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June 2, 2014

Board of Directors
Rockport Housing Authority
P.O. Box 173
Rockport, IN 47635

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2007 to September 30, 2008. 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 Rockport Housing Authority, as of September 30, 2008 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

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

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

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

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

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

I have audited the accompanying financial statements of Housing Authority of the City of Rockport, as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

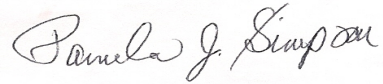
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Rockport, as of September 30, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 13, 2009, on my consideration of the Housing Authority of the City of Rockport's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Housing Authority of the City of Rockport, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Housing Authority of the City of Rockport. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority of the City of Rockport. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
April 17, 2009

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2008

The management of the Housing Authority of Rockport presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending 09/30/2008. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,620,248 at the close of the fiscal year ended 09/30/2008.

Of this amount, \$551,786 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 103% of the total operating expenses for the fiscal year 2008, which means the Authority could operate about 12.5 months using the unrestricted assets alone.

The remainder of \$1,068,462 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net assets increased slightly by \$108,273, a 7% change from the prior fiscal year 2007.
- The Authority spent \$119,535 on capital assets additions and renovation construction in progress during the current fiscal year.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2008

REPORTING ON THE HOUSING AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2008?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

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

USING THIS ANNUAL REPORT

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

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

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2008

REPORTING THE HOUSING AUTHORITY'S MOST SIGNIFICANT FUNDS

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

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

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,620,248 as of September 30, 2008. Of this amount, \$1,068,462 was invested in capital assets, and the remaining \$551,786 was unrestricted. No other assets are currently restricted.

**CONDENSED FINANCIAL STATEMENTS COMPARING
FYE 9/30/2007 WITH FYE 9/30/2008**

	Condensed Balance Sheet	
	As of 09/30/2007	As of 09/30/2008
ASSETS		
Current Assets	\$ 617,365	597,184
Capital Assets, Net of Depreciation	948,927	1,068,462
Total Assets	1,566,292	1,665,646
LIABILITIES		
Current Liabilities	46,524	44,351
Non-Current Liabilities	7,793	1,047
Total Liabilities	54,317	45,398
NET ASSETS		
Invested in Capital Assets	948,927	1,068,462
Unrestricted	563,048	551,786
Total Net Assets	1,511,975	1,620,248
Total Liabilities and net Assets	1,566,292	1,665,646

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2008

CONDENSED FINANCIAL STATEMENTS (Continued)

Condensed Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Fiscal Year Ended September 30, 2008

	FYE 09/30/2007	FYE 09/30/2008
OPERATING REVENUES		
Rental Revenues	\$ 281,836	280,961
Other Tenant Revenue	10,145	10,380
Total Operating Revenues	291,981	291,341
OPERATING EXPENSES		
Administration	144,725	155,802
Tenant Services	5,037	6,507
Utilities	138,628	155,805
Ordinary maintenance	217,915	200,135
General expense	55,271	57,669
Extraordinary maintenance	20,683	25,120
Depreciation	172,116	199,500
Total Operating Expenses	754,375	800,538
Gain (loss) from operations	(462,394)	(509,197)
NON-OPERATING REVENUES		
Federal Grants – Operating	242,609	246,269
Federal Grants – Capital	106,201	319,035
Interest Income and Other Revenue	61,979	52,166
Total Non-Operating Revenue	410,789	617,470
NET INCREASE (DECREASE) IN NET ASSETS	(51,605)	108,273
NET ASSETS, Beginning of Year	559,443	1,511,975
Adjustments	4,137	0
NET ASSETS, End of Year	1,511,975	1,618,359

**HOUSING AUTHORITY OF ROCKPORT
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

SEPTEMBER 30, 2008

The increase in net assets of these funds was accompanied by a decrease in unrestricted assets by \$(11,260) from fiscal year 2007.

Compared with the prior fiscal year, total tenant revenues decreased \$640.

Interest income and other revenues decreased from 2007 by \$9813.

Compared with the prior fiscal year, total expenses increased, by \$46,163, with the administrative, utility, and depreciation costs all recording increases.

