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July 9, 2014

Board of Directors
Marion Housing Authority
601 S. Adams Street
Marion, IN 46953

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2008 to June 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Marion Housing Authority, as of June 30, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY
OF THE CITY OF MARION
MARION, INDIANA**

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

TWELVE MONTHS ENDED JUNE 30, 2009

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Housing Authority of the City of Marion
Marion, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Marion, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

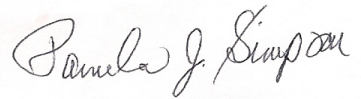
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Marion, as of June 30, 2009 and the respective changes in financial position and cash flows for the year end in conformity with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

In accordance with *Government Auditing Standards*, I have also issued my report dated March 5, 2010, on my consideration of the Housing Authority of the City of Marion'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 15, 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 Housing Authority of the City of Marion, 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 Housing Authority of the City of Marion. 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 Housing Authority of the City of Marion. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
March 5, 2010



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**



Mission

As stewards of public funds and trust, the Marion Housing Authority will provide safe, decent, affordable housing opportunities through public and private partnerships, while serving all customers with respect. (2005-2009 Agency Plan)

The Marion Housing Authority owns and manages 100 low income family units, 170 elderly/disabled units, 421 Section 8 vouchers, 98 Section 8 New Construction units, 25 Affordable Housing units, 51 market rate units, which also include commercial retail space. The Authority manages 8 Affordable Housing units and 36 Tax Credit, all single-family, units. The Authority also manages a Family Self-Sufficiency (FSS) program under Section 8 and receives Capital Fund Program (CFP) grants.

As management of the Housing Authority of Marion, Indiana, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director or the Chief Financial Officer at (765) 664-5194 or mha@marionha.com.

Financial Highlights

In addition to the following highlights, more descriptive explanation of the following items is provided later in this report.

- The assets of the Authority exceeded its liabilities as of June 30, 2009 by \$10,666,071 (net assets). This was a decrease of \$993,802 from \$11,659,873 as of June 30, 2008. This is a decrease of 9%.
- The Authority's cash balance as of June 30, 2009 was \$561,297, representing a decrease of \$683,248, or 55%, from June 30, 2008. However, unrestricted investments as of June 30, 2009, were \$871,526, a 11% decrease from June 30, 2008 unrestricted investment balance of \$974,961.
- Total fixed assets, net of accumulated depreciation, increased by 7% from \$12,656,510 as of June 30, 2009 from \$11,881,551 as of June 30, 2008. Fixed assets increased by \$1,271,883, but the depreciation increased by \$496,924, causing the net 7% increase. Related current and long-term debt increased to \$3,492,310 as of June 30, 2009 from \$3,060,184 as of June 30, 2008 (increase of 14%).

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

- The Authority had received HUD grant revenues of \$2,418,219 for operations and \$166,146 of capital grants for the fiscal year ended June 30, 2009. This represents a net decrease of \$619,502, or 19% from fiscal year ended June 30, 2008.
- Total tenant revenue increased from \$1,729,528 in 2008 to \$1,905,079 in 2009, or by 10%.
- Total revenue decreased to \$4,771,507 in 2009 from \$5,577,297 in 2008, or by 14% overall.
- Total Operating Expenses increased to \$5,855,548 from \$5,145,084, which is an increase of \$710,464, or 14%, from 2008 to 2009.
- Excess Operating Revenue over Operating Expenses decreased by \$1,516,254, or 351% from 2008 to 2009.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- *Statement of Net Assets* – reports the Authority’s current financial resources (short-term spendable resources) with capital assets and long-term debt obligations.
- *Statement of Revenues, Expenses, and Changes in Fund Net Assets* – reports the Authority’s operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- *Statement of Cash Flows* – reports the Authority’s cash flows from operating, investing, capital and non-capital activities.
- *Comparison of budget vs. actual* – reports the Authority’s actual operating revenues and expenses versus the budgeted amounts.

Readers of the Authority’s financial statements would question whether the Authority is more financially stable as a result of the year’s activities as compared to previous years. It is the opinion of the Authority’s management that significant improvements need to be made, both in the financial and operational areas, especially in fiscal year 2010.

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with the determination that the Authority has operated efficiently. This analysis includes all assets and liabilities using the accrual basis of accounting, which is a Generally Accepted Accounting Principle (GAAP) used by most private sector companies. Accrual of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority’s net assets and changes in them. The Authority’s net assets are the differences between what the Authority owns (assets) and what the Authority owes (liabilities) as one way to measure the Authority’s financial health. Net assets is further classified as being invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets. Unrestricted net assets are available for obligations where operations cannot provide.

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Over time, changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. Readers need to consider other non-financial factors, such as changes in family/tenant composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall health of the Authority.

