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AN EQUAL OPPORTUNITY EMPLOYER

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February 27, 2013

Board of Directors
Brazil Housing Authority
122 W. Jackson Street
Brazil, IN 47834

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Brazil Housing Authority, as of December 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2008

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Commissioners
Brazil Housing Authority
Brazil, Indiana

I have audited the accompanying financial statements of Brazil Housing Authority, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Brazil Housing Authority, as of December 31, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 6, 2009, on my consideration of the Brazil Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Pamela J. Simpson". The signature is written in a cursive style with a clear, legible font.

Certified Public Accountant

Decatur, Illinois
May 6, 2009

HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008

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Management's Discussion and Analysis

As management of the Housing Authority of the City of Brazil, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2008. 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, Housing Authority of the City of Brazil.

Overview of the Financial Statements

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

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.
- Comparison of budget vs. actual – reports the Authority's actual operating revenues and expenses versus the budgeted amounts.

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.

HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008

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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.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of Brazil City:

Low Income Public Housing

The Housing Authority owns 300 units at 4 sites in the City of Brazil. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

Section 8 Housing Choice Vouchers

HUD has contracted with the Housing Authority support for 115 Housing Choice Vouchers. The Authority pays a Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

Capital Fund/Comprehensive Grant Program

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is to improve the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds.

HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008

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Future Events

There are no future events planned by the Authority during the fiscal year ending December 31, 2008 that will significantly affect the Authority's Net Assets either positively or negatively.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Assets for FYE 2008 were \$5,730,353 and at FYE 2007 the amount was \$5,611,675. This represents a net increase of \$118,678.

Cash decreased by \$6,785. During fiscal year 2008, the Section 8 administrative expenses were greater than the administrative fee revenues earned by the Authority.

Other Current Assets increased by \$53,210. The Authority's investment value as of December 31, 2008 was \$375,492 as compared to \$350,000, an increase of \$25,492 from fiscal year ending December 2007. The Authority recognized a receivable of \$6,825 due from HUD for the Capital Fund Program as of December 31, 2008, but did not have a receivable in the prior year. Accrued interest receivable increased by \$6,088 from the prior fiscal year. The remainder of the increase in other current assets was due to increases in maintenance inventory and expenses for fiscal year ending 2009 paid in fiscal year 2008.

Capital Assets increased by \$72,253. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$18,408. The Authority had an increase in the amount of accounts payable as of December 31, 2008. The accounts payable balance represents invoices that are for 2008 expenses that will be paid in 2009. The Authority recognized an other liability of \$6,764 as of December 31, 2008.

The table on the next page illustrates our analysis:

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008**

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	2008	2007	Net Change	Percent Variance
Cash	175,544	182,329	-6,785	-4%
Other Current Assets	458,055	404,845	53,210	13%
Capital Assets	<u>5,096,754</u>	<u>5,024,501</u>	<u>72,253</u>	1%
Total Assets	<u>5,730,353</u>	<u>5,611,675</u>	<u>118,678</u>	2%
Current Liabilities	<u>129,590</u>	<u>111,542</u>	<u>18,048</u>	16%
Total Liabilities	<u>129,590</u>	<u>111,542</u>	<u>18,048</u>	16%
Invested in Capital Assets	5,096,754	5,024,501	72,253	1%
Restricted Net Assets	11,861	10,902	959	9%
Unrestricted Net Assets	<u>492,148</u>	<u>464,730</u>	<u>27,418</u>	6%
Total Net Assets	<u><u>5,600,763</u></u>	<u><u>5,500,133</u></u>	<u><u>100,630</u></u>	2%

Analysis of Entity Wide Revenues (Statement of Activities)