These changes led to an increase in total assets by \$99,354 and a decrease in liabilities by \$8,919. With these changes, there is still about \$13 of current assets covering each dollar of liability.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for September 30, 2008 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability or the money it receives. If you have questions about this report, or wish to request additional financial information, contact Helen Garrett, Executive Director, Rockport Housing Authority, Box 173, Rockport, IN 47635.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2008**

ASSETS

CURRENT ASSETS

Cash	\$ 108,486
Accounts receivable (net)	3,690
Investments	446,232
Inventory	13,978
Deferred charges	<u>24,798</u>

Total Current Assets \$ 597,184

CAPITAL ASSETS

Land, buildings and equipment	\$ 4,516,320
Less: Accumulated depreciation	<u>-3,447,858</u>

Total Capital Assets \$ 1,068,462

Total Assets \$ 1,665,646

LIABILITIES

CURRENT LIABILITIES

Accounts payable (net)	\$ 21,743
Accrued liabilities	20,019
Deferred revenue	<u>2,589</u>

Total Current Liabilities \$ 44,351

NONCURRENT LIABILITIES

Accrued compensated absences	<u>1,047</u>
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Total Noncurrent Liabilities \$ 1,047

NET ASSETS

Invested in capital assets	\$ 1,068,462
Unrestricted	<u>551,786</u>

Total Net Assets \$ 1,620,248

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

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Operating Income

Tenant rental revenue	\$ 280,961
Tenant revenue - other	<u>10,380</u>
Total Rental Income	\$ 291,341
HUD grants - operating	246,269
Other revenue	<u>35,389</u>
Total Operating Income	<u>\$ 572,999</u>

Operating Expenses

Administration	\$ 155,802
Tenant services	6,507
Utilities	155,805
Ordinary maintenance and operation	200,135
General expense	57,669
Extraordinary maintenance	25,120
Depreciation	<u>199,500</u>
Total Operating Expenses	<u>\$ 800,538</u>
Net Operating Income (Loss)	\$ -227,539

Nonoperating Income (Expense)

Interest income	16,777
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Capital Contributions

Capital fund grants	<u>319,035</u>
Changes in net assets	\$ 108,273
Net assets, beginning of year	<u>1,511,975</u>
Net assets, end of year	<u>\$ 1,620,248</u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Operating Activities

Operating grants	\$ 246,269
Tenant revenue	290,434
Other revenue	35,389
Payments to employees	-222,030
Payments to suppliers and contractors	<u>-380,032</u>

Net Cash Provided (Used) by Operating Activities \$ -29,970

Investing Activities

Investments (purchased) redeemed	\$ 51,558
Interest income	<u>22,176</u>

Net Cash Provided (Used) by Investing Activities \$ 73,734

Capital and Related Financing Activities

Capital fund grants	\$ 319,035
Additions to fixed assets	<u>-319,035</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ 0

Net Change in Cash \$ 43,764

Cash Balance at September 30, 2007 64,722

Cash Balance at September 30, 2008 \$ 108,486

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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

Net operating income (loss)	\$ -227,539
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	199,500
(Increase) decrease in accounts receivable	-907
(Increase) decrease in deferred charges	1,579
(Increase) decrease in inventories	6,316
Increase (decrease) in accounts payable	1,590
Increase (decrease) in accrued liabilities	-11,778
Increase (decrease) in deferred revenues	<u>1,269</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -29,970</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Rockport was established by the City of Rockport pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Rockport and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Rockport is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

When preparing financial statements, the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. No formal policy has been adopted, but this is the practice followed.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Low Rent Public Housing
- * Capital Fund Program

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(e) Cash and Cash Equivalents -

Although no formal policy has been adopted, for purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net assets and have been eliminated in the basic financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is one thousand dollars (\$1,000) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	25	years
Equipment	3	years
Transportation equipment	7	years
Furniture and fixtures	3	years
Leasehold improvements	10	years

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

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

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

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

(n) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.
- Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	<u>\$ 108,486</u>	<u>\$ 124,206</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ 446,232	\$ 446,232

Note 3 - Compensated Absences

Annual Leave

Annual leave with pay shall be earned by all full time employees at the rate of five-sixths (5/6) day per month. Annual leave may be accumulated by an employee, not to exceed 28 days. An employee who is permanently separated shall be paid for any accumulated annual leave, not to exceed 28 days, provided he/she gives a two week notice to the Executive Director if he/she decides to terminate his/her employment. If he/she fails to give a two week notice he/she forfeits his/her vacation pay. In no event shall an employee be paid for annual leave not taken.

