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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, 2012 to December 31, 2012. 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, 2012 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report, on pages 32 and 33.

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, 2012**

**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 the Linton Housing Authority, as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the Linton Housing Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Linton Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Linton Housing Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Linton Housing Authority, as of December 31, 2012 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 statements. 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.

## **Report on Supplemental Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Linton Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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. Further, the financial data schedules shown on pages 36 to 40 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2013 on my consideration of the Linton Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control 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. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Certified Public Accountant

Decatur, Illinois  
September 11, 2013

**LINTON HOUSING AUTHORITY  
LINTON, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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 12/31/2012. 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 \$1,100,354 at the close of the fiscal year ended 12/31/12.

Of this amount, \$70,964 of unrestricted may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount, along with \$63,953 restricted for HAP payments, equals 32% of the total operating expenses for the fiscal year 2012, which means the Authority could operate about 1.5 months using the unrestricted and restricted alone.

The remainder of \$965,437 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 position decreased by \$79,171, a -7% change from the prior fiscal year 2011. 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.

**LINTON HOUSING AUTHORITY  
LINTON, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**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 2012?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position 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 position and changes in them. One can think of the Housing Authority's net position – 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.

**LINTON HOUSING AUTHORITY  
LINTON, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**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 position, is an important financial indicator.

**FINANCIAL ANALYSIS**

The Housing Authority's net position was \$1,100,354 as of December 31, 2012. Of this amount, \$965,437 was invested in capital assets, \$63,953 was restricted for HAP payments, and the remaining \$70,964 was unrestricted.

	<u>2012</u>	<u>2011</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	149,918	340,301	(190,383)	-56%
Other Current Assets	5,450	29,642	(24,192)	-82%
Capital Assets	965,437	831,633	133,804	16%
<b>Total Assets</b>	<b>1,120,805</b>	<b>1,201,576</b>	<b>(80,771)</b>	<b>-7%</b>
Deferred Outflows of Resources	709	0	709	0%
<b>TOTAL</b>	<b>1,121,514</b>	<b>1,201,576</b>	<b>(80,062)</b>	<b>-7%</b>
Current Liabilities	21,160	22,051	(891)	-4%
Noncurrent Liabilities	0	0	0	0%
<b>Total Liabilities</b>	<b>21,160</b>	<b>22,051</b>	<b>(891)</b>	<b>-4%</b>
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	965,437	831,633	133,804	16%
Restricted	63,953	41,853	22,100	53%
Unrestricted	70,964	306,039	(235,075)	-77%
<b>Total Net Position</b>	<b>1,100,354</b>	<b>1,179,525</b>	<b>(79,171)</b>	<b>-7%</b>
<b>TOTAL</b>	<b>1,121,514</b>	<b>1,201,576</b>	<b>(80,062)</b>	<b>-7%</b>

**LINTON HOUSING AUTHORITY  
LINTON, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

**CONDENSED FINANCIAL STATEMENTS (Continued)**

Condensed Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Fiscal Year Ended December 31, 2012

	FYE 12/31/2011	FYE 12/31/2012
<b>OPERATING REVENUES</b>		
Rental Revenues	124,562	120,908
Other Tenant Revenue	131	0
Federal Grants – Operating	854,492	750,305
Other	<u>9,769</u>	<u>7,155</u>
Total Operating Revenues	<u>988,954</u>	<u>878,368</u>
<b>OPERATING EXPENSES</b>		
Administration	216,252	177,632
Tenant Services	0	0
Utilities	24,681	32,274
Ordinary maint. and operations	69,612	109,140
General and Other	28,066	29,129
Extraordinary maintenance	12,188	9,030
Depreciation	68,266	85,885
HAP payments	<u>633,169</u>	<u>602,525</u>
Total Operating Expenses	<u>1,052,234</u>	<u>1,045,615</u>
Gain (loss) from operations	(63,280)	(167,247)
<b>NON-OPERATING REVENUES</b>		
Federal Grants – Capital	10,532	87,948
Interest Income	<u>256</u>	<u>128</u>
Total Non-Operating Revenue	<u>10,788</u>	<u>88,076</u>
Net Increase (Decrease) in Net Position	(52,492)	(79,171)
Net Position, Beginning of Year	<u>1,232,017</u>	<u>1,179,525</u>
Net Position, End of Year	<u><u>1,179,525</u></u>	<u><u>1,100,354</u></u>

**LINTON HOUSING AUTHORITY  
LINTON, ILLINOIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

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 decreased \$3,785 or by -3%.

