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May 28, 2014

Board of Directors  
Linton Housing Authority  
1148 N. 1300 West  
Linton, IN 47441

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2011 to December 31, 2011. 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 Linton Housing Authority, as of December 31, 2011 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

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

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

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**TWELVE MONTHS ENDED DECEMBER 31, 2011**

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

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## Independent Auditor's Report

Board of Directors  
Linton Housing Authority  
Linton, Indiana

I have audited the accompanying financial statements of Linton Housing Authority, as of and for the year ended December 31, 2011, 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 Linton Housing Authority, as of December 31, 2011 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 August 30, 2012, on my consideration of the Linton 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Linton Housing Authority's basic financial statements. The 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 also not a required part of the basic financial statements of the Linton Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents has been subjected to the auditing procedures and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America . In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.



Certified Public Accountant

Decatur, Illinois  
August 30, 2012

**HOUSING AUTHORITY OF LINTON  
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2011**

The management of the Housing Authority of Linton presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending 12/31/2011. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

**FINANCIAL HIGHLIGHTS**

- The Housing Authority's assets exceeded its liabilities by \$1,179,525 at the close of the fiscal year ended 12/31/11.

Of this amount, \$306,039 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount, along with \$41,853 restricted for HAP payments, equals 32% of the total operating expenses for the fiscal year 2011, which means the Authority could operate about 4 months using the unrestricted and restricted assets alone.

The remainder of \$831,633 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net assets decreased by \$52,492, a -4% change from the prior fiscal year 2010. This decrease is attributable generally to a decrease in grant funding.
- The Housing Authority continues to operate without the need for debt borrowing.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information In addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

**HOUSING AUTHORITY OF LINTON  
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2011**

**REPORTING ON THE HOUSING AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2011?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For reporting purposes all housing funds are reported in one housing enterprise fund.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

**USING THIS ANNUAL REPORT**

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant three funds, the Low Rent Housing Program, the Section 8 Voucher Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditors' report, located immediately following the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of the report.

**HOUSING AUTHORITY OF LINTON  
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2011**

**REPORTING THE HOUSING AUTHORITY'S MOST SIGNIFICANT FUNDS**

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach or Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

**FINANCIAL ANALYSIS**

The Housing Authority's net assets were \$1,179,525 as of December 31, 2011. Of this amount, \$831,633 was invested in capital assets, \$41,853 was restricted for HAP payments, and the remaining \$306,039 was unrestricted.

**CONDENSED FINANCIAL STATEMENTS COMPARING  
FYE 12/31/2011 WITH FYE 12/31/2010**

	As of 012/31/2011	As of 12/31/2010
<b>ASSETS</b>		
Current Assets	\$ 369,943	\$ 361,768
Capital Assets, Net of Depreciation	831,633	889,367
Total Assets	1,201,576	1,251,135
<b>LIABILITIES</b>		
Current Liabilities	22,051	19,118
Non-Current Liabilities	0	0
Total Liabilities	22,051	19,118
<b>NET ASSETS</b>		
Invested in Capital Assets	831,633	889,367
Unrestricted	306,039	328,342
Restricted	41,853	14,308
Total Net Assets	1,179,525	1,232,017
Total Liabilities and net Assets	1,201,576	1,251,135

**HOUSING AUTHORITY OF LINTON  
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2011**

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Fiscal Year Ended December 31, 2011

	FYE 12/31/2011	FYE 12/31/2010
<b>OPERATING REVENUES</b>		
Rental Revenues	\$ 124,562	117,882
Other Tenant Revenue	131	0
<b>Total Operating Revenues</b>	<b>124,693</b>	<b>117,882</b>
<b>OPERATING EXPENSES</b>		
Administration	216,252	203,572
Tenant Services	0	0
Utilities	24,681	23,976
Extraordinary main and operations	81,800	103,489
General and Other	28,066	29,904
Depreciation	68,266	67,594
HAP payments	633,169	633,481
<b>Total Operating Expenses</b>	<b>1,052,234</b>	<b>1,062,016</b>
Gain (loss) from operations	(927,541)	(944,134)
<b>NON-OPERATING REVENUES</b>		
Federal Grants – Operating	854,492	931,004
Federal Grants – Capital	10,532	0
Interest Income and Other Revenue	10,025	3,994
<b>Total Non-Operating Revenue</b>	<b>875,049</b>	<b>934,998</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>(52,492)</b>	<b>(9,136)</b>
<b>NET ASSETS, Beginning of Year</b>	<b>1,232,017</b>	<b>1,241,153</b>
<b>NET ASSETS, End of Year</b>	<b>1,179,525</b>	<b>1,232,017</b>

