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October 3, 2012

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2009 to March 31, 2010. 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, 2010 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**

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

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**TWELVE MONTHS ENDED MARCH 31, 2010**

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

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## **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, 2010, 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, 2010 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 October 21, 2010, 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  
October 21, 2010



Certified Public Accountant

## Anderson Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2010

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, 2010.

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, 2010

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, 2010

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

**Total Net Assets** for FY 2010 were \$5,448,137 and for FY 2009 the amount was \$5,414,797. This represents an overall net increase of \$33,340, or 1%.

**Cash & Investments** increased by \$59,743. Cash increased because of an increase in the amount of excess Housing Assistance Payments (HAP) funding received in the Section 8 HCV program. The excess HAP funding will be used to fund future HAP expenditures.

**Receivables** decreased by \$40,479. The amount of CFP funds not requisitioned at the end of fiscal year 2010 decreased as compared to fiscal year 2009.

**Other Current Assets** increased by \$849. The increase is due to an increase in net inventory amount carried and an increase in prepaid insurance.

**Capital Assets** increased by \$13,227. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased by \$14,970. Accrued wages and salaries increased because of the timing of the year end.

**Non Current Liabilities** decreased by \$4,247. Compensated absences liability increased because of changes in staffing.

The table below illustrates our analysis:

	<u>2010</u>	<u>2009</u>	<u>Net Change</u>	<u>Percent Variance</u>
Cash & Investments	1,034,902	975,159	59,743	6%
Receivables (net)	54,603	95,082	(40,479)	-43%
Other Current Assets	37,726	36,877	849	2%
Capital Assets	4,320,906	4,307,679	13,227	0%
Other Non Current Assets	0	0	0	0%
<b>Total Assets</b>	<b><u>5,448,137</u></b>	<b><u>5,414,797</u></b>	<b><u>33,340</u></b>	<b><u>1%</u></b>
Current Liabilities	103,248	118,218	(14,970)	-13%
Noncurrent Liabilities	150,786	155,033	(4,247)	-3%
<b>Total Liabilities</b>	<b><u>254,034</u></b>	<b><u>273,251</u></b>	<b><u>(19,217)</u></b>	<b><u>-7%</u></b>
Net Invested in Capital Assets	4,320,906	4,307,679	13,227	0%
Restricted Net Assets	298,112	150,536	147,576	98%
Unrestricted Net Assets	575,085	683,331	(108,246)	-16%
<b>Total Net Assets</b>	<b><u>5,194,103</u></b>	<b><u>5,141,546</u></b>	<b><u>52,557</u></b>	<b><u>1%</u></b>

## Anderson Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2010

*Analysis of Entity Wide Revenues*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2010 were as follows:

Program	Revenues Generated
Business Activities (BA)	\$10,366
Capital Fund Recovery Grant (ARRA)	262,107
Low Rent Public Housing (LIPH)	563,409
Housing Choice Vouchers (HCV)	7,019,771
Public Housing Capital Fund Program (CFP)	113,969
Component Units (CU)	293
Disaster Housing Assistance Grant (DHAG)	<u>0</u>
<b>Total Revenue</b>	<b><u><u>\$7,969,915</u></u></b>

Total revenues for Fiscal Year 2010 were \$7,969,915 as compared to \$7,236,460 of total revenues for Fiscal Year 2009. Comparatively, fiscal year 2010 revenues increased by \$733,455 from fiscal year 2009. The primary reason for this change was due to an increase in HUD Operating Grants because of more funds available from the Federal Government.

	<u>2010</u>	<u>2009</u>	<u>Net Change</u>	<u>Percentage Change</u>
Total Tenant Revenue	65,237	50,805	14,432	28%
HUD Operating Grants	7,554,045	6,957,067	596,978	9%
HUD Capital Grants	327,791	202,519	125,272	62%
Investment Income	4,043	9,268	(5,225)	-56%
Fraud Recovery	0	1,582	(1,582)	-100%
Other Revenue	18,799	15,219	3,580	24%
<b>Total Revenue</b>	<b><u><u>7,969,915</u></u></b>	<b><u><u>7,236,460</u></u></b>	<b><u><u>733,455</u></u></b>	<b><u><u>10%</u></u></b>

## Anderson Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2010

*Analysis of Entity Wide Expenditures*

**Total Operating Expenditures** for Fiscal Year 2010 were \$1,381,749 as compared to the \$1,269,931 of total operating expenditures for Fiscal Year 2009. This represents an increase of \$111,818, or 8.8%.

