



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B41881

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

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

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, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Brazil Housing Authority, as of December 31, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2010

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Net Assets as of December 31, 2010	10
Statement of Revenue, Expenditures and Changes in Net Assets - Proprietary Funds Twelve Months Ended December 31, 2010	11
Statement of Cash Flows - Twelve Months Ended December 31, 2010	12
Notes to Financial Statements	14
SUPPLEMENTAL DATA	
Schedule of Expenditures of Federal Awards	26
PHA's Statement and Certification of Actual Modernization Cost -	
Phase IN36P035501-05	27
Phase IN36P035501-06	28
Phase IN36P035501-07	29
Phase IN36P035501-08	30
Phase IN36S035501-09	31
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	32
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	34
Status of Prior Audit Findings	36
Schedule of Findings and Questioned Costs - Summary	37
Current Findings and Recommendations	38
Adjusting Journal Entries	39
Financial Data Schedule - REAC Electronic Submission	41

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, 2010, 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, 2010 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 13, 2011, 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 9, 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.



Certified Public Accountant

Decatur, Illinois
July 13, 2011

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2010**

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, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 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, 2010**

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 288 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, 2010**

Future Events

There are no future events planned by the Authority during the fiscal year ending December 31, 2010 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 2010 were \$6,124,307 and at FYE 2009 the amount was \$5,972,035. This represents a net increase of \$152,272.

Cash & Investments decreased by \$52,063. Total revenues decreased from prior year.

Other Current Assets decreased by \$8,987. There was no accounts receivable due from HUD in FY 2010.

Capital Assets increased by \$213,322. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased by \$27,653. There were no deferred revenues received in the Voucher program in the FY.

The table below illustrates our analysis:

	2010	2009	Net Change	Percent Variance
Cash & Investments	462,218	514,281	-52,063	-10%
Other Current Assets	55,217	64,204	-8,987	-14%
Capital Assets	5,606,872	5,393,550	213,322	4%
Total Assets	6,124,307	5,972,035	152,272	3%
Current Liabilities	125,954	153,607	-27,653	-18%
Total Liabilities	125,954	153,607	-27,653	-18%
Invested in Capital Assets	5,606,872	5,393,550	213,322	4%
Restricted Net Assets	72,996	34,325	38,671	113%
Unrestricted Net Assets	318,485	390,553	-72,068	-19%
Total Net Assets	5,998,353	5,818,428	179,925	3%

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2010**

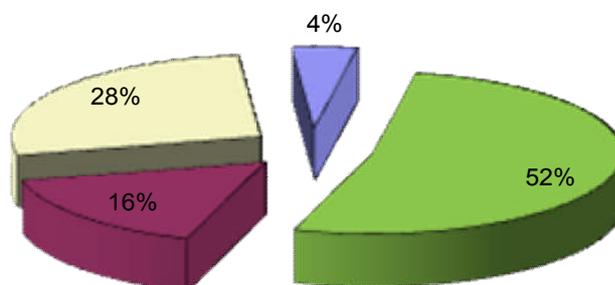
Analysis of Entity Wide Revenues (Statement of Activities)

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

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,240,559
Section 8 Housing Choice Vouchers	384,096
Public Housing Capital Fund Program	647,576
Stimulus Capital Formula Grant	100,106
Total Revenue	<u>\$2,372,337</u>

The diagram on the following page illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2010:

Revenues Generated By Program



■ Low Income Public Housing	■ Section 8 Housing Choice Vouchers
■ Public Housing Capital Fund Program	■ Stimulus Capital Formula Grant

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2010**

Total tenant revenue increased by \$24,663. Total tenant revenue increased because of changes in tenant characteristics that caused higher rental charges to tenants as compared to the prior fiscal year and increased occupancy at Cooper Towers.

HUD Operating Grants increased by \$13,052. The funding increase is due to increased funding availability by HUD.

HUD Capital Grants decreased by \$154,050. There was a decrease in Stimulus funding available in the current year.

Investment Income decreased by \$1,514. Investment income decreased because of decreasing interest rates available from banks.