**HOUSING AUTHORITY OF LINTON  
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
DECEMBER 31, 2011**

The decrease in net assets of these funds was primarily due to a decrease in grant funding.

Compared with the prior fiscal year, total tenant revenues increased \$6,811 or by 6%.

Compared with the prior fiscal year, total expenses decreased, by \$9,782 with the most significant cause(s) listed below:

- Maintenance costs decreased by \$21,689 because of special projects completed in the prior year.
- General and other expenses decreased by \$1,838.

These changes led to a decrease in total assets by \$49,559 and an increase in liabilities by \$2,933. With these changes, there is still almost \$16.78 of current assets covering each dollar of liability.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for December 2012 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

**CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability or the money it receives. If you have questions about this report, or wish to request additional financial information, contact J Ken Wright, Executive Director, Linton Housing Authority, Rt. #2, Box 655, Linton, IN 47441.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 297,917
Accounts receivable (interfund eliminated)	24,918
Inventory	1,421
Deferred charges	<u>3,303</u>

Total Current Assets \$ 327,559

**RESTRICTED ASSETS**

Cash	<u>\$ 42,384</u>
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Total Restricted Assets \$ 42,384

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 3,088,853
Less: Accumulated depreciation	<u>-2,257,220</u>

Net Capital Assets \$ 831,633

Total Assets \$ 1,201,576

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 18,368
Accrued liabilities	3,152
Deferred revenue	<u>531</u>

Total Current Liabilities \$ 22,051

**NET ASSETS**

Invested in capital assets	\$ 831,633
Restricted	41,853
Unrestricted	<u>306,039</u>

Total Net Assets \$ 1,179,525

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

Operating Income

Tenant rental revenue	\$ 124,562
Tenant revenue - other	<u>131</u>
Total Rental Revenue	\$ 124,693
HUD grants - operating	854,492
Other revenue	<u>9,769</u>
Total Operating Income	<u>\$ 988,954</u>

Operating Expenses

Administration	\$ 216,252
Utilities	24,681
Ordinary maintenance and operation	69,612
General expense	28,066
Extraordinary maintenance	12,188
Housing assistance payments	633,169
Depreciation	<u>68,266</u>
Total Operating Expenses	<u>\$ 1,052,234</u>
Net Operating Income (Loss)	\$ -63,280

Nonoperating Income

Interest income	256
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Capital Contributions

Capital fund grants	<u>10,532</u>
Changes in net assets	\$ -52,492
Net assets, beginning of year	<u>1,232,017</u>
Net assets, end of year	<u><u>\$ 1,179,525</u></u>

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

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

Operating Activities

Operating grants	\$ 832,383
Tenant revenue	123,460
Other revenue	9,769
Housing assistance payments	-633,169
Payments to employees	-113,701
Payments to suppliers and contractors	<u>-233,846</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -15,104</u>

Investing Activities

Interest income	<u>\$ 256</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 256</u>

Capital and Related Financing Activities

Capital fund grants	\$ -10,532
Additions (deletions) to fixed assets	<u>10,532</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>

Net Change in Cash	\$ -14,848
Cash Balance at December 31, 2009	<u>355,149</u>
Cash Balance at December 31, 2011	<u><u>\$ 340,301</u></u>

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

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

Net operating income (loss)	\$ -63,280
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	68,266
(Increase) decrease in accounts receivable	-23,283
(Increase) decrease in deferred charges	566
(Increase) decrease in inventories	-306
Increase (decrease) in accounts payable	3,747
Increase (decrease) in accrued liabilities	-755
Increase (decrease) in deferred revenues	<u>-59</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -15,104</u>

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Linton Housing Authority was established by the City 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 Linton and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Linton Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- \* Low Rent Public Housing
- \* Housing Choice Vouchers
- \* Capital Fund Program

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

*Proprietary Fund Types:*

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

(e) Cash and Cash Equivalents -

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

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2011, 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.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(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 one thousand (\$1,000) 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	25	years
Equipment	3	years
Transportation equipment	7	years
Furniture and fixtures	7	years
Leasehold improvements	10	years

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

(l) 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.