**Total Expenses** for Fiscal Year 2010 were \$7,916,858 as compared to the \$7,726,986 of total expenses for Fiscal Year 2009. This represents an increase of \$192,387, or 2.5%.

**Administrative** expenditures increased by \$101,888. The increase was due to increases in salaries and benefits from the prior year. The Authority had additional funding availability and used the funding to operate programs. The Authority also added the Capital Fund Recovery Grant.

**Utilities** expenditures increased by \$14,754. Utilities expenses increased because of increased leasing and the related increased consumption. Also, the utilities expenses increased because of increasing utility rates.

**General** expenditures increased by \$19,432. The Authority's insurance expense increased because of changing insurance rates. Also, the Authority also expensed more uncollected rent during fiscal year ending 2010 than in 2009.

**Housing Assistance Payments** increased by \$54,232. Housing Assistance Payments increased because the Authority is expending excess HAP funding received from HUD in the prior fiscal year.

The table below illustrates our analysis:

	<u>2010</u>	<u>2009</u>	<u>net Change</u>	<u>Percentage Change</u>
Administrative	929,731	827,843	101,888	12%
Tenant Services	401	422	(21)	-5%
Utilities	94,623	79,869	14,754	19%
Maintenance	231,939	256,174	(24,235)	-10%
General Expense	125,055	105,623	19,432	18%
Extraordinary Maintenance	0	(6,828)	6,828	0%
Casualty Losses	2,330	0	2,330	100%
Housing Assistance Payments	6,218,214	6,163,982	54,232	1%
Depreciation Expense	314,565	299,901	14,664	5%
<b>Total Expenses</b>	<b><u>7,916,858</u></b>	<b><u>7,726,986</u></b>	<b><u>189,872</u></b>	<b><u>3%</u></b>

## Anderson Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2010

*Analysis of Capital Asset Activity*

The table on the following page illustrates the changes in Capital Assets throughout the fiscal year:

	2010	2009	Net Change	Percentage Variance
Land	335,148	335,148	0	0%
Buildings	7,955,116	7,799,390	155,726	2%
Furniture, Equipment, & Machinery - Dwelling	340,946	280,856	60,090	21%
Furniture, Equipment, & Machinery - Administrative	1,083,153	966,863	116,290	12%
Work in Process	251,804	256,118	(4,314)	-2%
<b>Total Fixed Assets</b>	<b>9,966,167</b>	<b>9,638,375</b>	<b>327,792</b>	<b>3%</b>
Accumulated Depreciation	5,645,261	5,330,696	314,565	6%
<b>Net Fixed Assets</b>	<b>4,320,906</b>	<b>4,307,679</b>	<b>13,227</b>	<b>0%</b>

The Authority's work in process decreased by a net amount of \$4,314. The Authority transferred completed improvements and equipment to other Capital Asset line items and the Authority had current year work in process expenditures of \$376,077.

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, 2010**

<u>ASSETS</u>	Proprietary <u>Funds</u>	Component <u>Unit</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 413,696	\$ 59,845
Accounts receivable (interfund eliminated)	54,123	480
Accrued interest receivable	103	0
Investments	263,249	0
Inventory	5,593	0
Deferred charges	<u>32,030</u>	<u>0</u>
Total Current Assets	<u>\$ 768,794</u>	<u>\$ 60,325</u>
<b>RESTRICTED ASSETS</b>		
Cash	\$ 242,185	\$ 0
Investments	<u>0</u>	<u>55,927</u>
Total Restricted Assets	<u>\$ 242,185</u>	<u>\$ 55,927</u>
<b>CAPITAL ASSETS</b>		
Land, buildings and equipment	\$ 9,856,904	\$ 109,263
Less: Accumulated depreciation	<u>-5,610,719</u>	<u>-34,542</u>
Net Capital Assets	<u>\$ 4,246,185</u>	<u>\$ 74,721</u>
Total Assets	<u>\$ 5,257,164</u>	<u>\$ 190,973</u>
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable (interfund eliminated)	\$ 44,293	\$ 2,400
Accrued liabilities	52,283	0
Deferred revenue	<u>4,272</u>	<u>0</u>
Total Current Liabilities	<u>\$ 100,848</u>	<u>\$ 2,400</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	<u>\$ 150,786</u>	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 150,786</u>	<u>\$ 0</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets	\$ 4,246,185	\$ 74,721
Restricted	242,185	55,927
Unrestricted	<u>517,160</u>	<u>57,925</u>
Total Net Assets	<u><u>\$ 5,005,530</u></u>	<u><u>\$ 188,573</u></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, 2010**