The table below illustrates our analysis:

	2010	2009	Net Change	Percentage Change
Total Tenant Revenue	748,731	724,068	24,663	3%
HUD Operating Grants	977,219	964,167	13,052	1%
HUD Capital Grants	629,424	783,474	-154,050	-20%
Investment Income	9,515	11,029	-1,514	-14%
Other Revenue	7,958	3,220	4,738	147%
Gain/loss on Sale of Fixed Assets	-510	-2,428	1,918	-79%
Total Revenue	<u>2,372,337</u>	<u>2,483,530</u>	<u>-111,193</u>	<u>-5%</u>

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2010**

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2010 were \$2,192,412 as compared to the \$2,265,865 of total expenditures for Fiscal Year Ending December 31, 2009. Comparatively, Fiscal Year Ending 2010 expenditures decreased from Fiscal Year Ending 2009 expenditures by \$73,453, or 3%.

Utility Expenses decreased by \$5,803 or 2%. The decrease in utility expenses is due to slight decreases in utility consumption by tenants.

Extraordinary Maintenance Expenses increased \$9,076.

The table below illustrates our analysis:

	2010	2009	Net Change	Percent Variances
Administrative	415,892	433,277	-17,385	-4%
Tenant Services	52,651	52,780	-129	0%
Utilities	263,024	268,827	-5,803	-2%
Maintenance	426,759	478,506	-51,747	-11%
General Expense	142,360	114,298	28,062	25%
Extraordinary Maintenance	15,965	6,889	9,076	132%
Casualty Losses	0	73,434	-73,434	-100%
Housing Assistance Payments	355,950	319,445	36,505	11%
Depreciation Expense	519,811	518,409	1,402	0%
Total Expenses	<u><u>\$2,192,412</u></u>	<u><u>\$2,265,865</u></u>	<u><u>-\$73,453</u></u>	<u><u>-3%</u></u>

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2010**

Analysis of Capital Asset and Long-Term Debt Activity

Buildings increased by \$1,221,015. The Authority capitalized construction projects started and completed in fiscal year ending 2010 and capitalized construction in process from the prior year that were completed in fiscal year ending 2010.

Furniture, Equipment & Machinery – Dwelling There was no change in 2010.

Furniture, Equipment & Machinery – Administration increased by a net amount \$64,346. The Authority disposed of equipment that was no longer in service. The Authority also purchased two new vehicles and other equipment through the Capital Fund Program.

Construction in Process decreased by a net amount of \$576,701. The Authority capitalized construction in process from the prior year that were completed in fiscal year ending 2010.

Accumulated Depreciation increased by \$495,338. The Authority's depreciation expense for the fiscal year ending December 31, 2010 was \$519,811. Accumulated depreciation decreased because of the disposal of fixed assets.

	2010	2009	Net Change	Percent Variance
Land	173,525	173,525	0	0.0%
Buildings	14,519,822	13,298,807	1,221,015	9.2%
Furniture, Equip., & Mach. - Dwelling	499,946	499,946	0	0.0%
Furniture, Equip., & Mach. - Administrative	328,565	264,219	64,346	24.4%
Construction In Process	14,037	590,738	-576,701	-97.6%
Total Fixed Assets	15,535,895	14,827,235	708,660	4.8%
Accumulated Depreciation	9,929,023	9,433,685	495,338	5.3%
Net Fixed Assets	5,606,872	5,393,550	213,322	4.0%

As of December 31, 2010, the Authority had no outstanding long-term debt.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2010**

ASSETS

CURRENT ASSETS

Cash	\$ 47,806
Accounts receivable (interfund eliminated)	5,408
Accrued interest receivable	2,024
Investments	403,389
Inventory (net of obsolete inventories)	18,336
Deferred charges	<u>29,449</u>

Total Current Assets \$ 506,412

RESTRICTED ASSETS

Cash	\$ <u>11,023</u>
------	------------------

Total Restricted Assets \$ 11,023

CAPITAL ASSETS

Land, buildings and equipment	\$ 15,535,895
Less: Accumulated depreciation	<u>-9,929,023</u>