(m)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 for approval.

(n)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.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (p) Rental income is recognized as rents become due.
- (q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

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

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

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned 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.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(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>
Low Rent	\$ 229,105	\$ 229,395
Voucher	<u>111,196</u>	<u>111,536</u>
Total	<u>\$ 340,301</u>	<u>\$ 340,931</u>

Note 3 - Compensated Absences

Vacation Leave

1. Vacation leave with pay shall be earned by all regular full time employees at the following rates:

Upon completion of one (1) year continuous service employees will earn one (1) weeks pay.

Upon completion of two (2) years continuous service employees will earn two (2) weeks pay.

Upon completion of ten (10) years continuous service employees will earn three (3) weeks pay. Continuous service defined as an employee who has worked for the same office or has worked for various county offices for ten continuous years or more.

2. Employees shall not be granted pay in lieu of vacation.

3. All vacation must be taken during the calendar year of eligibility.

4. Employees who terminate without proper notification shall forfeit all right to vacation pay.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 3 - Compensated Absences

Sick Leave

1. Employees may be paid for leave taken because of illness or accident. An employee must work six (6) consecutive months before the employee becomes eligible for paid sick leave. All eligible employees shall be entitled to six (6) full days with pay for sick leave in any twelve (12) month period, which twelve month period shall be measured from anniversary date of such employee's employment. Any employee may accumulate his or her unused sick leave toward increasing the period of sick leave to which her or she is entitled in any given twelve months period, up to a maximum of twelve (12) days of sick leave in any given twelve (12) month period.
2. Sick leave may be accumulated not to exceed twelve (12) days.
3. In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority and the participants are required to contribute a percentage of annual covered payroll. The plan requires the Housing Authority and the employee to contribute 9.25% and 3% of covered wages, respectively. For the fiscal year ended December 31, 2011, required contributions by the Housing Authority were \$18,660. Total annual payroll expense was \$112,946.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ 23,346
Tenants accounts receivable	2,368
Allowance for doubtful accounts	<u>-796</u>
Subtotal	\$ 24,918
Interfund	<u>38,737</u>
Total	<u>\$ 63,655</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 3,303</u>
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**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 7 - Fixed Assets

Balance as of December 31, 2011	\$ 831,633
Balance as of December 31, 2010	<u>889,367</u>
Net Increase (Decrease)	<u>\$ -57,734</u>

Reconciliation

Additions	\$ 10,532
Current year depreciation expense	<u>-68,266</u> *
Net Increase (Decrease)	<u>\$ -57,734</u>

<u>Analysis</u>	01/01/2011 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2011 <u>Balance</u>
Land	\$ 289,163	\$ 0	\$ 0	\$ 289,163
Buildings	2,676,212	395	0	2,676,607
Equipment and furniture	116,246	8,895	3,300	121,841
Leasehold improvements	<u>0</u>	<u>1,242</u>	<u>0</u>	<u>1,242</u>
Total	\$ 3,081,621	\$ 9,290	\$ 3,300	\$ 3,088,853
Accumulated depreciation	<u>-2,192,254</u>	<u>3,300</u>	<u>68,266</u> *	<u>-2,257,220</u>
Net Assets	<u>\$ 889,367</u>	<u>\$ 12,590</u>	<u>\$ 71,566</u>	<u>\$ 831,633</u>

\*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 10,643
Tenants security deposits	<u>7,725</u>
Subtotal	\$ 18,368
Interfund	<u>38,737</u>
Total	<u>\$ 57,105</u>

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 9 - Notes Payable

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

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

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

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages and payroll taxes	\$ <u>3,152</u>
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Note 11 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>531</u>
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Note 12 - 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 an annual calendar year basis.

