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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, 2008 to June 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Crawfordsville, as of June 30, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

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

TWELVE MONTHS ENDED JUNE 30, 2009

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

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PAMELA J. SIMPSON, C.P.A.

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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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

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

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

Certified Public Accountant

Decatur, Illinois
February 2, 2010

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FISCAL YEAR ENDING JUNE 30, 2009

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

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of 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, 2009

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 2009 the amount was \$539,320. This represents a net decrease of \$182,347.

Cash increased by \$51,728. Cash increased because the Authority had fewer funds invested at year end.

Other Current Assets decreased by \$229,903 or 42%. The Authority's investments decreased due to a net operating loss of \$172,831.

Capital Assets decreased by \$4,172 or 3%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased \$32,645. The cause of this was an increase in the payables.

Long Term Liabilities decreased by \$15,018.

The table below illustrates our analysis:

	<u>2009</u>	<u>2008</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	66,717	14,989	51,728	345%
Other Current Assets	322,851	552,754	(229,903)	-42%
Capital Assets	149,752	153,924	(4,172)	-3%
Total Assets	539,320	721,667	(182,347)	-25%
Current Liabilities	35,802	3,157	32,645	1034%
Long Term Liabilities	0	15,018	(15,018)	-100%
Total Liabilities	35,802	18,175	17,627	97%
Net Invested in Capital Assets	149,752	153,924	(4,172)	-3%
Restricted Net Assets	250,482	487,758	(237,276)	-49%
Unrestricted Net Assets	103,284	61,810	41,474	67%
Total Net Assets	503,518	703,492	(199,974)	-28%

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FISCAL YEAR ENDING JUNE 30, 2009

Analysis of Entity Wide Revenues (Statement of Activities)

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

<u>Program</u>	<u>Revenues Generated</u>
Housing Choice Vouchers	\$1,974,860
Business Activities	\$6,698
Supportive Housing for Persons with Disabilities	\$76,562

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, 2009 of \$2,058,120. Comparatively, Fiscal Year Ending 2009 revenues exceeded Fiscal Year Ending 2008 revenues by \$2,246.

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>Percentage Change</u>
Total Tenant Revenue	5,955	6,000	(45)	-1%
HUD Operating Grants	2,039,228	2,024,163	15,065	1%
Investment Income	9,763	25,711	(15,948)	-62%
Fraud Recovery	2,782	0	2,782	100%
Other Revenue	392	0	392	100%
Total Revenue	<u><u>2,058,120</u></u>	<u><u>2,055,874</u></u>	<u><u>2,246</u></u>	<u><u>11%</u></u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FISCAL YEAR ENDING JUNE 30, 2009

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending June 30, 2008 were \$2,163,049 as compared to \$2,230,951 of total expenditures for Fiscal Year Ending June 30, 2009. Comparatively, Fiscal Year Ending 2008 expenditures exceeded Fiscal Year Ending 2009 expenditures by \$67,902. Changes by major expense category will be presented below.

Administrative expenditures increased by \$12,803 or 6%. This increase was due to an increase in sundry expenses.

Utilities increased by \$115 or 3% due to normal fluctuations in rates and usage.

Maintenance expenditures increased by \$1,532 or 31% due to more repairs needed in the PHA owned units.

Housing Assistance Payments increased by \$53,451 or 3%. The number of unit months that assistance was paid increased during 2009.

The table below illustrates our analysis:

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	214,447	201,644	12,803	6%
Utilities	4,047	3,932	115	3%
Maintenance	6,433	4,901	1,532	31%
General and Interest	2,986	2,820	166	6%
Housing Assistance Payments	1,997,370	1,943,919	53,451	3%
Depreciation Expense	5,668	5,833	(165)	-3%
Total Expenses	<u><u>2,230,951</u></u>	<u><u>2,163,049</u></u>	<u><u>67,902</u></u>	<u><u>3%</u></u>

**HOUSING AUTHORITY OF THE CITY OF CRAWFORDSVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FISCAL YEAR ENDING JUNE 30, 2009

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

Buildings increased by a net amount \$1.