Net Capital Assets \$ 5,606,872

Total Assets \$ 6,124,307

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 64,278
Accrued liabilities	59,412
Deferred revenue	<u>2,264</u>

Total Current Liabilities \$ 125,954

NET ASSETS

Invested in capital assets	\$ 5,606,872
Restricted net assets	72,996
Unrestricted net assets	<u>318,485</u>

Total Net Assets \$ 5,998,353

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2010**

Operating Income

Tenant rental revenue	\$ 652,602
Tenant revenue - other	<u>96,129</u>
Total Rental Income	\$ 748,731
HUD grants - operating	977,219
Other revenue	7,958
Gain or loss on sale of fixed assets	<u>-510</u>
Total Operating Income	<u>\$ 1,733,398</u>

Operating Expenses

Administration	\$ 415,892
Tenant services	52,651
Utilities	263,024
Ordinary maintenance and operation	426,759
General expense	142,360
Extraordinary maintenance	15,965
Housing assistance payments	355,950
Depreciation	<u>519,811</u>
Total Operating Expenses	<u>\$ 2,192,412</u>
Net Operating Income (Loss)	\$ -459,014

Nonoperating Income (Expense)

Interest income	9,515
-----------------	-------

Capital Contributions

Capital fund grants	<u>629,424</u>
Changes in net assets	\$ 179,925
Net assets, beginning of year	<u>5,818,428</u>
Net assets, end of year	<u><u>\$ 5,998,353</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, 2010**

Operating Activities

Operating grants	\$ 953,552
Tenant revenue	743,980
Other revenue	7,448
Housing assistance payments	-355,950
Payments to employees	-342,017
Payments to suppliers and contractors	<u>-968,499</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 38,514</u>

Investing Activities

Investments (purchased) redeemed	\$ -11,876
Interest income	<u>13,132</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 1,256</u>

Capital and Related Financing Activities

Capital funds grants	\$ 629,424
(Additions) deletions of fixed assets	<u>-733,133</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -103,709</u>
Net Change in Cash	\$ -63,939
Cash Balance at December 31, 2009	<u>122,768</u>
Cash Balance at December 31, 2010	<u><u>\$ 58,829</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, 2010**

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

Net operating income (loss)	\$ -459,014
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	519,811
(Increase) decrease in accounts receivable	5,078
(Increase) decrease in deferred charges	1,281
(Increase) decrease in inventories	-989
Increase (decrease) in accounts payable	-13,603
Increase (decrease) in accrued liabilities	21,286
Increase (decrease) in deferred revenues	<u>-35,336</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 38,514</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, 2010**

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 Mayor, 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, 2010
(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
- * Formula Capital Fund 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, 2010
(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, 2010, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(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, 2010
(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, 2010
(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 \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

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, 2010
(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	\$ 47,806	\$ 80,112
Voucher (restricted and unrestricted)	<u>11,023</u>	<u>11,023</u>
Total	<u>\$ 58,829</u>	<u>\$ 91,135</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(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	\$ 346,915	\$ 346,915
Voucher	<u>56,474</u>	<u>56,474</u>
Total	<u>\$ 403,389</u>	<u>\$ 403,389</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, 2010
(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, 2010 were \$26,398 and \$19,359. The total annual payroll expense was \$342,017. Employees become 100% vested upon starting the plan.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - other	\$ 555
Tenants accounts receivable (net)	<u>4,853</u>
Total	<u>\$ 5,408</u>

Note 6 - Investments

At December 31, 2010 investments consist of the following:

	<u>Rate</u>	
Certificate of deposits	1.54-2.28%	<u>\$ 403,389</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 13,234
Other	<u>16,215</u>
Total	<u>\$ 29,449</u>

Note 8 - Fixed Assets

Balance as of December 31, 2010	\$ 5,606,872
Balance as of December 31, 2009	<u>5,393,550</u>
Net Increase (Decrease)	<u>\$ 213,322</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 8 - Fixed Assets (Continued)

Reconciliation

Property betterments and additions	\$ 733,643
Disposals	-510
Current year depreciation expense	<u>-519,811</u> *
Net Increase (Decrease)	<u>\$ 213,322</u>

