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April 2, 2014

Board of Directors  
Knox County Housing Authority  
11 Powell Street  
Bicknell, IN 47512

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 Knox County Housing Authority, 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

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

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**TWELVE MONTHS ENDED JUNE 30, 2009**

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

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DECATUR, ILLINOIS 62526  
(217) 872-1908**

## **Independent Auditor's Report**

Board of Directors  
Knox County Housing Authority  
Bicknell, Indiana

I have audited the accompanying financial statements of Knox County Housing Authority, 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.

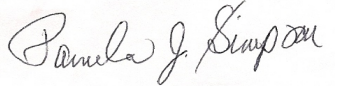
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Knox County Housing Authority, as of June 30, 2009 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 9, 2010, on my consideration of the Knox County Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8, 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 Knox County Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Knox County Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Knox County Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois  
March 9, 2010



Certified Public Accountant

KNOX COUNTY HOUSING AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FISCAL YEAR ENDING JUNE 30, 2009

**Management's Discussion and Analysis**

As management of the Knox County Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal 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, Knox County Housing Authority, 11 Powell Place, Tilly Estate Office, Bicknell, Indiana, (812) 882-0220.

**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 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, and capital and non-capital activities.

KNOX COUNTY HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2009

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

***Low Income Public Housing (LIPH)***

The Housing Authority owns 74 units in Knox County, Indiana. The Authority is responsible for the management, maintenance, and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

***Section 8 Housing Choice Vouchers (Section 8 Vouchers)***

HUD has contracted with the Housing Authority support for 334 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

***Capital Fund Program (CFP)***

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is for improvement to the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds. The Authority is permitted four years to fully expend an annual award.

**Future Events (New Business)**

There are no future events planned by the Authority during the fiscal year ending June 30, 2010 that will significantly affect the Authority's Net Assets either positively or negatively.

KNOX COUNTY HOUSING AUTHORITY  
**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 Current Assets** for FYE 2009 were \$434,256, and at FYE 2008, the amount was \$454,930. This represents a decrease of \$20,674.

**Total Capital Assets** decreased by \$70,544. At FYE 2009 and 2008, the amounts were \$2,323,246 and \$2,393,790, respectively.

**Total Liabilities** increased by \$9,565.

**Revenues** decreased by \$132,703 from FYE June 30, 2008. At FYE 2009 and 2008, total revenues were \$1,737,602 and \$1,870,305, respectively.

**Total Expenses** increased by \$63,330 which is mostly due to an increase in housing assistance payments.

	<b>2009</b>	<b>2008</b>	<b>Net Change</b>	<b>Percent Variances</b>
Cash	353,700	369,519	(15,819)	-4%
Other Current Assets	80,556	85,411	(4,855)	-6%
Capital Assets	2,323,246	2,393,790	(70,544)	-3%
<b>Total Assets</b>	<b>\$ 2,757,502</b>	<b>\$ 2,848,720</b>	<b>\$ (91,218)</b>	-3%
Current Liabilities	39,613	39,696	(83)	0%
Long Term Liabilities	61,525	51,877	9,648	19%
<b>Total Liabilities</b>	<b>\$ 101,138</b>	<b>\$ 91,573</b>	<b>\$ 9,565</b>	10%
Net Invested in Capital Assets	2,323,246	2,393,790	(70,544)	-3%
Restricted Net Assets	128,123	190,396	(62,273)	-33%
Unrestricted Net Assets	204,995	172,961	32,034	19%
<b>Total Net Assets</b>	<b>\$ 2,656,364</b>	<b>\$ 2,757,147</b>	<b>\$ (100,783)</b>	-4%



KNOX COUNTY HOUSING AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FISCAL YEAR ENDING JUNE 30, 2009

*Analysis of Entity Wide Revenues*

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

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$309,377
Section 8 Vouchers	\$1,276,033
Capital Funds Program	\$119,557
Business Activities	\$32,635

Total revenues for Fiscal year ending June 30, 2009 were \$1,737,602 as compared to the total revenues for fiscal year ending June 30, 2008 of \$1,870,305. Comparatively, Fiscal year ending 2009 revenues was less than fiscal year ending 2008 revenues by \$132,703. The overall change was 7%. The largest decrease was in HUD funding.

