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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, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Brazil Housing Authority, as of December 31, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2009

**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, 2009, 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, 2009 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 2, 2010, 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.

Decatur, Illinois
June 2, 2010



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2009**

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, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 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 owns (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, 2009**

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 the City of Brazil:

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, 2009**

Future Events

There are no future events planned by the Authority during the fiscal year ending December 31, 2009 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 2009 were \$5,972,035 and at FYE 2008 the amount was \$5,730,353. This represents a net increase of \$241,682.

Cash & Investments decreased by \$36,755. The Authority used cash earned in prior fiscal years to pay for current year extraordinary improvements needed.

Other Current Assets decreased by \$18,359. The amount of materials inventory held by the Authority at the end of fiscal year ending December 31, 2009 decreased as compared to December 31, 2008.

Capital Assets increased by \$296,796. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$24,017. The Authority had an increase in the amount of accounts payable as of December 31, 2009. The accounts payable balance represents invoices that are for 2009 expenses that will be paid in 2010.

The table below illustrates our analysis:

	2,009	2008	Net Change	Percent Variance
Cash & Investments	514,281	551,036	-36,755	-7%
Other Current Assets	64,204	82,563	-18,359	-22%
Capital Assets	5,393,550	5,096,754	296,796	6%
Total Assets	5,972,035	5,730,353	241,682	4%
Current Liabilities	153,607	129,590	24,017	19%
Total Liabilities	153,607	129,590	24,017	19%
Invested in Capital Assets	5,393,550	5,096,754	296,796	6%
Restricted Net Assets	34,325	11,861	22,464	189%
Unrestricted Net Assets	390,553	492,148	-101,595	-21%
Total Net Assets	5,818,428	5,600,763	217,665	4%

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2009**

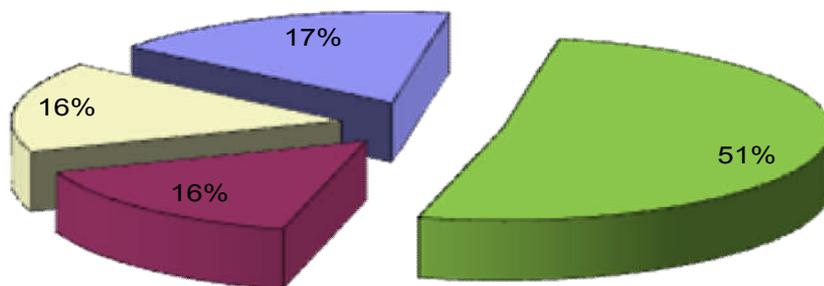
Analysis of Entity Wide Revenues (Statement of Activities)

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

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,271,958
Section 8 Housing Choice Vouchers	386,196
Public Housing Capital Fund Program	396,885
Stimulus Capital Formula Grant	428,491
Total Revenue	<u><u>\$2,483,530</u></u>

The diagram on the following page illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2009:

Revenues Generated By Program



■ Low Income Public Housing

■ Section 8 Housing Choice Vouch

■ Public Housing Capital Fund Program

■ Stimulus Capital Formula Grant

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2009**

Total tenant revenue increased by \$10,772. 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 Operating Grants increased by \$69,348. The funding increase is due to increased funding availability by HUD.

HUD Capital Grants increased by \$182,448. The Authority received additional funding from HUD from the Stimulus Formula Capital Grant.

Investment Income decreased by \$4,509. Investment income decreased because of decreasing interest rates available from banks.

The table below illustrates our analysis:

	2009	2008	Net Change	Percentage Change
Total Tenant Revenue	724,068	713,296	10,772	2%
HUD Operating Grants	964,167	894,819	69,348	8%
HUD Capital Grants	783,474	601,026	182,448	30%
Investment Income	11,029	15,538	-4,509	-29%
Other Revenue	3,220	4,878	-1,658	-34%
Gain/loss on Sale of Fixed Assets	-2,428	62,715	-65,143	-104%
Total Revenue	<u>2,483,530</u>	<u>2,292,272</u>	<u>191,258</u>	<u>8%</u>

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2009**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2009 were \$2,265,865 as compared to the \$2,191,642 of total expenditures for Fiscal Year Ending December 31, 2008. Comparatively, Fiscal Year Ending 2009 expenditures increased from Fiscal Year Ending 2008 expenditures by \$74,223, or 3%.