<u>Analysis</u>	01/01/2010 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2010 <u>Balance</u>
Land	\$ 173,525	\$ 0	\$ 0	\$ 173,525
Buildings	13,298,807	1,221,015	0	14,519,822
Equipment and furniture	764,165	89,329	24,983	828,511
Construction in progress	<u>590,738</u>	<u>0</u>	<u>576,701</u>	<u>14,037</u>
Subtotal	\$ 14,827,235	\$ 1,310,344	\$ 601,684	\$ 15,535,895
Accumulated depreciation	<u>-9,433,685</u>	<u>24,473</u>	<u>519,811</u>	<u>-9,929,023</u>
Total	<u>\$ 5,393,550</u>	<u>\$ 1,334,817</u>	<u>\$ 1,121,495</u>	<u>\$ 5,606,872</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 29,778
Tenants security deposits	<u>34,500</u>
Total	<u>\$ 64,278</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2010
(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	\$ 42,037
Accrued utilities	<u>17,375</u>
Total	<u>\$ 59,412</u>

Note 12 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 2,264</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, 2010
(CONTINUED)**

Note 15 - Contracts/Commitments

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

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-10	<u>\$ 406,830</u>	<u>\$ 253,608</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 (67%) 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, 2010**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-913	FYE 12/31/10	\$ <u>476,021</u>	\$ <u>476,021</u>	\$ <u>476,021</u>
Housing Choice Voucher Program*	14.871	C-2040	FYE 12/31/10	\$ <u>382,940</u>	\$ <u>382,940</u>	\$ <u>382,940</u>
Capital Funds Program*	14.872	C-913	FYE 12/31/10	\$ <u>1,242,723</u>	\$ <u>647,576</u>	\$ <u>647,576</u>
A.R.R.A. - Formula Capital Fund Stimulus Grant	14.885	C-913	FYE 12/31/10	\$ <u>528,597</u>	\$ <u>100,106</u>	\$ <u>100,106</u>
Total Housing Assistance				\$ <u>2,630,281</u>	\$ <u>1,606,643</u>	\$ <u>1,606,643</u>

*Denotes major program.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P035501-05**

1. The Actual Modernization Costs of Phase IN36P035501-05 are as follows:

Funds approved	\$ 403,897
Funds expended	<u>403,897</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 403,897
Funds expended	<u>403,897</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated April 9, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P035501-06**

1. The Actual Modernization Costs of Phase IN36P035501-06 are as follows:

Funds approved	\$	398,036
Funds expended		<u>398,036</u>
Excess of Funds Approved	\$	<u>0</u>
Funds advanced		
Project notes, non-HUD	\$	398,036
Funds expended		<u>398,036</u>
Excess of Funds Advanced	\$	<u>0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated September 9, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P035501-07**

1. The Actual Modernization Costs of Phase IN36P035501-07 are as follows:

Funds approved	\$ 374,089
Funds expended	<u>374,089</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 374,089
Funds expended	<u>374,089</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated May 14, 2009, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P035501-08**

1. The Actual Modernization Costs of Phase IN36P035501-08 are as follows:

Funds approved	\$	417,599
Funds expended		<u>417,599</u>
Excess of Funds Approved	\$	<u>0</u>
Funds advanced		
Project notes, non-HUD	\$	417,599
Funds expended		<u>417,599</u>
Excess of Funds Advanced	\$	<u>0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated March 31, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36S035501-09**

1. The Actual Modernization Costs of Phase IN36S035501-09 are as follows:

Funds approved		\$ 528,597
Funds expended		<u>528,597</u>
Excess of Funds Approved		<u><u>\$ 0</u></u>
Funds advanced		
Project notes, non-HUD		\$ 528,597
Funds expended		<u>528,597</u>
Excess of Funds Advanced		<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated March 31, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**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 Brazil Housing Authority as of and for the year ended December 31, 2010, and have issued my report thereon dated July 13, 2011. 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 Brazil Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Brazil Housing Authority's internal control over financial reporting.