Compared with the prior fiscal year, total expenses decreased by \$6,619 with the most significant cause(s) listed below

- Administrative costs decreased by \$38,620.
- HAP payments decreased by \$30,644.

These changes led to a decrease in total assets by \$80,771 and a decrease in liabilities by \$891. With these changes, there is still almost \$7.34 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 POSITION - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2012**

**ASSETS**

Cash - operating	\$	77,877
Cash - restricted		64,922
Cash - tenant security deposits		7,119
Receivables (net)		214
Inventory		1,150
Prepaid expenses		4,086
Capital assets:		
Land, land improvements and construction in progress	\$	293,481
Other capital assets, net of depreciation		<u>671,956</u>
Net Capital Assets		<u>\$ 965,437</u>
Total Assets		<u>\$ 1,120,805</u>

**DEFERRED OUTFLOWS OF RESOURCES (Note 9)** \$ 709

**TOTAL** \$ 1,121,514

**LIABILITIES**

Accounts payable and accrued expenses	\$	16,820
Accrued liabilities		3,371
Unearned revenue		<u>969</u>
Total Liabilities		<u>\$ 21,160</u>

**DEFERRED OUTFLOWS OF RESOURCES** \$ 0

**NET POSITION**

Net investment in capital assets	\$	965,437
Restricted		63,953
Unrestricted		<u>70,964</u>
Total Net Position		<u>\$ 1,100,354</u>

**TOTAL** \$ 1,121,514

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

Operating Income

Tenant rental revenue	\$ 120,908
Total Rental Revenue	\$ 120,908
HUD grants - operating	750,305
Other revenue	<u>7,155</u>
Total Operating Income	<u>\$ 878,368</u>

Operating Expenses

Administration	\$ 177,632
Utilities	32,274
Ordinary maintenance and operation	109,140
General expense	29,129
Extraordinary maintenance	9,030
Housing assistance payments	602,525
Depreciation	<u>85,885</u>
Total Operating Expenses	<u>\$ 1,045,615</u>
Net Operating Income (Loss)	\$ -167,247

Nonoperating Income

Interest income	128
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Capital Contributions

Capital fund grants	<u>87,948</u>
Changes in net position	\$ -79,171
Net position, beginning of year	<u>1,179,525</u>
Net position, end of year	<u>\$ 1,100,354</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, 2012**

Operating Activities

Operating grants	\$ 772,942
Tenant revenue	122,098
Other revenue	7,155
Housing assistance payments	-602,525
Payments to employees	-140,445
Payments to suppliers and contractors	<u>-217,995</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -58,770</u>

Investing Activities

Interest income	<u>\$ 128</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 128</u>

Capital and Related Financing Activities

Capital fund grants	\$ 87,948
(Additions) deletions to fixed assets	<u>-219,689</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -131,741</u>
Net Change in Cash	\$ -190,383
Cash Balance at December 31, 2009	<u>340,301</u>
Cash Balance at December 31, 2012	<u><u>\$ 149,918</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, 2012**

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

Net operating income (loss)	\$ -167,247
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	85,885
(Increase) decrease in accounts receivable	24,704
(Increase) decrease in prepaid expenses	-783
(Increase) decrease in inventories	271
(Increase) decrease in deferred outflows	-709
Increase (decrease) in accounts payable	-1,548
Increase (decrease) in other liabilities	219
Increase (decrease) in unearned revenues	<u>438</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -58,770</u>

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012**

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, 2012  
(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) 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 position and have been eliminated in the basic financial statements.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2012, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

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

If the 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, 2012  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(l) Income Tax -

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

(m) Annual Contributions/Subsidies and Other Grants

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

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

- (n) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.
- (o) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled 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.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (q) Rental income is recognized as rents become due.
- (r) 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, 2012  
(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	\$ 31,051	\$ 33,304
Voucher	<u>118,867</u>	<u>120,394</u>
Total	<u>\$ 149,918</u>	<u>\$ 153,698</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, 2012  
(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 PERF (Public Employee Retirement Fund), a defined contribution retirement program. 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 20% and 3% of covered wages, respectively. For the fiscal year ended December 31, 2012, required contributions by the Housing Authority were \$19,234. Total annual payroll expense was \$140,664.