	<u>2009</u>	<u>2008</u>	<u>Net change</u>	<u>Percent Variances</u>
Total tenant revenue	141,257	128,692	12,565	10%
HUD Operating grants	1,433,361	1,565,356	(131,995)	-8%
HUD Capital grants	107,952	109,702	(1,750)	-2%
Other government grants	2,100	1,600	500	31%
Investment income	1,994	2,282	(288)	-13%
Other revenue	50,938	62,673	(11,735)	-19%
<b>Total Revenue</b>	<b><u>\$ 1,737,602</u></b>	<b><u>\$ 1,870,305</u></b>	<b><u>\$ (132,703)</u></b>	<b>-7%</b>

KNOX COUNTY HOUSING AUTHORITY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FISCAL YEAR ENDING JUNE 30, 2009

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending June 30, 2009 were \$1,838,385 as compared to \$1,775,055 of total expenditures for Fiscal Year Ending June 30, 2008. Comparatively, Fiscal Year Ending 2009 expenditures were more than Fiscal Year Ending 2008 expenditures by \$63,330. Changes by major expense category is presented below.

	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	287,902	328,220	(40,318)	-12%
Tenant Services	2,587	5,020	(2,433)	-48%
Utilities	56,708	55,154	1,554	3%
Ordinary Maintenance	100,435	102,413	(1,978)	-2%
General Expense	61,225	48,359	12,866	27%
Extraordinary Maintenance	-	6,995	(6,995)	-100%
Housing Assistance Payments	1,151,032	1,042,764	108,268	10%
Depreciation Expense	178,496	186,130	(7,634)	-4%
<b>Total Expenses</b>	<u><u>\$ 1,838,385</u></u>	<u><u>\$ 1,775,055</u></u>	<u><u>\$ 63,330</u></u>	4%

**Analysis of Capital Asset Activity**

As of June 30, 2009, the Authority's investment in capital assets was \$2,323,246 (net of accumulated depreciation). The investment includes land, buildings, equipment, and leasehold improvements. Capital outlays for the year were \$107,952 consisting of the following purchases:

- Computer software and maintenance \$12,197
- Copier \$8,023
- Miscellaneous office \$3,434
- Dwelling improvements \$57,819
- Appliances \$18,350
- JD Tractor \$4,129
- Other \$4,000

**Debt Activity**

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

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 164,052
Accounts receivable (interfund eliminated)	7,031
Investments	<u>73,525</u>

Total Current Assets	<u>\$ 244,608</u>
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**RESTRICTED ASSETS**

Cash	<u>\$ 189,648</u>
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Total Restricted Assets	<u>\$ 189,648</u>
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**CAPITAL ASSETS**

Land, buildings and equipment	\$ 4,535,101
Less: Accumulated depreciation	<u>-2,211,855</u>

Net Capital Assets	<u>\$ 2,323,246</u>
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Total Assets	<u>\$ 2,757,502</u>
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 30,014
Accrued liabilities	8,300
Deferred revenue	<u>1,299</u>

Total Current Liabilities	<u>\$ 39,613</u>
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**NONCURRENT LIABILITIES**

Trust and deposit liabilities	<u>\$ 61,525</u>
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Total Noncurrent Liabilities	<u>\$ 61,525</u>
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**NET ASSETS**

Invested in capital assets	\$ 2,323,246
Restricted	128,123
Unrestricted	<u>204,995</u>

Total Net Assets	<u><u>\$ 2,656,364</u></u>
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**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2009**

Operating Income

Tenant revenue	\$ 141,257
Total Rental Income	\$ 141,257
HUD grants - operating	1,433,361
Other governmental grants	2,100
Other revenue	<u>50,938</u>
Total Operating Income	<u>\$ 1,627,656</u>

Operating Expenses

Administration	\$ 287,902
Tenant services	2,587
Utilities	56,708
Ordinary maintenance and operation	100,435
General expense	61,225
Housing assistance payments	1,151,032
Depreciation	<u>178,496</u>
Total Operating Expenses	<u>\$ 1,838,385</u>
Net Operating Income (Loss)	\$ -210,729

