



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B42485

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](http://www.in.gov/sboa)

August 21, 2013

Board of Directors  
Housing Authority of the City of Crawfordsville  
220 E. Main Street  
Crawfordsville, IN 47933

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Crawfordsville, as of June 30, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

---

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

---

**TWELVE MONTHS ENDED JUNE 30, 2008**

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

**TABLE OF CONTENTS**

Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Assets as of June 30, 2008 .....	8
Statement of Revenue and Expenditures - Proprietary Funds and Changes in Net Assets - Twelve Months Ended June 30, 2008 .....	9
Statement of Cash Flows - Twelve Months Ended June 30, 2008 .....	10
Notes to Financial Statements .....	12
<b>SUPPLEMENTAL DATA</b>	
Schedule of Expenditure of Federal Awards .....	21
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 .....	22
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	24
Schedule of Findings and Questioned Costs - Summary .....	26
Status of Prior Audit Findings .....	27
Current Findings, Recommendations and Replies .....	28
Schedule of Adjusting Journal Entries .....	29
Financial Data Schedule - REAC Electronic Submission .....	32

# PAMELA J. SIMPSON, C.P.A.

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

## Independent Auditor's Report

Board of Directors  
Housing Authority of the City of Crawfordsville  
Crawfordsville, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Crawfordsville, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Crawfordsville, as of June 30, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 25, 2008, on my consideration of the Housing Authority of the City of Crawfordsville'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 7, 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 Housing Authority of the City of Crawfordsville, 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 Housing Authority of the City of Crawfordsville. 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 Housing Authority of the City of Crawfordsville. 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.

Handwritten signature of Pamela J. Simpson in cursive script.

Decatur, Illinois  
November 25, 2008

Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008**

3

**Management's Discussion and Analysis**

As management of the Housing Authority of the City of Crawfordsville, 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 June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Crawfordsville, 220 E. Main Street, Crawfordsville, Indiana 47933, (765) 362-2407.

**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.

**Future Events (New Business)**

There are no future events planned by the Authority during the fiscal year ending June 30, 2009 that will significantly affect the Authority's Net Assets either positively or negatively.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008**

4

**Condensed Comparative Financial Statements**

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

**Total Assets** for FYE 2008 was \$721,667 and at FYE 2007 the amount was \$826,510. This represents a net decrease of \$104,935.

**Cash** increased by \$1,182 or 9%. Cash increased because the Authority had fewer funds invested at year end.

**Other Current Assets** decreased by \$102,511 or 16%. The Authority's investments decreased due to a net operating loss of \$107,175.

**Capital Assets** decreased by \$3,606 or 2%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased \$594 or 16%. The cause of this was a decrease in the payables.

**Long Term Liabilities** increased by \$2,834 or 23%. The Authority increased its FSS escrow liability.

The table below illustrates our analysis:

	<u>2008</u>	<u>2007</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	14,989	13,807	1,182	9%
Other Current Assets	552,754	655,265	(102,511)	-16%
Capital Assets	153,924	157,530	(3,606)	-2%
<b>Total Assets</b>	<b><u>721,667</u></b>	<b><u>826,602</u></b>	<b><u>(104,935)</u></b>	<b><u>-13%</u></b>
Current Liabilities	3,157	3,751	(594)	-16%
Long Term Liabilities	15,018	12,184	2,834	23%
<b>Total Liabilities</b>	<b><u>18,175</u></b>	<b><u>15,935</u></b>	<b><u>2,240</u></b>	<b><u>14%</u></b>
Net Invested in Capital Assets	153,924	157,530	(3,606)	-2%
Restricted Net Assets	487,758	621,468	(133,710)	-22%
Unrestricted Net Assets	61,810	31,669	30,141	95%
<b>Total Net Assets</b>	<b><u><u>703,492</u></u></b>	<b><u><u>810,667</u></u></b>	<b><u><u>(107,175)</u></u></b>	<b><u><u>-13%</u></u></b>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008**

*Analysis of Entity Wide Revenues (Statement of Activities)*

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

<u>Program</u>	<u>Revenues Generated</u>
Housing Choice Vouchers	\$2,048,922
Business Activities	\$6,952
Total	\$2,055,874

Total revenues for Fiscal Year Ending June 30, 2008 were \$2,055,874 as compared to the total revenues for Fiscal Year Ending June 30, 2007 of \$2,145,920. Comparatively, Fiscal Year Ending 2007 revenues exceeded Fiscal Year Ending 2008 revenues by \$90,046.