Utility Expenses decreased by \$16,345 or 6%. The decrease in utility expenses is due to slight decreases in utility consumption by tenants.

Extraordinary Maintenance Expenses increased by \$80,323. The Authority had to make repairs to units that were damaged.

The table below illustrates our analysis:

	2009	2008	Net Change	Percent Variances
Administrative	433,277	422,398	10,879	3%
Tenant Services	52,780	45,038	7,742	17%
Utilities	268,827	285,172	-16,345	-6%
Maintenance	478,506	469,446	9,060	2%
General Expense	114,298	116,889	-2,591	-2%
Extraordinary Maintenance	80,323	0	80,323	100%
Housing Assistance Payments	319,445	323,927	-4,482	-1%
Depreciation Expense	518,409	528,772	-10,363	-2%
Total Expenses	<u><u>\$2,265,865</u></u>	<u><u>\$2,191,642</u></u>	<u><u>\$74,223</u></u>	<u><u>3%</u></u>

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2009**

Analysis of Capital Asset and Long-Term Debt Activity

Buildings increased by \$210,004. The Authority capitalized construction projects started and completed in fiscal year ending 2009 and capitalized construction in process from the prior year that were completed in fiscal year ending 2009.

Furniture, Equipment & Machinery – Dwelling increased by \$5,666. The Authority purchased dumpsters and trash bins and other equipment through the Capital Fund Program. This was offset by the disposal of equipment no longer in service.

Furniture, Equipment & Machinery – Administration increased by a net amount \$1,997. The Authority disposed of equipment of \$12,041 that was no longer in service. The Authority also purchased a compressor and other equipment through the Capital Fund Program.

Construction in Process increased by a net amount of \$578,324. The Authority capitalized construction in process from the prior year that were completed in fiscal year ending 2009 and used Recovery Grant money to fund new projects.

Accumulated Depreciation increased by \$499,195. The Authority's depreciation expense for the fiscal year ending December 31, 2009 was \$511,383. Accumulated depreciation decreased because of the disposal of fixed assets.

	2009	2008	Net Change	Percent Variance
Land	173,525	173,525	0	0.0%
Buildings	13,298,807	13,088,803	210,004	1.6%
Furniture, Equip., & Mach. - Dwelling	499,946	494,280	5,666	1.1%
Furniture, Equip., & Mach. - Administrative	264,219	262,222	1,997	0.8%
Construction In Process	590,738	12,414	578,324	4658.6%
Total Fixed Assets	14,827,235	14,031,244	795,991	5.7%
Accumulated Depreciation	9,433,685	8,934,490	499,195	5.6%
Net Fixed Assets	5,393,550	5,096,754	296,796	5.8%

As of December 31, 2009, the Authority had no outstanding long-term debt.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 88,443
Accounts receivable (interfund eliminated)	10,486
Accrued interest receivable	5,641
Investments	391,513
Inventory (net of obsolete inventories)	30,730
Deferred charges	<u>17,347</u>

Total Current Assets \$ 544,160

RESTRICTED ASSETS

Cash	\$ <u>34,325</u>
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Total Restricted Assets \$ 34,325

CAPITAL ASSETS

Land, buildings and equipment	\$ 14,827,235
Less: Accumulated depreciation	<u>-9,433,685</u>

Net Capital Assets \$ 5,393,550

Total Assets \$ 5,972,035

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 77,881
Accrued liabilities	38,126
Deferred revenue	<u>37,600</u>

Total Current Liabilities \$ 153,607

NET ASSETS

Invested in capital assets	\$ 5,393,550
Restricted - HAP equity	34,325
Unrestricted	<u>390,553</u>

Total Net Assets \$ 5,818,428

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2009**

Operating Income

Tenant rental revenue	\$ 632,722
Tenant revenue - other	<u>91,346</u>
 Total Rental Income	 \$ 724,068
 HUD grants - operating	 964,167
Other revenue	3,220
Gain or loss on sale of fixed assets	<u>-2,428</u>
 Total Operating Income	 <u>\$ 1,689,027</u>