The Marion, Indiana and Grant County economy suffered greatly in 2004 with the closure of several manufacturing firms. Many of the Authority's clients lost employment and household income, which will eventually result in a decrease in tenant revenue and an increase in Housing Assistance Payments (HAP). While the local economy is gradually recovering and some large employers are investing in the community, thus offering more jobs, the rebuilding period from such devastation requires more time than the three years that have passed since 2004.

Statement of Net Assets

Total Assets for FYE 2008 were \$15,613,664, FYE 2009 was \$15,108,221. This represents a net decrease of \$505,443, or 3% from 2008 to 2009. Areas representing this difference are:

Cash – The cash position of the Authority decreased by \$683,248, or 55% during FYE 2009. Cash held on hand at June 30, 2008 was \$1,244,545 and at June 30, 2009 was \$561,297 (net of overdraft).

Other Current Assets – The Authority's other current assets at June 30, 2008, totaled \$2,385,276 and were \$1,788,122 at June 30, 2009. The decrease related to an offsetting decrease in invested funds and a negative cash flow realized from operations.

Capital Assets, net of accumulated depreciation, were \$11,881,551 as of June 30, 2008, and \$12,656,510 as of June 30, 2009. The net capital assets increased in value by \$774,959. This is primarily due a purchase of a market-rate unit and commercial property. Accumulated depreciation decreased the net value of assets by \$496,924 during 2009.

Non-Current Assets – The Authority's non-current assets at June 30, 2009 were \$102,292 and were \$102,292 as of June 30, 2008.

A receivable in the amount of \$100,000 from the Authority's previous component unit, (a not-for-profit agency), Affordable Housing Corporation is included as a non-current asset under the Low Rent Public Housing program. The Authority is working with HUD and legal counsel in order to recapture these funds.

Also included in the non-current assets are education loans to employees totaling \$2,292. The Authority will assist its employees in additional education that will be beneficial to their position or promotion within the agency. The Authority currently has only one employee using this opportunity to complete their Bachelor's Degree. There are strict stipulations in grades received as well as pay back structure should the employee leave the Authority within three years after receipt of their degree or certification.

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Total Liabilities for FYE 2008 were \$3,953,791 and at FYE 2009 were \$4,442,150. This represents an increase of \$488,359. Areas related to this increase are:

Current Liabilities – The Authority's current liabilities as of June 30, 2008 totaled \$1,421,794 and were \$1,214,365, as of June 30, 2009. Current liabilities consists of accounts payable less than 90 days, accrued wages, current portion of accrued compensated absences, interest payable and current portion of principle due on financed property and a bond indenture for the Section 8 New Construction site, accounts payable to HUD and other programs, and tenant security deposits. The current portion of long-term debt on financed properties and the Section 8 New Construction bond decreased by \$272,011 as of June 30, 2009.

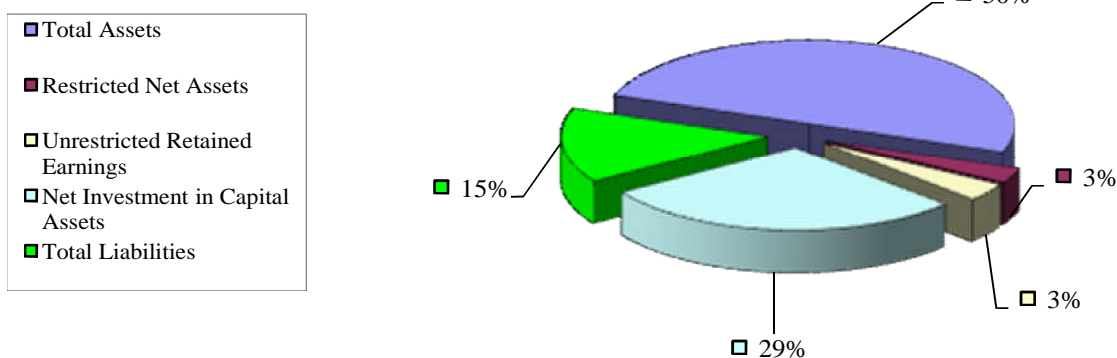
Long-term Liabilities – The Authority's long-term liabilities as of June 30, 2008, totaled \$2,531,997. As of June 30, 2009, long-term liabilities were \$3,227,785. The Authority's long-term liabilities increased by \$695,788. Long-term debt of the Authority consists of a bond indenture with The Bank of New York (formally JP Morgan Trust) for the Section 8 New Construction property, mortgages on an affordable housing project and the May 2005 purchased 49-unit market rate development, and a loan on the 2-unit and commercial space property, and FSS escrow. Principle payments are made on the Bond Fund annually each October. The affordable housing development known as Thomas Jefferson Homes and the market rate development known as Parkville Apartments and the market rate/commercial property known as Campus Corner are mortgaged separately with a local financial institution with monthly principal and interest payments.