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Total Tenant Revenue	6,000	5,482	518	9%
HUD Operating Grants	2,024,163	2,124,413	(100,250)	-5%
Investment Income	25,711	17,798	7,913	45%
Fraud Recovery	0	861	(861)	-100%
Gain/Loss on Sale of Fixed Assets	0	(2,634)	2,634	-100%
<b>Total Revenue</b>	<b><u>2,055,874</u></b>	<b><u>2,145,920</u></b>	<b><u>(90,046)</u></b>	<b><u>-4%</u></b>

**Investment Income** increased due to the funds being deposited at higher rates of interest.

HUD funding based on revised formulas resulted in a decrease in grant revenues.

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008**

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending June 30, 2008 were \$2,163,049 as compared to \$1,984,485 of total expenditures for Fiscal Year Ending June 30, 2007. Comparatively, Fiscal Year Ending 2008 expenditures exceeded Fiscal Year Ending 2007 expenditures by \$178,564. Changes by major expense category will be presented below.

**Administrative** expenditures increased by \$17,041 or 9%. This increase was due to an increase in sundry expenses.

**Utilities** increased by \$378 or 10% due to normal fluctuations in rates and usage.

**Maintenance** expenditures decreased by \$3,261 or 40% due to fewer repairs needed in the PHA owned units.

**Housing Assistance Payments** increased by \$173,281 or 10%. The number of unit months that assistance was paid increased during 2008.

The table below illustrates our analysis:

	<u>2008</u>	<u>2007</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	201,644	184,603	17,041	9%
Utilities	3,932	3,554	378	11%
Maintenance	4,901	8,162	(3,261)	-40%
General and Interest	2,820	11,950	(9,130)	-76%
Housing Assistance Payments	1,943,919	1,770,638	173,281	10%
Depreciation Expense	5,833	5,578	255	5%
<b>Total Expenses</b>	<b><u>2,163,049</u></b>	<b><u>1,984,485</u></b>	<b><u>178,564</u></b>	<b><u>9%</u></b>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2008**

**Budgetary Analysis**

Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

**Analysis of Capital Asset Activity**

**Furniture, Equipment & Machinery – Dwelling** increased by a net amount \$1,856. The increase was because improvements were reclassified.

**Furniture, Equipment & Machinery – Administration** increased by a net amount \$372.

**Accumulated Depreciation** decreased by \$5,834. This is the amount of current year depreciation expense netted against dispositions.

	2008	2007	Variance	Percentage Change
Land	17,356	17,356	0	0.0%
Buildings	179,715	179,715	0	0.0%
Furniture, Equipment, & Machinery - Dwelling	7,070	5,214	1,856	35.6%
Furniture, Equipment, & Machinery - Administrative	29,770	29,398	372	1.3%
Leasehold Improvements	0	0	0	0.0%
<b>Total Fixed Assets</b>	<b>233,911</b>	<b>231,683</b>	<b>2,228</b>	<b>1.0%</b>
Accumulated Depreciation	79,987	74,153	5,834	7.9%
<b>Net Fixed Assets</b>	<b>153,924</b>	<b>157,530</b>	<b>(3,606)</b>	<b>-2.3%</b>

**Outstanding Debt**

The Housing Authority had no outstanding debt for 2008 or 2007.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF JUNE 30, 2008**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 959
Accounts receivable (interfund eliminated)	9,981
Accrued interest receivable	791
Investments	82,983
Deferred charges	<u>669</u>
 Total Current Assets	 <u>\$ 95,383</u>

