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May 28, 2014

Board of Directors
Housing Authority of the City of Union City
303 Fletcher Avenue
Union City, IN 47390

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. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Union City, as of September 30, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

UNION CITY HOUSING AUTHORITY

AUDITED FINANCIAL STATEMENTS

UNION CITY, INDIANA
SEPTEMBER 30, 2007

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
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UNION CITY
HOUSING AUTHORITY

Union City, Indiana
September 30, 2007

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Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Union City Housing Authority
303 Fletcher Avenue
Union City, Indiana 47390-1454

I have audited the accompanying financial statements of the Union City Housing Authority, herein referred to as the Authority, as of and for the year ended September 30, 2007, which comprise the Authority's financial statements, 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 financial statements based on my audit.

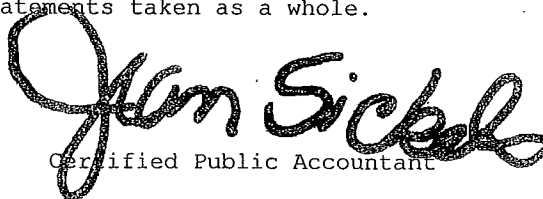
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform 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 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 above present fairly, in all material respects, the financial position of the Union City Housing Authority as of September 30, 2007, and the changes in its financial position and its cash flows for the year then ended, 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 May 8, 2008, on my consideration of the Union City Housing 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 our 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 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, 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.

My audit was performed for the purpose of forming an opinion on the financial statements of the Union City Housing Authority, 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 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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements, and in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Certified Public Accountant

Fredericksburg, Indiana
May 8, 2008

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

Our discussion and analysis of the Union City Housing Authority financial performance provides the reader with an overview to the Authority's financial activities for the fiscal year ended September 30, 2007. The information contained in this MD&A should be considered in conjunction with the Authority's basic financial statements which are included with this MD&A.

FINANCIAL HIGHLIGHTS

- The Authority's cash balance at September 30, 2007 was \$100,134 representing a decrease of \$(6,478) from September 30, 2006.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$117,335 (net assets).
- The Authority had HUD operating grants of \$613,574, investment income of \$3,129 and fraud recovery income of \$6,589 for the year ended September 30, 2007.

USING THIS ANNUAL REPORT

This annual report consists of the Management's Discussion and Analysis, the financial statements, and notes to the financial statements. The MD&A provides a narrative of the Authority's financial performance and activities for the year ended September 30, 2007. The basic statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The financial statements consist of three statements:

- Statement of Net Assets - presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
- Statement of Activities - presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- Statement of Cash Flows - presents information showing how the Authority's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

HOUSING AUTHORITY ACTIVITIES AND HIGHLIGHTS

The Union City Housing Authority achieved a 92.65% occupancy rate in the Housing Choice Voucher Program for the FYE September 30, 2007. This rate decreased from the previous FYE September 30, 2006 Housing Choice Voucher Program occupancy rate of 96.12%.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007
(continued)

FINANCIAL OPERATIONS HIGHLIGHTS

The Union City Housing Authority expended \$45,061 more in additional housing assistance payments for very low income families in Union City in FYE September 30, 2007 than in the previous FYE September 30, 2006. Fraud recovery for FYE September 30, 2007 exceeded fraud recovery for FYE September 30, 2006 by \$3,672.

Statement of Net Assets - The following table summarizes the changes in Net Assets between September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>	<u>NET CHANGE</u>
ASSETS			
<u>Current Assets</u>			
Cash - Unrestricted	\$ 100,134	\$ 106,612	\$ (6,478)
Accounts Receivable	6,000	0	6,000
Accrued Interest Receivable	674	0	674
Prepaid Expenses	<u>2,610</u>	<u>375</u>	<u>2,235</u>
Current Assets	<u>109,418</u>	<u>106,987</u>	<u>2,431</u>
<u>Property and Equipment</u>			
Office Equipment - net	<u>8,282</u>	<u>10,214</u>	<u>(1,932)</u>
Property & Equipment	<u>8,282</u>	<u>10,214</u>	<u>(1,932)</u>
TOTAL ASSETS	<u>\$ 117,700</u>	<u>\$ 117,201</u>	<u>\$ 499</u>
LIABILITIES & NET ASSETS			
<u>Current Liabilities</u>			
Accounts Payable	<u>\$ 365</u>	<u>\$ 426</u>	<u>\$ (61)</u>
Current Liabilities	<u>365</u>	<u>426</u>	<u>(61)</u>
NET ASSETS	<u>\$ 117,335</u>	<u>\$ 116,775</u>	<u>\$ 560</u>