Capital/Net Assets – As capital assets are depreciated, they will be expensed through Net Investment in Capital Assets. The Unrestricted Retained Earnings balance represents what the Authority has available for obligations if revenue from operations is not sufficient. The Authority has \$1,065,499 available as unrestricted funds as of June 30, 2009. This is a decrease from \$1,657,077 as of June 30, 2008, or 36%.

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009

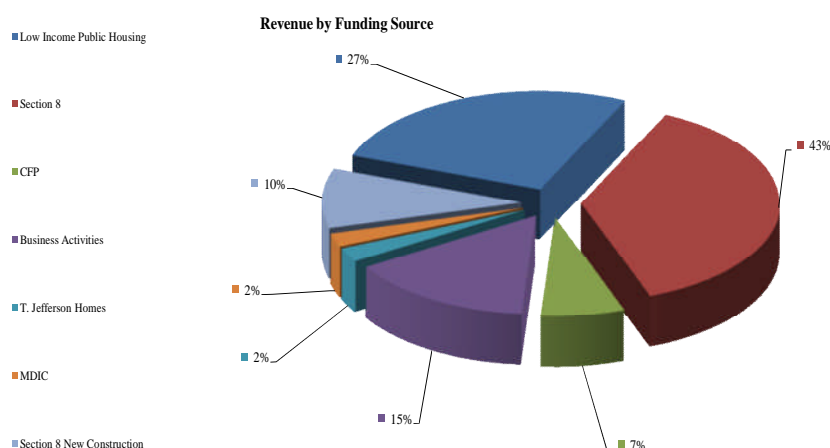
	2009	2008	Net Change
Cash (net of overdraft)	561,297	1,244,545	(683,248)
Other Current Assets	1,788,122	2,385,276	(597,154)
Interfunds	-	-	-
Capital Assets, net of depreciation	12,656,510	11,881,551	774,959
Non-Current Assets	102,292	102,292	-
Total Assets	15,108,221	15,613,664	(505,443)
Current Liabilities	1,214,365	1,421,794	(207,429)
Interfunds	-	-	-
Long-Term Liabilities	3,227,785	2,531,997	695,788
Total Liabilities	4,442,150	3,953,791	488,359
Net Investment in Capital Assets	8,695,097	8,821,367	(126,270)
Restricted Net Assets	905,475	1,181,429	(275,954)
Unrestricted Retained Earnings	1,065,499	1,657,077	(591,578)
Total Net Assets	10,666,071	11,659,873	(993,802)
Total Liabilities and Net Assets	15,108,221	15,613,664	(505,443)

Statement of Net Assets



The Authority administers the following programs and the revenues generated from these programs during FYE 2008 were as follows:

Total Revenues	\$ 4,771,507
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**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

In FYE 2008 and FYE 2009, total revenues were \$5,577,297 and \$4,771,507, respectively. The decrease of \$805,790 in the Authority's revenues was due to a combination of factors. HUD Operating grants decreased by \$289,727 and HUD Capital Grants decreased by \$329,775 from FYE 2008 to FYE 2009.

Administrative salaries reflected a slight increase of \$189,988 from FYE 2008 to FYE 2009. Due to the implementation of Asset-Based Management, the agency reorganized several positions as positions became available.

Utility expenses for FYE 2009 increased by 5% overall. The largest portion of the increase was for water. In 2006, the City of Marion instituted a substantial rate increase for water and sewer expenses.

Maintenance labor increased in FYE 2009 by \$57,381, or 18%, over FYE 2008. The Authority continues to contract out work related to painting and seasonal labor in lieu of full-time employment staffing. The PHA also continued Protective Services positions to the part-time staff. The Authority has allotted 40 hours per week for protective services by sworn in officers of the Marion Police Department.

The insurance premiums (commercial, property, liability) for the Authority experienced a 11% increase from FYE 2008 to FYE 2009.

The table on the following page illustrates the changes in the income statement.

HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009

	2009	2008	Net Change
Tenant Rental Revenue	\$ 1,905,079	\$ 1,729,528	\$ 175,551
Operating Subsidy	2,418,219	2,707,946	(289,727)
Capital Grants	166,146	495,921	(329,775)
Interest Income	46,726	168,234	(121,508)
Other Revenue	235,337	475,668	(240,331)
Total Operating Revenue	\$ 4,771,507	\$ 5,577,297	\$ (805,790)
Operating Expenses			
Administrative	1,525,699	1,373,115	152,584
Tenant Services	6,912	33,244	(26,332)
Utilities	338,007	322,387	15,620
Maintenance			
Labor	381,337	323,956	57,381
Materials	197,780	113,752	84,028
Contract Costs	220,584	71,198	149,386
Extraordinary Maintenance	169,160	128,822	40,338
Protective Services	18,039	16,249	1,790
Housing Assistance Payments	1,859,661	1,513,492	346,169
Other Operating Expenses			
Insurance Premiums	168,225	151,305	16,920
Payments in Lieu of Taxes	150,868	183,969	(33,101)
Bad Debt Expense	17,810	(1,682)	19,492
Interest Expense	191,108	149,229	41,879
Compensated Absences	-	101,202	(101,202)
Extraordinary Maintenance	10,466	2,372	8,094
Casualty Losses - Non-Capitalized	-	-	-
Other General Expense	19,725	44,567	(24,842)
Depreciation	580,167	617,907	(37,740)
Total Operating Expenses	\$ 5,855,548	\$ 5,145,084	\$ 710,464
Operating Income (Loss)	\$ (1,084,041)	\$ 432,213	\$ (1,516,254)
Capital Grants Received	-	-	-
Prior Period Adjustments	90,239	83,252	6,987
Change in Net Assets	\$ (993,802)	\$ 515,465	\$ (1,509,267)

**HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2009**

Overview of Budgets

The Authority adopts a consolidated annual operating budget for all programs. Salaries and operating expenses are allocated in accordance with a Cost Allocation Plan approximately based upon the number of units per program. The budget for Low Income Public Housing is adopted on the basis of accounting prescribed by the U.S. Department of Housing and Urban Development (HUD), which differs in some respects from the Generally Accepted Accounting Principles (GAAP). Program budgets for the Section 8 program are also approved by HUD.

ANALYSIS OF CAPITAL ASSET ACTIVITY

	2009	2008	Net Change	Percent Variance
Land	444,881	580,003	(135,122)	-23%
Buildings	15,518,496	11,834,831	3,683,665	31%
Equipment and Furniture	456,880	454,280	2,600	1%
Construction in Process	1,116,864	949,354	167,510	18%
Leasehold Improvements	3,822,038	6,268,808	(2,446,770)	-39%
Total Fixed Assets	21,359,159	20,087,276	1,271,883	6%
Accumulated Depreciation	8,702,649	8,205,725	496,924	6%
Net Fixed Assets	12,656,510	11,881,551	774,959	7%

OUTSTANDING DEBT, AT YEAR END

	<u>2008</u>	<u>Added/(Retired)</u>	<u>2009</u>
Notes Payable – Short Term	\$ 562,291	\$ (272,011)	\$ 290,280
Notes Payable – Long Term	<u>2,497,893</u>	<u>704,137</u>	<u>3,202,030</u>
Total	\$ 3,060,184	\$ 432,126	\$ 3,492,310

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

ASSETS

CURRENT ASSETS

Cash	\$ 342,399
Accounts receivable (interfund eliminated)	195,343
Investments	871,526
Inventory	15,719
Deferred charges	<u>7,343</u>

Total Current Assets \$ 1,432,330

RESTRICTED ASSETS

Restricted cash	\$ 233,039
Restricted deposits and debt service funds	<u>698,191</u>

Total Restricted Assets \$ 931,230

CAPITAL ASSETS

Land, buildings and equipment	\$ 21,359,159
Less: Accumulated depreciation	<u>-8,702,649</u>

Total Capital Assets \$ 12,656,510

OTHER ASSETS

Notes receivable	<u>\$ 102,292</u>
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Total Other Assets \$ 102,292

Net Assets \$ 15,122,362

LIABILITIES

CURRENT LIABILITIES

Cash overdraft	\$ 14,141
Accounts payable (interfund eliminated)	268,977
Notes payable	290,280
Accrued liabilities	505,180
Deferred revenue	<u>149,928</u>

Total Current Liabilities \$ 1,228,506

NONCURRENT LIABILITIES

Notes payable	\$ 3,202,030
Trust and deposit liabilities	<u>25,755</u>

Total Noncurrent Liabilities \$ 3,227,785

NET ASSETS

Invested in capital assets	\$ 8,695,097
Restricted	905,475
Unrestricted	<u>1,065,499</u>

Total Net Assets \$ 10,666,071

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

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Operating Income

Tenant revenue	\$ 1,793,472
Tenant revenue - other	<u>111,607</u>
Total Tenant Income	\$ 1,905,079
HUD grants - operating	2,418,219
Other revenue	188,737
Gain/loss on sale of capital assets	<u>46,600</u>
Total Operating Income	<u>\$ 4,558,635</u>

Operating Expenses

Administrative	\$ 1,525,699
Tenant services	6,912
Utilities	338,007
Ordinary maintenance and operation	968,861
General expense	356,628
Protective services	18,039
Extraordinary maintenance	10,466
Housing assistance payments	1,859,661
Depreciation	<u>580,167</u>
Total Operating Expenses	<u>\$ 5,664,440</u>
Net Operating Income (Loss)	<u>\$ -1,105,805</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 166,146
Interest expense	-191,108
Interest income	<u>46,726</u>
Total Nonoperating Income (Expense)	<u>\$ 21,764</u>
Changes in net assets	\$ -1,084,041
Net assets, beginning of year	11,659,873
Prior period adjustments	<u>90,239</u>
Net assets, end of year	<u><u>\$ 10,666,071</u></u>

