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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, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Marshall County Housing Authority, as of December 31, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

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

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**TWELVE MONTHS ENDED DECEMBER 31, 2009**

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

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

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DECATUR, ILLINOIS 62526  
(217) 872-1908

## Independent Auditor's Report

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

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Marshall County Housing Authority, as of December 31, 2009 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 8, 2010, 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.



Certified Public Accountant

Decatur, Illinois  
September 8, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2009**

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, 2009. The information contained in this MD&A should be considered in the conjunction with the Authority's basic financial statements which are included with the MD&A.

**FINANCIAL HIGHLIGHTS**

- The Authority's cash balance at December 31, 2009 was \$210,904 representing an increase of \$36,140, over December 31, 2008.
- The assets of the Authority did exceed its liabilities at the close of 2009.
- The Authority had HUD operating grants of \$709,506 and fraud recovery income of \$1,256 for the year ending December 31, 2009.

**USING THIS ANNUAL REPORT**

This annual report consists of the Management's Discussion and Analysis, the basic 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, 2009. The basic 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 basic financial statements.

The basic 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 or whether the financial situation of the Authority is improving.
- Statement of Activities – 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, 2009**

**HOUSING AUTHORITY ACTIVITIES AND HIGHLIGHTS**

The Marshall County Housing Authority achieved a 90% occupancy rate in the Housing Choice Voucher Program for the FYE December 31, 2009. This rate decreased from the previous FYE December 31, 2008 Housing Choice Voucher Program occupancy rate of 98%.

**FINANCIAL OPERATIONS HIGHLIGHTS**

The Marshall County Housing Authority had 77.9% of the Choice Voucher tenants at the 30% of median (very low income) for the 2009 year. The 2008 tenants at the 30% of median income was 81.3%.

**CAPITAL ASSET ACTIVITY**

The Marshall County Housing Authority acquired new computers and software in 2009.

**DEBT ADMINISTRATION**

The Marshall County Housing Authority has no debt.

**STATEMENT OF CHANGES IN NET ASSETS**

	<u>2008</u>	<u>2009</u>	<u>Variance</u>
<b><u>REVENUE</u></b>			
HUD grants operating	725,684	709,506	-16,178
Fraud recovery	0	1,256	1,256
Other revenue	0	10,360	10,360
Gain or loss on sale of fixed assets	<u>0</u>	<u>-115</u>	<u>-115</u>
 Total Operating Revenue	 725,684	 721,007	 -4,677
<b><u>EXPENSES</u></b>			
Housing Assistance	631,100	633,737	2,637
Administrative	80,216	97,903	17,687
Utilities	617	622	5
Ordinary maintenance	3,355	2,380	-975
General expense	155	154	-1
Depreciation	<u>875</u>	<u>744</u>	<u>-131</u>
 Total Expenses	 <u>716,318</u>	 <u>735,540</u>	 <u>19,222</u>
 Net Income (Loss)	 <u>9,366</u>	 <u>-14,533</u>	 <u>23,899</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2009**

**STATEMENT OF NET ASSETS**

	<u>2008</u>	<u>2009</u>	<u>Variance</u>
<b><u>Current Assets</u></b>			
Cash - unrestricted	69,601	99,121	-29,520
Accounts Receivable	0	3,431	3,431
Inventory	0	363	363
Deferred charges	483	2,963	2,480
Cash - restricted	<u>105,163</u>	<u>111,783</u>	<u>6,620</u>
Current Assets	175,247	217,661	42,414
<b><u>Property and Equipment</u></b>			
Office Equipment (net)	<u>725</u>	<u>5,530</u>	<u>4,805</u>
Total Assets	175,972	223,191	47,219
<b><u>Current Liabilities</u></b>			
Accounts Payable	1,484	4,278	2,794
Deferred revenue	<u>0</u>	<u>58,958</u>	<u>58,958</u>
Current Liabilities	1,484	63,236	61,752
<b><u>Net Assets/Retained Earnings</u></b>			
Invested in capital assets	725	5,530	4,805
Restricted	105,163	111,783	6,620
Unrestricted	<u>68,600</u>	<u>42,642</u>	<u>-25,958</u>
Total Net Assets	<u>174,488</u>	<u>159,955</u>	<u>-14,533</u>

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 99,121
Accounts receivable	3,431
Inventory	363
Deferred charges	<u>2,963</u>

Total Current Assets \$ 105,878

**RESTRICTED ASSETS**

Cash	\$ <u>111,783</u>
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Total Restricted Assets \$ 111,783