Note 13 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2011  
(CONTINUED)**

Note 14 - Contingencies

Federal Grants

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

Note 15 - Contracts/Commitments

As of December 31, 2011, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-11	\$ <u>65,510</u>	\$ <u>20,667</u>

Note 16 - Risk Management

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

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

Note 17 - Economic Dependency

The Housing Authority received most of its revenue (87%) from the Units States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850a	C-2080	FYE 12/31/11	\$ <u>77,900</u>	\$ <u>77,900</u>	\$ <u>77,900</u>
Housing Choice Vouchers*	14.871	C2021V	FYE 12/31/11	\$ <u>766,457</u>	\$ <u>766,457</u>	\$ <u>766,457</u>
Public Housing - Capital Fund	14.872	C-2080	FYE 12/31/11	\$ <u>65,510</u>	\$ <u>20,667</u>	\$ <u>20,667</u>
Total Housing Assistance				\$ <u>909,867</u>	\$ <u>865,024</u>	\$ <u>865,024</u>

\*Denotes major program.



**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  
Linton Housing Authority  
Linton, Indiana

I have audited the financial statements of Linton Housing Authority as of and for the year ended December 31, 2011, and have issued my report thereon dated August 30, 2012. 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 Linton 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 Linton Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Linton Housing Authority's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting (2011-1 and 2011-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Linton Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 (2011-1 and 2011-2).

I noted certain matters that I reported to management of Linton Housing Authority in a separate letter dated August 30, 2012.

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

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



Certified Public Accountant

Decatur, Illinois  
August 30, 2012



**Independent Auditor's 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  
Linton Housing Authority  
Linton, Indiana

**Compliance**

I have audited the compliance of Linton Housing Authority with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. Linton 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 Linton Housing Authority's management. My responsibility is to express an opinion on Linton 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 Linton Housing Authority's compliance with those requirement and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Linton Housing Authority's compliance with those requirements.

In my opinion, Linton Housing Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item ( 2011-3).

## Internal Control Over Compliance

Management of Linton 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 Linton Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Linton Housing Authority's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies that I consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item (2011-3). *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Certified Public Accountant

Decatur, Illinois  
August 30, 2012

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended December 31, 2010 contained one finding.

**Finding 2010-1: Incomplete Section 8 Participant Files**

HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). The Linton Housing Authority's files examined lacked adequate documentation. This finding continues.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

*Financial Statements*

Type of auditor's report: Unqualified

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

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

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

*Federal Awards*

Internal control over major programs:

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

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes X no

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**CURRENT FINDINGS, RECOMMENDATIONS AND GRANTEE RESPONSE**

**Section II - Financial Statement Audit Findings**

There were two financial statement audit findings were discussed with J. Ken Wright, during the course of the audit and at an exit conference held August 30, 2012.

**Finding 2011-1: Financial Statements Lack Required Detail**

*Condition and Criteria:* HUD has developed a “Financial Data Schedule and Line Definition Guide” dated FYE 06/30/2008 (Updated most recently in 2012) that provides the prescribed chart of account and FDS Definition Guide to be used in financial statement preparation. The Financial Data Schedule (FDS) was created to standardize the financial information reported by Public Housing Authorities (PHAs) to the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (REAC). REAC currently requires PHAs to report their accounting information using Generally Accepted Accounting Principles (GAAP). REAC uses the FDS to analyze PHA financial data in conjunction with other performance measurements, to help ensure the success of PHA programs. The Housing Authority has not updated their chart of account to correspond to HUD’s prescribed chart of accounts.

*Effect:* The Housing Authority is not maintaining the proper detail in their general ledger to properly complete the electronic reporting to REAC/HUD.

*Cause:* The Housing Authority engages a fee accountant to assist with general ledgers and financial statement preparation, however, the fee accountant’s software has not been updated to comply with HUD’s most recent chart of accounts and reporting requirements.

*Auditor’s Recommendation:* The Housing Authority must maintain their general ledgers and financial statements to comply with HUD requirements.

