



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B41071

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

October 3, 2012

Board of Directors
Housing Authority of the City of Anderson
528 W. 11th Street
Anderson, IN 46016

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2008 to March 31, 2009. 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 Anderson, as of March 31, 2009 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 ANDERSON
ANDERSON, INDIANA**

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

TWELVE MONTHS ENDED MARCH 31, 2009

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

TABLE OF CONTENTS

Auditor's Report 1

Management's Discussion and Analysis 3

FINANCIAL STATEMENTS

Statement of Net Assets as of March 31, 2009 11

Statement of Revenue, Expenditures and Changes in Net Assets -
Twelve Months Ended March 31, 2009 12

Statement of Cash Flows - Twelve Months Ended March 31, 2009 13

Notes to Financial Statements 15

SUPPLEMENTAL DATA

Schedule of Expenditure of Federal Awards 26

Auditor's Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards 27

Auditor's Report on Compliance With Requirements Applicable to Each Major
Program and Internal Control Over Compliance in Accordance With
OMB Circular A-133 29

Status of Prior Audit Findings 31

Schedule of Findings and Questioned Costs Summary 32

Findings, Recommendations and Replies 33

Schedule of Adjusting Journal Entries 34

Financial Data Schedule - REAC Electronic Submission 35

PAMELA J. SIMPSON, C.P.A.

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

Independent Auditor's Report

Board of Commissioners
Anderson Housing Authority
Anderson, Indiana

I have audited the accompanying basic financial statements of the Anderson Housing Authority, as of and for the year ended March 31, 2009, as listed in the table of contents. These basic 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 did not audit the financial statements of Anderson Housing, Inc. (a component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for Anderson Housing, Inc., is based on the report of the other auditors.

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 basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Anderson Housing Authority, as of March 31, 2009 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 November 19, 2009, on my consideration of the Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulation, contracts and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 performed for the purpose of forming an opinion on the financial statements of the Anderson 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 basic financial statements of the Authority. 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 Anderson Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

Decatur, Illinois
November 19, 2009



Certified Public Accountant

Anderson Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2009

As management of Anderson Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2009.

We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Anderson Housing Authority.

Overview of the Financial Statements

The financial statements included in this annual audit report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

The Statement of Net Assets

Reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

Net Assets, Invested in Capital Assets, Net of Related Debt:

This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets:

This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets:

Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

Anderson Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2009

Statement of Revenue, Expenses, and Change in Net Assets

Reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions. This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

Statement of Cash Flows

Presents information on the effects changes in assets and liabilities have on cash during the course of the Fiscal Year.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

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

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

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

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

Anderson Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2009

Condensed Comparative Financial Statements*Analysis of Entity Wide Net Assets*

Total Net Assets for FY 2009 were \$5,402,567 and for FY 2008 the amount was \$5,861,123. This represents an overall net decrease of \$458,556, or 8.5%.

Cash & Investments decreased by \$348,907. The decrease in cash is due to a decrease in restricted cash. The Authority expended Housing Assistance Payments Funding received in fiscal year 2008 during fiscal year 2009.

Receivables decreased by \$854. Receivables decreased because of a decrease in accounts receivable HUD. The amount of CFP funds not requisitioned at the end of fiscal year 2009 decreased as compared to fiscal year 2008.

Other Current Assets increased by \$7,938. The increase is due to an increase in net inventory amount carried and an increase in prepaid insurance.

Capital Assets decreased by \$104,503. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$36,299. Accrued wages and salaries increased because of the timing of the year end.

Non Current Liabilities increased by \$8,225. Compensated absences liability increased because of changes in staffing. The Authority's staff increased during the fiscal year which increased the compensated absences liability.