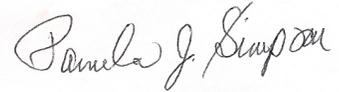
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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



Certified Public Accountant

Decatur, Illinois
July 13, 2011

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

Board of Commissioners
Brazil Housing Authority
Brazil, Indiana

Compliance

I have audited Brazil Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Brazil Housing Authority's major federal programs for the year ended December 31, 2010. 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. 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 requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Brazil Housing Authority's compliance with those requirements.

In my opinion, Brazil Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items (2010-1).

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Brazil Housing Authority's internal control over compliance.

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

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

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

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

Decatur, Illinois
July 13, 2011



Certified Public Accountant

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2009 contained one finding.

Finding 2009-1: Incomplete Section 8 Participant Files

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 the test of participant eligibility incomplete documentation and incorrect calculations of HAP was noted in several files. Participant eligibility could not be adequately determined. This finding continues. See current year finding 2010-1

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified? X yes _____ 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 OMB Circular A-133? X yes _____ no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? _____ yes X no

**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 July 13, 2011 and by phone on July 18, 2011 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 July 13, 2011 and by phone on July 18, 2011 with Michael K. Hagemeyer, Executive Director.

Finding 2010-1: Incomplete Section 8 Participant Files (Continued from 2009-1)

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 (40 files examined) I noted incomplete documentation and incorrect calculations of HAP as follows: (a) anticipated child support was not verified or properly calculated in two files (b) anticipated wages were not confirmed or properly calculated in five files and (c) no confirmation or verification of one child over 18 years of age as a full time student.

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

Cause: Although some improvement in the files tested was noted, 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: Current staff received training during the fiscal year. Additional quality assurance reviews were conducted by the Executive Director. Some of the changes were not implemented until mid-year, therefore, not all errors and omissions were detected in the first part of the fiscal year. We feel confident that the current system has alleviated future errors.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accounts receivable - other	1129	\$ 525.25		1129
Sundry	4190	617.03		2806
Tenants services - other	4220	234.33		2806
Tenant services - contract	4230		\$ 3,937.02	2806
Maintenance materials	4420	268.64	2,274.00	2806
Electric	4320	11,005.38		2806
Gas	4330	3,118.04		2806
Vendor payable	2111	7,817.80		2111
Accrued - other	2139		\$ 17,375.45	2139

(To correct vendor payable and accrued utilities per search for unrecorded and vouching of already setup)

(2)				
Admin wages	4110		\$ 19,799.49	2806
Maintenance labor	4410		8,647.68	2806
Compensated absence expense	4595	\$ 28,447.17		2806

(To reclassify earned vacation to compensated absence expense for year)

(3)				
General fund investments	1162	\$ 5,205.08		1162
Interest on GF investments	3610	440.02		2806
Accrued interest receivable	1145		\$ 5,645.10	1145

(To reclassify balances per bank confirmations @ 12/31/2010)

(4)				
Site improvements	1400.1	\$ 1.00		1400.1
Sundry admin expense	4190	6.00		2806
Allowance for obsolete inventory	1275		\$ 1.00	1275
Other deferred charges	1290		1.00	1290
Undesignated fund balance	2806		2.00	2806
Out of balance	----		3.00	----

(To reverse JE #10 made by fee accountant)

Voucher

(1)				
Unrestricted net assets	2826	\$ 28,443.00		2826
Restricted net assets	2806.1		\$ 28,443.00	2806.1

(To adjust NRA @ 01/01/2010 per NRA concurrence dated 02/07/2011)

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

<u>Voucher</u> (Continued)	<u>Audit</u> <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting</u> <u>Account Number</u>
(2)				
General fund cash	1111.8	\$ 1.00		1111.8
Unrestricted net assets	2826	1.00		2826
Prepaid insurance	1211.8		\$ 1.00	1211.8
Sundry expense	4190		1.00	2826
(To reverse PHA's entries written by fee accountant to correct rounding)				
(3)				
HAP expense	4715	\$ 380.00		2806.1
Fraud recovery	1129.8		\$ 380.00	1129.8
(To correct receivable - amount received from landlord in December)				
(4)				
Admin wages	4110		\$ 1,833.15	2826
Compensated absence expense	4595	\$ 1,833.15		2826
(To reclassify portion of wages for compensated absence expense earned)				
(5)				
General fund investments	1162.8	\$ 847.34		1162.8
Interest on general fund	3610	71.64		2826
Accrued interest receivable	1145.8		\$ 918.98	1145.8
(To reclassify balances per bank confirmations @ 12/31/2010)				
<u>Stimulus Grant</u>				
(1)				
Admin salaries	1509c.4110	\$ 4,393.75		1509.2802
Operating transfer out	1509c.9000		\$ 4,393.75	1509.2802
(To reclassify salaries paid out from CFRG)				