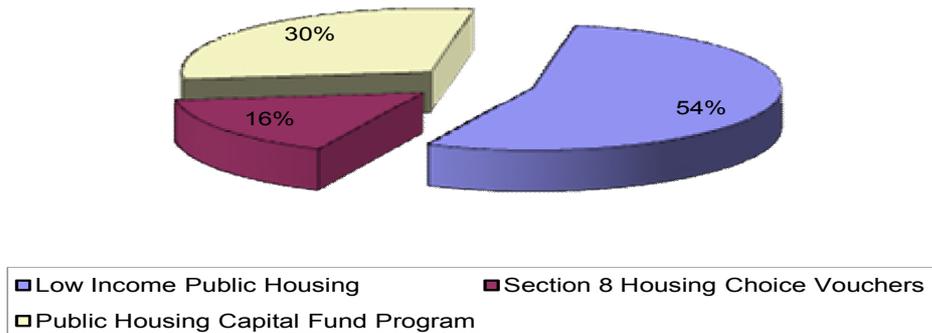
The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2008 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,239,864
Section 8 Housing Choice Vouchers	\$372,632
Public Housing Capital Fund Program	<u>\$679,776</u>
Total Revenue	<u><u>\$2,292,272</u></u>

The diagram on the following page illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2008:

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008**

Revenues Generated By Program



Total tenant revenue increased by \$35,092. Total tenant revenue increased because of changes in tenant characteristics that caused higher rental charges to tenants as compared to the prior fiscal year.

HUD Capital Grants increased by \$396,727. The Authority increased the utilization of Capital Fund Program Awards and the number of Capital Improvements during the fiscal year ending December 31, 2008.

	2008	2007	Net Change	Percentage Change
Total Tenant Revenue	713,296	678,204	35,092	5%
HUD Operating Grants	894,819	890,180	4,639	1%
HUD Capital Grants	601,026	204,299	396,727	194%
Investment Income	15,159	16,865	-1,706	-10%
Other Revenue	5,257	5,056	201	4%
Gain/loss on Sale of Fixed Assets	62,715	-5,575	68,290	-1225%
Total Revenue	2,292,272	1,789,029	503,243	28%

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2008 were \$2,191,642 as compared to the \$1,980,723 of total expenditures for Fiscal Year Ending December 31, 2007. Comparatively, Fiscal Year Ending 2008 expenditures increased from Fiscal Year Ending 2007 expenditures by \$210,919 or 11%.

Administrative Expenses increased by \$30,761. The increase in administrative expenses is due to standard increases in salaries and the corresponding increase in employee benefits.

Utility Expenses increased by \$25,090. The increase in utility expenses is due to increase utility rates and increasing utility consumption by tenants.

Maintenance Expenses increased by \$85,782. Maintenance expenses increased due to an increase in the amount expended on maintenance contracts during the fiscal year. The management decided to increase maintenance expenses to improve the Public Housing units to try to increase leasing.

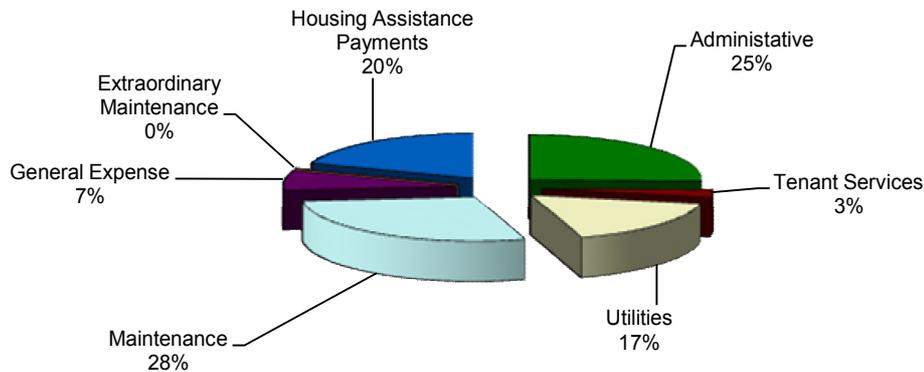
The table below illustrates our analysis:

	2008	2007	Net Change	Percent Variances
Administrative	422,398	391,637	30,761	8%
Tenant Services	45,038	50,266	-5,228	-10%
Utilities	285,172	260,082	25,090	10%
Maintenance	469,446	383,664	85,782	22%
General Expense	116,889	107,397	9,492	9%
Extraordinary Maintenance	0	896	-896	-100%
Housing Assistance Payments	323,927	315,496	8,431	3%
Depreciation Expense	528,772	471,285	57,487	12%
Total Expenses	<u>\$2,191,642</u>	<u>\$1,980,723</u>	<u>\$210,919</u>	<u>11%</u>

The diagram next page illustrates the percentage of Authority expenditures by these categories excluding Depreciation Expense for Fiscal Year Ending December 31, 2008:

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008**

Expense Percentages by Category



Analysis of Capital Asset and Long-Term Debt Activity

Buildings increased by \$729,833. The Authority capitalized construction projects started and completed in fiscal year ending 2008 and capitalized construction in process from the prior year that were completed in fiscal year ending 2008.