Anderson Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2009

The table below illustrates our analysis:

	2009	2008	Net Change	Percent Variance
Cash & Investments	975,159	1,324,066	-348,907	-26.4%
Receivables (net)	95,082	95,936	-854	-0.9%
Other Current Assets	36,877	28,939	7,938	27.4%
Capital Assets	4,307,679	4,412,182	-104,503	-2.4%
Other Non Current Assets	0	0	0	0.0%
Total Assets	5,414,797	5,861,123	-446,326	-8.2%
Current Liabilities	118,218	81,919	36,299	44.3%
Non Current Liabilities	155,033	146,808	8,225	5.6%
Total Liabilities	273,251	228,727	44,524	16.3%
Net Assets in Capital Assets	4,307,679	4,412,182	-104,503	-2.4%
Restricted Net Assets	150,536	530,065	379,529	-100.0%
Unrestricted Net Assets	683,331	690,149	-6,818	-1.0%
Total Net Assets	5,141,546	5,632,396	-490,850	-8.7%
Total Net Assets/Liabilities/Equity	5,414,797	5,861,123	-446,326	-37.0%

Anderson Housing Authority

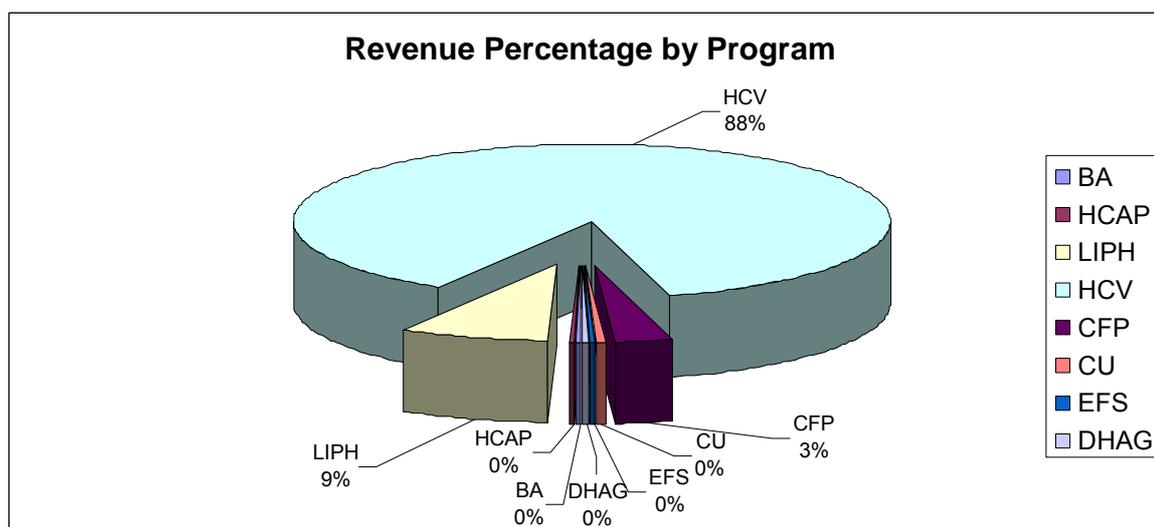
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2009

Analysis of Entity Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2009 were as follows:

Program	Revenues Generated
Business Activities (BA)	\$10,218
Housing Counseling Assistance Program (HCAP)	21
Low Rent Public Housing (LIPH)	575,484
Housing Choice Vouchers (HCV)	6,374,719
Public Housing Capital Fund Program (CFP)	275,220
Component Units (CU)	798
Total Revenue	<u>\$7,236,460</u>



Anderson Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2009

Total revenues for Fiscal Year 2009 were \$7,236,460 as compared to \$7,112,772 of total revenues for Fiscal Year 2008. Comparatively, fiscal year 2009 revenues increased by \$123,688 from fiscal year 2008. The primary reason for this change was due to an increase in HUD Operating Grants because of more funds available from the Federal Government.

	2009	2008	Net Change	Percentage Change
Total Tenant Revenue	50,805	93,500	-42,695	-45.7%
HUD Operating Grants	6,957,067	6,832,876	124,191	1.8%
HUD Capital Grants	202,519	121,770	80,749	66.3%
Other Government Grants	0	40,794	-40,794	-100.0%
Investment Income	9,268	11,167	-1,899	-17.0%
Fraud Recovery	1,582	652	930	142.6%
Other Revenue	15,219	12,013	3,206	26.7%
Total Revenue	<u>7,236,460</u>	<u>7,112,772</u>	<u>123,688</u>	<u>1.7%</u>

Analysis of Entity Wide Expenditures

Total Operating Expenditures for Fiscal Year 2009 were \$1,269,931 as compared to the \$1,348,713 of total operating expenditures for Fiscal Year 2008. This represents a decrease of \$78,782 or 5.8%.