**RESTRICTED ASSETS**

Cash	\$ 14,030
Investments	<u>458,330</u>
 Total Restricted Assets	 <u>\$ 472,360</u>

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 233,911
Less: Accumulated depreciation	<u>-79,987</u>
 Net Capital Assets	 <u>\$ 153,924</u>

 Total Assets	 <u>\$ 721,667</u>
------------------	-----------------------

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	<u>\$ 3,157</u>
 Total Current Liabilities	 <u>\$ 3,157</u>

**NONCURRENT LIABILITIES**

FSS escrow	<u>\$ 15,018</u>
 Total Noncurrent Liabilities	 <u>\$ 15,018</u>

**NET ASSETS**

Invested in capital assets	\$ 153,924
Restricted	487,758
Unrestricted	<u>61,810</u>
 Total Net Assets	 <u>\$ 703,492</u>

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

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

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS  
AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED JUNE 30, 2008**

Operating Income

Tenant rental revenue	\$ <u>6,000</u>
Total Rental Income	\$ 6,000
HUD grants - operating	<u>2,024,163</u>
Total Operating Income	<u>\$ 2,030,163</u>

Operating Expenses

Administration	\$ 201,644
Utilities	3,932
Ordinary maintenance	4,901
General expense	2,820
Housing assistance payments	1,943,919
Depreciation	<u>5,833</u>
Total Operating Expenses	<u>\$ 2,163,049</u>
Net Operating Income (Loss)	<u>\$ -132,886</u>

Nonoperating Income (Expense)

Interest income	<u>\$ 25,711</u>
Total Nonoperating Income (Expense)	<u>\$ 25,711</u>
Changes in net assets	\$ -107,175
Net assets, beginning of year	<u>810,667</u>
Net assets, end of year	<u><u>\$ 703,492</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2008**

Operating Activities

Operating grants	\$ 2,014,365
Tenant revenue	6,000
Housing assistance payments	-1,943,919
Payments to employees	-108,625
Payments to suppliers and contractors	<u>-102,372</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -134,551</u>

Investing Activities

Investments (purchased) redeemed	\$ 110,783
Interest income	<u>27,269</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 138,052</u>

Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -2,227</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -2,227</u>
Net Change in Cash	\$ 1,274
Cash Balance at June 30, 2007	<u>13,715</u>
Cash Balance at June 30, 2008	<u><u>\$ 14,989</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2008**

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

Net operating income (loss)	\$ -132,886
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	5,833
(Increase) decrease in accounts receivable	-9,798
(Increase) decrease in deferred charges	-32
Increase (decrease) in accounts payable	-502
Increase (decrease) in other liabilities	<u>2,834</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -134,551</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Crawfordsville was established by the City of Crawfordsville 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 Crawfordsville and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Crawfordsville 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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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:

- \* Section 8 Choice Vouchers
- \* Business Activities

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

*Proprietary Fund Types:*

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Investments -

Investments are stated at cost which approximates market.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Fixed Assets -

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

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

(h) Fixed Assets -

Land, buildings and equipment contains the following:

- 1) nonexpendable equipment, and
- 2) property betterments and additions
- 3) improvements.

No depreciation has been computed for any assets in the Section 8 programs.

Equity Project

Fixed assets with a value in excess of \$100 and a useful life in excess of one year or more are capitalized. Depreciation is computed on the straight-line method over the following useful lives:

<u>Category of Assets</u>	<u>Estimated Life</u>
Building	40 Years
Furniture and equipment	10 Years

(i) Income Tax -

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

(j) Annual Contributions/Subsidies and Other Grants

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

Other 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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (k) 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.
- (l) The preparation of financial statements on an accrual basis require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

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

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

*Custodial Credit Risk*

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

*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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	\$ 14,030	\$ 27,596
Equity Project _____	959	1,438
Total	<u>\$ 14,989</u>	<u>\$ 29,034</u>

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

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

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Voucher	\$ 458,330	\$ 458,330
Equity Project _____	82,983	82,983
Total	<u>\$ 541,313</u>	<u>\$ 541,313</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008  
(CONTINUED)**

Note 3 - Defined Contribution Plan

The Housing Authority established a Simplified Employee Pension Plan (SEP) which it makes contributions to for employees. Employees who are at least 21 years old and worked in at least 3 years of the last 5 and making more than \$200 in compensation are eligible for the contribution. In the current year the Housing Authority made \$16,470 of contribution on behalf of the employees.