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 7,765
Less: Accumulated depreciation	<u>-2,235</u>

Total Capital Assets \$ 5,530

Total Assets \$ 223,191

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 4,278
Deferred revenues	<u>58,958</u>

Total Current Liabilities \$ 63,236

**NET ASSETS**

Invested in capital assets	\$ 5,530
Restricted	111,783
Unrestricted	<u>42,642</u>

Total Net Assets \$ 159,955

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2009**

Operating Income

HUD grants - operating	\$ 709,506
Fraud recovery	1,256
Other revenue	10,360
Gain or loss on sale of capital assets	<u>-115</u>
 Total Operating Income	 <u>\$ 721,007</u>

Operating Expenses

Administration	\$ 97,903
Utilities	622
Ordinary maintenance and operation	2,380
General expense	154
Housing assistance payments	633,737
Depreciation	<u>744</u>
 Total Operating Expenses	 <u>\$ 735,540</u>
 Net Operating Income (Loss)	 <u>\$ -14,533</u>
 Changes in net assets	 \$ -14,533
Net assets, beginning of year	<u>174,488</u>
 Net assets, end of year	 <u><u>\$ 159,955</u></u>

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2009**

Operating Activities

Operating grants	\$ 767,892
Other revenue	11,616
Housing assistance payments	-633,737
Payments to employees	-55,979
Payments to suppliers and contractors	<u>-48,103</u>

Net Cash Provided (Used) by Operating Activities \$ 41,689

Capital and Related Financing Activities

(Additions) deletions to fixed assets \$ -5,549

Net Cash Provided (Used) by  
Capital and Related Financing Activities \$ -5,549

Net Change in Cash \$ 36,140

Cash Balance at December 31, 2008 174,764

Cash Balance at December 31, 2009 \$ 210,904

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2009**

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

Net operating income (loss)	\$ -14,533
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	744
(Increase) decrease in accounts receivable	-3,431
(Increase) decrease in deferred charges	-2,480
(Increase) decrease in other assets	-363
Increase (decrease) in accounts payable	2,794
Increase (decrease) in deferred revenue	<u>58,958</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 41,689</u></u>

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2009**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Marshall County Housing Authority was established by the County of Marshall pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the County of Marshall and concluded that the County does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the County, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the County government. Debt incurred by the Authority is not an obligation of the County; the County does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the County, and has governance responsibilities over all activities related to all housing activities within the County. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the County, 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 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, 2009  
(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:

- \* 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 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.

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2009  
(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) nonexpendable equipment, and
- 2) property betterments and additions

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) Net Assets -

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

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

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2009  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) Income Tax -

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

(I) Annual Contributions/Subsidies and Other Grants

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

(j) 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.

(k) 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 \$200,000 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.

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2009  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*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.

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	\$ 210,904	\$ 210,904

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2009  
(CONTINUED)**

Note 3 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ 572
Fraud recovery	940
Portability	80
HABCO Trust	<u>1,839</u>
Subtotal	<u>\$ 3,431</u>

Note 4 - Deferred Charges

This classification includes the following:

Prepaid insurance	\$ 26
Other prepaid expenses	<u>2,937</u>
Total	<u>\$ 2,963</u>

Note 5 - Fixed Assets

Balance as of December 31, 2009	\$ 5,530
Balance as of December 31, 2008	<u>725</u>
Net Increase (Decrease)	<u>\$ 4,805</u>

Reconciliation

Property betterments and additions	\$ 5,664
Disposals	-115
Current year depreciation expense	<u>-744</u> *
Net Increase (Decrease)	<u>\$ 4,805</u>

<u>Analysis</u>	<u>01/01/2009 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2009 Balance</u>
Equipment and furniture	\$ 5,141	\$ 5,664	\$ 3,040	\$ 7,765
Accumulated depreciation	<u>-4,416</u>	<u>-744</u> *	<u>-2,925</u>	<u>-2,235</u>
Net Assets	<u>\$ 725</u>	<u>\$ 4,920</u>	<u>\$ 115</u>	<u>\$ 5,530</u>

\* Current year depreciation expense recognized.

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2009  
(CONTINUED)**

Note 6 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	<u>\$ 4,278</u>
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Note 7 - Deferred Revenue

This classification consists of the following:

January subsidy paid in December	<u>\$ 58,958</u>
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Note 8 - 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 9 - 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 10 - 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 10 - Economic Dependency

The Housing Authority received most of its revenue (98%) 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, 2009**

<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 12/31/09	\$ 709,506	\$ 709,506	\$ 709,506
Total Housing Assistance			<u>\$ 709,506</u>	<u>\$ 709,506</u>	<u>\$ 709,506</u>

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED DECEMBER 31, 2009**

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

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

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, 2009, which collectively comprise the Marshall County Housing Authority's basic financial statements and have issued my report thereon dated September 8, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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.