Total Expenses for Fiscal Year 2009 were \$7,726,986 as compared to the \$7,347,765 of total expenses for Fiscal Year 2008. This represents a decrease of \$379,221, or 5.2%.

Administrative expenditures decreased by \$45,542. The decrease was caused by a decrease in administrative salaries and related benefits.

Tenant Services expenditures decreased by \$74,224. Tenant services decreased because of the closing of the Housing Counseling program. The Authority no longer received funds to operate this program.

General expenditures increased by \$18,693. The Authority's insurance expense increased because of changing insurance rates. Also, the Authority also expensed more uncollected rent during fiscal year ending 2009 than in 2008.

Housing Assistance Payments increased by \$453,165. Housing Assistance Payments increased because the Authority is expending excess HAP funding received from HUD in the prior fiscal year0.

Anderson Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

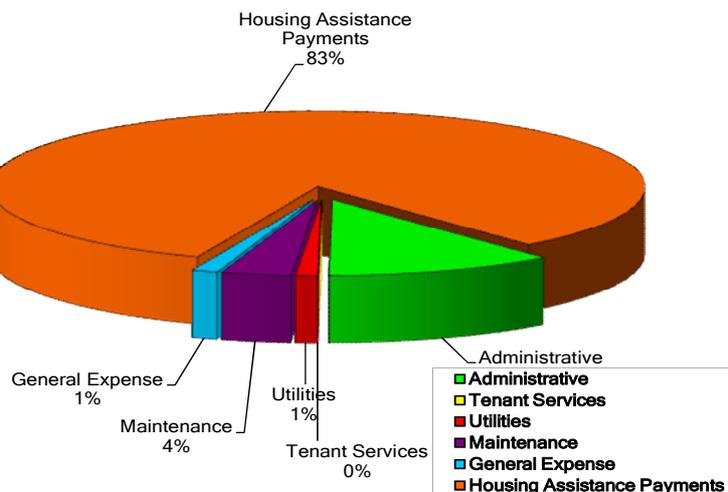
March 31, 2009

The table below illustrates our analysis:

	2009	2008	Net Change	Percent Variances
Administrative	827,843	873,385	-45,542	-5.2%
Tenant Services	422	74,646	-74,224	-99.4%
Utilities	79,869	67,452	12,417	18.4%
Maintenance	256,174	246,300	9,874	4.0%
General Expense	105,623	86,930	18,693	21.5%
Total Operating Expenditures	1,269,931	1,348,713	-78,782	-5.8%
Extraordinary Maintenance	-6,828	9,845	-16,673	-169.4%
Housing Assistance Payments	6,163,982	5,710,817	453,165	7.9%
Depreciation Expense	299,901	278,390	21,511	7.7%
Total Expenses	\$7,726,986	\$7,347,765	\$379,221	5.2%

The diagram below illustrates the percentage of Authority expenditures by these categories for Fiscal Year Ended March 31, 2009:

Percentage of Total Expenses by Category



Anderson Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2009

Analysis of Capital Asset Activity

The table below illustrates the changes in Capital Assets through out the fiscal year:

	2009	2008	Net Change	Percent Variance
Land	335,148	335,148	0	0.0%
Buildings	7,799,390	7,627,491	171,899	2.3%
Furniture, Equip., & Mach. - Dwelling	280,856	253,989	26,867	10.6%
Furniture, Equip., & Mach. - Administrative	966,863	886,042	80,821	9.1%
Work in Process	256,118	343,175	-87,057	-25.4%
Total Fixed Assets	9,638,375	9,445,845	192,530	2.0%
Accumulated Depreciation	5,330,696	5,033,662	297,034	5.9%
Net Fixed Assets	4,307,679	4,412,183	-104,504	-2.4%

The Authority's work in process decreased by a net amount of \$87,057. The Authority transferred completed improvements and equipment to other Capital Asset line items and the Authority had current year work in process expenditures of \$202,519.

Accumulated Depreciation increased because of current year depreciation expense.

