be pleased to discuss the comment in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comments are summarized as follows:

**CONDITION: SEARCH FOR UNRECORDED LIABILITIES**

In the sample of October 2007 checks it was noted that utility bills were not properly accrued.

**RECOMMENDATION:**

The Authority should thoroughly review the October and November cash disbursements and ensure that all expenses are recorded in the proper period.

**CONDITION: MAINTENANCE**

The Authority has 28 maintenance employees for 867 units.

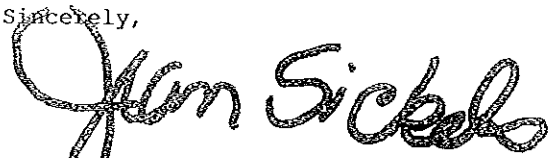
**RECOMMENDATION:**

The HUD handbooks recommend one maintenance employee for every 50 units or approximately 17 employees.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Board of Commissioners, Management, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Jean Sickels  
Certified Public Accountant