Operating Expenses

Administration	\$ 433,277
Tenant services	52,780
Utilities	268,827
Ordinary maintenance and operation	478,506
General expense	114,298
Extraordinary maintenance	6,889
Casualty losses - non capitalized	73,434
Housing assistance payments	319,445
Depreciation	<u>518,409</u>
 Total Operating Expenses	 <u>\$ 2,265,865</u>
 Net Operating Income (Loss)	 \$ -576,838

Nonoperating Income (Expense)

Interest income	11,029
-----------------	--------

Capital Contributions

Capital fund grants	<u>783,474</u>
 Changes in net assets	 \$ 217,665
Net assets, beginning of year	<u>5,600,763</u>
 Net assets, end of year	 <u>\$ 5,818,428</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, 2009**

Operating Activities

Operating grants	\$ 961,481
Tenant revenue	726,122
Other revenue	792
Housing assistance payments	-319,445
Payments to employees	-337,442
Payments to suppliers and contractors	<u>-1,054,402</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -22,894</u>

Investing Activities

Investments (purchased) redeemed	\$ -16,021
Interest income	<u>17,870</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,849</u>

Capital and Related Financing Activities

Capital funds grants	\$ 783,474
(Additions) deletions of fixed assets	<u>-815,205</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -31,731</u>
Net Change in Cash	\$ -52,776
Cash Balance at December 31, 2008	<u>175,544</u>
Cash Balance at December 31, 2009	<u><u>\$ 122,768</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, 2009**

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

Net operating income (loss)	\$ -576,838
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	518,409
(Increase) decrease in accounts receivable	-632
(Increase) decrease in deferred charges	13,768
(Increase) decrease in inventories	-1,618
Increase (decrease) in accounts payable	-14,596
Increase (decrease) in accrued liabilities	3,108
Increase (decrease) in deferred revenues	<u>35,505</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -22,894</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, 2009**

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.

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 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, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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
- * Section 8 Choice Vouchers
- * Capital Fund Program
- * American Recovery and Reinvestment Act - Formula Capital Stimulus Grant

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

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) 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, 2009
(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, 2009, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(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, 2009
(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) 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."

(l) Income Tax -

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

(m) 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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

- (n) 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.
- (o) 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.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables 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.
- (q) Rental income is recognized as rents become due.
- ® 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 \$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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 67,235	\$ 209,929
Voucher (restricted and unrestricted)	<u>55,533</u>	<u>55,533</u>
Total	<u>\$ 122,768</u>	<u>\$ 265,462</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ 336,701	\$ 336,701
Voucher	<u>54,812</u>	<u>54,812</u>
Total	<u>\$ 391,513</u>	<u>\$ 391,513</u>

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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Life Associates as the administrator. 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, 2009 were \$25,308 and \$18,560. The total annual payroll expense was \$346,557. Employees become 100% vested upon starting the plan.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 975
Accounts receivable - HUD	<u>9,511</u>
Subtotal	\$ 10,486
Interfund	<u>1,480</u>
Total	<u><u>\$ 11,966</u></u>

Note 6 - Investments

At December 31, 2009 investments consist of the following:

	<u>Rate</u>	
Certificate of deposits	2.25-2.80%	<u><u>\$ 391,513</u></u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 13,115
Other	<u>17,615</u>
Total	<u><u>\$ 30,730</u></u>

Note 8 - Fixed Assets

Balance as of December 31, 2009	\$ 5,393,550
Balance as of December 31, 2008	<u>5,096,754</u>
Net Increase (Decrease)	<u><u>\$ 296,796</u></u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 8 - Fixed Assets (Continued)

Reconciliation

Property betterments and additions	\$ 815,205
Current year depreciation expense	<u>-518,409</u> *
Net Increase (Decrease)	<u>\$ 296,796</u>

<u>Analysis</u>	<u>01/01/2009 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2009 Balance</u>
Land	\$ 173,525	\$ 0	\$ 0	\$ 173,525
Buildings	13,088,803	210,004	0	13,298,807
Equipment and furniture	756,502	31,066	23,403	764,165
Construction in progress	<u>12,414</u>	<u>783,474</u>	<u>205,150</u>	<u>590,738</u>
Subtotal	\$ 14,031,244	\$ 1,024,544	\$ 228,553	\$ 14,827,235
Accumulated depreciation	<u>-8,934,490</u>	<u>-518,409</u> *	<u>-19,214</u>	<u>-9,433,685</u>
Total	<u>\$ 5,096,754</u>	<u>\$ 506,135</u>	<u>\$ 209,339</u>	<u>\$ 5,393,550</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 44,666
Tenants security deposits	<u>33,215</u>
Subtotal	\$ 77,881
Interfund	<u>1,480</u>
Total	<u>\$ 79,361</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 10 - Notes Payable