Furniture, Equipment & Machinery – Administration increased by a net amount \$1,495.

Accumulated Depreciation decreased by \$5,668. This is the amount of current year depreciation expense netted against dispositions.

	2009	2008	Variance	Percentage Change
Land	17,356	17,356	0	0%
Buildings	179,716	179,715	1	0%
Furniture, Equipment, & Machinery - Dwelling	7,070	7,070	0	0%
Furniture, Equipment, & Machinery - Administrative	31,265	29,770	1,495	5%
Leasehold Improvements	0	0	0	0%
Total Fixed Assets	<u>235,407</u>	<u>233,911</u>	<u>1,496</u>	<u>1%</u>
Accumulated Depreciation	85,655	79,987	5,668	7%
Net Fixed Assets	<u><u>149,752</u></u>	<u><u>153,924</u></u>	<u><u>(4,172)</u></u>	<u><u>-3%</u></u>

Outstanding Debt

The Housing Authority had no outstanding debt for 2009 or 2008.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 66,717
Accounts receivable (interfund eliminated)	8,888
Accrued interest receivable	297
Investments	62,425
Deferred charges	<u>759</u>
 Total Current Assets	 <u>\$ 139,086</u>

RESTRICTED ASSETS

Investments	<u>\$ 250,482</u>
 Total Restricted Assets	 <u>\$ 250,482</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 235,407
Less: Accumulated depreciation	<u>-85,655</u>
 Net Capital Assets	 <u>\$ 149,752</u>

 Total Assets	 <u>\$ 539,320</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	<u>\$ 35,802</u>
 Total Current Liabilities	 <u>\$ 35,802</u>

NET ASSETS

Invested in capital assets	\$ 149,752
Restricted	250,482
Unrestricted	<u>103,284</u>
 Total Net Assets	 <u>\$ 503,518</u>

**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, 2009**

Operating Income

Tenant rental revenue	\$ 5,760
Tenant revenue - other	<u>195</u>
Total Rental Income	\$ 5,955
HUD PHA operating grants	2,039,228
Fraud recovery	2,782
Other revenue	<u>392</u>
Total Operating Income	<u>\$ 2,048,357</u>

Operating Expenses

Administration	\$ 214,447
Utilities	4,047
Ordinary maintenance	6,433
General expense	2,986
Housing assistance payments	1,997,370
Depreciation	<u>5,668</u>
Total Operating Expenses	<u>\$ 2,230,951</u>
Net Operating Income (Loss)	<u>\$ -182,594</u>

Nonoperating Income (Expense)

Interest income	<u>\$ 9,763</u>
Total Nonoperating Income (Expense)	<u>\$ 9,763</u>
Changes in net assets	\$ -172,831
Net assets, beginning of year	703,492
Prior period adjustments	<u>-27,143</u>
Net assets, end of year	<u><u>\$ 503,518</u></u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2009**

Operating Activities

Operating grants	\$ 2,043,035
Tenant revenue	5,955
Other revenue	3,174
Housing assistance payments	-1,997,370
Payments to employees	-129,115
Payments to suppliers and contractors	<u>-111,118</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -185,439</u>

Investing Activities

Investments (purchased) redeemed	\$ 228,406
Interest income	<u>10,257</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 238,663</u>

Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -1,496</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -1,496</u>
Net Change in Cash	\$ 51,728
Cash Balance at June 30, 2008	<u>14,989</u>
Cash Balance at June 30, 2009	<u><u>\$ 66,717</u></u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2009**

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

Net operating income (loss)	\$ -182,594
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	5,668
Adjustment to net assets	-27,143
(Increase) decrease in accounts receivable	1,093
(Increase) decrease in deferred charges	-90
Increase (decrease) in accounts payable	32,645
Increase (decrease) in other liabilities	<u>-15,018</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -185,439</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009**

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, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

In the preparation of financial statements, 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. A formal policy has not been adopted, but this is the practice followed.

