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AN EQUAL OPPORTUNITY EMPLOYER

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June 24, 2014

Board of Directors
Marshall County Housing Authority
30 S. Meridian Street, Suite 1000
Indianapolis, IN 46204

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Marshall County Housing Authority, as of December 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2008

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Independent Auditor's Report

Board of Commissioners
Marshall County Housing Authority
Plymouth, Indiana

I have audited the accompanying financial statements of Marshall County Housing Authority, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Marshall County Housing Authority, as of December 31, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 6, 2009, on my consideration of the Marshall County Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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

Decatur, Illinois
October 6, 2009



Certified Public Accountant

MARSHALL COUNTY HOUSING AUTHORITY
P. O. Box 267
Plymouth, IN 46563

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

Our discussion and analysis of the Marshall County Housing Authority financial performance provides the reader with an overview to the Authority's financial Activities for the fiscal year ended December 31, 2008. The information contained in this MD&A should be considered in the conjunction with the Authority's financial statements which are included with the MD&A.

FINANCIAL HIGHLIGHTS

- The Authority's cash balance at December 31, 2008 was \$174,764 representing an increase of \$404 from December 31, 2007.
- The assets of the Authority exceeded its Liabilities at the close of 2008 by \$174,488.
- The Authority had HUD operating grants of \$725,684 for the year ending December 31, 2008.

USING THIS ANNUAL REPORT

This annual report consists of the Management's Discussion and Analysis, the financial statements, and notes to the financial statements. The MD&A provides a narrative of the Authority's financial performance and activities for the year ended December 31, 2008. The statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to the full understanding of the data provided in the financial statements.

The financial statements consist of three statements:

- Statement of Net Assets - presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decrease in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
- Statement of Changes in Net Assets - presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- Statement of Cash Flows - presents information showing how the Authority's cash changed during the most recent fiscal year, it shows the sources and uses of cash.

MARSHALL COUNTY HOUSING AUTHORITY
P. O. Box 267
Plymouth, IN 46563

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

HOUSING AUTHORITY ACTIVITIES AND HIGHLIGHTS

The Marshall County Housing Authority achieved a 91.9% occupancy rate in the Housing Choice Voucher Program for the FYE December 31, 2008. There was an increase from the previous FYE December 31, 2007 Housing Choice Voucher Program occupancy rate of 82.5%.

FINANCIAL OPERATIONS HIGHLIGHTS

The Marshall County Housing Authority had 75.7% of the Choice Voucher Tenants at the 30% of median (very low income) for the 2008 year. The 2007 tenants at the 30% of median income were 75.5%.

CAPITAL ASSET ACTIVITY

The Marshall County Housing Authority did not acquire any new assets in the 2008 year, however, they did purchase a software upgrade that was capitalized.

DEBT ADMINISTRATION

The Marshall County Housing Authority has no debt.

STATEMENT OF CHANGES IN NET ASSETS

	<u>2007</u>	<u>2008</u>	<u>Variance</u>
REVENUE			
HUD Operating Grants	\$ 705,306	\$ 725,684	\$ 20,378
Investment Income	164	-0-	(164)
Other Income	<u> </u>	<u>-0-</u>	<u>-</u>
0-			
TOTAL OPERATING REVENUE	<u>705,470</u>	<u>725,684</u>	<u>20,214</u>
EXPENSES			
Housing Assistance	608,343	631,100	22,757
Administrative	81,035	84,343	3,308
Depreciation	<u>786</u>	<u>875</u>	<u>(89)</u>
TOTAL OPERATING EXPENSE	<u>690,164</u>	<u>716,318</u>	<u>25,154</u>
Net income	<u>\$ 15,306</u>	<u>\$ 9,366</u>	<u>\$ (5,940)</u>

HAP's went up due to an increase in the Fair Market Rents. Administrative expenses went up due to a small increase in salaries and an increase in other operating expense due to increases in utilities and inspection costs.

MARSHALL COUNTY HOUSING AUTHORITY
P. O. Box 267
Plymouth, IN 46563

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

STATEMENT OF NET ASSETS

The following table summarizes the changes in Net Assets between December 31, 2007 and 2008:

	<u>2007</u>	<u>2008</u>	<u>Change</u>
ASSETS			
Current Assets			
Trust account	10,723	12,087	1,364
Cash -Unrestricted	72,624	57,514	(15,110)
Restricted cash	91,013	105,163	14,150
Prepaid expenses	<u>483</u>	<u>483</u>	<u>0</u>
Current Assets	<u>174,843</u>	<u>175,247</u>	<u>404</u>
Property and Equipment			
Office Equipment (net)	<u>1,452</u>	<u>725</u>	<u>(727)</u>
TOTAL ASSETS	<u>176,295</u>	<u>175,972</u>	<u>(323)</u>
LIABILITIES & NET ASSETS			
Current Liabilities			
Accounts Payable	<u>450</u>	<u>1,484</u>	<u>1,034</u>
TOTAL LIABILITIES	<u>450</u>	<u>1,484</u>	<u>1,034</u>
Invested in capital assets	1,452	725	(727)
Restricted	83,380	105,163	14,150
Unrestricted	<u>72,657</u>	<u>68,600</u>	<u>(14,780)</u>
Net Assets/Retained Earnings	<u>\$ 175,845</u>	<u>\$ 174,488</u>	<u>\$ (1,357)</u>