Nonoperating Income (Expense)

Interest income	1,994
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Capital Contributions

Capital funds grants	<u>107,952</u>
Changes in net assets	\$ -100,783
Net assets, beginning of year	<u>2,757,147</u>
Net assets, end of year	<u><u>\$ 2,656,364</u></u>

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

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Operating Activities

Operating grants	\$ 1,433,560
Tenant revenue	142,636
Other revenue	53,038
Housing assistance payments	-1,151,032
Payments to employees	-206,456
Payments to suppliers and contractors	<u>-279,911</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -8,165</u>

Investing Activities

Investments (purchased) redeemed	\$ -9,648
Interest income	<u>1,994</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -7,654</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 107,952
Additions (deletions) to fixed assets	<u>-107,952</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>

Net Change in Cash	\$ -15,819
Cash Balance at June 30, 2008	<u>369,519</u>
Cash Balance at June 30, 2009	<u><u>\$ 353,700</u></u>

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

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, 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)	\$ -210,729
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	178,496
(Increase) decrease in accounts receivable	14,503
Increase (decrease) in accounts payable	-952
Increase (decrease) in accrued liabilities	600
Increase (decrease) in deferred revenues	269
Increase (decrease) in other liabilities	<u>9,648</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ -8,165</u></u>

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

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Knox County Housing Authority was established by Knox County 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 County of Knox and concluded that the County does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the County, 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 County government. Debt incurred by the Authority is not an obligation of the County; the County 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 Knox County Housing Authority is a separate reporting entity. 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.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, by practice the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- \* Low Rent Public Housing
- \* Section 8 Choice Vouchers
- \* Capital Fund Program
- \* 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 month or less when purchased to be cash equivalents. This is the practice of the Housing Authority although no formal policy has been adopted.

(f) Interprogram Receivables and Payables -

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



**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at June 30, 2009, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Investments -

Investments are stated at cost which approximates market.

(i) 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.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40	years
Equipment	5-7	years
Leasehold improvements	10	years

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

(l) 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.

(m) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 74,004	\$ 89,076
Voucher	215,406	222,419
Business Activities	<u>64,290</u>	<u>65,831</u>
Total	<u>\$ 353,700</u>	<u>\$ 377,326</u>

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	\$ 12,000	\$ 12,000
Voucher	<u>61,525</u>	<u>61,525</u>
Total	<u><u>\$ 73,525</u></u>	<u><u>\$ 73,525</u></u>

Note 3 - Compensated Absences

Vacation leave with pay shall be earned by all regular full time employees at the specified rates. Employees shall not be granted pay in lieu of vacation. All vacation must be taken during the calendar year of eligibility. Employees who terminate without proper notification shall forfeit all right to vacation pay.

Employees may be paid for leave because of illness or accident. All eligible employees shall be entitled to ten full days with pay for sick leave in any twelve month period, which twelve month period shall be measured from anniversary date of such employees employment. Any employee may accumulate his or her unused sick leave toward increasing the period of sick leave to which he or she is entitled in any given twelve month period, up to a maximum of fifteen days of sick leave in any given twelve months period.

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through the Public Employee's Retirement Fund of Indiana (PERF). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the employee to contribute at least 3% of covered wages. Total contributions to PERF paid by the Housing Authority on behalf of the employees were \$16,354 for fiscal year end 2009.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable at June 30, 2009 consists of the following accounts:

Tenants accounts receivable	\$ 5,981
Accounts receivable - other government	<u>1,050</u>
Total	<u><u>\$ 7,031</u></u>

Note 7 - Investments

At June 30, 2009 investments consist of the following:

	<u>Rate</u>	
Savings	0.10%	\$ 61,525
Certificates of deposit	5.00%	<u>12,000</u>
Total		<u><u>\$ 73,525</u></u>

Note 8 - Fixed Assets

Balance as of June 30, 2009	\$ 2,323,246
Balance as of June 30, 2008	<u>2,393,790</u>
Net Increase (Decrease)	<u><u>\$ -70,544</u></u>

Reconciliation

Additions	\$ 107,952
Current year depreciation expense	<u>-178,496</u> *
Net Increase (Decrease)	<u><u>\$ -70,544</u></u>