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 consists of the following accounts:

Tenants accounts receivable	\$ 385
Allowance for doubtful accounts	<u>-171</u>
Subtotal	\$ 214
Interfund	<u>10,356</u>
Total	<u>\$ 10,570</u>

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 7 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ <u>4,086</u>
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Note 8 - Capital Assets

Balance as of December 31, 2012	\$ 965,437
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Balance as of December 31, 2011	<u>831,633</u>
---------------------------------	----------------

Net Increase (Decrease)	\$ <u>133,804</u>
-------------------------	-------------------

Reconciliation

Betterments and additions	\$ 210,794
Replacement of equipment	8,895
Current year depreciation expense	<u>-85,885</u> *

Net Increase (Decrease)	\$ <u>133,804</u>
-------------------------	-------------------

<u>Analysis</u>	01/01/2012 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2012 <u>Balance</u>
Land	\$ 289,163	\$ 4,318	\$ 0	\$ 293,481
Buildings	2,676,607	226,011	0	2,902,618
Equipment and furniture	121,841	8,895	22,835	107,901
Leasehold improvements	<u>1,242</u>	<u>0</u>	<u>0</u>	<u>1,242</u>
Total	\$ 3,088,853	\$ 239,224	\$ 22,835	\$ 3,305,242
Accumulated depreciation	<u>-2,257,220</u>	<u>3,300</u>	<u>85,885</u> *	<u>-2,339,805</u>
Net Assets	<u>\$ 831,633</u>	<u>\$ 242,524</u>	<u>\$ 108,720</u>	<u>\$ 965,437</u>

\*Current year depreciation expense recognized.

Note 9 - Deferred Outflows of Resources

HUD - CFP funds	\$ <u>709</u>
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**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 9,701
Tenants security deposits	<u>7,119</u>
Subtotal	\$ 16,820
Interfund	<u>10,356</u>
Total	<u><u>\$ 27,176</u></u>

Note 11 - 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 12 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Accrued wages and payroll taxes	<u><u>\$ 3,371</u></u>
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Note 13 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u><u>\$ 969</u></u>
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**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2012  
(CONTINUED)**

Note 14 - 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 15 - Allocation of Costs

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

Note 16 - 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 17 - 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 18 - 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.

Note 19 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	\$ <u>63,953</u>
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## **SUPPLEMENTAL DATA**

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

<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 12/31/12	\$ 5,913	\$ 5,913	\$ 5,913
Housing Choice Vouchers*	14.871	C2021V	FYE 12/31/12	\$ 727,892	\$ 727,892	\$ 727,892
Public Housing - Capital Fund	14.872	C-2080	FYE 12/31/12	\$ 125,115	\$ 104,448	\$ 104,448
Total Housing Assistance				<u>\$ 858,920</u>	<u>\$ 838,253</u>	<u>\$ 838,253</u>

\*Denotes major program.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P05501-11**

1. The Actual Modernization Costs of Phase IN36P05501-11 are as follows:

Funds approved	\$ 65,510
Funds expended	<u>65,510</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 65,510
Funds expended	<u>65,510</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated January 30, 2013, 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.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P05501-12**

1. The Actual Modernization Costs of Phase IN36P05501-12 are as follows:

Funds approved	\$	59,605
Funds expended		<u>59,605</u>
Excess of Funds Approved	\$	<u><u>0</u></u>
Funds advanced		
Grants	\$	59,605
Funds expended		<u>59,605</u>
Excess of Funds Advanced	\$	<u><u>0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated January 30, 2013, 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.



**Independent Auditor's 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 in accordance with the 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, the financial statements of the Linton Housing Authority, which comprise the statement of net position as of December 31, 2012, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Linton Housing Authority's basic financial statements and have issued my report thereon dated September 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Linton Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Linton Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Linton Housing Authority's internal control.

*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 Linton Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

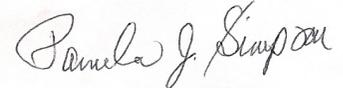
**Compliance and Other Matters**

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

I noted certain matters that I reported to the management of the Linton Housing Authority in a separate letter dated September 11, 2013.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Linton Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Linton Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois  
September 11, 2013



**Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major HUD-Assisted Program  
and on Internal Control over Compliance in Accordance with OMB CIRCULAR A-133**

Board of Commissioners  
Linton Housing Authority  
Linton, Indiana

**Report on Compliance for Each Major Program**

I have audited the Linton Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Linton Housing Authority's major federal programs for the year ended December 31, 2012. The 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Linton Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. 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 (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Linton 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 on compliance for each major program. However, my audit does not provide a legal determination of the Linton Housing Authority's compliance.