Furniture, Equipment & Machinery – Dwelling increased by \$61,344. The net increase in dwelling equipment included the purchase and installation of cameras and appliances. The Authority also disposed of \$9,393 of equipment no longer serviceable.

Furniture, Equipment & Machinery – Administration decreased by a net amount \$2,103. The Authority disposed of miscellaneous equipment of \$5,555 that was no longer in service. The Authority purchased equipment including computers during the fiscal year.

Construction in Process decreased by a net amount of \$202,997. The Authority capitalized construction in process from the prior year that were completed in fiscal year ending 2008 with minimal amounts of construction in process outstanding as of December 31, 2008.

Accumulated Depreciation increased by \$513,824. The Authority's depreciation expense for the fiscal year ending December 31, 2008 was \$528,772. Accumulated depreciation decreased because of the disposal of fixed assets.

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2008**

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	2008	2007	Net Change	Percent Variance
Land	173,525	173,525	0	0.0%
Buildings	13,088,803	12,358,970	729,833	5.9%
Furniture, Equip., & Mach. - Dwelling	494,280	432,936	61,344	14.2%
Furniture, Equip., & Mach. - Administrative	262,222	264,325	-2,103	-0.8%
Construction In Process	12,414	215,411	-202,997	-94.2%
Total Fixed Assets	14,031,244	13,445,167	586,077	4.4%
Accumulated Depreciation	8,934,490	8,420,666	513,824	6.1%
Net Fixed Assets	5,096,754	5,024,501	72,253	1.4%

Outstanding Debt

As of December 31, 2008 or 2007, the Authority had no outstanding long-term debt.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2008**

ASSETS

CURRENT ASSETS

Cash	\$ 163,683
Accounts receivable (interfund eliminated)	9,854
Accrued interest receivable	12,482
Investments	375,492
Inventory (net of obsolete inventories)	29,112
Deferred charges	<u>31,115</u>
 Total Current Assets	 <u>\$ 621,738</u>

RESTRICTED ASSETS

Cash	<u>\$ 11,861</u>
 Total Restricted Assets	 <u>\$ 11,861</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 14,031,244
Less: Accumulated depreciation	<u>-8,934,490</u>
 Net Capital Assets	 <u>\$ 5,096,754</u>

 Total Assets	 <u>\$ 5,730,353</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 92,477
Accrued liabilities	35,018
Deferred revenue	<u>2,095</u>
 Total Current Liabilities	 <u>\$ 129,590</u>

NET ASSETS

Invested in capital assets	\$ 5,096,754
Restricted - HAP equity	11,861
Unrestricted	<u>492,148</u>
 Total Net Assets	 <u>\$ 5,600,763</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Income

Tenant rental revenue	\$ 608,208
Tenant revenue - other	<u>105,088</u>
 Total Rental Income	 \$ 713,296
 HUD grants - operating	 894,819
Other revenue	5,257
Gain (loss) on sale of fixed assets	<u>62,715</u>
 Total Operating Income	 <u>\$ 1,676,087</u>

Operating Expenses

Administration	\$ 422,398
Tenant services	45,038
Utilities	285,172
Ordinary maintenance and operation	469,446
General expense	116,889
Housing assistance payments	323,927
Depreciation	<u>528,772</u>
 Total Operating Expenses	 <u>\$ 2,191,642</u>
 Net Operating Income (Loss)	 \$ -515,555

Nonoperating Income (Expense)

Interest income	15,159
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Capital Contributions

Capital fund grants	<u>601,026</u>
 Changes in net assets	 \$ 100,630
Net assets, beginning of year	<u>5,500,133</u>
 Net assets, end of year	 <u>\$ 5,600,763</u>