Special Conditions and Economic Factors

Management is not aware of any facts, decisions, or conditions that would have a significant effect on the future operation of the Authority.

Contacting the Authority's Financial Management

- The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to Executive Director, Anderson Housing Authority

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

**STATEMENT OF NET ASSETS
AS OF MARCH 31, 2009**

<u>ASSETS</u>	Proprietary <u>Funds</u>	Component <u>Unit</u>
CURRENT ASSETS		
Cash	\$ 490,589	\$ 74,493
Accounts receivable (interfund eliminated)	94,350	480
Accrued interest receivable	252	0
Investments	259,541	0
Deferred charges	<u>36,877</u>	<u>0</u>
Total Current Assets	<u>\$ 881,609</u>	<u>\$ 74,973</u>
RESTRICTED ASSETS		
Cash	\$ 94,716	\$ 0
Investments	<u>0</u>	<u>55,820</u>
Total Restricted Assets	<u>\$ 94,716</u>	<u>\$ 55,820</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 9,529,112	\$ 109,263
Less: Accumulated depreciation	<u>-5,299,609</u>	<u>-31,087</u>
Net Capital Assets	<u>\$ 4,229,503</u>	<u>\$ 78,176</u>
Total Assets	<u>\$ 5,205,828</u>	<u>\$ 208,969</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable (interfund eliminated)	\$ 40,505	\$ 1,900
Accrued liabilities	62,952	0
Deferred revenue	<u>12,861</u>	<u>0</u>
Total Current Liabilities	<u>\$ 116,318</u>	<u>\$ 1,900</u>
NONCURRENT LIABILITIES		
Accrued liabilities	<u>\$ 155,033</u>	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 155,033</u>	<u>\$ 0</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 4,229,503	\$ 78,176
Restricted	94,716	55,820
Unrestricted	<u>610,258</u>	<u>73,073</u>
Total Net Assets	<u>\$ 4,934,477</u>	<u>\$ 207,069</u>

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

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED MARCH 31, 2009**

<u>Operating Income</u>	Proprietary Funds	Component Unit
Tenant rental revenue	\$ 44,520	\$ 0
Tenant revenue - other	<u>6,285</u>	<u>0</u>
Total Rental Income	\$ 50,805	\$ 0
HUD grants - operating	6,957,067	0
Fraud recovery	1,582	0
Other revenue	14,976	143
Gain/loss on sale of fixed assets	<u>100</u>	<u>0</u>
Total Operating Income	<u>\$ 7,024,530</u>	<u>\$ 143</u>
 <u>Operating Expenses</u>		
Administration	\$ 825,196	\$ 2,647
Tenant services	422	0
Utilities	75,526	4,343
Ordinary maintenance and operation	254,027	2,147
General expense	102,835	2,788
Extraordinary maintenance	-6,828	0
Housing assistance payments	6,163,982	0
Depreciation	<u>296,446</u>	<u>3,455</u>
Total Operating Expenses	<u>\$ 7,711,606</u>	<u>\$ 15,380</u>
Net Operating Income (Loss)	\$ -687,076	\$ -15,237
 <u>Nonoperating Income (Expense)</u>		
Interest income	8,613	655
 <u>Capital Contributions</u>		
Capital fund grants	<u>202,519</u>	<u>0</u>
Changes in net assets	\$ -475,944	\$ -14,582
Net assets, beginning of year	<u>5,410,421</u>	<u>221,651</u>
Net assets, end of year	<u>\$ 4,934,477</u>	<u>\$ 207,069</u>