<u>Operating Income</u>	Proprietary <u>Funds</u>	Component <u>Unit</u>
Tenant rental revenue	\$ 59,691	\$ 0
Tenant revenue - other	<u>5,546</u>	<u>0</u>
Total Rental Income	\$ 65,237	\$ 0
HUD grants - operating	7,554,045	0
Other revenue	<u>18,716</u>	<u>83</u>
Total Operating Income	<u>\$ 7,637,998</u>	<u>\$ 83</u>
 <u>Operating Expenses</u>		
Administration	\$ 926,965	\$ 2,766
Tenant services	401	0
Utilities	90,855	3,768
Ordinary maintenance and operation	226,453	5,486
General expense	122,241	2,814
Casualty losses - non capitalized	2,330	0
Housing assistance payments	6,218,214	0
Depreciation	<u>311,110</u>	<u>3,455</u>
Total Operating Expenses	<u>\$ 7,898,569</u>	<u>\$ 18,289</u>
Net Operating Income (Loss)	\$ -260,571	\$ -18,206
 <u>Nonoperating Income (Expense)</u>		
Interest income	3,833	210
 <u>Capital Contributions</u>		
Capital fund grants	<u>327,791</u>	<u>0</u>
Changes in net assets	\$ 71,053	\$ -17,996
Net assets, beginning of year	4,934,477	207,069
Prior period adjustments	<u>0</u>	<u>-500</u>
Net assets, end of year	<u>\$ 5,005,530</u>	<u>\$ 188,573</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, 2010**

<u>Operating Activities</u>	Proprietary <u>Funds</u>	Component <u>Unit</u>
Operating grants	\$ 7,597,716	\$ 0
Tenant revenue	66,377	0
Other revenue/expenses	18,716	83
Housing assistance payments	-6,218,214	0
Payments to employees	-647,479	0
Payments to suppliers and contractors	<u>-746,813</u>	<u>-14,834</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 70,303</u>	<u>\$ -14,751</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -3,708	\$ -107
Interest income	<u>3,981</u>	<u>210</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 273</u>	<u>\$ 103</u>
 <u>Capital and Related Financing Activities</u>		
HUD grants - capital	\$ 327,791	\$ 0
(Additions) deletions to fixed assets	<u>-327,791</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Cash	\$ 70,576	\$ -14,648
Cash Balance at March 31, 2009	<u>585,305</u>	<u>74,493</u>
Cash Balance at March 31, 2010	<u>\$ 655,881</u>	<u>\$ 59,845</u>

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

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED MARCH 31, 2010**

<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)	\$ -260,571	\$ -18,206
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	311,110	3,455
(Increase) decrease in accounts receivable	40,227	0
(Increase) decrease in deferred charges	4,847	0
(Increase) decrease in inventory	-5,593	0
Increase (decrease) in accounts payable	6,313	0
Increase (decrease) in accrued liabilities	-17,441	0
Increase (decrease) in deferred revenues	<u>-8,589</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 70,303</u>	<u>\$ -14,751</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, 2010**

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.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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.

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in 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.

(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
- \* Housing Choice Vouchers
- \* Component Unit - (Homeless Shelters) - AHI
- \* Business Activities
- \* Capital Fund Program
- \* A.R.R.A. - Formula Capital Fund Stimulus Grant
- \* Disaster Voucher 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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider 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) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2010, 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 public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Fixed Assets - Continued

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

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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 presented to the Board of Commissioners 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.

(o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

(p) Rental income is recognized as rents become due.