*Grantee Response:* The Executive Director will contact the fee accountant to require that the changes be made prior to the end of the next fiscal reporting period.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**CURRENT FINDINGS, RECOMMENDATIONS AND GRANTEE RESPONSE**

**Section II - Financial Statement Audit Findings (Continued)**

**Finding 2011-2: Depreciation Schedules Not Reconciled (SAS 12 Lack of Internal Controls)**

*Condition and Criteria:* The Authority is required to have internal controls over their financial statement preparations. Proper procedures had not been developed to determine that all transactions were properly recorded. As a result the fixed asset accounts lacked support or reconciliations:

- \* Fixed assets had been purchased and according to the capitalization should have been added to the detailed depreciation schedule, but they had been expensed
- \* Assets had been traded in conjunction with new purchases, but the traded assets were still recorded in the general ledger as well as in the detailed schedule
- \* Many improvements and additions were purchased with Capital Fund funds, however, they were not capitalized in accordance to the agency's capitalization policy.

*Effect:* There was inadequate reconciliation of the cash transaction, transactions in the general ledger (disposals and acquisitions) of fixed assets and the detailed depreciation schedule, therefore, neither the detailed depreciation schedule or the general ledger accurately reflected the fixed asset activity for the fiscal year.

*Cause:* The fee accountant engaged by the Housing Authority and the Housing Authority are not communicating adequately to insure that the transactions are properly recorded in both the general ledger and the detailed schedule.

*Auditor's Recommendation:* The Authority should develop and standardize the internal controls over financial statement preparation. 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 including the use and reliance upon the fee accountant. It should be written and designed to the current systems, software and personnel in place.

*Grantee Response:* All internal control policies/procedures are currently being reviewed. By the end of the next fiscal year, the Executive Director will work with the fee accountant to insure that all accounts are properly reconciled. New policies will be developed as required and included in a formal written internal control document.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**CURRENT FINDINGS, RECOMMENDATIONS AND GRANTEE RESPONSE**

**Section III - Federal Award Audit Findings**

There was one federal award audit finding discussed with J. Ken Wright, during the course of the audit and at an exit conference held August 30, 2012.

**Finding 2011-3: Incomplete Section 8 Participant Files**

*Condition and Criteria:* HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). During my current year test of participant eligibility, I noted incomplete documentation and incorrect calculations of HAP as follows: (a) anticipated medical expenses were not properly verified or calculated (b) confirmation of assets were in participant files, but anticipated income from the assets was not used in income calculations (c) contributions received for personal monthly expenses were confirmed or verified and received as periodic "contributions" but not properly used in anticipated income calculations (d) admin plan states all self declaration of monthly income/expenses should be notarized.

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

*Cause:* The applications used by the agency were not detailed to provide adequate information when processing applications, certifications and recertifications. EIV were not used to verify and check information provided by participants. Some information received from third parties was ignored. Errors were made in calculating anticipated income and allowable deductions. Proper quality control procedures had not been implemented to assure that only eligible participants were provided Housing Assistance. The procedures in place did not provide adequate assurance that correct data was collected and used in accurate assistance payment calculations for each eligible participant. The agency's Administrative Plan was not adhered to and an adequate number of quality review checks was not completed.

*Auditor's Recommendation:* The application filled out by all participants should be reviewed and expanded to provide all information needed to properly process the application and certification. EIV reports should be used to verify all income. I recommend that quality control procedures be reviewed and revised to ensure that all required documentation is maintained in each file to support eligibility and exemptions. Procedures should be developed to ensure that all intake staff are familiar with the policies established in the Housing Authority's Section 8 Administrative Plan and that they are trained in the proper procedures for consistently applying those policies and HUD regulations. Current intake staff may need "refresher" training on the proper methods to collect and document data and use it in calculations. Additional quality review check should be completed on a monthly basis.