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's Accountability of all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

MARSHALL COUNTY HOUSING AUTHORITY
Attn: G. Dean Byers, Executive Director
P. O. Box 267
Plymouth, IN 46563

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2008**

ASSETS

CURRENT ASSETS

Cash	\$ 69,601
Deferred charges	<u>483</u>

Total Current Assets	\$ <u>70,084</u>
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RESTRICTED ASSETS

Cash	\$ <u>105,163</u>
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Total Restricted Assets	\$ <u>105,163</u>
-------------------------	-------------------

CAPITAL ASSETS

Land, buildings and equipment	\$ 5,141
Less: Accumulated depreciation	<u>-4,416</u>

Total Capital Assets	\$ <u>725</u>
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Total Assets	\$ <u>175,972</u>
--------------	-------------------

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ <u>1,484</u>
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Total Current Liabilities	\$ <u>1,484</u>
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NET ASSETS

Invested in capital assets	\$ 725
Restricted	105,163
Unrestricted	<u>68,600</u>

Total Net Assets	\$ <u><u>174,488</u></u>
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**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Income

HUD grants - operating	\$ <u>725,684</u>
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Total Operating Income	\$ <u>725,684</u>
------------------------	-------------------

Operating Expenses

Administration	\$ 80,216
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Utilities	617
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Ordinary maintenance and operation	3,355
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General expense	155
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Housing assistance payments	631,100
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Depreciation	<u>875</u>
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Total Operating Expenses	\$ <u>716,318</u>
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Net Operating Income (Loss)	\$ <u>9,366</u>
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Changes in net assets	\$ 9,366
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Net assets, beginning of year	<u>165,122</u>
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Net assets, end of year	<u><u>\$ 174,488</u></u>
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**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Operating Activities

Operating grants	\$ 725,684
Housing assistance payments	-631,100
Payments to employees	-45,880
Payments to suppliers and contractors	<u>-37,429</u>

Net Cash Provided (Used) by Operating Activities \$ 11,275

Capital and Related Financing Activities

Additions (deletions) to fixed assets \$ -148

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -148

Net Change in Cash \$ 11,127

Cash Balance at December 31, 2007 163,637

Cash Balance at December 31, 2008 \$ 174,764

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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

Net operating income (loss)	\$ 9,366
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	875
Increase (decrease) in accounts payable	<u>1,034</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,275</u>

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, 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:

- * Housing Choice Vouchers

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of 1 month or less when purchased to be cash equivalents. A formal policy has not been adopted, however, this is the practice followed by the Housing Authority.

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) 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 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:

Furniture and fixtures	5-10	years
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(g) Income Tax -

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

(h) Annual Contributions/Subsidies and Other Grants

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

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

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

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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.

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Cash	\$ 162,676	\$ 163,082
Trust fund cash	<u>12,088</u>	<u>12,088</u>
Total	<u>\$ 174,764</u>	<u>\$ 175,170</u>

Note 3 - Deferred Charges

This classification includes the following:

Prepaid insurance	\$ 26
Other prepaid expenses	<u>457</u>
Total	<u>\$ 483</u>

Note 4 - Fixed Assets

Balance as of December 31, 2008	\$ 725
Balance as of December 31, 2007	<u>1,452</u>
Net Increase (Decrease)	<u>\$ -727</u>

Reconciliation

Property betterments and additions	\$ 148
Current year depreciation expense	<u>-875</u> *
Net Increase (Decrease)	<u>\$ -727</u>

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 4 - Fixed Assets (Continued)

<u>Analysis</u>	01/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	12/31/2008 <u>Balance</u>
Equipment and furniture	\$ 4,993	\$ 148	\$ 0	\$ 5,141
Accumulated depreciation	<u>-3,541</u>	<u>-875</u> *	<u>0</u>	<u>-4,416</u>
Net Assets	<u>\$ 1,452</u>	<u>\$ -727</u>	<u>\$ 0</u>	<u>\$ 725</u>

* Current year depreciation expense recognized.

Note 5 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 1,037
Accounts payable - HUD	<u>447</u>
Total	<u>\$ 1,484</u>

Note 6 - 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 basis.

Note 7 - 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.