(q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

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 \$250,000 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 ANDERSON  
ANDERSON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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	\$ 268,684	\$ 271,747
Voucher	326,881	355,259
Business Activities	<u>60,316</u>	<u>60,316</u>
Total	<u>\$ 655,881</u>	<u>\$ 687,322</u>
Component Unit	<u>\$ 59,845</u>	<u>\$ 59,845</u>

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>\$ 263,249</u>	<u>\$ 263,249</u>
Component Unit	<u>\$ 55,927</u>	<u>\$ 55,927</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

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.

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

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, 2010 were \$52,569 paid by the Housing Authority. Total annual payroll expense was \$640,716.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

	Proprietary Funds	Component Unit
Tenants - accounts receivable (net)	\$ 1,295	\$ 0
Accounts receivable - HUD	47,834	0
Accounts receivable - other	<u>4,994</u>	<u>480</u>
Subtotal	\$ 54,123	\$ 480
Interfund	<u>67,176</u>	<u>0</u>
Total	<u>\$ 121,299</u>	<u>\$ 480</u>

Note 6 - Investments

At March 31, 2010 investments consist of the following:

	<u>Rate</u>		
Certificates of deposit	1.17-2.77%	\$ 263,249	\$ 0
Savings - Escrow	1.00%	<u>0</u>	<u>55,927</u>
Total		<u>\$ 263,249</u>	<u>\$ 55,927</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid Insurance	<u>\$ 32,030</u>	<u>\$ 0</u>
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**HOUSING AUTHORITY OF THE CITY OF ANDERSON  
ANDERSON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 8 - Fixed Assets

Balance at March 31, 2010	\$ 4,246,185	\$ 74,721
Balance at March 31, 2009	<u>4,229,503</u>	<u>78,176</u>
Net Increase (Decrease)	<u>\$ 16,682</u>	<u>\$ -3,455</u>

Reconciliation

Additions	\$ 327,792	\$ 0
Depreciation expense	<u>-311,110</u> *	<u>-3,455</u> *
Net Increase (Decrease)	<u>\$ 16,682</u>	<u>\$ -3,455</u>

<u>Analysis</u>	04/01/2009 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2010 <u>Balance</u>
Land	\$ 324,548	\$ 0	\$ 0	\$ 324,548
Buildings	7,702,727	155,726	0	7,858,453
Equipment and furniture	1,245,719	176,380	0	1,422,099
Construction in progress	<u>256,118</u>	<u>327,791</u>	<u>332,105</u>	<u>251,804</u>
Total Assets	\$ 9,529,112	\$ 659,897	\$ 332,105	\$ 9,856,904
Accumulated depreciation	<u>-5,299,609</u>	<u>-311,110</u> *	<u>0</u>	<u>-5,610,719</u>
Net Assets	<u>\$ 4,229,503</u>	<u>\$ 348,787</u>	<u>\$ 332,105</u>	<u>\$ 4,246,185</u>

<u>Component Unit</u>	04/01/2009 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2010 <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>-31,087</u>	<u>-3,455</u> *	<u>0</u>	<u>-34,542</u>
Net Assets	<u>\$ 78,176</u>	<u>\$ -3,455</u>	<u>\$ 0</u>	<u>\$ 74,721</u>

\*Depreciation expense recognized in the current year.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

	Proprietary <u>Funds</u>	Component <u>Unit</u>
Vendors and contractors	\$ 11,488	\$ 2,400
Tenants security deposits	<u>32,805</u>	<u>0</u>
Subtotal	\$ 44,293	\$ 2,400
Interfund	<u>67,176</u>	<u>0</u>
Total	<u>\$ 111,469</u>	<u>\$ 2,400</u>

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	\$ 16,753
Accrued wages and payroll taxes	<u>35,530</u>
Total Current Portion	\$ 52,283

Noncurrent Portion:

Accrued compensated absences	<u>150,786</u>
Total	<u>\$ 203,069</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2010:

	04/01/2009			03/31/2010
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absence	\$ 155,033	\$ 0	\$ 4,247	\$ 150,786

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 4,272</u>
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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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 17 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment to accounts payable - Component Unit	\$ <u>-500</u>
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Note 18 - Contracts/Commitments

As of March 31, 2010, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-08	\$ 231,594	\$ 231,594
CFP 501-09	213,703	78,084
Stimulus Grant 501-09	<u>293,152</u>	<u>262,107</u>
Total	<u>\$ 738,449</u>	<u>\$ 571,785</u>