(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
- * Supportive Housing for Persons with Disabilities

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 -

Although a formal policy has not been adopted, 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, 2009
(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, 2009
(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, 2009
(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>
Supportive Housing	\$ 32,186	\$ 32,186
Voucher	33,543	46,398
Equity Project	<u>988</u>	<u>988</u>
Total	<u>\$ 66,717</u>	<u>\$ 79,572</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	\$ 302,351	\$ 302,351
Equity Project	<u>10,556</u>	<u>10,556</u>
Total	<u>\$ 312,907</u>	<u>\$ 312,907</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(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 \$17,952 of contribution on behalf of the employees.

Note 4 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ 5,991
Fraud recovery (net of allowance)	<u>2,897</u>
Subtotal	\$ 8,888
Interfund	<u>6,797</u>
Total	<u>\$ 15,685</u>

Note 5 - Investments

At June 30, 2009 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Super NOW	1.0%	\$ 13,525	\$ 13,525
Certificate of Deposit	2.4%	162,460	162,460
Money Market	1.0-3.87%	<u>136,922</u>	<u>136,922</u>
Total		<u>\$ 312,907</u>	<u>\$ 312,907</u>

Note 6 - Deferred Charges

This classification includes the following account:

Prepaid insurance	<u>\$ 759</u>
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Note 7 - Capital Assets

Balance as of June 30, 2009	\$ 149,752
Balance as of June 30, 2008	<u>153,924</u>
Net Increase (Decrease)	<u>\$ -4,172</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 7 - Capital Assets (Continued)

Reconciliation

Additions	\$ 1,496
Current year depreciation expense	<u>-5,668</u> *
Net Increase (Decrease)	<u><u>\$ -4,172</u></u>

<u>Analysis</u>	<u>07/01/2008 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2009 Balance</u>
Land	\$ 17,356	\$ 0	\$ 0	\$ 17,356
Buildings	179,715	1	0	179,716
Equipment and furniture	<u>36,840</u>	<u>1,495</u>	<u>0</u>	<u>38,335</u>
Total Assets	\$ 233,911	\$ 1,496	\$ 0	\$ 235,407
Accumulated depreciation	<u>-79,987</u>	<u>-5,668</u> *	<u>0</u>	<u>-85,655</u>
Net Assets	<u><u>\$ 153,924</u></u>	<u><u>\$ -4,172</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 149,752</u></u>

*Current year depreciation recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Tenants security deposits	\$ 444
Payroll withholding	2,897
Accounts payable - HUD	<u>32,461</u>
Subtotal	\$ 35,802
Interfund	<u>6,797</u>
Total	<u><u>\$ 42,599</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 9 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2009:

	07/01/2008			06/30/2009
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
FSS escrow	\$ 15,018	\$ 0	\$ 15,018	\$ 0

Note 10 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is variable as determined by HUD based on prior period usage of vouchers.

Note 11 - 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 12 - 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 13 - 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 14 - Economic Dependency

The Housing Authority received most of its revenue (99%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice Vouchers*	14.871	C-2009V	FYE 06/30/09	\$ 1,962,666	\$ 1,962,666	\$ 1,962,666
Supportive Housing for Persons with Disabilities	14.181	C-2099	FYE 06/30/09	\$ 76,562	\$ 76,562	\$ 76,562
Total Housing Assistance				<u>\$ 2,039,228</u>	<u>\$ 2,039,228</u>	<u>\$ 2,039,228</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED JUNE 30, 2009**

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.

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

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

I have audited the financial statements of Housing Authority of the City of Crawfordsville as of and for the year ended June 30, 2009, and have issued my report thereon dated February 2, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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. I consider deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (2009-01)

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item 2009-1 to be material a weakness.

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

I noted certain matters that we reported to management of Housing Authority of the City of Crawfordsville, in a separate letter dated February 2, 2010.

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

This reported in intended solely for the information and use 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
February 2, 2010


Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

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(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, 2009. 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.