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

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Operating Activities

Operating grants	\$ 2,591,956
Tenant revenue	1,874,797
Other revenue	235,337
Housing assistance payments	-1,859,661
Payments to employees	-1,125,063
Payments to suppliers and contractors	<u>-1,613,716</u>

Net Cash Provided (Used) by Operating Activities \$ 103,650

Investing Activities

Investments (purchased) redeemed	\$ 109,015
Interest income	<u>49,540</u>

Net Cash Provided (Used) by Investing Activities \$ 158,555

Capital and Related Financing Activities

HUD grants - capital	\$ 166,146
Additions (deletions) to fixed assets	-1,355,126
Interest expense	-188,599
Retirement of debt	<u>432,126</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -945,453

Net Change in Cash \$ -683,248

Cash Balance at June 30, 2008 1,244,545

Cash Balance at June 30, 2009 (net of overdraft) \$ 561,297

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

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

Net operating income (loss)	\$ -1,105,805
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	580,167
Adjustments to net assets	90,239
 (Increase) decrease in accounts receivable	 91,065
(Increase) decrease in deferred charges	75,878
(Increase) decrease in other assets	318,382
 Increase (decrease) in accounts payable	 -52,136
Increase (decrease) in accrued liabilities	59,300
Increase (decrease) in deferred revenues	54,909
Increase (decrease) in other liabilities	<u>-8,349</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 103,650</u>

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

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Marion was established by the City of Marion 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 Marion 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.

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

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Marion is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has one component unit in the current year.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(b) Component Units

The financial statements of the Housing Authority of the City of Marion previously included a component unit, the Affordable Housing Corporation of Marion, Indiana. The Affordable Housing Corporation of Marion, Indiana (AHC) is a not-for-profit corporation established July 24, 1995 by the Housing Authority of the City of Marion to provide residential dwelling accommodations for low and moderate income persons and families. In accordance with GASB #14, the Marion Housing Authority has concluded that the AHC is not closely related and there is no financial dependency between the two agencies, therefore those statements have not been included in the current year report. Now, Marion Development Investment Corporation (MDIC) serves as the only component unit.

Marion Development and Investment Corporation was organized by the Marion Housing Authority as a not-for-profit corporation. It was organized as a separate entity to acquire, hold and maintain residential property to generate income to provide support for the purposes of the Housing Authority for the City of Marion (to provide residential housing for low and moderate income families).

(c) 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.

(d) 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.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(e) Funds -

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

- * Low Rent Public Housing (Amps & COCC)
- * Housing Choice Vouchers
- * Capital Fund Program
- * State and Local
- * New Construction
- * American Recovery and Reinvestment Act - Formula Capital Stimulus Grant
- * Business Activities
- * Component Unit

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.

(f) 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.

(g) Interprogram Receivables and Payables

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

(h) Accounts Receivable -

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

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(i) Inventories and Materials -

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

(j) Investments -

Investments are stated at cost which approximates market.

(k) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is one thousand (\$1,000) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

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

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

Buildings	40	years
Equipment	10	years
Transportation equipment	5	years
Furniture and fixtures	10	years
Leasehold improvements	15	years

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(l) 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."

(m) Income Tax -

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

(n) Annual Contributions/Subsidies and Other Grants

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

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

- (o) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.

- (p) 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.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

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

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$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.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent (Amps & COCC)	\$ 50,285	\$ 68,922
Voucher	235,581	239,586
New Construction-Hilltop Towers	56,296	96,104
State & Local-Thomas Jefferson Homes	87,281	86,533
Business Activities	108,835	134,335
Component Unit	<u>23,019</u>	<u>24,129</u>
Total	<u>\$ 561,297</u>	<u>\$ 649,609</u>

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

<u>Fund</u>	<u>Rate</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent (Amps & COCC)	1.83-5.10%	\$ 838,546	\$ 838,546
New Construction-Hilltop Towers	2.00%	<u>32,980</u>	<u>32,980</u>
Total Unrestricted		<u>\$ 871,526</u>	<u>\$ 871,526</u>
New Construction - Hilltop Towers (restricted)		<u>\$ 698,191</u>	<u>\$ 698,191</u>

Note 3 - Compensated Absences

Annual Leave

Employees meeting certain service requirements will not be required to use annual leave in excess of one (1) year's accrual. These employees may "sell" their accrued leave back to the PHA for monetary compensation according to the following schedule:

After completing:

- 5 years of service, employee may sell 1 week of accrued leave (40 hours)
- 10 years of service, employee may sell 2 weeks of accrued leave (80 hours)
- 15 years of service, employee may sell 3 weeks of accrued leave (120 hours)

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 3 - Compensated Absences (Continued)

Annual Leave (Continued)

Employees are limited to these transactions to two (2) times per fiscal year and during specific time frames.