Note 19 - 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 20 - 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, 2010**

<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 03/31/10	\$ 489,250	\$ 489,250	\$ 489,250
Housing Choice Voucher Program*	14.871	C-2011	FYE 03/31/10	\$ 7,016,510	\$ 7,016,510	\$ 6,914,674
Public Housing - Capital Funds	14.872	C-2057	FYE 03/31/10	\$ 664,721	\$ 113,969	\$ 113,969
A.R.R.A. - Formula Capital Fund Stimulus Grant	14.885	C-2057	FYE 03/31/10	\$ 293,152	\$ 262,107	\$ 262,107
Total Assistance				<u>\$ 8,463,633</u>	<u>\$ 7,881,836</u>	<u>\$ 7,780,000</u>

\*Denotes major program.



**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 Housing Authority of the City of Anderson as of and for the year ended March 31, 2010, and have issued my report thereon dated October 21, 2010. 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 Housing Authority of the City of Anderson's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Anderson's internal control over financial reporting.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

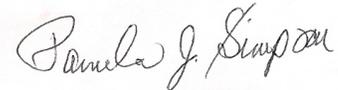
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such 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 I reported to management of Housing Authority of the City of Anderson in a separate letter dated October 21, 2010.

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

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois  
October 21, 2010



**Report on Compliance With Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133**

Independent Auditor's Report

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

**Compliance**

I have audited Housing Authority of the City of Anderson's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Anderson's major federal programs for the year ended March 31, 2010. 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. 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 requirement 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2010. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

## Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Housing Authority of the City of Anderson's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, Housing and Urban Development, 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.



Certified Public Accountant

Decatur, Illinois  
October 21, 2010

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended March 31, 2009 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, 2010**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report: Unqualified

\* Material weakness(es) identified? \_\_\_\_\_ yes X no  
\* Significant deficiency (ies) identified? \_\_\_\_\_ 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? \_\_\_\_\_ 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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850a	Public and Indian Housing
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

**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 and administrative staff, during the course of the audit or at an exit conference held October 21, 2010.

**Section III - Federal Award Findings**

There were no federal award audit findings were discussed with Cindy Mummert, Executive Director and administrative staff, during the course of the audit or at an exit conference held October 21, 2010.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2010**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
HUD Cap Grants 501-08	3401-508	\$ 81,994.76		3401-508
HUD Cap Grants 501-09	3401-509		\$ 52,744.99	3401-509
Accounts receivable - HUD	1125		50,060.47	1125
Accounts receivable - CFP	1157.03	2.90		1157.03
Accounts payable - LR	1157.01-00	3,519.00		1157.01
Accounts payable - LR	1157.01-00	44,414.37		1157.01
CFP contra	140003-03-507	.15		2806
Operations	140600-03-507	82.15		2806
Operations	140600-03-508		38,144.00	1114
Management improvements	140800-03-508		8,992.72	1145
Management operations	140800-03-509	2,675.20		2806
MOD administration	141000-03-509	20,000.00		2806
Site improvement	145000-03-508	475.00		2806
Dwelling structure	146000-03-508		21,961.93	1145
Dwelling structure	146000-03-509	21,961.93		2806
Dwelling equipment	146500-03-508		711.77	1145
Dwelling equipment	146500-03-509	711.77		2806
Non dwelling equipment	147500-03-508		3,712.43	1145
Non dwelling equipment	147500-03-509	313.68		2806
Vendor accounts payable	2111	180.00		2111
Unrestricted net assets	2806	.30	2.90	2806
(To adjust CFP revenues and expenditures per analysis of LLOCS draws)				
(2)				
PILOT	2137	\$ 1,920.00		2137
PILOT expense	4520		\$ 1,920.00	2806
(To reverse JV1194 that set up PILOT)				
(3)				
Admin wages	4110	\$ 1,743.00		2806
Maintenance wages	4410	1,051.66		2806
Salaries and wages	2135		\$ 2,794.66	2135
(To correct accrued wage to actual per schedule)				
(4)				
Investments	1162		\$ 193.71	1162
Accrued interest	1145		10.54	1145
Interest income	3610	\$ 204.25		2806
(To adjust investments to actual)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
HUD PHA grants - admin fees	3401.02	\$ 12,295.00		1125
Admin subsidy	3401.02	3,920.00		2806
Insurance expense	4510	324.00		2806
Employee benefits	4540		\$ 12,925.00	2806
Accrued interest	1145		4,244.00	1145
(To complete posting of fee accountant's entries #5 and #17)				
(2)				
Accounts receivable - HUD	1125	\$ 21,853.00		2806
HUD grants - HAP	3401.01		\$ 13,397.00	1162
HUD grants - admin fee	3401.02		8,456.00	1145
(To post HAP and admin fees received after year end for FYE 03/31/10)				
(3)				
HAP expense	4715		\$ 8,400.00	2806
Accounts payable - DHAP	1157.07	\$ 19,609.00		1157.07
Unrestricted net assets - transfer	2806		4,809.00	2806
PPA nets assets - interfund	2806		6,400.00	2806
(To reclassify payable and record transfer)				
<u>DHAP</u>				
(1)				
Surplus	----	\$ 7,400.00		----
Due to HUD	----		\$ 7,400.00	----
(To properly record FY 2010 transactions)				
(2)				
Due to HUD	----	\$ 7,400.00		----
Due to Voucher	----		\$ 7,400.00	----
(To properly record FY 2010 transactions)				
(3)				
Due from HUD	----	\$ 1,000.00		----
Surplus	----		\$ 1,000.00	----
(To properly record FY 2010 transactions)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2010**