All account balances remained relatively stable from 2006 to 2007. We continue to aggressively collect fraud recovery accounts receivable.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007
(continued)

Statement of Activities - The following table summarizes the changes in Income and Expense between September 30, 2007 and 2006:

	2007	2006	NET CHANGE
REVENUES			
HUD Operating Grants	\$ 613,574	\$ 627,466	\$ (13,892)
Investment Income	3,129	1,284	1,845
Fraud Recovery Income	6,589	2,917	3,672
Other Income	0	482	(482)
TOTAL REVENUE	623,292	632,149	(8,857)
EXPENSES			
Operating Expenses	\$ 71,639	\$ 72,084	\$ (445)
Housing Assistance Payments	548,681	503,620	45,061
Depreciation Expense	2,412	1,579	833
TOTAL EXPENSES	622,732	577,283	45,449
<u>Net Income (Loss)</u>	<u>\$ 560</u>	<u>\$ 54,866</u>	<u>\$ (54,306)</u>

The HUD monies were less for 2007 because of 48 new vouchers given to us in 2006. We were given start up monies to support these new vouchers in 2006 and this was not given to us in 2007.

Our Housing Assistance Payments were up by \$45,061 due to increases in utility allowances and Payment Standards in 2007. We had HUD monies in our checking account from previous years that we could use for these purposes.

Statement of Cash Flows - The following table summarizes the changes in cash between September 30, 2007 and 2006:

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	\$ (7,981)	\$ 53,581
Depreciation	2,412	1,579
Changes in operating assets & liabilities:		
(Increase) Decrease in:		
Accounts receivable	(6,000)	0
Accrued Interest Receivable	(674)	0
Prepaid expenses	(2,235)	0
Increase (Decrease) in:		
Accounts payable	(61)	(30,981)
Net Cash Flows Provided (Used)		
By Operating Activities	(14,539)	24,179
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(480)	(9,634)
Net Cash Flows Provided (Used)		
By Capital & Related Financing Activities	(480)	(9,634)

UNION CITY HOUSING AUTHORITY
Union City, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007
(continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	3,129	1,284
Net Cash Flows Provided		
By Investing Activities	3,129	1,284
Prior Period Adjustment	5,412	31,091
Net Increase (Decrease) in Cash	(6,478)	46,920
BEGINNING CASH & CASH EQUIVALENTS	106,612	59,692
ENDING CASH & CASH EQUIVALENTS	\$ 100,134	\$ 106,612

RECONCILIATION OF PROPERTY & EQUIPMENT

	<u>2007</u>	<u>2006</u>	<u>NET CHANGE</u>
Balance	<u>\$8,282</u>	<u>\$10,214</u>	<u>\$ (1,932)</u>

The changes in property and equipment consist of the following:

Purchase of computer and software	\$ 480
9/30/07 depreciation	(2,412)
Change in property and equipment	<u>\$ (1,932)</u>

DEBT

The Housing Authority has no debt.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Union City Housing Authority
Attn: Linda Aberle, Executive Director
303 Fletcher Avenue
Union City, IN 47390

FINANCIAL STATEMENTS

UNION CITY HOUSING AUTHORITY

Union City, Indiana

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$	16,656
Restricted Cash		83,478
Accounts receivable		6,674
Prepaid expenses		2,610
Total Current Assets		<u>109,418</u>

Capital Assets, net

8,282

Total Assets

117,700

LIABILITIES

Current liabilities

Accounts payable		<u>365</u>
Total Current Liabilities		<u>365</u>

Net Assets

Invested in capital assets		8,282
Unrestricted		25,575
Restricted		83,478
Total Net Assets	\$	<u><u>117,335</u></u>