*Grantee Response:* The application was reviewed by the Section 8 staff and management and updated as deemed necessary to provides complete information. The Admin plan was reviewed and updated by the Executive Director and intake staff. These changes were not completed until mid-year, so the results of those changes were not apparent in all files audited for the current fiscal audit. Additional quality assurance reviews will continue to be conducted by the Executive Director to determine that the policies are being adhered to in the future.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2011**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Development costs	1400.2	\$ .76		1400.2
Unreserved surplus	2810	1.46	\$ .76	2810
Prepaid insurance	1211		.39	1211
Employee benefits	4540		1.07	2810
(To post prior year audit adjustments properly)				
(2)				
Prepaid insurance	1211		\$ 1,335.00	1211
Property insurance	4510	\$ 1,335.00		2810
(To correct prepaid insurance for calculation errors)				
(3)				
Development cost	1400.2		\$ 3,300.00	1400.2
Less development cost contra	1400.3	\$ 3,430.00		1400.3
Depreciation expense	4470		130.00	2810
(To correct fixed assets for trade of mowers; 2006 & 2009 longer owned by PHA and correct depreciation expense for 2009 - 961 concrete put on operating schedule at incorrect cost)				
(4)				
Federal withholding	2117.1		\$ 1,322.75	2117.1
FICA withholding	2117.2		722.21	2117.2
State withholding	2117.3		391.75	2117.3
County withholding	2117.4		106.85	2117.4
Perf withholding	2117		608.53	2117
Vendor payable	2111		4,778.70	2111
Employee benefits	4540	\$ 7,930.79		2810
(To correct JV 10-027 for December 2011 withholding not paid until January 2012)				
(5)				
Vendor payable	2111	\$ 189.99		2111
Sundry	4190		\$ 189.99	2810
(To correct voucher vendor payable set up on Low Rent)				
(6)				
Admin wages	4110		\$ 3,542.57	2810
Compensated abs expense	4530	\$ 3,542.57		2810
(To reclassify compensated absence expense)				

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2011**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(7)				
Accounts receivable - other	1129.8	\$ 2,500.00		1129.8
Accounting/auditing	4170		\$ 2,500.00	2810
(To adjust vendor payable to actual and to allocate liability for audit)				
(8)				
HUD	1125	\$ 20,666.94		1125
Consultant fees	1430.2	5,250.00		2845
Modernization costs	1400.5	8,532.10		1400.5
Dwelling structures	1460	959.84		2845
Nondwelling structures	1470	3,925.00		2845
Mod Grant funds - current year	8029.2		\$ 20,666.94	2845
Sundry	4190		6,895.00	2810
Maintenance contract costs	4430		5,250.00	2810
Extraordinary maintenance	4610		6,521.94	2810
(To reclassify a portion of capital fund transactions closed into operations)				
<u>Voucher</u>				
(1)				
HUD	1125	\$ 1,442.00		1125
HUD prepaid annual contrib	2210		\$ 709.00	2820
Subsidy - current year	8020		733.00	2810
(To record additional admin fees and proration factor for 2011 received in 2012)				
(2)				
Accounting and audit fees	4170	\$ 2,925.00		2810
Accounts payable - other	2119.8		\$ 2,500.00	2119.8
Vendors and contractors	2111		425.00	2111
(To adjust vendor payable to actual and to allocate liability for audit)				
(3)				
Unreserved surplus	2810	\$ 8,641.63		2810
Operating reserve	2820		\$ 8,641.63	2820
(To reclassify the closing of income and expenses)				

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2011**

<u>Voucher</u> (Continued)	<u>Audit</u> <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting</u> <u>Account Number</u>
(4)				
Vendor payable	2111		\$ 189.99	2111
Sundry	4190	\$ 189.99		2810
(To correct vouchers checks set up as vendor payable on LR book)				
(5)				
Admin wages	4110		\$ 2,973.58	2810
Compensated absence expense	4530	\$ 2,973.58		2810
(To reclassify compensated absence expense)				