<u>DHAP (Continued)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(4)				
Due to Voucher	----	\$ 1,000.00		----
Due from HUD	----		\$ 1,000.00	----
(To properly record FY 2010 transactions)				
(5)				
Surplus	----	\$ 4,809.00		----
Due from Voucher	----		\$ 4,809.00	----
(To properly record FY 2010 transactions)				

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN  
Entity Wide Balance Sheet Summary

Fiscal Year End: 03/31/2010

Submission Type: Audited/A-133

	Project Total	14,871 Housing Choice Vouchers	6 Component Units	1 Business Activities	14,885 Formula Capital Fund Stimulus Grant	14,DVP Disaster Voucher Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$235,879	\$94,696	\$59,845	\$60,316			\$440,736		\$440,736
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted		\$242,185					\$242,185		\$242,185
114 Cash - Tenant Security Deposits	\$32,805						\$32,805		\$32,805
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$268,684	\$326,881	\$59,845	\$60,316	\$0	\$0	\$715,726	\$0	\$715,726
121 Accounts Receivable - PHA Projects		\$21,853					\$21,853		\$21,853
122 Accounts Receivable - HUD Other Projects	\$25,981						\$25,981		\$25,981
124 Accounts Receivable - Other Government									
123 Accounts Receivable - Miscellaneous			\$480	\$4,984			\$5,474		\$5,474
126 Accounts Receivable - Tenants	\$2,397						\$2,397		\$2,397
126.1 Allowance for Doubtful Accounts - Tenants	\$1,102						\$1,102		\$1,102
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery									
128.1 Allowance for Doubtful Accounts - Fraud									
129 Accrued Interest Receivable	\$103						\$103		\$103
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$27,379	\$21,853	\$480	\$4,984	\$0	\$0	\$54,706	\$0	\$54,706
131 Investments - Unrestricted	\$263,249						\$263,249		\$263,249
132 Investments - Restricted			\$55,927				\$55,927		\$55,927
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$28,528	\$3,502					\$32,030		\$32,030
143 Inventories	\$6,215						\$6,215		\$6,215
143.1 Allowance for Obsolete Inventories	\$-622						\$-622		\$-622
144 Inter Program Due From		\$67,176					\$67,176	-\$67,176	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$593,433	\$419,412	\$116,252	\$65,310	\$0	\$0	\$1,194,407	-\$67,176	\$1,127,231
161 Land	\$324,546		\$10,600				\$335,146		\$335,146
162 Buildings	\$7,696,379		\$66,663	\$6,948	\$155,726		\$7,965,116		\$7,965,116
163 Furniture, Equipment & Machinery - Dwellings	\$308,166				\$32,780		\$340,946		\$340,946
164 Furniture, Equipment & Machinery - Administration	\$1,004,626	\$27,843	\$2,000		\$48,684		\$1,083,153		\$1,083,153
165 Leasehold Improvements									
166 Accumulated Depreciation	\$-551,052	-\$27,843	-\$51,542	-\$617	-\$31,207		-\$664,261		-\$664,261
167 Construction in Progress	\$251,804						\$251,804		\$251,804
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,034,471	\$0	\$74,721	\$6,731	\$205,983	\$0	\$4,320,906	\$0	\$4,320,906
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due									
173 Grants Receivable - Non-Current									
174 Other Assets									
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$4,034,471	\$0	\$74,721	\$6,731	\$205,983	\$0	\$4,320,906	\$0	\$4,320,906
190 Total Assets	\$4,627,904	\$419,412	\$160,673	\$71,041	\$205,983	\$0	\$5,515,313	-\$67,176	\$5,448,137