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

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

OPERATING REVENUES

Other income \$ 6,589

TOTAL OPERATING REVENUE 6,589

OPERATING EXPENSES

Administrative 70,924

General expense 715

Housing assistance payments 548,681

Depreciation expense 2,412

TOTAL OPERATING EXPENSES 622,732

OPERATING INCOME (LOSS) (616,143)

NONOPERATING REVENUES (EXPENSES)

Federal operating grants 613,574

Interest income 3,129

TOTAL NONOPERATING REVENUES 616,703

CHANGE IN NET ASSETS 560

TOTAL NET ASSETS - BEGINNING OF YEAR 116,775

TOTAL NET ASSETS - END OF YEAR \$ 117,335

The accompanying notes are an integral part of these financial statements

UNION CITY HOUSING AUTHORITY
Union City, Indiana

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

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	6,589
Payments to landlords		(548,681)
Payments to employees and vendors		(80,609)
Net Cash Used by Operating Activities		<u>(622,701)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received		613,574
Net Cash From Noncapital Financing Activities		<u>613,574</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets		(480)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities		<u>(480)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income		3,129
Net Cash Provided from Investing Activities		<u>3,129</u>

Net Increase (Decrease) in Cash and Cash Equivalents (6,478)

Balance - Beginning of year		106,612
Balance - End of year	\$	<u><u>100,134</u></u>

Operating income (loss)	\$	(616,143)
Adjustments to reconcile net income to net cash Provided by operating activities:		
Depreciation		2,412
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(6,674)
Prepaid expenses		(2,235)
Increase (Decrease) in:		
Accounts payable		(61)
Net Cash Flows Provided (Used) by Operating Activities	\$	<u><u>(622,701)</u></u>

Reconciliation of Cash and Cash Equivalents:		
Cash and cash equivalents	\$	16,656
Restricted cash and cash equivalents		83,478
Total	\$	<u><u>100,134</u></u>

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

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE A - Summary of Significant Accounting Policies and Organization:

The financial statements of the UNION CITY HOUSING AUTHORITY ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 Union City Housing Authority, 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.

The financial statements of the Union City Housing Authority include the following:

At September 30, 2007, the Housing Authority has 161 units under management.

Annual Contributions Contract C-2067

Section 8 Housing Choice Vouchers

161

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.

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. The Authority has no debt.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

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. The Authority has restricted funds totaling \$83,478 that represents excess HAP grant funding provided by the Department of Housing & Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. This amount represents the total amount of excess Authority to retain these funds for future housing assistance payments. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

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.

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. The Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle.

Budget compared to actual presentation is not presented because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent a legally binding appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

Tenant Fraud Recovery Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Prepaid - Prepaids, when present, represent payments made to vendors for services that will benefit beyond September 30, 2007.

Capital assets - Capital assets purchased are recorded on the Statement of Net Assets at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$500 or more. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

Depreciation of capital assets is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Furniture & Fixtures	5-15 years

Compensated Absences - Compensated absences (if any) are those absences for which employees will be paid, such as vacation and sick leave. 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.

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 Authority's policy to use unrestricted resources first, then restricted resources as they are needed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(Continued)

NOTE B - Deposits, Cash and Cash Equivalents:

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/FSLIC 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.

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 the time of purchase. At September 30, 2007, the Authority's deposits 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.

At September 30, 2007, the carrying amount of the Authority's deposits was \$100,314. Bank balances before reconciling items were \$100,531 at that date. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement.

Deposits consist of the following:

Deposits in bank	\$ 47,299
Certificates of Deposit	52,835
Total	<u>\$ 100,314</u>

NOTE C - Accounts Receivable:

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

Fraud recovery, net of allowance of 28,613	\$ 6,000
Accrued interest	674
Total	<u>\$ 6,674</u>

NOTE D- Prepaid Expenses:

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

Prepaid insurance	<u>\$ 2,610</u>
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UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE E - Capital Assets:

A summary in changes in capital assets is as follows:

	<u>Beginning Balance 9/30/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 9/30/07</u>
Capital Assets, being depreciated:				
Furniture, equipment & Machinery	\$ 21,389	\$ 0	\$(1,642)	\$ 19,747
Total Capital Assets, being depreciated	<u>21,389</u>	<u>0</u>	<u>(1,642)</u>	<u>19,747</u>
Less Accumulated Depreciation	<u>(11,175)</u>	<u>(290)</u>	<u>0</u>	<u>(11,465)</u>
Total Capital Assets, being depreciated, net	<u>10,214</u>	<u>(290)</u>	<u>(1,642)</u>	<u>8,282</u>
Capital Assets, Net	<u>\$ 10,214</u>	<u>\$ (290)</u>	<u>\$ (1,642)</u>	<u>\$ 8,282</u>

Depreciation expense of \$2,412 was incurred during the year.

NOTE F - Accounts Payable:

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

Vendors' and contractors	<u>\$ 365</u>
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NOTE G - Commitments and Contingencies:

Examinations: 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.

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

NOTE H - Risk Management:

The Authority is exposed to various risks of losses 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 coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE I - Federal Operating Grants:

Annual Contributions Contract C-2018

HUD grants for the Housing Choice Voucher program totaled \$613,574 for 2007.

UNION CITY HOUSING AUTHORITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE J - Economic Dependency:

The Authority receives approximately 99% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE K - Pension Plan:

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employee's Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
PH, (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The Authority's total payroll in fiscal year 2007 was \$46,384. The Authority made the required contributions, amounting to \$2,203 from the Authority and \$1,392 from the employees.

SUPPLEMENTAL FINANCIAL INFORMATION

PHA: IN086 FYED: 09/30/2007

Line Item No.	Account Description	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$16,656	\$16,656
113	Cash - Other Restricted	\$83,478	\$83,478
100	Total Cash	\$100,134	\$100,134
128	Fraud Recovery	\$34,613	\$34,613
128.1	Allowance for Doubtful Accounts - Fraud	\$-28,613	\$-28,613
129	Accrued Interest Receivable	\$674	\$674
120	Total Receivables, net of allowances for doubtful accounts	\$6,674	\$6,674
142	Prepaid Expenses and Other Assets	\$2,610	\$2,610
150	Total Current Assets	\$109,418	\$109,418
164	Furniture, Equipment & Machinery - Administration	\$19,747	\$19,747
166	Accumulated Depreciation	\$-11,465	\$-11,465
160	Total Fixed Assets, Net of Accumulated Depreciation	\$8,282	\$8,282
180	Total Non-Current Assets	\$8,282	\$8,282
190	Total Assets	\$117,700	\$117,700
312	Accounts Payable <= 90 Days	\$365	\$365
310	Total Current Liabilities	\$365	\$365
350	Total Noncurrent Liabilities	\$0	\$0
300	Total Liabilities	\$365	\$365
508	Total Contributed Capital	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$8,282	\$8,282
511	Total Reserved Fund Balance	\$0	\$0
511.1	Restricted Net Assets	\$83,478	\$83,478
512.1	Unrestricted Net Assets	\$25,575	\$25,575
513	Total Equity/Net Assets	\$117,335	\$117,335
600	Total Liabilities and Equity/Net Assets	\$117,700	\$117,700
705	Total Tenant Revenue	\$0	\$0
706	HUD PHA Operating Grants	\$613,574	\$613,574
711	Investment Income - Unrestricted	\$3,129	\$3,129
714	Fraud Recovery	\$6,589	\$6,589
700	Total Revenue	\$623,292	\$623,292
911	Administrative Salaries	\$46,384	\$46,384
912	Auditing Fees	\$1,856	\$1,856
915	Employee Benefit Contributions - Administrative	\$10,254	\$10,254
916	Other Operating - Administrative	\$12,430	\$12,430
961	Insurance Premiums	\$500	\$500
962	Other General Expenses	\$215	\$215
969	Total Operating Expenses	\$71,639	\$71,639
970	Excess Operating Revenue over Operating Expenses	\$551,653	\$551,653
973	Housing Assistance Payments	\$548,681	\$548,681
974	Depreciation Expense	\$2,412	\$2,412
900	Total Expenses	\$622,732	\$622,732
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$560	\$560
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$116,775	\$116,775
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0