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

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2009**

<u>Operating Activities</u>	Proprietary <u>Funds</u>	Component <u>Unit</u>
Operating grants	\$ 6,957,067	\$ 0
Tenant revenue	51,424	0
Other revenue/expenses	16,558	143
Housing assistance payments	-6,163,982	0
Payments to employees	-631,400	0
Payments to suppliers and contractors	<u>-569,889</u>	<u>-11,925</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -340,222</u>	<u>\$ -11,782</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -8,296	\$ -265
Interest income	<u>8,790</u>	<u>655</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 494</u>	<u>\$ 390</u>
 <u>Capital and Related Financing Activities</u>		
HUD grants - capital	\$ 202,519	\$ 0
(Additions) deletions to fixed assets	<u>-208,867</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -6,348</u>	<u>\$ 0</u>
Net Change in Cash	\$ -346,076	\$ -11,392
Cash Balance at March 31, 2008	<u>931,381</u>	<u>85,885</u>
Cash Balance at March 31, 2009	<u><u>\$ 585,305</u></u>	<u><u>\$ 74,493</u></u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2009**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Proprietary Funds</u>	<u>Component Unit</u>
Net operating income (loss)	\$ -687,076	\$ -15,237
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	296,446	3,455
(Increase) decrease in accounts receivable	15,063	0
(Increase) decrease in deferred charges	-422	0
Increase (decrease) in accounts payable	-15,512	0
Increase (decrease) in accrued liabilities	38,931	0
Increase (decrease) in deferred revenues	<u>12,348</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -340,222</u>	<u>\$ -11,782</u>

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Anderson was established by the City of Anderson 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 Anderson 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 Anderson is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements.

The Housing Authority has one component unit. Anderson Housing, Inc. (AHI) was formed in 1995 for the purpose of providing affordable housing to low income individuals. During 1997, AHI began operating a homeless shelter, primarily to aid families whose homes have been destroyed by fire. A second shelter was added in 2000.

(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 ANDERSON
ANDERSON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

In the process of financial statement preparation, 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. This is the practice followed although no formal policy has been adopted.

(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
- * Section 8 Choice Vouchers
- * Component Unit - Homeless Shelters
- * Business Activities
- * Capital Fund Program
- * Housing Counseling Assistance
- * Disaster Housing Assistance Grant

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 -

Though a formal policy has not 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 month or less when purchased to be cash equivalents.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2009, 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.

(g) Inventories and Materials

Inventories and materials are stated at cost which approximates market determined on average cost.

(h) Investments -

Investments are stated at cost which approximates market.

(i) 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 publish housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

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

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

Buildings	15 - 40	years
Equipment	3 - 15	years

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) 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.

(l) The Housing Authority adopts a budget annually. The budget is presented to the Board of Commissioners for approval.

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

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 262,814	\$ 266,282
Voucher	265,231	283,699
Business Activities	<u>57,260</u>	<u>57,260</u>
Total	<u>\$ 585,305</u>	<u>\$ 607,241</u>
Component Unit	<u>\$ 74,493</u>	<u>\$ 74,493</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 259,541</u>	<u>\$ 259,541</u>
Component Unit	<u>\$ 55,820</u>	<u>\$ 55,820</u>

Note 3 - Compensated Absences

Sick Time

Full-time employees shall accrue sick time days at a rate of one and one-quarter (1.25) days per month worked commencing with the month following of employment. Part-time employees shall accrued sick time on a pro-rated basis (based on percentage of normal week, which the employees work). Temporary employees shall not accrue sick time.

Earned sick leave time may be accumulated and carried from year to year. An employee may accumulate up to, but not exceed, one hundred and eighty (180) days.

Newly hired employees shall begin accumulating sick leave time commencing with the month following their first full month of employment.

An employee whose sick time exceeds the maximum accumulation may convert the excess sick time to vacation time at a rate of two sick days for one vacation day. To convert sick time, the employee must submit a written request to the Executive Director or designee. Sick time converted to vacation must be used within the next calendar year.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Sick Time (Continued)

Upon termination of employment, the employee shall be paid for one-half (1/2) of their accumulated sick time not to exceed a maximum of (90) days. Sick leave shall be calculated on the employee's current rate of pay.

An employee "terminated for cause" will not be eligible to received payment of sick leave time accumulated.

Personal Days

Employees shall receive four (4) personal days per year. This is subject to change relative to the Anderson Housing Authority's Board of Commissioners yearly review.

Vacation Leave

1 year - 4 years	2 weeks
5 years - 9 years	3 weeks
10 years - 19 years	4 weeks
20 years and over	5 weeks

Note 4 - Defined Contribution Plan

All employees of the Anderson Housing Authority are covered by a retirement program Public Employees Retirement Fund (PERF) established and maintained by the State of Indiana except: employees not considered full time (positions requiring 1,000 or more hours of work per year.)