**Opinion on Each Major Program**

In my opinion, the Linton Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## **Other Matters**

The results of my auditing procedures also disclosed immaterial instances of noncompliance which are to be reported in accordance with *OMB Circular A-133*, which are described in the accompanying schedule of findings and questioned costs as items 2012-001 and 2012-002. My opinion is not modified with respect to this matter.

The Linton Housing Authority's responses to the noncompliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Linton Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

## **Report on Internal Control Over Compliance**

Management of the Linton Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Linton Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program 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 the Linton Housing Authority's internal control over compliance.

*A deficiency in 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 and correct, noncompliance with a type of compliance requirements 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

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 *material weaknesses* or *significant deficiencies*. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The Linton Housing Authority's responses 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 responses and, accordingly, I express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of my testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Decatur, Illinois  
September 11, 2013



Certified Public Accountant

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended December 31, 2011 contained three findings.

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

The Housing Authority is not maintaining the proper detail in their general ledger to properly complete the electronic reporting to REAC/HUD. 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. The Housing Authority must maintain their general ledgers and financial statements to comply with HUD requirements. This finding continues.

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

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.

The Housing 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. This finding continues.

**Finding 2011-3: 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 is considered closed.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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? \_\_\_\_\_ 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 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 three financial statement audit findings were discussed with J. Ken Wright, during the course of the audit and at an exit conference held September 11, 2013

**Finding 2012-001: 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.

In addition to not using the prescribed chart of accounts, in the prior year, Governmental Accounting Standards Board (GASB) approved Statement No. 63 which changes how governments will organize their statements of financial position. The Housing Authority’s statements do not reflect these new standards.

*Effect:* The Housing Authority is not preparing its financial statements in the prescribed format . Additionally, 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 GASB No. 63 or 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 GASB and 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 2012-002: 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 previously lacked support or reconciliations. In the current year, it was noted that adjustments were made to the detailed schedule, but the adjustments made and the final detail did not properly reflect current year transactions.

- \* Many improvements and additions were purchased with Capital Fund funds, however, they were not capitalized in accordance to the agency's capitalization policy.
- \* Prior audit adjustments to asset basis had been ignored in the reconciliation of the detailed schedule and the general ledger.
- \* Current year capital fund transactions and the closing of the prior CFP projects were not properly reconciled and added to the schedule.

*Effect:* There was inadequate reconciliation of the cash transaction, transactions in the general ledger (improvements and their capitalization) of fixed assets and the detailed depreciation schedule, therefore, neither the detailed depreciation schedule or the general ledger accurately reflected the fixed asset activity paid with Capital Fund grants for the year for the fiscal year.

*Cause:* The Housing Authority had prepared an analysis of CFP expenditures, but the fee accountant had not used the analysis during the preparation of the depreciation schedule or recording the CFP transactions in the general ledger.

*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 responsibilities and expectations of the fee accountant should be detailed in a written memorandum. The standardized controls should encompass all aspects of financial statement preparation including the use and reliance upon the fee accountant. Correct charts of accounts and financial statement format should be included in the design and the development of the controls.

*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. The need for correct financial statement format will be emphasized in our development of an understanding with the fee accountant.

**Section III - Federal Award Audit Findings**

There were no federal award audit finding discussed with J. Ken Wright, during the course of the audit and at an exit conference held September 11, 2013.

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2012**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Modernization costs	1400.5	\$ 8,532.10		1400.5
Interest payable bonds - HUD	2133	3,152.00		2133
Vendors and contractors	2111	.29		2111
Development costs	1400.2		\$ 8,531.24	1400.2
Unreserved surplus	2810		.61	2810
Prepaid insurance	1211		.39	1211
HUD	1125		.06	1125
Payroll deductions	2117		3,152.09	2117
(To post prior year audit adjustments not posted)				
(2)				
Employee benefits	4540	\$ 28.83		2810
Sundry	4190	189.99		2810
Vendors and contractors	2111		\$ 218.82	2111
(To reverse prior year audit adjustments and record 4 <sup>th</sup> quarter PERF payable)				
(3)				
Payroll deductions	2117	\$ 337.53		2117
Employee benefit contributions	4540		\$ 337.53	2810
(To adjust payable withholdings for December 2012 federal tax liability paid 1/9/2013 and for penalty for 4 <sup>th</sup> quarter 941 paid 3/27/2013)				
(4)				
Compensated absence expense	4592	\$ 4,107.20		2810
Admin salaries	4110		\$ 3,652.20	2810
Maintenance - labor	4410		455.00	2810
(To record earned vacation time @ 12/31/12)				
(5)				
Admin salaries	4110	\$ 3,518.00		2810
Interest payable bonds - non HUD	2133		\$ 3,152.00	2133
Maintenance - labor	4410		366.00	2810
(To adjust wages payable to actual)				
(6)				
Invested in capital assets	----		\$ 2,000.00	2810
Development costs	1400.2	\$ 2,000.00		1400.2
(To correct entry for trade in of mower for new mower and weed eater)				