1120	Unit Months Available	1,932	1,932
1121	Number of Unit Months Leased	1,790	1,790
1117	Administrative Fee Equity	\$33,857	\$33,857
1118	Housing Assistance Payments Equity	\$83,478	\$83,478

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Date Submission Created: 03/13/2008

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UNION CITY HOUSING AUTHORITY
Union City, 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>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
IN-086	Housing Choice Vouchers	14.871	\$ 613,574	\$ 613,574
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 613,574</u>	<u>\$ 613,574</u>

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 Sickels

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

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
Union City Housing Authority
303 Fletcher Avenue
Union City, Indiana 47390-1454

I have audited the financial statements of the Union City Housing Authority ("the Authority"), as of and for the year ended September 30, 2007 and have issued my report thereon dated May 8, 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 the Authority'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 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.

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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Union City Housing Authority'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.

I noted certain matters that I reported to the management of the Union City Housing Authority in a separate letter dated May 8, 2008.

This report is intended solely for the information and use of the Authority's management 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
May 8, 2008

Jean Siddels

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 IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of Commissioners
Union City Housing Authority
P.O. Box 257
Union City, Indiana 47390

Compliance

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

In my opinion, Union City Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2007-01.

Internal Control Over Compliance

The management of the Union City Housing Authority 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 Union City Housing Authority'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.

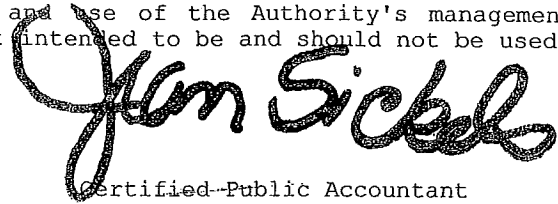
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a significant deficiency.

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. However, I do not consider the significant deficiency described above as item 2007-01 to be a material weakness.

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

This report is intended solely for the information and use of the Authority's management 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
May 8, 2008

UNION CITY HOUSING AUTHORITY
Union City, Indiana

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
~ Material weakness(es) identified? yes X no
~ Significant deficiencies 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
~ 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: Qualified

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	Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no Financial Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-01 is a Federal Award Finding.

UNION CITY HOUSING AUTHORITY
Union City, INDIANA

SEPTEMBER 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PRIOR AUDIT FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

2007-01

CONDITION:

TENANT FILE

In a sample of 15 tenant files(10%)the following was noted:

- 1-Recertification date appears 10 months before 50058.
- 1-9886 was not signed or dated.
- 4-Inspections not current.
- 3-Leases not current.
- 1-No citizenship verification.

CFDA #:

14.871

CRITERIA:

PHA's are required to maintain specific forms that are signed, dated and filed in the tenant files.

CAUSE/EFFECT:

The lack of a check list during recertification leads to incomplete processing in some circumstances.

RECOMMENDATION:

The Authority should develop and use a checklist for recertification procedures.

REPLY:

We have developed a checklist for recertification that we will follow as the recert is being conducted to insure that all forms are signed and maintained within the files.

Jean Sickels

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

Telephone No. (812) 472-3527
Facsimile No. (812) 472-3649
Mobile No. (404) 307-5903

May 8, 2008

Board of Commissioners
Union City Housing Authority
Union City, Indiana

In planning and performing my audit of the financial statements of the Union City Housing Authority as of and for the year ended September 30, 2007, I considered 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 audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not effect my report dated May 8, 2008 on the financial statements of the Authority.

I will review the status of the comments 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 comment is summarized as follows:

1. CONDITION: CASH RECEIPTS

Cash receipts for one month exceeded the allowable deposit lag time (27 days) before clearing the bank.

RECOMMENDATION: When cash is collected, immediately post it to the account and deposit it in the bank.

2. CONDITION: CASH DISBURSEMENTS

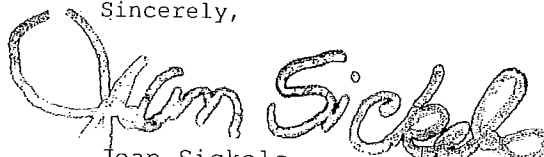
One credit card had charges for alcohol to the Housing Authority

RECOMMENDATION: Do not spend any federal fund on any unallowable expenses.

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