Brazil Housing Authority (IN035)

BRAZIL, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$13,306			\$13,306	\$13,306
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted			\$11,023	\$11,023	\$11,023
114 Cash - Tenant Security Deposits	\$34,500			\$34,500	\$34,500
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$47,806	\$0	\$11,023	\$58,829	\$58,829
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$555			\$555	\$555
126 Accounts Receivable - Tenants	\$8,443			\$8,443	\$8,443
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,590			-\$3,590	-\$3,590
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery			\$0	\$0	\$0
128.1 Allowance for Doubtful Accounts - Fraud			\$0	\$0	\$0
129 Accrued Interest Receivable	\$1,741		\$283	\$2,024	\$2,024
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,149	\$0	\$283	\$7,432	\$7,432
131 Investments - Unrestricted	\$346,915		\$56,474	\$403,389	\$403,389
132 Investments - Restricted			\$0	\$0	\$0
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$29,269		\$180	\$29,449	\$29,449
143 Inventories	\$20,765			\$20,765	\$20,765
143.1 Allowance for Obsolete Inventories	-\$2,429			-\$2,429	-\$2,429
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$449,475	\$0	\$67,960	\$517,435	\$517,435
161 Land	\$173,525			\$173,525	\$173,525
162 Buildings	\$14,519,822			\$14,519,822	\$14,519,822
163 Furniture, Equipment & Machinery - Dwellings	\$499,946			\$499,946	\$499,946
164 Furniture, Equipment & Machinery - Administration	\$328,407		\$158	\$328,565	\$328,565
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$9,928,865		-\$158	-\$9,929,023	-\$9,929,023
167 Construction in Progress	\$14,037			\$14,037	\$14,037
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,606,872	\$0	\$0	\$5,606,872	\$5,606,872
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	\$5,606,872	\$0	\$0	\$5,606,872	\$5,606,872
190 Total Assets	\$6,056,347	\$0	\$67,960	\$6,124,307	\$6,124,307

Brazil Housing Authority (IN035)

BRAZIL, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$29,778			\$29,778	\$29,778
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	\$42,037			\$42,037	\$42,037
341 Tenant Security Deposits	\$34,500			\$34,500	\$34,500
342 Deferred Revenues	\$2,264			\$2,264	\$2,264
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$17,375			\$17,375	\$17,375
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$125,954	\$0	\$0	\$125,954	\$125,954
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	\$125,954	\$0	\$0	\$125,954	\$125,954
508.1 Invested In Capital Assets, Net of Related Debt	\$5,606,872			\$5,606,872	\$5,606,872
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets			\$72,996	\$72,996	\$72,996
512.1 Unrestricted Net Assets	\$323,521	\$0	-\$5,036	\$318,485	\$318,485
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$5,930,393	\$0	\$67,960	\$5,998,353	\$5,998,353
600 Total Liabilities and Equity/Net Assets	\$6,056,347	\$0	\$67,960	\$6,124,307	\$6,124,307