**LINTON HOUSING AUTHORITY  
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2012**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(7)				
Invested in capital assets	----	\$ 8,691.07	\$ 2.00	2810
Development costs	1400.2	2.00	15,439.00	1400.2
Modernization costs	1400.5	6,747.93		1400.5
(To correct closing entries 31-39)				
(8)				
Invested in capital assets	----		\$ 12,095.00	2810
Depreciation expense	4470	\$ 12,095.00		2810
(To correct journal entry recording depreciation for CFP assets)				
(9)				
Modernization costs	1400.5		\$ 16,500.00	1400.5
Invested in capital assets	----	\$ 26,074.93		2810
Unrestricted net assets	----		20,667.00	2810
HUD capital grants - 501-12	8029.2		8,795.00	2845
Development costs	1400.2	19,887.07		1400.2
(To correct entries 31-39 related to posting of prior audit adjustments)				
<u>Voucher</u>				
(1)				
HUD subsidy - admin	8020	\$ 1,970.00		2810
HUD	1125		\$ 1,970.00	1125
(To reclassify receipt 5/15/12 related to FYE 2011 final reconciliations)				
(2)				
Accounts payable - vendor	2111	\$ 2,690.00		2811
Unrestricted net assets	2810		\$ .01	2810
Accounting & auditing	4170		2,500.00	2810
Sundry - printing	4190		120.00	2810
Sundry - telephone	4190		69.99	2810
(To reverse prior year payable balances still on general ledger)				
(3)				
Restricted net assets	2820		\$ 22,465.55	2820
Unrestricted net assets	2810	\$ 22,465.55		2810
(To correct posting of JV 12-016 per analysis of NRA and subsidy)				
(4)				
Compensated absence expense	4592	\$ 3,065.91		2810
Admin salaries	4110		\$ 3,065.91	2810
(To record earned vacation time @ 12/31/12)				

## Linton Housing Authority (IN055)

LINTON, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$22,963	\$54,914	\$77,877		\$77,877
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$63,953	\$63,953		\$63,953
114 Cash - Tenant Security Deposits	\$7,119		\$7,119		\$7,119
115 Cash - Restricted for Payment of Current Liabilities	\$969		\$969		\$969
100 Total Cash	\$31,051	\$118,867	\$149,918	\$0	\$149,918
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects		\$709	\$709		\$709
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$385		\$385		\$385
126.1 Allowance for Doubtful Accounts - Tenants	-\$171		-\$171		-\$171
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	\$214	\$709	\$923	\$0	\$923
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$4,086		\$4,086		\$4,086
143 Inventories	\$1,150		\$1,150		\$1,150
143.1 Allowance for Obsolete Inventories	\$0		\$0		\$0
144 Inter Program Due From	\$10,356		\$10,356	-\$10,356	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$46,857	\$119,576	\$166,433	-\$10,356	\$156,077
161 Land	\$293,481		\$293,481		\$293,481
162 Buildings	\$2,862,987	\$39,631	\$2,902,618		\$2,902,618
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$107,901		\$107,901		\$107,901
165 Leasehold Improvements	\$1,242		\$1,242		\$1,242
166 Accumulated Depreciation	-\$2,300,174	-\$39,631	-\$2,339,805		-\$2,339,805
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$965,437	\$0	\$965,437	\$0	\$965,437
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	\$965,437	\$0	\$965,437	\$0	\$965,437
190 Total Assets	\$1,012,294	\$119,576	\$1,131,870	-\$10,356	\$1,121,514

## Linton Housing Authority (IN055)

LINTON, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$6,641	\$3,060	\$9,701		\$9,701
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$3,371		\$3,371		\$3,371
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	\$7,119		\$7,119		\$7,119
342 Deferred Revenues	\$969		\$969		\$969
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$10,356	\$10,356	-\$10,356	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$18,100	\$13,416	\$31,516	-\$10,356	\$21,160
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current					
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$18,100	\$13,416	\$31,516	-\$10,356	\$21,160
508.1 Invested In Capital Assets, Net of Related Debt	\$965,437		\$965,437		\$965,437
511.1 Restricted Net Assets		\$63,953	\$63,953		\$63,953
512.1 Unrestricted Net Assets	\$28,757	\$42,207	\$70,964		\$70,964
513 Total Equity/Net Assets	\$994,194	\$106,160	\$1,100,354	\$0	\$1,100,354
600 Total Liabilities and Equity/Net Assets	\$1,012,294	\$119,576	\$1,131,870	-\$10,356	\$1,121,514