May 1 through May 15 to receive payment by June 15

November 1 through November 15 to receive payment by December 15

Employees will be paid for unused annual leave upon resignation, retirement or in case of death to the employee's beneficiary.

Annual leave will not be granted in increments of less than 1 hour.

Part-time, temporary and/or seasonal employees shall not earn annual leave.

Sick Leave

Sick leave credits shall accrue for regular and probationary full-time employees. Sick leave is earned at the rate of nine (9) days per year (earned at 2.769 hours per pay period) of active employment. Sick leave shall not accrue for any pay period during which an employee is on injury leave, or in a non-pay status over fifty percent (50%) of the standard number of working hours for his/her type of job.

Sick leave may be accumulated to a maximum and not to exceed 60 working days (480 hours).

Any accrued time over 480 hours may be sold back to the PHA for monetary compensation at a maximum of 5 working days, or 40 hours, per fiscal year.

Employees are limited to these transactions to two (2) times per fiscal year and during specific time frames.

May 1 through May 15 to receive payment by June 15

November 1 through November 15 to receive payment by December 15

If an employee has no accumulated sick leave, annual leave must be used.

Accrued unused sick leave hours are not compensated at separation of employment from the PHA unless the individual is a regular full-time employee who has had continuous service with the PHA for five (5) or more years, is leaving in good standing and payment is approved by the Executive Director.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 3 - Compensated Absences (Continued)

Vacation

Employees are granted vacation benefits in varying amounts as follows:

1st year: 6.5 working days vacation (2 hours accrued per pay period).

2nd through 5th year of continuous service: 13 working days vacation per year (4 hours accrued per pay period).

6th through 10th year of continuous service: 16.25 working days vacation per year (5 hours accrued per pay period).

11th through 15th year of continuous service: 20.3125 working days vacation per year (6.25 hours accrued per pay period).

16th year of continuous service or more: 22.75 working days vacation per year (7 hours accrued per pay period).

The beginning date for calculating each year's authorized vacation is the employee's anniversary date. No employee shall be eligible for vacation until after six (6) months of continuous employment. Vacation earned in a given fiscal year must be used in the following fiscal year or it will be forfeited. All employees who retire or whose employment is terminated shall be entitled to payment for accumulated vacation time not to exceed one (1) year.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority and the participants are required to contribute 7% and 5% of annual covered payroll, respectively. For the fiscal year ended June 30, 2009, actual contributions by the Housing Authority and plan participants were consistent with prior year. Total pension plan contributions were \$49,128 related to \$1,096,083 of salary and wage expense.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 44,035
Fraud recovery	317
Accounts receivable - HUD	12,090
Other	<u>138,901</u>
Subtotal	\$ 195,343
Interfund	<u>1,048,520</u>
Total	<u><u>\$ 1,243,863</u></u>

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 6 - Investments

At June 30, 2009 investments consist of the following:

<u>Low Rent</u>	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificate of deposit	1.83-5.10%	\$ 838,546	\$ 838,546
<u>New Construction - Hilltop Towers</u>			
Certificate of deposit	2.00%	\$ 32,980	\$ 32,980
Total		<u>\$ 871,526</u>	<u>\$ 871,526</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 4,588
Other	<u>2,755</u>
Total	<u>\$ 7,343</u>

Note 8 - Fixed Assets

Balance as of June 30, 2009	\$ 12,656,510
Balance as of June 30, 2008	<u>11,881,551</u>
Net Increase (Decrease)	<u>\$ 774,959</u>

Reconciliation

Property betterments and additions	\$ 1,322,086
Adjustment to fixed asset basis	2,600
Disposal of nonexpendable equipment	-54,418
Prior year accumulated depreciation	83,243
Soft cost previously capitalized	1,615
Current year depreciation expense	<u>-580,167</u> *
Net Increase (Decrease)	<u>\$ 774,959</u>

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 8 - Fixed Assets (Continued)

	0701/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	06/30/2009 <u>Balance</u>
Land	\$ 580,003	\$ 0	\$ 135,122	\$ 444,881
Buildings	11,834,831	3,683,665	0	15,518,496
Equipment and furniture	454,280	57,018	54,418	456,880
Leasehold improvements	6,268,808	0	2,446,770	3,822,038
Construction in progress	<u>949,354</u>	<u>167,510</u>	<u>0</u>	<u>1,116,864</u>
Total Assets	\$ 20,087,276	\$ 3,908,193	\$ 2,636,310	\$ 21,359,159
Accumulated depreciation	<u>-8,205,725</u>	<u>83,243</u>	<u>580,167</u>	* <u>-8,702,649</u>
Total Net Assets	<u>\$ 11,881,551</u>	<u>\$ 3,991,436</u>	<u>\$ 3,216,477</u>	<u>\$ 12,656,510</u>