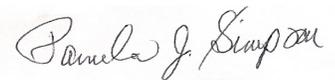
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any 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 September 8, 2010.

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

Handwritten signature of Pamela J. Simpson in black ink.

Certified Public Accountant

Decatur, Illinois  
September 8, 2010

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

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Commissioners  
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, 2009, and have issued my report thereon dated September 8, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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. I consider deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (2009-1)

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

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

I noted certain matters that we reported to management of Marshall County Housing Authority, in a separate letter dated September 8, 2010.

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

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.



Certified Public Accountant

Decatur, Illinois  
September 8, 2010

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended December 31, 2008 contained no findings.

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**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? X yes \_\_\_\_\_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes \_\_\_\_\_ 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, and other employees of the agency during the course of the audit and at an exit conference held September 8, 2010.

**Section III - Federal Award Findings**

There was one federal award audit findings were discussed with G. Dean Byers, Executive Director, and other employees of the agency during the course of the audit and at an exit conference held September 8, 2010.

**Finding 2009-1: Incomplete Section 8 Participant Files**

*Condition and Criteria:* HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). During my current year test of participant eligibility (21 files examined) I noted incomplete documentation and incorrect calculations of HAP as follows: (a) anticipated medical expenses (spend down) was not confirmed as actually being an out of pocket expense (b) anticipated income was carried forward from a prior certification instead of using current confirmed amounts not confirmed or properly calculated in three files (c) anticipated medical expenses were carried from a prior certification instead of using current amounts (d) a participant's social security number was entered incorrectly into the EIV system as well as on the 50058 submission (e) anticipated income was calculated incorrectly based on the information in the file (f) one participant provided proof that employment had terminated and the EIV report corroborated that information, however, earned income was still anticipated (g) the amount of child support anticipated did not match the child support confirmed as being received. Errors were found in ten of the fifteen files examined.

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

*Cause:* Adequate quality control procedures had not been implemented to assure that only eligible participants were provided Housing Assistance. The procedures in place did not provide adequate assurance that correct data was collected and used in accurate assistance payment calculations for each eligible participant

*Auditor's Recommendation:* I recommend that quality control procedures be reviewed and revised to ensure that all required documentation is maintained in each file to support eligibility and exemptions. Procedures should be developed to ensure that all intake staff are familiar with the policies established in the Housing Authority's Section 8 Administrative Plan and that they are trained in the proper procedures for applying those policies and HUD regulations. The Section 8 Administrative Plan should be reviewed to determine that it is up to date and that all intake staff are familiar with the requirements contained in the Plan.

*Grantee Response:* Current staff received training subsequent to the end of the fiscal year. The current Admin Plan will be reviewed and additional quality assurance reviews will be conducted to determine that the policies are being adhered to in the future.

**MARSHALL COUNTY HOUSING AUTHORITY  
PLYMOUTH, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2009**

<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		\$ 1,263.00	2810
Accounts payable - HUD	2118	\$ 1,263.00		2118
(To get admin fee to actual per notice)				
(2)				
Fraud recovery	1121	\$ 160.00		1121
Fraud recovery income	3450		\$ 80.00	2810
Fraud recovery income	3450.01		80.00	2810
(To correct account 1121 per tenant file)				

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

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

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, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Management needs to review their procedures in anticipating income for the calculation of 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.

2. During the review of insurance coverage it was noted that the PHA only carries only bonding insurance. Subsequent to the end of the fiscal year, the agency did acquire a worker's compensation insurance policy. 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) equipment coverage, (d) general liability and (e) errors and omissions. Based on HUD insurance coverage guidelines, the Housing Authority should also increase the bond coverage to a minimum of \$25,000.

3. PHA did not maintain a listing or subsidiary ledger of fraud recovery receivables, therefore, I was unable to determine if the the correct balance at year end was recorded . The PHA should maintain a complete listing/ledger of fraud recovery balances sand reconcile it monthly with the financial statements.
4. During my review of the monthly Housing Assistance Payments register, I noted that many names represent individuals that had ended participation quite some time ago. In one instance the person had not been on the program since 2004. The register should be reviewed and properly purged to be sure that only active participants are listed.

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  
September 8, 2010

  
Certified Public Accountant