PERF pays benefits to cover employees or their survivor upon retirement, death and in certain cases of serious illness or injury. Contributions for the year ended March 31, 2009 were \$48,880 paid by the Housing Authority.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

	Proprietary <u>Funds</u>	Component <u>Unit</u>
Tenants - accounts receivable (net)	\$ 2,435	\$ 0
Accounts receivable - HUD	91,505	0
Accounts receivable - other	<u>410</u>	<u>480</u>
Subtotal	\$ 94,350	\$ 480
Interfund	<u>32,486</u>	<u>0</u>
Total	<u>\$ 126,836</u>	<u>\$ 480</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 6 - Investments

At March 31, 2009 investments consist of the following:

	<u>Rate</u>	<u>Proprietary Funds</u>	<u>Component Unit</u>
Certificates of deposit	1.17-2.77%	\$ 259,541	\$ 0
Savings - Escrow	1.00%	<u>0</u>	<u>55,820</u>
Total		<u>\$ 259,541</u>	<u>\$ 55,820</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid Insurance	<u>\$ 31,451</u>	<u>\$ 0</u>
-------------------	------------------	-------------

Note 8 - Fixed Assets

Balance at year end	\$ 4,229,503	\$ 78,176
Balance at previous year end	<u>4,317,082</u>	<u>81,631</u>
Net Increase (Decrease)	<u>\$ -87,579</u>	<u>\$ -3,455</u>

Reconciliation

Additions	\$ 208,867	\$ 0
Depreciation expense	<u>-296,446</u>	<u>-3,455</u>
Net Increase (Decrease)	<u>\$ -87,579</u>	<u>\$ -3,455</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	04/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2009 <u>Balance</u>
Land	\$ 324,548	\$ 0	\$ 0	\$ 324,548
Buildings	7,514,491	188,236	0	7,702,727
Equipment and furniture	1,138,031	107,688	0	1,245,719
Construction in progress	<u>343,175</u>	<u>0</u>	<u>87,057</u>	<u>256,118</u>
Total Assets	\$ 9,320,245	\$ 295,924	\$ 87,057	\$ 9,529,112
Accumulated depreciation	<u>-5,003,163</u>	<u>0</u>	<u>296,446</u>	* <u>-5,299,609</u>
Net Assets	<u>\$ 4,317,082</u>	<u>\$ 295,924</u>	<u>\$ 383,503</u>	<u>\$ 4,229,503</u>
 <u>Component Unit</u>	 04/01/2008	 Additions/ Transfers	 Deletions/ Transfers	 03/31/2009
	<u>Balance</u>		<u>Balance</u>	
Land	\$ 10,600	\$ 0	\$ 0	\$ 10,600
Buildings	96,663	0	0	96,663
Equipment and furniture	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>2,000</u>
Total Assets	\$ 109,263	\$ 0	\$ 0	\$ 109,263
Accumulated depreciation	<u>-27,632</u>	<u>0</u>	<u>3,455</u>	* <u>-31,087</u>
Net Assets	<u>\$ 81,631</u>	<u>\$ 0</u>	<u>\$ 3,455</u>	<u>\$ 78,176</u>

*Depreciation expense recognized in the current year.

Note 9 - Accounts Payable

This classification includes the following accounts:

	<u>Proprietary Funds</u>	<u>Component Unit</u>
Vendors and contractors	\$ 8,058	\$ 1,900
Tenants security deposits	<u>32,447</u>	<u>0</u>
Subtotal	\$ 40,505	\$ 1,900
Interfund	<u>32,486</u>	<u>0</u>
Total	<u>\$ 72,991</u>	<u>\$ 1,900</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 10 - 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 11 - Accrued Liabilities

Current Portion:

Accrued compensated absences	\$ 17,225
Accrued wages	<u>45,727</u>
 Total Current Portion	 \$ 62,952

Noncurrent Portion:

Accrued compensated absences	<u>32,486</u>
 Total	 <u>\$ 95,438</u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2009:

	04/01/2008	Increase	Decrease	03/31/2009
	<u>Balance</u>			<u>Balance</u>
Accrued compensated absence	\$ <u>146,808</u>	\$ <u>8,225</u>	\$ <u>0</u>	\$ <u>155,033</u>