As described in item 2009-1 in the accompanying schedule of findings and questioned costs, Housing Authority of the City of Crawfordsville, did not comply with requirements regarding adequate internal controls over financial statement preparation that are applicable to its Housing Choice Vouchers. Compliance with such requirements is necessary, in my opinion, for Housing Authority of the City of Crawfordsville to comply with the requirements applicable to that program

In my opinion, except for the noncompliance described in the preceding paragraph, 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, 2009. The results of my auditing procedures also disclosed no other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

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 and to test and report on the internal control over compliance in accordance with OMB circular A-133. Accordingly I do not express an opinion on the effectiveness of Housing Authority of the City of Crawfordsville's internal control over compliance.

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

A *control deficiency* is 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. I consider the deficiencies in internal control over compliance as described in the accompany schedule of findings and questioned costs, I consider items 2009-1 to be a significant deficiency.

A *material weakness* is a significant deficiency or a 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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider items 2009-1 to be a material weakness.

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

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 February 2, 2010.

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

Decatur, Illinois
February 2, 2010



Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2008 contained no findings.

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

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There was one financial statement audit finding discussed with Patricia Perkins, Executive Director and Beverly Cooper, Associate Director during the course of the audit and at an exit conference held February 2, 2010.

Finding 2009-1: SAS 12 - Internal Control Lacking

Condition and Criteria: The Authority is required to have internal controls over their financial statements. The following account balances lacked adequate support:

- Investments
- Fraud recovery receivables
- Prepaid insurance
- Equity
- Accrued payroll tax liabilities
- Interfund payable and receivable accounts

Effect: There was inadequate support or documentation for many general ledger account balances.

Cause: The internal control system in place was not adequate.

Auditor's Recommendation: The Authority should standardize the internal controls over financial statement preparation. Those procedures should include who is responsible for preparing, reviewing and approving transactions and journal entries. The controls should designate a person or persons responsible for the accurate preparation, review and approval of financial statements. The standardized procedures should be documented in a written manual and reviewed with all personnel. The standardized controls should encompass all aspects of financial statement preparation.

Grantee Response: The current procedures will be reviewed by management and the Board of Commissioners. Authority personnel will receive additional training if necessary. Additionally an outside consultant is currently used to assist with some accounting and internal controls. Management will review the possibility of contracting for additional services that will provide for the preparation of accurate financial statements. A written internal control document will be developed and reviewed by all members of the staff. Staff will receive copies of the manual and instructed on any changes in procedures as required. Reconciliations of accounts will be performed monthly effective immediately.

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 February 2, 2010.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2009**

<u>Audit</u> <u>Voucher</u>	<u>Account Number</u>	<u>Debit</u>	<u>Posting</u> <u>Credit</u>	<u>Account Number</u>
(1)				
Accounts payable - other	2118.1	\$ 7,815.00		2118.1
Payroll liabilities	----	33,876.97		----
Investments - op res HUD	1164		\$ 28,361.59	1164
Unreserved surplus	2810		5,535.13	2810
Accounts payable - certificates	2119		7,815.00	2119
Interest on general fund inv.	3610	19.75		2810
(To post prior year adjustments and correct investment entries)				
(2)				
PPA - HAP equity		\$ 30,511.00		
PPA - Admin equity			\$ 3,368.00	
Due to HUD			27,143.00	
(To correct equity for Mainstream included in general ledger @ 07/01/2008)				
(3)				
HAP subsidy		\$ 5,318.00		
Due to HUD			\$ 5,318.00	
(To record Mainstream YE settlement)				
(4)				
Due to HUD		\$ 32,461.00		
Administrative salaries			\$ 7,999.00	
HAP subsidy - Mainstream		76,562.00		
HAP expenses - Mainstream			65,638.00	
Cash			32,186.00	
Admin equity			3,200.00	
(To remove Mainstream balance @ 06/30/2009)				
(5)				
FSS escrow savings	1164.1	\$ 16,115.87		1164.1
FSS escrow liability	2180	382.00		2180
Investments - op res - HUD	1164	267,749.42		1164
Accounts payable - certificates	2119		\$ 72,534.72	2119
Net restricted assets	1165		116,122.00	1165
Interest on general fund	3610		5,878.03	2810
Accrued interest receivable	----		493.90	----
Accounts receivable - equity	1135.5		73,170.00	1135.5
HAP subsidy - Voucher	4715.1		16,048.64	2810
(To correct investment entries made in the fiscal year)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2009**