Sick Leave

All full time employees may be paid for absences from work because of self-illness at the rate of one day per calendar month. Sick leave may be accumulated not to exceed 12 days per year. Accumulated sick pay is accumulated beginning the first of the year. Prior year accumulated sick leave is rolled over the end of each calendar year and accumulated to no more than 30 days. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority and the participants are required to contribute 5.75% and 3% of annual covered payroll, respectively. For the fiscal year ended September 30, 2008, actual contributions by the Housing Authority and plan participants were \$8,732 and \$3,880, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 4,613
Allowance for doubtful accounts	<u>-923</u>
Total	<u>\$ 3,690</u>

Note 6 - Investments

At September 30, 2008 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Money market	1.77%	\$ 200,296	\$ 200,296
Certificate of deposits	4.17-4.39%	<u>245,936</u>	<u>245,936</u>
Total		<u>\$ 446,232</u>	<u>\$ 446,232</u>

Note 7 - Fixed Assets

Balance as of September 30, 2008	\$ 1,068,462
Balance as of September 30, 2007	<u>948,927</u>
Net Increase (Decrease)	<u>\$ 119,535</u>

Reconciliation

Property betterments and additions	\$ 319,035
Current year depreciation expense	<u>-199,500</u> *
Net Increase (Decrease)	<u>\$ 119,535</u>

<u>Analysis</u>	<u>10/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2008 Balance</u>
Land	\$ 164,342	\$ 0	\$ 0	\$ 164,342
Buildings	3,893,406	319,035	0	4,212,441
Equipment and furniture	<u>139,537</u>	<u>0</u>	<u>0</u>	<u>139,537</u>
Total	\$ 4,197,285	\$ 319,035	\$ 0	\$ 4,516,320
Accumulated depreciation	<u>-3,248,358</u>	<u>-199,500</u> *	<u>0</u>	<u>-3,447,858</u>
Net Assets	<u>\$ 948,927</u>	<u>\$ 119,535</u>	<u>\$ 0</u>	<u>\$ 1,068,462</u>

*Current year depreciation expense recognized.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 7,306
Tenants security deposits	<u>14,437</u>
Subtotal	<u>\$ 21,743</u>

Note 9 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 4,299
Accrued wages	2,326
Payment in lieu of taxes	<u>13,394</u>
Total Current Portion	\$ 20,019

Noncurrent Portion:

Accrued compensated absences	<u>1,047</u>
Total	<u>\$ 21,066</u>

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 2,589</u>
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**HOUSING AUTHORITY OF THE CITY OF ROCKPORT
ROCKPORT, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 12 - Contingencies

Federal Grants

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

Note 13 - Risk Management

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

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

Note 14 - Economic Dependency

The Housing Authority received most of its revenue (62%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-748	FYE 09/30/08	\$ 246,269	\$ 246,269	\$ 246,269
Public Housing - Capital Fund	14.872	C-748	FYE 09/30/08	\$ 519,847	\$ 319,035	\$ 319,035
Total Housing Assistance				<u>\$ 766,116</u>	<u>\$ 565,304</u>	<u>\$ 565,304</u>

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P024501-05**

1. The Actual Modernization Costs of Phase IN36P024501-05 are as follows:

Funds approved	\$ 177,974
Funds expended	<u>177,974</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 177,974
Funds expended	<u>177,974</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated February 21, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

I have audited the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2008, which collectively comprise the Housing Authority of the City of Rockport's basic financial statements and have issued my report thereon dated April 17, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Housing Authority of the City of Rockport's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority of the City of Rockport's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority of the City of Rockport's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Rockport's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority of the City of Rockport's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

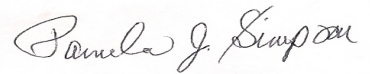
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Rockport's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of Housing Authority of the City of Rockport, in a separate letter dated April 17, 2009.