Linton Housing Authority (IN055)  
LINTON, IN  
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$220,849	\$69,343	\$290,192	\$290,192
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$41,853	\$41,853	\$41,853
114 Cash - Tenant Security Deposits	\$7,725		\$7,725	\$7,725
115 Cash - Restricted for Payment of Current Liabilities	\$531		\$531	\$531
100 Total Cash	\$229,105	\$111,196	\$340,301	\$340,301
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$20,667	\$2,679	\$23,346	\$23,346
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$2,368		\$2,368	\$2,368
126.1 Allowance for Doubtful Accounts - Tenants	-\$796		-\$796	-\$796
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$22,239	\$2,679	\$24,918	\$24,918
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$3,303		\$3,303	\$3,303
143 Inventories	\$1,421		\$1,421	\$1,421
143.1 Allowance for Obsolete Inventories	\$0		\$0	\$0
144 Inter Program Due From	\$38,737		\$38,737	\$38,737
145 Assets Held for Sale				
150 Total Current Assets	\$294,805	\$113,875	\$408,680	\$408,680
161 Land	\$289,163		\$289,163	\$289,163
162 Buildings	\$2,636,976	\$39,631	\$2,676,607	\$2,676,607
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$121,841		\$121,841	\$121,841
165 Leasehold Improvements	\$1,242		\$1,242	\$1,242
166 Accumulated Depreciation	-\$2,217,589	-\$39,631	-\$2,257,220	-\$2,257,220
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$831,633	\$0	\$831,633	\$831,633
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$831,633	\$0	\$831,633	\$831,633
190 Total Assets	\$1,126,438	\$113,875	\$1,240,313	\$1,240,313

## Linton Housing Authority (IN055)

LINTON, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$7,453	\$3,190	\$10,643	\$10,643
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$3,152		\$3,152	\$3,152
322 Accrued Compensated Absences - Current Portion				
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits	\$7,725		\$7,725	\$7,725
342 Deferred Revenues	\$531		\$531	\$531
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To		\$38,737	\$38,737	\$38,737
348 Loan Liability - Current				
310 Total Current Liabilities	\$18,861	\$41,927	\$60,788	\$60,788
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current				
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0
300 Total Liabilities	\$18,861	\$41,927	\$60,788	\$60,788
508.1 Invested In Capital Assets, Net of Related Debt	\$831,633	\$0	\$831,633	\$831,633
509.2 Fund Balance Reserved				
511.2 Unreserved, Designated Fund Balance				
511.1 Restricted Net Assets		\$41,853	\$41,853	\$41,853
512.1 Unrestricted Net Assets	\$275,944	\$30,095	\$306,039	\$306,039
512.2 Unreserved, Undesignated Fund Balance				
513 Total Equity/Net Assets	\$1,107,577	\$71,948	\$1,179,525	\$1,179,525
600 Total Liabilities and Equity/Net Assets	\$1,126,438	\$113,875	\$1,240,313	\$1,240,313

Linton Housing Authority (IN055)  
LINTON, IN  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$124,562		\$124,562	\$124,562
70400 Tenant Revenue - Other	\$131		\$131	\$131
70500 Total Tenant Revenue	\$124,693	\$0	\$124,693	\$124,693
70600 HUD PHA Operating Grants	\$88,035	\$766,457	\$854,492	\$854,492
70610 Capital Grants	\$10,532		\$10,532	\$10,532
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$207	\$24	\$231	\$231
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue	\$9,767	\$2	\$9,769	\$9,769
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted		\$25	\$25	\$25
70000 Total Revenue	\$233,234	\$766,508	\$999,742	\$999,742
91100 Administrative Salaries	\$56,638	\$48,568	\$105,206	\$105,206
91200 Auditing Fees	\$2,500	\$2,500	\$5,000	\$5,000
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$43,061	\$25,833	\$68,894	\$68,894
91600 Office Expenses	\$7,364	\$10,908	\$18,272	\$18,272
91700 Legal Expense				
91800 Travel	\$5,435	\$1,125	\$6,560	\$6,560
91810 Allocated Overhead				
91900 Other	\$8,805	\$3,515	\$12,320	\$12,320
91000 Total Operating - Administrative	\$123,803	\$92,449	\$216,252	\$216,252
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0