Note 4 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ 9,798
Fraud recovery (net of allowance)	<u>183</u>
Subtotal	\$ 9,981
Interfund	<u>78,983</u>
Total	<u>\$ 88,964</u>

Note 5 - Investments

At June 30, 2008 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings	.85%	\$ 15,018	\$ 15,018
Certificate of Deposit	5.01-5.39%	287,907	287,907
Money Market	1.41-2.27%	<u>238,388</u>	<u>238,388</u>
Total		<u>\$ 541,313</u>	<u>\$ 541,313</u>

Note 6 - Deferred Charges

This classification includes the following account:

Prepaid insurance	<u>\$ 669</u>
-------------------	---------------

Note 7 - Capital Assets

Balance as of June 30, 2008	\$ 153,924
Balance as of June 30, 2007	<u>157,530</u>
Net Increase (Decrease)	<u>\$ -3,606</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008  
(CONTINUED)**

Note 7 - Capital Assets (Continued)

Reconciliation

Additions	\$ 2,227
Current year depreciation expense	<u>-5,833</u> *
Net Increase (Decrease)	<u>\$ -3,606</u>

<u>Analysis</u>	<u>07/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2008 Balance</u>
Land	\$ 17,356	\$ 0	\$ 0	\$ 17,356
Buildings	179,715	0	0	179,715
Equipment and furniture	<u>34,613</u>	<u>2,227</u>	<u>0</u>	<u>36,840</u>
Total Assets	\$ 231,684	\$ 2,227	\$ 0	\$ 233,911
Accumulated depreciation	<u>-74,154</u>	<u>-5,833*</u>	<u></u>	<u>-79,987</u>
Net Assets	<u>\$ 157,530</u>	<u>\$ -3,606</u>	<u>\$ 0</u>	<u>\$ 153,924</u>

\*Current year depreciation recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Tenants security deposits	\$ 441
Payroll withholding	<u>2,716</u>
Subtotal	\$ 3,157
Interfund	<u>78,983</u>
Total	<u>\$ 82,140</u>

Note 9 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS Escrow Accounts	<u>\$ 15,018</u>
---------------------	------------------

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2008  
(CONTINUED)**

Note 10 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2008:

	07/01/2007			06/30/2008
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
FSS escrow	\$ 12.184	\$ 2.834	\$ 0	\$ 15.018

Note 11 - Administrative Fee

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

Note 12 - 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 13 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 14 - 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 in the current or past three years.

Note 15 - Economic Dependency

The Housing Authority received most of its revenue (98%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice Vouchers*	14.871	C-2008V	FYE 06/30/08	\$ <u>2,024,163</u>	\$ <u>2,024,163</u>	\$ <u>2,024,163</u>
Total Housing Assistance				\$ <u>2,024,163</u>	\$ <u>2,024,163</u>	\$ <u>2,024,163</u>

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED JUNE 30, 2008**

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

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

I have audited the financial statements of the governmental activities of Housing Authority of the City of Crawfordsville as of and for the year ended June 30, 2008, which collectively comprise the Housing Authority of the City of Crawfordsville's basic financial statements and have issued my report thereon dated November 25, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Housing Authority of the City of Crawfordsville's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority of the City of Crawfordsville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority of the City of Crawfordsville's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Crawfordsville's internal control.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

### Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority of the City of Crawfordsville, in a separate letter dated November 25, 2008.