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2008
(CONTINUED)**

Note 8 - Risk Management

The Housing Authority carries fidelity bond insurance coverage to cover exposure and the risk of losses related to thefts.

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

Note 9 - Economic Dependency

The Housing Authority received most of its revenue (100%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>					
Direct Programs:					
Housing Choice Voucher Program	14.871	FYE 12/31/08	\$ 725,684	\$ 725,684	\$ 725,684
Total Housing Assistance			<u>\$ 725,684</u>	<u>\$ 725,684</u>	<u>\$ 725,684</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2008**

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

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Marshall County Housing Authority
Plymouth, Indiana

I have audited the financial statements of Marshall County Housing Authority as of and for the year ended December 31, 2008, which collectively comprise the Marshall County Housing Authority's basic financial statements and have issued my report thereon dated October 6, 2009. 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 Marshall County Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Marshall County Housing Authority's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

I noted certain matters that we reported to management of Marshall County Housing Authority, in a separate letter dated October 6, 2009.

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

Decatur, Illinois
October 6, 2009



Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

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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
Marshall County Housing Authority
Plymouth, Indiana

Compliance

I have audited the compliance of Marshall County Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Marshall County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marshall County Housing Authority's management. My responsibility is to express an opinion on Marshall County Housing Authority's compliance based on my audit.

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

In my opinion, Marshall County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

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

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Marshall County Housing Authority in a separate letter dated October 6, 2009.

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

Decatur, Illinois
October 6, 2009



Certified Public Accountant

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2007 contained one finding.

Finding 2007-1: Tenant Files

During the 2007 audit, there were seventeen tenant files reviewed with several problems noted. One file was missing a current 9886, two files contained inspections that were not current, five files did not contain current leases and one tenant was found to be receiving two HAP's.

In the current year all forms 9886 were found and all inspections were noted to be completed timely. All files tested contained current, properly executed leases and addendums. No double payments were noted. This finding is considered closed.

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2008**

Section I - Summary of Auditor Results

Low Risk Auditee _____ yes X no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

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

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

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

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

Housing Choice Voucher Program 14.871

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CURRENT FINDINGS AND RECOMMENDATIONS**

Section II - Financial Statement Findings

There were no financial statement audit findings were discussed with G. Dean Byers , Executive Director, during the course of the audit or at an exit conference held October 6, 2009.

Section III - Federal Award Findings

There were no federal award audit findings were discussed with G. Dean Byers, Executive Director, during the course of the audit or at an exit conference held October 6, 2009.

**MARSHALL COUNTY HOUSING AUTHORITY
PLYMOUTH, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2008**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Subsidy - admin fee	3410.01	\$ 447.00		2810.002
Accounts payable - HUD	2118		\$ 447.00	2118
(To set up accounts payable for excess obligated fees per calendar year 2008 calculator)				
(2)				
HAP- subsidy	3410	\$ 3,348.00		2810.001
Admin - subsidy	3410.01		\$ 3,348.00	2810.002
(To move subsidy from HAP to Admin per notices)				

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Board of Commissioners
Marshall County Housing Authority
Plymouth, Indiana

In planning and performing my audit of the financial statements of Marshall County Housing Authority as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall County Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Marshall County Housing Authority's internal control.

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

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

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

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

In addition to the current informal policies being used, other policies you may want to consider would address: (a) procurement and (b) write off of old outstanding checks and record keeping for fraud recovery. The written policies should also cover the extent of use of outside consultants (fee accountants) are used to provide internal controls.

2. Management needs to review their procedures in anticipating income for the calculation of rent and housing assistance payments and the related quality control reviews of those files. In a review of seventeen Section 8 participant files, several immaterial discrepancies were noted in the calculation of anticipated income. In some of these instances, the discrepancy related to inconsistent methods of anticipating income in different files. In other files immaterial math errors were noted.

Management should review the proper methods of anticipating income with all housing intake staff. Additionally it is suggested that management increase the number of quality assurance reviews that are completed on all files.

3. During the review of insurance coverage it was noted that the PHA only carries only bonding insurance. A complete risk management policy would include the agency to carry other types of coverage such as (a) public official or Director and official liability, (b) lead based paint coverage, (c) worker's compensation, (d) equipment and important coverage, (e) general liability and (f) errors and omissions. Based on HUD insurance coverage guidelines, the Housing Authority should also increase the bond coverage to a minimum of \$25,000.
4. While reviewing the agency's SEMAP certification, the PHA could not provide written documentation to substantiate that the selection from the waiting list has been tested. It was also noted that PHA tested an adequate number of units, but the only documentation that was provided for inspections was a list of addresses with no tenant name or status of inspection. PHA should retain all detailed documentation used in the preparation of the SEMAP certification.

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

Decatur, Illinois
October 6, 2009



Certified Public Accountant