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

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

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

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Payment in lieu of taxes	\$ <u>38,126</u>
--------------------------	------------------

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 4,422
Subsidy from HUD	<u>33,178</u>
Total	\$ <u>37,600</u>

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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 15 - Contracts/Commitments

As of December 31, 2009, 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	\$ 417,599	\$ 394,657
CFP 501-09	418,294	44,830
Stimulus Grant 501-09	<u>528,597</u>	<u>428,491</u>
Total	<u>\$ 1,364,490</u>	<u>\$ 867,978</u>

Note 16 - 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 17 - Economic Dependency

The Housing Authority received some of its revenue (70%) 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, 2009**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-913	FYE 12/31/09	\$ 537,529	\$ 537,529	\$ 537,529
Housing Choice Voucher Program*	14.871	C-2040	FYE 12/31/09	\$ 384,736	\$ 384,736	\$ 384,736
Capital Funds Program*	14.872	C-913	FYE 12/31/09	\$ 1,209,982	\$ 396,885	\$ 396,885
A.R.R.A. - Formula Capital Stimulus Grant*	14.885	C-913	FYE 12/31/09	\$ 528,597	\$ 428,491	\$ 428,491
Total Housing Assistance				<u>\$ 2,660,844</u>	<u>\$ 1,747,641</u>	<u>\$ 1,747,641</u>

*Denotes major program.

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

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.

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

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

Board of Commissioners
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, 2009, which collectively comprise the Brazil Housing Authority's basic financial statements and have issued my report thereon dated June 2, 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 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 June 2, 2010.

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

Decatur, Illinois
June 2, 2010


Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Brazil Housing Authority
Brazil, Indiana

I have audited the financial statements of Brazil Housing Authority as of and for the year ended December 31, 2009, and have issued my report thereon dated June 2, 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 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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. I consider deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (2009-1)

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

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 such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-1.

I noted certain matters that we reported to management of Brazil Housing Authority, in a separate letter dated June 2, 2010.

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

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
June 2, 2010



Certified Public Accountant

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA
STATUS OF PRIOR AUDIT FINDINGS**

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Section I - Summary of Auditor's Results

Low Risk Auditee _____ yes X 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? X yes _____ none reported

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

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

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
A.R.R.A. - Formula Capital Stimulus Grant	14.885

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Crissy Lawson, Director of Finance, during the course of the audit and at an exit conference held June 2, 2010 and via telephone conference with Michael K. Hagemeyer, Executive Director.

Section III - Federal Award Findings

There was one federal award audit findings discussed with Crissy Lawson, Director of Finance, during the course of the audit and at an exit conference held June 2, 2010 and via telephone conference with Michael K. Hagemeyer, Executive Director.

Finding 2009-1: Incomplete Section 8 Participant Files

Condition and Criteria: HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). During my current year test of participant eligibility (15 files examined) I noted incomplete documentation and incorrect calculations of HAP as follows: (a) anticipated child support was not verified or properly calculated in three files (b) anticipated wages were not confirmed or properly calculated in three files (c) anticipated medical expenses were not properly verified or calculated (d) a participant's disability was not properly verified in order to provide the proper exemption (e) three files lacked the proper written request by the landlord for rent increases and (f) one file lacked the proper documentation of assets owned by the participant.

Effect: It cannot be determined if the Section 8 participants were eligible and their HAP assistance was calculated in accordance with HUD regulations.

Cause: Adequate quality control procedures had not been implemented to assure that only eligible participants were provided Housing Assistance. The procedures in place did not provide adequate assurance that correct data was collected and used in accurate assistance payment calculations for each eligible participant

Auditor's Recommendation: I recommend that quality control procedures be reviewed and revised to ensure that all required documentation is maintained in each file to support eligibility and exemptions. Procedures should be developed to ensure that all intake staff are familiar with the policies established in the Housing Authority's Section 8 Administrative Plan and that they are trained in the proper procedures for applying those policies and HUD regulations.