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$652,602			\$652,602	\$652,602
70400 Tenant Revenue - Other	\$96,129			\$96,129	\$96,129
70500 Total Tenant Revenue	\$748,731	\$0	\$0	\$748,731	\$748,731
70600 HUD PHA Operating Grants	\$589,885	\$4,394	\$382,940	\$977,219	\$977,219
70610 Capital Grants	\$533,712	\$95,712		\$629,424	\$629,424
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	\$8,359		\$663	\$9,022	\$9,022
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$7,958			\$7,958	\$7,958
71600 Gain or Loss on Sale of Capital Assets	-\$510			-\$510	-\$510
72000 Investment Income - Restricted			\$493	\$493	\$493
70000 Total Revenue	\$1,888,135	\$100,106	\$384,096	\$2,372,337	\$2,372,337
91100 Administrative Salaries	\$167,942	\$4,394	\$25,225	\$197,561	\$197,561
91200 Auditing Fees	\$5,360		\$500	\$5,860	\$5,860
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$121,454		\$6,180	\$127,634	\$127,634
91600 Office Expenses	\$14,669		\$3,571	\$18,240	\$18,240
91700 Legal Expense	\$1,519			\$1,519	\$1,519
91800 Travel	\$5,577		\$489	\$6,066	\$6,066
91810 Allocated Overhead					
91900 Other	\$52,413		\$6,599	\$59,012	\$59,012
91000 Total Operating - Administrative	\$368,934	\$4,394	\$42,564	\$415,892	\$415,892
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$52,651			\$52,651	\$52,651
92500 Total Tenant Services	\$52,651	\$0	\$0	\$52,651	\$52,651
93100 Water	\$13,442			\$13,442	\$13,442
93200 Electricity	\$187,710			\$187,710	\$187,710
93300 Gas	\$29,736			\$29,736	\$29,736
93400 Fuel					
93500 Labor					
93600 Sewer	\$32,136			\$32,136	\$32,136
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$263,024	\$0	\$0	\$263,024	\$263,024

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
94100 Ordinary Maintenance and Operations - Labor	\$114,176			\$114,176	\$114,176
94200 Ordinary Maintenance and Operations - Materials and Other	\$87,496			\$87,496	\$87,496
94300 Ordinary Maintenance and Operations Contracts	\$145,629			\$145,629	\$145,629
94500 Employee Benefit Contributions - Ordinary Maintenance	\$79,458			\$79,458	\$79,458
94000 Total Maintenance	\$426,759	\$0	\$0	\$426,759	\$426,759
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					
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance	\$63,099		\$1,076	\$64,175	\$64,175
96100 Total insurance Premiums	\$63,099	\$0	\$1,076	\$64,175	\$64,175
96200 Other General Expenses					
96210 Compensated Absences	\$28,447		\$1,833	\$30,280	\$30,280
96300 Payments in Lieu of Taxes	\$42,037			\$42,037	\$42,037
96400 Bad debt - Tenant Rents	\$5,868			\$5,868	\$5,868
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$76,352	\$0	\$1,833	\$78,185	\$78,185
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	\$1,250,819	\$4,394	\$45,473	\$1,300,686	\$1,300,686
97000 Excess of Operating Revenue over Operating Expenses	\$637,316	\$95,712	\$338,623	\$1,071,651	\$1,071,651
97100 Extraordinary Maintenance	\$15,965			\$15,965	\$15,965
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments			\$355,950	\$355,950	\$355,950
97350 HAP Portability-In					
97400 Depreciation Expense	\$519,811			\$519,811	\$519,811
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,786,595	\$4,394	\$401,423	\$2,192,412	\$2,192,412

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2010

	Project Total	14.885 Formula Capital Fund Stimulus Grant	14.871 Housing Choice Vouchers	Subtotal	Total
10010 Operating Transfer In	\$73,420			\$73,420	\$73,420
10020 Operating transfer Out	-\$73,420			-\$73,420	-\$73,420
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	\$101,540	\$95,712	-\$17,327	\$179,925	\$179,925
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$5,733,141	\$0	\$85,287	\$5,818,428	\$5,818,428
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$95,712	-\$95,712		\$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			-\$5,036	-\$5,036	-\$5,036
11180 Housing Assistance Payments Equity			\$72,996	\$72,996	\$72,996
11190 Unit Months Available	3259		1078	4337	4337
11210 Number of Unit Months Leased	3094		1078	4172	4172
11270 Excess Cash	\$175,805			\$175,805	\$175,805
11610 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$629,424			\$629,424	\$629,424
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0
11660 Infrastructure Purchases	\$0			\$0	\$0
13510 CFFP Debt Service Payments	\$0			\$0	\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0