*Current depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 35,506
Tenants security deposits	126,871
Accounts payable - other	<u>106,600</u>
Subtotal	\$ 268,977
Interfund	<u>1,048,520</u>
Total	<u>\$ 1,317,497</u>

Note 10 - Notes Payable

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

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

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

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued payroll and payroll taxes	\$ 31,234
Accrued compensated absences	117,078
Accrued interest payable	15,833
Payment in lieu of taxes	<u>341,035</u>
 Total	 <u>\$ 505,180</u>

Note 12 - Trust and Deposit Liabilities

This classification consists of the following:

FSS escrow accounts	<u>\$ 25,755</u>
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Note 13 - Summary of Long Term Liabilities

A summary of long term liabilities as of June 30, 2009:

	07/01/08 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	06/30/09 <u>Balance</u>
Notes payable	\$ 2,401,882	\$ 800,148	\$ 0	\$ 3,202,030
FSS escrow	<u>34,104</u>	<u>0</u>	<u>8,349</u>	<u>25,755</u>
 Total	 <u>\$ 2,435,986</u>	 <u>\$ 800,148</u>	 <u>\$ 8,349</u>	 <u>\$ 3,227,785</u>

Note 14 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 9,792
Other	<u>140,136</u>
 Total	 <u>\$ 149,928</u>

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 15 - Long Term Debt

<u>Program</u>	<u>Rate</u>	<u>Due Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
MDIC	variable	variable	\$ 1,727	\$ 61,800	\$ 63,527
Business Activities	variable	variable	107,768	2,727,951	2,835,719
Thomas Jefferson Homes	8.43%	12/11/19	15,785	237,279	253,064
Hilltop Towers	6.90%	10/01/10	<u>165,000</u>	<u>175,000</u>	<u>340,000</u>
Total			<u>\$ 290,280</u>	<u>\$ 3,202,030</u>	<u>\$ 3,492,310</u>

Debt service requirements for the long term debt for the next five years are as follows:

<u>Due Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 290,280	\$ 161,948
2011	303,661	154,795
2012	132,295	147,289
2013	136,200	139,318
2014	140,397	130,883
Thereafter	2,489,477	

Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is a variable rate designated by HUD.

Note 15 - Allocation of Costs

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

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 16 - Long Term Lease/Restricted Investments

Pursuant to the bond agreement dated, October 1, 1977, the Housing Corporation of Marion leased the entire Hilltop Towers project to the Housing Authority of the City of Marion for a term equal to the bonds (33 years). Under the lease the Housing Authority is responsible for operating the project and for collecting all project revenues. The lease calls for annual rental payments consisting primarily of principal, interest and trustee's fees and expenses. The lease also requires additional rent deposits for insurance and tax escrow fund, debt service reserve funds (whenever the balance in said account shall be less than the debt service reserve fund requirement), operating fund, extraordinary maintenance and replacement fund and surplus fund. These rental payments are paid directly to the trustee of the bonds (Chase Manhattan Trust Company).

A corporate warranty deed was signed on October 12, 1977 which conveyed title to the real estate where Hilltop Towers now stands from the Housing Corporation of Marion to the Housing Authority. The title to this property is subject and subordinate to the Indenture of Mortgage and Trust dated October 1, 1977 from the Housing Corporation to Chase Manhattan Trust Company, (the trustee), and to the lease agreement mentioned above.

Future minimum lease payments on the capital lease at June 30, 2009 are as follows:

2010	182,768
2011	181,038
Thereafter	0

Note 17 - Contingencies

Federal Grants

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

Note 18 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Miscellaneous adjustment	\$ 25
Adjustment of cash	4,271
Adjustment of fixed asset basis	<u>85,943</u>
Total	<u>\$ 90,239</u>

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Note 19 Contracts/Commitments

As of June 30, 2009, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-05	\$ 466,659	\$ 466,659
CFP 501-06	424,685	424,685
CFP 502-06	35,931	35,931
CFP 501-07	427,517	171,946
CFP 501-08	465,133	56,323
Stimulus Grant 501-09	<u>588,766</u>	<u>8,677</u>
Total	<u>\$ 2,408,691</u>	<u>\$ 1,164,221</u>

Note 20 - Risk Management

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

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

Note 21 - Economic Dependency

The Housing Authority received most of its revenue (54%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 21 - Legal Proceedings

A former employee filed a complaint with the Indiana Rights Commission on March 16, 2008. The ICRC's investigation resulted in a "Notice of Administrative Dismissal" on May 18, 2009. No notice had been received of a request for review or appeal as of June 30, 2009.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-2001	FYE 06/30/09	\$ 493,580	\$ 493,580	\$ 493,580
Housing Choice Voucher Program*	14.871	IN041VO	FYE 06/30/09	\$ 1,768,547	\$ 1,768,547	\$ 1,768,547
Public Housing - Capital Funds*	14.872	C-2001	FYE 06/30/09	\$ 1,783,994	\$ 313,561	\$ 313,561
New Construction	14.182	C-2001	FYE 06/30/09	\$ 0	\$ 0	\$ 0
A.R.R.A. -Formula Capital Fund Grant	14.885	C-2001	FYE 06/30/09	\$ 588,766	\$ 8,677	\$ 8,677
Total Assistance				\$ 4,634,887	\$ 2,584,365	\$ 2,584,365

*Denotes major program.