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



Decatur, Illinois  
November 25, 2008

Certified Public Accountant

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

### **Compliance**

I have audited the compliance of Housing Authority of the City of Crawfordsville with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Housing Authority of the City of Crawfordsville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Crawfordsville's management. My responsibility is to express an opinion on Housing Authority of the City of Crawfordsville's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Crawfordsville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

### **Internal Control Over Compliance**

The management of Housing Authority of the City of Crawfordsville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority of the City of Crawfordsville's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Crawfordsville's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Crawfordsville in a separate letter dated November 25, 2008.

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.



Certified Public Accountant

Decatur, Illinois  
November 25, 2008

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2007 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2008**

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

Low Risk Auditee X \_\_\_\_\_ yes \_\_\_\_\_ no

*Financial Statements*

Type of auditor's report: Unqualified

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

\* Significant deficiency (ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ yes X \_\_\_\_\_ none reported

Noncompliance material to financial statements noted \_\_\_\_\_ yes X \_\_\_\_\_ no

*Federal Awards*

Internal control over major programs:

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

\* Significant deficiency (ies) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ yes X \_\_\_\_\_ none reported

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

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

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

Housing Choice Vouchers 14.871

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

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with Patricia Perkins, Executive Director and Beverly Cooper, Associate Director during the course of the audit and at an exit conference held November 25, 2008.

**Section II - Federal Award Findings**

There were no federal award audit findings discussed with Patricia Perkins, Executive Director and Beverly Cooper, Associate Director during the course of the audit and at an exit conference held November 25, 2008.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2008**

<u>Equity</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accounts payable	2119	\$ 800.00		2119
Due to Voucher	2118.1		\$ 800.00	2118.1
(To reclassify interfund transfers)				
(2)				
Investments	1162	\$ 15,935.00		1162
Due to Voucher	2118.1		\$ 15,935.00	2118.1
(To record transfer into Money Market dated 12/18/07)				
(3)				
Interest earned	3610	\$ 6,546.99		2810
Investments	1162		\$ 6,546.99	1162
(To reverse JE 6 and 11 posted in error)				
(4)				
Accounts payable	2111	\$ 50.00		2111
Investments	1162		\$ 50.00	1162
(To correct posting dated 08/28/07 transfer from Money Market to cash)				
(5)				
Income & expense cleaning	2700		\$ .13	2810
Interest	3610	\$ .13		2810
(To correct posting)				
(6)				
Tenant security deposit	2114	\$ 100.00		2114
Accounts receivable	1135.2		\$ 100.00	2810
(To reverse J-2)				
(7)				
Interest income	3610	\$ 779.80		2810
Due to Voucher	2118.1		\$ 779.80	2118.1
(To reclassify transfer from Voucher - closed Money Market account)				
(8)				
Depreciation expense	4800	\$ 4,678.00		2810
Accumulated depreciation	1400.5		\$ 4,678.00	1400.5
(To record depreciation expense for FY '08)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2008**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Investments FSS escrow	1164.1	\$ 1,260.72		1164.1
Payroll liabilities	----	33,876.97		----
Accounts receivable - Equity	1135.5	48,892.14		1135.5
Investments - Op Reserve	1164	10,550.76		1164
Accumulated depreciation	1400.5	10,083.05		1400.5
Accounts receivable - fraud	1129	1,396.84		1129
Deferred revenue	3540	3,839.24		3540
FSS escrow liability	2180		\$ 4,395.72	2180
Federal withholding	2117.1		13,214.00	2117.1
FICA withholding	2117.2		6,456.41	2117.2
Medicare withholding	2117.3		1,509.99	2117.3
State withholding	2117.4		3,512.07	2117.4
COIT withholding	2117.5		1,033.22	2117.5
Furniture & equipment - admin	1400.9		10,983.08	1400.9
Unreserved surplus	2810		47,682.32	2810
Accounts payable	----		7,815.00	----
Accounts payable - other	2118.1		7,646.86	2118.1
Undeposited funds	----		3,522.85	----
Accounts receivable	----		2,098.20	----
(To post prior year adjustments)				
(2)				
Payroll liabilities	----	\$ 35,349.03		----
Federal withholding	2117.10		\$ 13,812.00	2117.1
FICA withholding	2117.20		6,581.89	2117.2
Medicare withholding	2117.30		1,539.29	2117.3
State withholding	2117.40		3,662.60	2117.4
County withholding	2117.50		1,077.52	2117.5
Payroll expense	----		8,675.73	2810
(To adjust payroll withholding to actual)				
(3)				
Accounts receivable - HUD	----	\$ 9,798.00		----
Admin subsidy	2210.1		\$ 14,228.00	2810
HAP subsidy	2210	4,430.00		2810
(To record 1 <sup>st</sup> & 2 <sup>nd</sup> quarter additional admin funding received after 06/30/08 per HUD notice)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2008**