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Activities

Operating grants	\$ 887,994
Tenant revenue	714,327
Other revenue	67,432
Housing assistance payments	-323,927
Payments to employees	-354,439
Payments to suppliers and contractors	<u>-981,752</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,635</u>

Investing Activities

Investments (purchased) redeemed	\$ -25,492
Interest income	<u>9,072</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -16,420</u>

Capital and Related Financing Activities

Capital funds grants	\$ 601,026
(Additions) deletions of fixed assets	<u>-601,026</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>

Net Change in Cash	\$ -6,785
Cash Balance at December 31, 2007	<u>182,329</u>
Cash Balance at December 31, 2008	<u><u>\$ 175,544</u></u>

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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

Net operating income (loss)	\$ -515,555
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	528,772
(Increase) decrease in accounts receivable	-5,674
(Increase) decrease in deferred charges	-5,542
(Increase) decrease in inventories	-10,414
Increase (decrease) in accounts payable	17,504
Increase (decrease) in accrued liabilities	-563
Increase (decrease) in deferred revenues	<u>1,107</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,635</u>

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

BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008

Note 1 - Summary of Significant Accounting Policies

(a) Organization -

The Brazil Housing Authority was established by the City of Brazil 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 Brazil 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 Brazil Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

The Housing Authority has not adopted a formal policy, however, by practice 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
- * Section 8 Choice Vouchers
- * Capital Fund Program

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

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. This has not been adopted as a formal policy, but it is the procedure followed when preparing financial statements.

(f) Interprogram Receivables and Payables

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

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

If the anticipated life or useful life of 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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Fixed Assets (continued) -

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	40 years
Equipment	5 - 10 years
Transportation equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	15 years

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

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

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

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.

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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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	\$ 163,508	\$ 170,305
Voucher (restricted and unrestricted)	<u>12,036</u>	<u>18,543</u>
Total	<u>\$ 175,544</u>	<u>\$ 188,848</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	\$ 322,923	\$ 322,923
Voucher	<u>52,569</u>	<u>52,569</u>
Total	<u>\$ 375,492</u>	<u>\$ 375,492</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 3 - Compensated Absences

All regular full-time employees will be eligible for paid annual leave as follows:

Years 1-3	12 days
Years 4-15	18 days
Over 15 years	24 days

To recognize commitment to the agency, the Authority does increase the paid annual leave effective the 4th and 16th year of service. Employees will first earn and have these bonus days posted to their account on the anniversary of their employment date on the 4th and 16th year. Thereafter the days will be posted on the 1st of January.

The Housing Authority requires all employees to take their annual/vacation leave each year as earned; however, if business circumstances prohibit employees from using their annual leave, carryover of not more than 5 days may be permitted with the prior approval of the Executive Director.

Vacation Leave

Employees will not earn vacation during their first three months of the probationary period. Accrual begins the 1st day of the fourth month of employment.

Sick Leave

Employees shall begin accruing sick leave at the rate of one (1) day per month, after they have satisfactorily completed the first three months of the probationary period.

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days. The plan requires the Housing Authority and the employee to contribute 7.5% and 5.5% of covered wages, respectively.

The amounts contributed for the twelve months ended December 31, 2008 and 2007 were \$25,847 and \$18,955, respectively.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 3,029
Accounts receivable - HUD	<u>6,825</u>
Total	<u>\$ 9,854</u>

Note 6 - Investments

At December 31, 2008 investments consist of the following:

	<u>Rate</u>	
Certificate of deposits	2.70-4.00%	<u>\$ 375,492</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 13,290
Other	<u>17,825</u>
Total	<u>\$ 31,115</u>

Note 8 - Fixed Assets

Balance as of December 31, 2008	\$ 5,096,754
Balance as of December 31, 2007	<u>5,024,501</u>
Net Increase (Decrease)	<u>\$ 72,253</u>