This reported in intended solely for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
April 17, 2009



Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

I have audited the compliance of Housing Authority of the City of Rockport 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, 2008. Housing Authority of the City of Rockport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Rockport's management. My responsibility is to express an opinion on Housing Authority of the City of Rockport's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Rockport 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, 2008. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Housing Authority of the City of Rockport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority of the City of Rockport's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Rockport's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

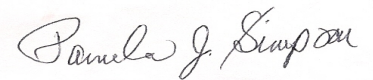
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Rockport in a separate letter dated April 17, 2009.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
April 17, 2009



Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2007 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Section I - Summary of Auditor's Results

Low Risk Auditee X yes _____ no

Financial Statements

Type of auditor's report: Unqualified

- * Material weakness(es) identified? _____ yes X no
- * Significant deficiency (ies) 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 deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

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

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

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

Capital Funds Program 14.872

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

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held April 17, 2009.

Section III - Federal Awards Findings

There were no audit findings discussed with Helen Garrett, Executive Director, during the course of the audit or at an exit conference held April 17, 2009.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2008**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Unreserved surplus	2810		\$ 13,344.36	2810
PILOT	2137		.37	2132
Accrued interest receivable	1145	\$ 5,398.39		1145
General fund	1162	902.14		1162
Prepaid insurance	1211	6,441.74		1211
Development costs - contra	1400.3	461.00		1400.3
Development costs	1400.2	.46		1400.2
Interest income	3610		6,301.00	2810
Employee benefit contrib.	4540	8,580.00		2810
Insurance expense	4510		2,138.00	2810
(To post prior year audit adjustments)				
(2)				
Insurance expense	4510	\$ 4,552.85		2810
Prepaid insurance	1211		\$ 4,552.85	1211
(To adjust prepaid insurance to actual per audit)				
(3)				
Interest income	3610	\$ 5,398.39		2810
Accrued interest receivable	1145		\$ 5,398.39	1145
(To adjust accrued interest receivable)				
(4)				
Interest income	3610	\$ 902.14		2810
General fund	1162		\$ 902.14	1162
(To reverse prior year audit adjustment)				
<u>Capital Funds</u>				
(1)				
Cumulative HUD grants	2845	\$ 461.00		2845
Land, structures and equipment	1400.4		\$ 461.00	1400.4
(To post prior year audit adjustments)				

PAMELA J. SIMPSON, C.P.A.

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(217) 872-1908**

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Rockport as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Rockport's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.
2. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in the written policy/procedural manual.

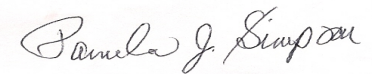
In addition to the current policies/procedures, I suggest that the written manual be expanded to include: (a) approval of journal entries (hard copies initialed or signed) (b) method of maintenance inventory physical inventory reconciliation and valuation methods (c) a system which documents the review of financials after they are returned from fee accountant especially at year end for balances and posting of all adjustments. The written policies should also cover the extent that outside consultants are used to provide internal controls.

A more detailed written manual will aid in the training of new staff, assure management of consistency in policy application as well as accurate financial reporting. Expand internal controls for more specific procedures.

3. During my review of the Housing Authority, it was noted that the depreciation schedule does not reconcile to general ledger. The schedule still has items that were disposed of on general ledger during prior years, and that Capital Fund 2004 asset that were transferred into Low Rent were not on schedule. Housing Authority should take a physical inventory of all assets and reconcile physical inventory to depreciation schedule and general ledger.
4. While reviewing the Housing Authority's Capital Fund contract files, it was noted that there was no documentation of employee interviews and of progress inspections. The Authority is required to interview employees and obtain certified payroll to guarantee that prevailing wages are being paid. The Authority must also be conducting periodic progress inspections of work. All of these items must be documented and retained in files.
5. During my audit of the Authority's materials inventory, it was noted that on the count sheets some items lacked a price. After the inventory is taken it should be checked to make sure all information is entered into system and that all items have an associated cost with them.
6. It was noted during the review of the Authority that the collection losses are excessive. Collection practices should be reviewed.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois
April 17, 2009



Certified Public Accountant