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

Entity Wide Balance Sheet Summary

Fiscal Year End: 03/31/2010

Submission Type: Audited/A-133

	Project Total	14,871 Housing Choice Vouchers	6 Component Units	1 Business Activities	14,895 Formula Capital Fund Stimulus Grant	14-DVP Disaster Voucher Program	Subtotal	ELIM	Total
311 Bank Overdraft	\$9,728	\$2,780	\$2,400				\$13,888		\$13,888
312 Accounts Payable <= 90 Days									
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$15,225	\$20,305					\$35,530		\$35,530
322 Accrued Compensated Absences - Current Portion	\$7,160	\$9,593					\$16,753		\$16,753
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payables - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$32,805						\$32,805		\$32,805
342 Deferred Revenues	\$4,272						\$4,272		\$4,272
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds									
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities									
346 Accrued Liabilities - Other	\$67,176						\$67,176	-\$67,176	\$0
347 Inter Program - Due To									
348 Loan Liability - Current	\$135,566	\$32,658	\$2,400	\$0	\$0	\$0	\$170,624	-\$67,176	\$103,248
310 Total Current Liabilities									
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other									
354 Accrued Compensated Absences - Non Current	\$64,441	\$66,345					\$150,786		\$150,786
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$64,441	\$66,345	\$0	\$0	\$0	\$0	\$150,786	\$0	\$150,786
300 Total Liabilities	\$199,807	\$119,003	\$2,400	\$0	\$0	\$0	\$321,210	-\$67,176	\$254,034
508.1 Invested in Capital Assets, Net of Related Debt	\$4,034,471		\$7,472	\$5,731	\$205,993		\$4,320,906		\$4,320,906
509.2 Fund Balance Reserved									
511.2 Unreserved, Designated Fund Balance									
511.1 Restricted Net Assets	\$393,626	\$242,185	\$55,927	\$65,310	\$0	\$0	\$296,112		\$296,112
512.1 Unreserved Net Assets	\$393,626	\$55,224	\$57,925	\$65,310	\$0	\$0	\$575,085		\$575,085
512.2 Unreserved, Undesignated Fund Balance									
513 Total Equity/Net Assets	\$4,428,097	\$300,409	\$186,573	\$71,041	\$205,993	\$0	\$5,194,103	\$0	\$5,194,103
600 Total Liabilities and Equity/Net Assets	\$4,627,904	\$419,412	\$190,573	\$71,041	\$205,993	\$0	\$5,515,313	-\$67,176	\$5,448,137

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	6 Component Units	1 Business Activities	14,885 Formula Capital Fund Stimulus Grant	14 DVP Disaster Voucher Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$59,691						\$59,691		\$59,691
70400 Tenant Revenue - Other	\$5,546						\$5,546		\$5,546
70500 Total Tenant Revenue	\$65,237	\$0	\$0	\$0	\$0	\$0	\$65,237	\$0	\$65,237
70600 HUD PHA Operating Grants	\$512,618	\$7,016,510			\$24,917		\$7,554,045		\$7,554,045
70610 Capital Grants	\$80,601				\$237,190		\$327,791		\$327,791
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue							\$0	\$0	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted	\$3,560	\$104		\$273			\$3,937		\$3,937
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery		\$0					\$0		\$0
71500 Other Revenue	\$5,362	\$3,261	\$83	\$10,093			\$18,799		\$18,799
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted							\$106		\$106
70000 Total Revenue	\$677,378	\$7,019,771	\$293	\$10,366	\$262,107	\$0	\$7,969,915	\$0	\$7,969,915
91100 Administrative Salaries	\$107,601	\$393,193			\$14,070		\$514,864		\$514,864
91200 Auditing Fees	\$2,002	\$3,433	\$2,400				\$7,835		\$7,835
91300 Management Fee									
91310 Book-keeping Fee									
91400 Advertising and Marketing	\$251	\$21					\$252		\$252
91500 Employee Benefit Contributions - Administrative	\$48,075	\$188,883			\$6,930		\$243,888		\$243,888
91600 Office Expenses	\$19,736	\$41,462					\$61,198		\$61,198
91700 Legal Expense	\$1,186	\$3,668	\$195				\$5,049		\$5,049
91800 Travel	\$3,807	\$11,081					\$14,888		\$14,888
91810 Allocated Overhead									
91800 Other	\$37,898	\$34,916	\$171	\$4,855	\$3,917		\$81,757		\$81,757
91000 Total Operating - Administrative	\$220,536	\$676,657	\$2,766	\$4,855	\$24,917	\$0	\$929,731	\$0	\$929,731

Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14.871 Housing Choice Vouchers	6 Component Units	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14 DVP Disaster Voucher Program	Subtotal	ELIM	Total
92000 Asset Management Fee									
92100 Tenant Services - Salaries									
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$401						\$401		\$401
92500 Total Tenant Services	\$401	\$0	\$0	\$0	\$0	\$0	\$401	\$0	\$401
93100 Water	\$58,248		\$3,768				\$62,016		\$62,016
93200 Electricity	\$25,498						\$25,498		\$25,498
93300 Gas	\$7,109						\$7,109		\$7,109
93400 Fuel									
93500 Labor									
93600 Sewer									
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$90,855	\$0	\$3,768	\$0	\$0	\$0	\$94,623	\$0	\$94,623
94100 Ordinary Maintenance and Operations - Labor	\$125,852						\$125,852		\$125,852
94200 Ordinary Maintenance and Operations - Materials and Other	\$6,793		\$518				\$7,311		\$7,311
94300 Ordinary Maintenance and Operations Contracts	\$40,353	\$3,056	\$4,968				\$48,379		\$48,379
94500 Employee Benefit Contributions - Ordinary Maintenance	\$50,397						\$50,397		\$50,397
94000 Total Maintenance	\$223,395	\$3,056	\$5,486	\$0	\$0	\$0	\$231,939	\$0	\$231,939
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance									
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance	\$65,647	\$12,358	\$2,716				\$80,721		\$80,721
96100 Total Insurance Premiums	\$65,647	\$12,358	\$2,716	\$0	\$0	\$0	\$80,721	\$0	\$80,721



Housing Authority of the City of Anderson (IN006)  
ANDERSON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14.871 Housing Choice Vouchers	6 Component Units	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	14 DVP Disaster Voucher Program	Subtotal	ELIM	Total
10084 Transfers between Project and Program - Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$245,115	\$105,097	-\$17,996	\$5,088	\$205,983	\$0	\$53,057	\$0	\$53,057
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$4,673,212	\$184,103	\$207,069	\$65,953	\$0	\$11,209	\$5,141,546	\$0	\$5,141,546
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$11,209	-\$500			-\$11,209	-\$500		-\$500
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity		\$58,224					\$58,224		\$58,224
11180 Housing Assistance Payments Equity		\$242,185					\$242,185		\$242,185
11190 Unit Months Available	1664	13524					15188		15188
11210 Number of Unit Months Leased	1374	13184					14558		14558
11270 Excess Cash	\$372,504						\$372,504		\$372,504
11610 Land Purchases	\$0						\$0		\$0
11620 Building Purchases	\$90,601						\$90,601		\$90,601
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0						\$0		\$0
11650 Leasehold Improvements Purchases	\$0						\$0		\$0
11660 Infrastructure Purchases	\$0						\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0		\$0
13901 Replacement Housing Factor Funds	\$0						\$0		\$0

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, 2010, 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. The fee accountant did not post all adjusting journal entries on workpapers, so general ledger did not reflect balances reported on financial data submission.
4. During my review of tenant files for Voucher Program, it was noted that (a) three files had problems with medical deductions, (b) one file SSI was old, (c) three wages had problems with two of pay periods. This was a test of forty files.

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  
October 21, 2010



Certified Public Accountant