Linton Housing Authority (IN055)  
LINTON, IN  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
93100 Water	\$6,908		\$6,908	\$6,908
93200 Electricity	\$4,221		\$4,221	\$4,221
93300 Gas	\$823		\$823	\$823
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense	\$12,729		\$12,729	\$12,729
93000 Total Utilities	\$24,681	\$0	\$24,681	\$24,681
94100 Ordinary Maintenance and Operations - Labor	\$1,223		\$1,223	\$1,223
94200 Ordinary Maintenance and Operations - Materials and Other	\$16,229		\$16,229	\$16,229
94300 Ordinary Maintenance and Operations Contracts	\$52,066		\$52,066	\$52,066
94500 Employee Benefit Contributions - Ordinary Maintenance	\$94		\$94	\$94
94000 Total Maintenance	\$69,612	\$0	\$69,612	\$69,612
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$14,836		\$14,836	\$14,836
96120 Liability Insurance	\$2,210		\$2,210	\$2,210
96130 Workmen's Compensation	\$1,659		\$1,659	\$1,659
96140 All Other Insurance	\$852		\$852	\$852
96100 Total insurance Premiums	\$19,557	\$0	\$19,557	\$19,557
96200 Other General Expenses				
96210 Compensated Absences	\$3,543	\$2,974	\$6,517	\$6,517
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents	\$1,992		\$1,992	\$1,992
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$5,535	\$2,974	\$8,509	\$8,509
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$243,188	\$95,423	\$338,611	\$338,611
97000 Excess of Operating Revenue over Operating Expenses	-\$9,954	\$671,085	\$661,131	\$661,131

Linton Housing Authority (IN055)  
LINTON, IN  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2011

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
97100 Extraordinary Maintenance	\$12,188		\$12,188	\$12,188
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$633,169	\$633,169	\$633,169
97350 HAP Portability-In				
97400 Depreciation Expense	\$68,266		\$68,266	\$68,266
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$323,642	\$728,592	\$1,052,234	\$1,052,234
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$90,408	\$37,916	-\$52,492	-\$52,492
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$1,197,985	\$34,032	\$1,232,017	\$1,232,017
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$30,095	\$30,095	\$30,095
11180 Housing Assistance Payments Equity		\$41,853	\$41,853	\$41,853
11190 Unit Months Available	588	2628	3216	3216
11210 Number of Unit Months Leased	574	2492	3066	3066
11270 Excess Cash	\$251,392		\$251,392	\$251,392
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$395		\$395	\$395
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$8,895		\$8,895	\$8,895
11650 Leasehold Improvements Purchases	\$1,242		\$1,242	\$1,242
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

Board of Commissioners  
Linton Housing Authority  
Linton, Indiana

In planning and performing my audit of the financial statements of Linton Housing Authority as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's 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 Linton Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Linton 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 judgments 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. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in the written policy/procedural manual. A procedural manual is essential to any system of internal controls.

In addition to the current policies/procedures, I suggest that the written manual be expanded to include: (a) approval of journal entries (hard copies initialed or signed) (b) documentation of approval of payroll (payroll registers should be initialed or signed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc) (e) reconciliation of rent rolls and HAP registers with written documentation of approval and (f) method of maintenance materials physical inventory reconciliation and valuation methods. The written policies should also cover the extent that outside consultants are used to provide internal controls.

A more detailed written manual will aid in the training of new staff, assure management of consistency in policy application as well as accurate financial reporting.

2. While reviewing the agency's SEMAP certification, the Housing could not provide written documentation to substantiate that all of the SEMAP indicators had been properly tested. The Housing Authority should expand and retain its documentation of quality control reviews of the Section 8 HCV files.
3. During our review of insurance coverage, it was noted that none of the insurance premiums had been allocated to the Section 8 Housing Choice Voucher Program. The PHA should allocate a portion of applicable insurance expenses to the Section 8 program (for example: worker's compensation). It was also noted that none of the 2010 audit expense had been allocated to the HCV program. OMB Circular A-122 requires a uniform allocation of all shared expenses.
4. The Board of Commissioners operated with only 4 members in fiscal year 2011 when it Statute that the agency maintain a 5-7 person board. The Mayor should be contacted to appoint additional board members as soon as possible.
5. It was noted that the fee accountant's monthly reconciliation of the security deposit reports does not coincide with the PHA's records. The fee accountant should be instructed to confer with the housing personnel on all adjustments.
6. In reviewing payroll withholding liabilities, I noted that they year end liability had been adjusted improperly. The fee accountant should work closely with housing personnel prior to adjusting balances. The Housing personnel should then closely review the financial statement to insure the accuracy of all adjustment posted.

7. PHA should provide fee accountant with the information needed to calculate the compensated absence expense for Low Rent and Voucher; expense is for the earned portion for each employee in the fiscal year.

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



Certified Public Accountant

Decatur, Illinois  
August 30, 2012