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	<u>07/01/2008 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2009 Balance</u>
Land	\$ 1,002,773	\$ 0	\$ 0	\$ 1,002,773
Buildings	2,948,965	99,823	0	3,048,788
Equipment and furniture	<u>475,411</u>	<u>8,129</u>	<u>0</u>	<u>483,540</u>
Total Assets	\$ 4,427,149	\$ 107,952	\$ 0	\$ 4,535,101
Accumulated depreciation	<u>-2,033,359</u>	<u>-178,496</u>	* <u>0</u>	<u>-2,122,855</u>
Total Net Assets	<u>\$ 2,393,790</u>	<u>\$ -70,544</u>	<u>\$ 0</u>	<u>\$ 2,323,246</u>

\*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 8,411
Tenants security deposits	<u>21,603</u>
Total	<u>\$ 30,014</u>

Note 10 - Notes Payable

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

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

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

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued compensated absences	\$ <u>8,300</u>
------------------------------	-----------------

Note 12 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	\$ <u>61,525</u>
---------------------	------------------

Note 13 - 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	\$ <u>51,877</u>	\$ <u>9,648</u>	\$ <u>0</u>	\$ <u>61,525</u>

Note 14 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>1,299</u>
----------------------	-----------------

Note 15 - 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 calculated by HUD on a quarterly basis.

Note 16 - 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.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

Note 17 - 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 18 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years.

Note 19 - Economic Dependency

The Housing Authority received most of its revenue (89%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.



## **SUPPLEMENTAL DATA**

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, 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:						
			FYE			
Public and Indian Housing	14.850s	C-2075	06/30/09	\$ 146,883	\$ 146,883	\$ 146,883
			FYE			
Housing Choice Voucher Program*	14.871	C-2045V	06/30/09	\$ 1,274,873	\$ 1,274,873	\$ 1,274,873
			FYE			
Public Housing - Capital Fund	14.872	C-2075	06/30/09	\$ 119,557	\$ 119,557	\$ 119,557
Total HUD Assistance				\$ 1,541,313	\$ 1,541,313	\$ 1,541,313
<u>Other Federal Grants</u>						
			FYE			
FEMA	83.523	LRO-006	06/30/09	\$ 2,100	\$ 2,100	\$ 2,100
Total Housing Assistance				\$ 1,543,413	\$ 1,543,413	\$ 1,543,413

\*Denotes major program.

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

**Note 1: Basis of Presentation**

Expenditures to the Housing Choice Voucher Program are reported as equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD. Revenues are recognized on the accrual basis of accounting.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P067501-08**

1. The Actual Modernization Costs of Phase IN36P067501-08 are as follows:

Funds approved	\$ 119,557
Funds expended	<u>119,557</u>
Excess of Funds Approved	<u>\$ 0</u>
Funds advanced	
Project notes, non-HUD	\$ 119,557
Funds expended	<u>119,557</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated June 17, 2009, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

# **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 Directors  
Knox County Housing Authority  
Bicknell, Indiana

I have audited the financial statements of Knox County Housing Authority as of and for the year ended June 30, 2009, which collectively comprise the Knox County Housing Authority's basic financial statements and have issued my report thereon dated March 9, 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 Knox County Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Knox County Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Knox County Housing Authority's internal control over financial reporting.

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

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

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

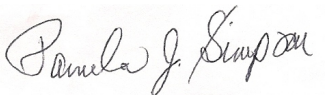
### Compliance and Other Matters

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

Also, I noted certain matters that we reported to management of Knox County Housing Authority, in a separate letter dated March 9, 2010.

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

Decatur, Illinois  
March 9, 2010

A handwritten signature in black ink, reading "Pamela J. Simpson". The signature is written in a cursive style with a large initial "P" and "S".

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  
Knox County Housing Authority  
Bicknell, Indiana

### **Compliance**

I have audited the compliance of Knox County Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Knox County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Knox County Housing Authority's management. My responsibility is to express an opinion on Knox County Housing Authority's compliance based on my audit.