Reconciliation

Property betterments and additions	\$ 601,025
Current year depreciation expense	<u>-528,772</u> *
Net Increase (Decrease)	<u>\$ 72,253</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	<u>01/01/2008 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2008 Balance</u>
Land	\$ 173,525	\$ 0	\$ 0	\$ 173,525
Buildings	12,358,970	729,833	0	13,088,803
Equipment and furniture	697,261	74,189	14,948	756,502
Construction in progress	<u>215,411</u>	<u>12,414</u>	<u>215,411</u>	<u>12,414</u>
Subtotal	\$ 13,445,167	\$ 816,436	\$ 230,359	\$ 14,031,244
Accumulated depreciation	<u>-8,420,666</u>	<u>-528,772</u> *	<u>-14,948</u>	<u>-8,934,490</u>
Total	<u>\$ 5,024,501</u>	<u>\$ 287,664</u>	<u>\$ 215,411</u>	<u>\$ 5,096,754</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 52,053
Tenants security deposits	33,660
Accounts payable - other	<u>6,764</u>
Total	<u>\$ 92,477</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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Payment in lieu of taxes	\$ <u>35,018</u>
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Note 12 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>2,095</u>
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Note 13 - 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 14 - 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 15 - 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 16 - Economic Dependency

The Housing Authority received some of its revenue (65%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-913	FYE 12/31/08	\$ 445,612	\$ 445,612	\$ 445,612
Housing Choice Vouchers*	14.871	C-2040	FYE 12/31/08	\$ 370,457	\$ 370,457	\$ 370,457
Capital Funds Program*	14.872	C-913	FYE 12/31/08	\$ 1,562,572	\$ 679,776	\$ 679,776
Total Housing Assistance				<u>\$ 2,378,641</u>	<u>\$ 1,495,845</u>	<u>\$ 1,495,845</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Note 1: Expenditures to the Housing Choice Voucher Program are reported as 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.

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DECATUR, ILLINOIS 62526
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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
Brazil Housing Authority
Brazil, Indiana

I have audited the financial statements of the governmental activities of Brazil Housing Authority as of and for the year ended December 31, 2008, which collectively comprise the Brazil Housing Authority's basic financial statements and have issued my report thereon dated May 6, 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 Brazil Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brazil Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Brazil Housing Authority'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 Brazil Housing Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Brazil Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Brazil Housing Authority's internal control.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 Brazil Housing Authority'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 Brazil Housing Authority, in a separate letter dated May 6, 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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
May 6, 2009

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
Brazil Housing Authority
Brazil, Indiana

Compliance

I have audited the compliance of Brazil Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Brazil Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Brazil Housing Authority's management. My responsibility is to express an opinion on Brazil Housing Authority's compliance based on my audit.

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

In my opinion, Brazil Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Brazil Housing Authority 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 Brazil Housing Authority'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 Brazil Housing Authority'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 Brazil Housing Authority in a separate letter dated May 6, 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
May 6, 2009


Certified Public Accountant

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2007 contained no findings.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section I - Summary of Auditor's Results

Low Risk Auditee X yes no

Financial Statements

Type of auditor's report: Unqualified

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

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major programs:

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

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

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

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

Public and Indian Housing	14.850a
Housing Choice Voucher Program	14.871
Capital Funds Program	14.872

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Michael K. Hagemeyer, Executive Director and Crissy Pell, Director of Finance, during the course of the audit or at an exit conference held May 6, 2009.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Michael K. Hagemeyer, Executive Director and Crissy Pell, Director of Finance, during the course of the audit or at an exit conference held May 6, 2009.

PAMELA J. SIMPSON, C.P.A.

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Board of Commissioners
Brazil Housing Authority
Brazil, Indiana

In planning and performing my audit of the financial statements of Brazil Housing Authority as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brazil Housing Authority 's internal control. Accordingly, I do not express an opinion on the effectiveness of Brazil Housing Authority '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. Management needs to review their procedures for documenting the calculation of anticipated income used in the calculation of housing assistance payments. In a review of seven Section 8 participant files, several immaterial discrepancies were noted in the calculation of anticipated income. In some of these instances, the discrepancy related to inconsistent methods of anticipating income in different files.

Management should review the proper methods of anticipating and documenting income with all housing intake staff. Additionally it is suggested that management increase the number of quality assurance reviews that are completed on all files.

2. The Housing Authority transferred all assets from incompleted Capital Funds to Low Rent. This transfer is not required until the program is complete. The equipment in open programs should be depreciated and the related expense reported within the CFP program.

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
May 6, 2009