Grantee Response: It has been determined that the current staff will receive more training in applying all policies contained in our Section 8 Administrative plan and HUD regulations. Additional quality assurance reviews will be conducted by the Executive Director to determine that the policies are being adhered to in the future

Brazil Housing Authority (IN035)
BRAZIL, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	Subtotal	Total
111 Cash - Unrestricted	\$34,020	\$21,208		\$55,228	\$55,228
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$34,325		\$34,325	\$34,325
114 Cash - Tenant Security Deposits	\$33,215			\$33,215	\$33,215
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$67,235	\$55,533	\$0	\$122,768	\$122,768
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$3,830	\$5,681		\$9,511	\$9,511
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$13,871			\$13,871	\$13,871
126.1 Allowance for Doubtful Accounts - Tenants	-\$12,896			-\$12,896	-\$12,896
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	\$4,851	\$790		\$5,641	\$5,641
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$9,656	\$6,471	\$0	\$16,127	\$16,127
131 Investments - Unrestricted	\$336,701	\$54,812		\$391,513	\$391,513
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$30,561	\$169		\$30,730	\$30,730
143 Inventories	\$19,646			\$19,646	\$19,646
143.1 Allowance for Obsolete Inventories	-\$2,299			-\$2,299	-\$2,299
144 Inter Program Due From			\$1,480	\$1,480	\$1,480
145 Assets Held for Sale					
150 Total Current Assets	\$461,500	\$116,985	\$1,480	\$579,965	\$579,965
161 Land	\$173,525			\$173,525	\$173,525
162 Buildings	\$13,298,807			\$13,298,807	\$13,298,807
163 Furniture, Equipment & Machinery - Dwellings	\$499,946			\$499,946	\$499,946
164 Furniture, Equipment & Machinery - Administration	\$264,061	\$158		\$264,219	\$264,219
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$9,433,527	-\$158		-\$9,433,685	-\$9,433,685
167 Construction in Progress	\$162,247		\$428,491	\$590,738	\$590,738
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,965,059	\$0	\$428,491	\$5,393,550	\$5,393,550
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	\$4,965,059	\$0	\$428,491	\$5,393,550	\$5,393,550
190 Total Assets	\$5,426,559	\$116,985	\$429,971	\$5,973,515	\$5,973,515

Brazil Housing Authority (IN035)

BRAZIL, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$44,666			\$44,666	\$44,666
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion					
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$38,126			\$38,126	\$38,126
341 Tenant Security Deposits	\$33,215			\$33,215	\$33,215
342 Deferred Revenues	\$4,422	\$31,698	\$1,480	\$37,600	\$37,600
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To	\$1,480			\$1,480	\$1,480
348 Loan Liability - Current					
310 Total Current Liabilities	\$121,909	\$31,698	\$1,480	\$155,087	\$155,087
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					
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$121,909	\$31,698	\$1,480	\$155,087	\$155,087
508.1 Invested In Capital Assets, Net of Related Debt	\$4,965,059		\$428,491	\$5,393,550	\$5,393,550
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets		\$34,325		\$34,325	\$34,325
512.1 Unrestricted Net Assets	\$339,591	\$50,962	\$0	\$390,553	\$390,553
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$5,304,650	\$85,287	\$428,491	\$5,818,428	\$5,818,428
600 Total Liabilities and Equity/Net Assets	\$5,426,559	\$116,985	\$429,971	\$5,973,515	\$5,973,515