<u>Voucher</u> (Continued)	<u>Audit</u> <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting</u> <u>Account Number</u>
(4)				
Accounts payable - equity	1135.5	\$ 16,714.80		1135.5
Accrued interest receivable	----		\$ 1,557.97	----
Investments - Op Reserve	1164		3,567.84	1164
Investments - FSS escrow	1164.1		878.72	1164.1
Interest on GF investments	3610		14,723.99	2810
FSS escrow	2180	4,013.72		2180
(To record missing transactions already posted in Equity Program)				
(5)				
Furniture & equipment - admin	1400.9	\$ 373.30		1400.9
Office supplies	4190		\$ 239.98	2810
Office equipment	4190		133.32	2810
(To reclassify additions to fixed assets)				
(6)				
Depreciation expense	4800	\$ 1,155.00		2810
Accumulated depreciation	1400.5		\$ 1,155.00	1400.5
(To record depreciation expense for FY '08)				

# **PAMELA J. SIMPSON, C.P.A.**

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

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Crawfordsville as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Crawfordsville's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Crawfordsville'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. The Housing Authority's system of internal controls must be formally documented in a written internal control manual (handbook). Discussions with Housing Authority management indicate that the Housing Authority has a system of internal control in place, but without the policies being in writing and formally adopted, adherence to the procedures cannot always be verified.

The written policies should cover the extent that outside consultants are used to enhance internal controls (ie reconciliation of cash accounts). The policies should include the detail of level of responsibility the outside consultant is assuming as compared to the level responsibility the housing is authority is maintaining.

The written procedures should indicate who is responsible for preparing and maintain copies of year end schedules, journal entries and reconciliations. Written procedures should detail who reviews and approves the financial statements and the underlying support for this information on a monthly basis. Sound procedures should detail a segregation of duties as allowed by the number of personnel available. As procedures as written and/or developed, keep in mind that

Board members may also have a role in internal controls. However the Housing Authority management should keep in mind that you have the ultimate responsibility for preparation of accurate and complete financial statements.

In addition to the current informal policies being used, other policies you should consider would address: (a) approval of journal entries (hard copies should be initialed) (b) documentation of approval of payroll (payroll registers should be initialed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc) (e) approval of monthly financial statements by the Board of Commissioners.

2. In auditing the year end financial statements, I noted that the balances on your financial statements are not being reconciled monthly for investments, accounts receivable, payroll tax liabilities, interfund transactions and accounts payable balances. While the noted differences in the past were not material or significant it was noted that at the end of June 2008 the financial statements misstated investments by more than \$30,000. Had management and Board members reviewed the monthly reports and the financial statements together these differences would have been apparent. Sound internal control practices require the review and reconciliation of all accounts in the financial statement by a designated, responsible person.
3. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that at least one financial institution has undergone a merger and subsequent name change. I recommend that the Authority execute new depository agreement with all new financial institutions and for any that have undergone ownership or name changes.
4. A review of the current financial statements prepared by the Housing Authority indicates that the agency is not tracking HAP equity and Administration Fee equity in accordance with PIH Notice 2006-03. The Housing Authority has transferred Section 8 funds into their business activity account, which is no longer allowed. PIH Notice 2006-03 and other related notices should be reviewed by management for current guidance in the use of Admin and HAP equity.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.



Decatur, Illinois  
November 25, 2008

Certified Public Accountant