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

In my opinion, Knox County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### **Internal Control Over Compliance**

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

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

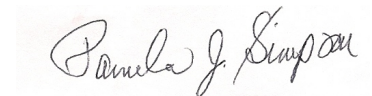
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the 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. I noted no matters involving internal control over compliance and its operation that I consider to be material weakness.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Knox County Housing Authority in a separate letter dated March 9, 2010.

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

Decatur, Illinois  
March 9, 2010

A handwritten signature in black ink, reading "Pamela J. Simpson". The signature is written in a cursive style and is positioned above the printed name.

Certified Public Accountant

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2008 contained one finding.

**Finding 2008-01: SEMAP Submission**

HUD requires that all housing authorities operating a Section 8 voucher program to submit certain data electronically under the Section 8 Management Assessment Program (SEMAP). In the prior year the Housing Authority did not file this submission. In the current year the Housing Authority filed their SEMAP submission timely. This finding is considered closed.



**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2009**

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

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

*Financial Statements*

Type of auditor's report: Unqualified

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

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

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

*Federal Awards*

Internal control over major programs:

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

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

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

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

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Housing Choice Voucher Program

14.871

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Audit Findings**

There were no financial statement audit findings discussed with Mary Lou Terrell, Executive Director, during the course of the audit and at an exit conference held March 9, 2010.

**Section III - Federal Award Findings**

There were no federal award audit findings discussed with Mary Lou Terrell, Executive Director, during the course of the audit and at an exit conference held March 9, 2010.

**KNOX COUNTY HOUSING AUTHORITY  
BICKNELL, INDIANA**

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

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Operating transfer out	----	\$ 600.15		----
Interest income	3610		\$ 600.15	2810
(To record interest paid on CD #93028146 deposited in Business Activities properly)				

Voucher

(1)				
Fema grant income	3402		\$ 1,050.00	2810
Fema grant receivable	----	\$ 1,050.00		----
(To set up Fema grant receivable per notices)				

(2)				
Interest income	3610	\$ 600.15		n/a
Invested in capital assets	----		\$ 600.15	n/a
(To reclassify CD interest from Low Rent CD's as transfer to Social & Tenant services)				

(3)				
FSS program	4104	\$ 31,681.50		n/a
Transfer from Voucher	----		\$ 31,681.50	2810
(To reclassify fiscal year transfers from Voucher for FSS salary as transfers and not regular expense)				

Business Activities

(1)				
Admin salaries	4110		\$ 31,681.50	n/a
Transfer out to Business Activities	----	\$ 31,681.50		n/a
(To reclassify transfer made to Business Activities for FSS salary that was booked as salary instead of transfer)				

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

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

Board of Commissioners  
Knox County Housing Authority  
Bicknell, Indiana

In planning and performing my audit of the financial statements of Knox County Housing Authority 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 Knox County Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Knox County Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

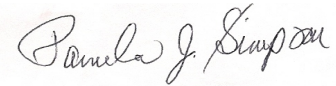
1. The Housing Authority's system of internal controls should be formally documented in a written internal control manual (handbook). Discussions with Housing Authority management indicate that the Housing Authority has a system of internal control in place, but without the policies being in writing and formally adopted, adherence to the procedures cannot always be verified.

The written policies should also cover the extent that outside consultants are used to enhance internal controls. The policies should include the detail of level of responsibility the fee accountant is assuming in the preparation and review of the year end financial statements as compared to the level responsibility the housing is authority is maintaining. The written procedures should indicate who will prepare and maintain copies of year end schedules, journal entries and reconciliations. However the Housing Authority management should keep in mind that you have the ultimate responsibility for preparation of accurate and complete financial statements.

2. The Low Income Housing Program has previously allocated interest earnings to be used in their “Tenant Services” program. The interest income was recorded directly in the tenant service account. The interest income must be recorded on the public housing books and then recorded as a transfer out to properly record all aspects of the transaction.
3. The Housing Authority needs to review the new prescribed HUD chart of accounts developed by HUD to be used in conjunction with asset management. Based on the new chart of accounts the Housing Authority needs to delete some accounts currently being used and incorporate some of the new accounts. Specifically surplus/equity accounts and insurance and contract expense accounts need to be reviewed.

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  
March 9, 2010



Certified Public Accountant