Brazil Housing Authority (IN035)
 BRAZIL, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	Total
70300 Net Tenant Rental Revenue	\$632,722			\$632,722	\$632,722
70400 Tenant Revenue - Other	\$91,346			\$91,346	\$91,346
70500 Total Tenant Revenue	\$724,068	\$0	\$0	\$724,068	\$724,068
70600 HUD PHA Operating Grants	\$579,431	\$384,736		\$964,167	\$964,167
70610 Capital Grants	\$354,983		\$428,491	\$783,474	\$783,474
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$9,744	\$731		\$10,475	\$10,475
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$175		\$175	\$175
71500 Other Revenue	\$3,045			\$3,045	\$3,045
71600 Gain or Loss on Sale of Capital Assets	-\$2,428			-\$2,428	-\$2,428
72000 Investment Income - Restricted		\$554		\$554	\$554
70000 Total Revenue	\$1,668,843	\$386,196	\$428,491	\$2,483,530	\$2,483,530
91100 Administrative Salaries	\$194,876	\$25,676		\$220,552	\$220,552
91200 Auditing Fees	\$4,950	\$500		\$5,450	\$5,450
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$123,558	\$5,650		\$129,208	\$129,208
91600 Office Expenses	\$14,205	\$3,541		\$17,746	\$17,746
91700 Legal Expense	\$1,409			\$1,409	\$1,409
91800 Travel	\$1,964	\$5,131		\$7,095	\$7,095
91810 Allocated Overhead					
91900 Other	\$45,344	\$6,473		\$51,817	\$51,817
91000 Total Operating - Administrative	\$386,306	\$46,971	\$0	\$433,277	\$433,277
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$52,780			\$52,780	\$52,780
92500 Total Tenant Services	\$52,780	\$0	\$0	\$52,780	\$52,780

Brazil Housing Authority (IN035)
 BRAZIL, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	Subtotal	Total
93100 Water	\$15,908			\$15,908	\$15,908
93200 Electricity	\$180,272			\$180,272	\$180,272
93300 Gas	\$36,622			\$36,622	\$36,622
93400 Fuel					
93500 Labor					
93600 Sewer	\$36,025			\$36,025	\$36,025
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$268,827	\$0	\$0	\$268,827	\$268,827
94100 Ordinary Maintenance and Operations - Labor	\$116,890			\$116,890	\$116,890
94200 Ordinary Maintenance and Operations - Materials and Other	\$95,866			\$95,866	\$95,866
94300 Ordinary Maintenance and Operations Contracts	\$179,468			\$179,468	\$179,468
94500 Employee Benefit Contributions - Ordinary Maintenance	\$86,282			\$86,282	\$86,282
94000 Total Maintenance	\$478,506	\$0	\$0	\$478,506	\$478,506
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
96110 Property Insurance	\$57,757			\$57,757	\$57,757
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance		\$1,035		\$1,035	\$1,035
96100 Total insurance Premiums	\$57,757	\$1,035	\$0	\$58,792	\$58,792
96200 Other General Expenses					
96210 Compensated Absences					
96300 Payments in Lieu of Taxes	\$38,126			\$38,126	\$38,126
96400 Bad debt - Tenant Rents	\$17,380			\$17,380	\$17,380
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$55,506	\$0	\$0	\$55,506	\$55,506
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,299,682	\$48,006	\$0	\$1,347,688	\$1,347,688
97000 Excess of Operating Revenue over Operating Expenses	\$369,161	\$338,190	\$428,491	\$1,135,842	\$1,135,842

Brazil Housing Authority (IN035)
 BRAZIL, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2009

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	Subtotal	Total
97100 Extraordinary Maintenance	\$6,889			\$6,889	\$6,889
97200 Casualty Losses - Non-capitalized	\$73,434			\$73,434	\$73,434
97300 Housing Assistance Payments		\$319,445		\$319,445	\$319,445
97350 HAP Portability-In					
97400 Depreciation Expense	\$518,409			\$518,409	\$518,409
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,898,414	\$367,451	\$0	\$2,265,865	\$2,265,865
10010 Operating Transfer In					
10020 Operating transfer Out					
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$229,571	\$18,745	\$428,491	\$217,665	\$217,665
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$5,534,221	\$66,542	\$0	\$5,600,763	\$5,600,763
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0
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		\$50,962		\$50,962	\$50,962
11180 Housing Assistance Payments Equity		\$34,325		\$34,325	\$34,325
11190 Unit Months Available	1851	1068	0	2919	2919
11210 Number of Unit Months Leased	1730	1000	0	2730	2730
11270 Excess Cash	\$186,946			\$186,946	\$186,946
11610 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$334,619			\$334,619	\$334,619
11630 Furniture & Equipment - Dwelling Purchases	\$10,726			\$10,726	\$10,726
11640 Furniture & Equipment - Administrative Purchases	\$9,638			\$9,638	\$9,638
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

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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, 2009, 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. 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.

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.



Certified Public Accountant

Decatur, Illinois
June 2, 2010