<u>Audit</u> <u>Voucher (Continued)</u>	<u>Account Number</u>	<u>Debit</u>	<u>Posting</u> <u>Credit</u>	<u>Account Number</u>
(6)				
ACH admin fee	2210.1	\$ 3,807.00		2810
Accounts receivable - HUD	1135.3		\$ 3,807.00	1135.3
(To correct accounts receivable - HUD to actual)				
(7)				
Interfund	1135.5	\$ 983.48		
Prepaid insurance	1210		\$ 389.49	
Insurance expense	4510		593.99	
(To move property insurance for apartments to Equity program and get insurance prepaid and expense to actual per audit)				
(8)				
Furniture & equipment - admin	1400.9	\$ 329.65		
Insurance procededs			\$ 291.71	
Other revenue	3690		100.00	
Sundry 4190		62.06		
(To adjust asset addition to actual)				
(9)				
Undistributed credit	2690	\$ 2,714.00		
Fraud recovery income	3300.1		\$ 2,714.00	
(To accrued fraud recovery per HUD guidelines)				
(10)				
Payroll liabilities	----	\$ 39,045.91		----
Federal withholding	2117.10		\$ 16,428.98	2117.1
FICA withholding	2117.20		7,400.53	2117.2
Medicare withholding	2117.30		1,488.13	2117.3
State withholding	2117.40		4,107.35	2117.4
COIT withholding	2117.50		1,244.30	2117.5
Payroll expense	----		8,376.62	2810
(To adjust payroll withholding to actual)				
(11)				
Depreciation expense	4800	\$ 4,359.53		
Accumulated depreciation	1400.5		\$ 4,359.53	
(To reverse J-13 set up backwards and post depreciation expense per schedule)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2009**

Audit <u>Business Activities</u>	<u>Account Number</u>	<u>Debit</u>	Posting <u>Credit</u>	<u>Account Number</u>
(1)				
Unreserved surplus	2810	\$ 232,730.13		2810
Cash equity	1111.2	200.00		1111.2
Accounts payable	2111	76.07		2111
Investments	1162		\$ 179,499.06	1162
Accumulated depreciation	1400.5		4,585.00	1400.5
Voucher	2118.1		48,692.14	2118.1
Tenant security deposits	2114		100.00	2114
Accounts payable	2119		130.00	2119
(To post prior year adjustments and correct investment entries)				
(2)				
Investment	1162		\$ 75,112.78	
Interfund to Voucher	2118.1	\$ 73,170.00		
Interest income	3610	1,942.78		
(To correct investment per analysis of monthly statements and general ledger)				
(3)				
Cash	1111.1	\$ 1,000.00		
Accounts payable - Voucher	2118.1		\$ 1,000.00	
(To void check that was outstanding at year end and voided in September after year close)				
(4)				
Vendor payable	2111	\$ 670.00		
Accounts payable	2119		\$ 670.00	
(To reverse JV4A)				
(5)				
Prepaid insurance	1210	\$ 245.87		
Insurance expense	4510	737.61		
Interfund - Voucher	4190		\$ 983.48	
(To reclassify additions to fixed assets)				
(6)				
Depreciation expense	4800	\$ 194.62		
Accumulated depreciation	1400.5		\$ 194.62	
(To finish setting up depreciation expense for year)				

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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, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. 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.
2. 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 Mainstream and Section 8 funds into their business activity account, which is not allowed. PIH Notice 2006-03 and other related notices should be reviewed by management for current guidance in the use of Administrative and HAP equity.

3. During my review of the PHA financial statements, it was determined that property insurance for the PHA's Business Activities were being charged to Voucher Program, and that the Mainstream program was co-mingled with the Section 8 Voucher Program. PHA needs to maintain separate revenues and expenses and put record them with their proper program. None of the programs of the agency should be co-mingled.
4. Fraud recovery accounts in the Section 8 program must be tracked in accumulative and accurate subsidiary ledgers with the total properly recorded in the financial statements.

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
February 2, 2010



Certified Public Accountant