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$120,908		\$120,908		\$120,908
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$120,908	\$0	\$120,908	\$0	\$120,908
70600 HUD PHA Operating Grants	\$22,413	\$727,892	\$750,305		\$750,305
70610 Capital Grants	\$87,948		\$87,948		\$87,948
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$68	\$60	\$128		\$128
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$7,155		\$7,155		\$7,155
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$238,492	\$727,952	\$966,444	\$0	\$966,444
91100 Administrative Salaries	\$58,033	\$50,076	\$108,109		\$108,109
91200 Auditing Fees	\$5,000		\$5,000		\$5,000
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$5,545	\$25,833	\$31,378		\$31,378
91600 Office Expenses	\$11,097	\$9,870	\$20,967		\$20,967
91700 Legal Expense					
91800 Travel	\$5,768		\$5,768		\$5,768
91810 Allocated Overhead					
91900 Other	\$4,040	\$2,370	\$6,410		\$6,410
91000 Total Operating - Administrative	\$89,483	\$88,149	\$177,632	\$0	\$177,632
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	\$0

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water	\$9,654		\$9,654		\$9,654
93200 Electricity	\$4,093		\$4,093		\$4,093
93300 Gas	\$619		\$619		\$619
93400 Fuel					
93500 Labor					
93600 Sewer	\$17,908		\$17,908		\$17,908
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$32,274	\$0	\$32,274	\$0	\$32,274
94100 Ordinary Maintenance and Operations - Labor	\$25,382		\$25,382		\$25,382
94200 Ordinary Maintenance and Operations - Materials and Other	\$26,956		\$26,956		\$26,956
94300 Ordinary Maintenance and Operations Contracts	\$54,171		\$54,171		\$54,171
94500 Employee Benefit Contributions - Ordinary Maintenance	\$2,631		\$2,631		\$2,631
94000 Total Maintenance	\$109,140	\$0	\$109,140	\$0	\$109,140
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$16,511		\$16,511		\$16,511
96120 Liability Insurance	\$233		\$233		\$233
96130 Workmen's Compensation	\$2,010		\$2,010		\$2,010
96140 All Other Insurance	\$3,090		\$3,090		\$3,090
96100 Total Insurance Premiums	\$21,844	\$0	\$21,844	\$0	\$21,844
96200 Other General Expenses					
96210 Compensated Absences	\$4,107	\$3,066	\$7,173		\$7,173
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents	\$112		\$112		\$112
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$4,219	\$3,066	\$7,285	\$0	\$7,285
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$256,960	\$91,215	\$348,175	\$0	\$348,175
97000 Excess of Operating Revenue over Operating Expenses	-\$18,468	\$636,737	\$618,269	\$0	\$618,269

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$9,030		\$9,030		\$9,030
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$602,525	\$602,525		\$602,525
97350 HAP Portability-In					
97400 Depreciation Expense	\$85,885		\$85,885		\$85,885
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$351,875	\$693,740	\$1,045,615	\$0	\$1,045,615
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$113,383	\$34,212	-\$79,171	\$0	-\$79,171
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,107,577	\$71,948	\$1,179,525		\$1,179,525
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		\$42,207	\$42,207		\$42,207
11180 Housing Assistance Payments Equity		\$63,953	\$63,953		\$63,953
11190 Unit Months Available	588	2628	3216		3216
11210 Number of Unit Months Leased	576	2573	3149		3149
11270 Excess Cash	\$3,483		\$3,483		\$3,483
11610 Land Purchases	\$4,318		\$4,318		\$4,318
11620 Building Purchases	\$206,476		\$206,476		\$206,476
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$8,895		\$8,895		\$8,895
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

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, 2012, 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:

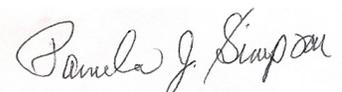
1. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in the written policy/procedural manual. A procedural manual is essential to any system of internal controls.

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 2011 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 2012 when Indiana Statute requires 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 required to be posted to the detail.
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  
September 11, 2013