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>12,861</u>
----------------------	------------------

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 14 - Administrative Fee

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

Note 15 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 16 - 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 17 - 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 18 - Economic Dependency

The Housing Authority received most of its revenue (99%) from the United State 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 ANDERSON
ANDERSON, INDIANA**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE TWELVE MONTHS ENDED MARCH 31, 2009**

<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>						
<u>Direct Programs:</u>						
Public and Indian Housing*	14.850a	C-2057	FYE 03/31/09	\$ 511,329	\$ 511,329	\$ 511,329
Housing Choice Voucher Program*	14.871	C-2011	FYE 03/31/09	\$ 6,373,037	\$ 6,373,037	\$ 6,373,037
Public Housing - Capital Funds	14.872	C-2057	FYE 03/31/09	\$ 667,313	\$ 275,220	\$ 275,220
Disaster Housing Assistance Program	14.850	C-2011	FYE 03/31/09	\$ 11,209	\$ 0	\$ 0
<u>Indirect Programs:</u>						
Housing Counseling Assistance	14.169	C-2057	FYE 03/31/09	\$ 25,000	\$ 0	\$ 0
Total Assistance				<u>\$ 7,587,888</u>	<u>\$ 7,159,586</u>	<u>\$ 7,159,586</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED MARCH 31, 2009**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

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 Anderson
Anderson, Indiana

I have audited the financial statements of the governmental activities and the aggregate discretely presented component unit of Housing Authority of the City of Anderson as of and for the year ended March 31, 2009, which collectively comprise the Housing Authority of the City of Anderson's basic financial statements and have issued my report thereon dated November 19, 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 Anderson'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 Anderson's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Anderson'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 Anderson'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 Anderson's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Anderson'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 Anderson'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 Anderson'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 Anderson, in a separate letter dated November 19, 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
November 19, 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 Anderson
Anderson, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Anderson 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 March 31, 2009. Housing Authority of the City of Anderson'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 Anderson's management. My responsibility is to express an opinion on Housing Authority of the City of Anderson'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 Anderson'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 Anderson's compliance with those requirements.

In my opinion, Housing Authority of the City of Anderson 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 March 31, 2009. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Housing Authority of the City of Anderson 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 Anderson'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 Anderson'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 Anderson in a separate letter dated November 19, 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
November 19, 2009



Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2008 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED MARCH 31, 2009**

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)

Public and Indian Housing

14.850a

Housing Choice Voucher Program

14.871

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

FINDINGS, RECOMMENDATIONS AND REPLIES

Section II - Financial Statement Findings

There were no financial statement audit findings were discussed with Cindy Mummert, Executive Director, during the course of the audit or at an exit conference held November 19, 2009.

Section III - Federal Award Findings

There were no federal award audit findings were discussed with Cindy Mummert, Executive Director, during the course of the audit or at an exit conference held November 19, 2009.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2009**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Interest on investments	3610	\$ 475.00		3610
Security deposit/cash	1114		\$ 475.00	1114
(To correct account to actual per 03/31/09 bank statement)				
(2)				
Accounts receivable - employee	----	\$ 410.46		----
Travel expense	4150		\$ 410.46	4150
(To set up receivable from employee for travel reimbursement not made until FY 2010)				
<u>Voucher</u>				
(1)				
Accounts receivable - HUD	1125	\$ 12,295.00		1125
Admin subsidy	3401.02		\$ 12,295.00	2806
(To set up receivables for admin fee shortfalls due as of 03/31/09)				
(2)				
Insurance expense	4510	\$ 9,891.68		2806
Employee benefits	4540		\$ 9,891.68	2806
(To reverse JV594 that was set up backwards and move workers comp to 4510)				

PAMELA J. SIMPSON, C.P.A.

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

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Anderson as of and for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authority's 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 Anderson's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Anderson'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. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
2. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice.

3. It was noted that the Housing Authority does not have a current formal policy for the review and write off of old outstanding checks. The Authority should adopt a policy that should indicate procedure for review, approval and frequency of that review and subsequent write off.

This communication is intended solely for the information and used 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
November 19, 2009



Certified Public Accountant