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

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

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
Housing Authority of the City of Marion
Marion, Indiana

I have audited the financial statements of Housing Authority of the City of Marion as of and for the year ended June 30, 2009, and have issued my report thereon dated March 5, 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 Housing Authority of the City of Marion'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 Housing Authority of the City of Marion's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Marion'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 Housing Authority of the City of Marion'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 Housing Authority of the City of Marion's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Marion'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 and 2009-2)

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 Housing Authority of the City of Marion'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, of the significant deficiencies described above, I consider items 2009-1 and 2009-2 to be material weaknesses.

Compliance and Other Matters

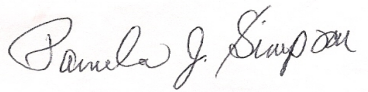
As part of obtaining reasonable assurance about whether Housing Authority of the City of Marion's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements, noncompliance with which could have 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 2009-3.

I noted certain matters that we reported to management of Housing Authority of the City of Marion, in a separate letter dated March 5, 2010.

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

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

Decatur, Illinois
March 5, 2010


Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Housing Authority of the City of Marion
Marion, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Marion with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Housing Authority of the City of Marion'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 Housing Authority of the City of Marion's management. My responsibility is to express an opinion on Housing Authority of the City of Marion'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 Housing Authority of the City of Marion'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 Housing Authority of the City of Marion's compliance with those requirements.

As described in item 2009-1 in the accompanying schedule of findings and questioned costs, Housing Authority of the City of Marion, did not comply with requirements regarding asset management that are applicable to its Low Income Public Housing and Capital Fund Programs. Compliance with such requirements is necessary, in my opinion, for Housing Authority of the City of Marion to comply with the requirements applicable to that program

In my opinion, except for the noncompliance described in the preceding paragraph, Housing Authority of the City of Marion complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of my auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3.

Internal Control Over Compliance

The management of Housing Authority of the City of Marion 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 Housing Authority of the City of Marion'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 and to test and report on the internal control over compliance in accordance with OMB circular A-133. Accordingly I do not express an opinion on the effectiveness of Housing Authority of the City of Marion's internal control over compliance.

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

A *control deficiency* is 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. I consider the deficiencies in internal control over compliance as described in the accompany schedule of findings and questioned costs, I consider items 2009-1 to be a significant deficiency.

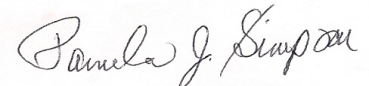
A *material weakness* is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider items 2009-1 to be a material weakness.

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Marion in a separate letter dated March 5, 2010.

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
March 5, 2010



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2008 contained four findings.

Section II - Financial Statement Findings

Finding 2008-1: Incomplete Asset Management Conversion

Asset based management (mandated by HUD 24CFR990) requires a separate financial statement for each Asset Management Project Grouping (AMP) designation. Additionally, Capital Fund Program(CFP) projects are to be allocated to the related AMP. The separate Central Office Cost Center (COCC)is also required to maintain a separate set of financial statements. The conversion to asset management procedures completed by the Housing Authority did not include the reconciliation of the depreciation schedules (which includes the related assets cost, accumulated depreciation or depreciation expense) to each of the AMPS or the COCC. The allocation of uncompleted CFP projects was also not completed in the general ledgers. This finding continues, see Finding 2009-1.

Finding 2008-2: Incomplete Journal Entries

The HUD guidebook 7511, Chapter 3 as well as sound internal controls require that all journal entries be fully supported, and properly approved (through initials or signatures). In reviewing the journal entries posted during the fiscal year ended 2008, it was noted that little if any documentation was maintained for many of the journal entries posted. Hard copies of the journal entries generally were not printed and there was little or no evidence of anyone but the preparer reviewing (or approving) the entries prior to being posted. During the current year, the new Director of Finance maintained hard copies and supporting documentation for journal entries. This finding is considered closed.

Finding 2008-3: SAS 12 - Internal Control Lacking

The Authority is required to have internal controls over their financial statements. The following account balances lacked adequate support:

- Cash
- Tenant's accounts receivable
- Tenant security deposits
- Prepaid insurance
- Accrued absences
- Accrued payroll
- Interfund payable and receivable accounts

This finding continues, see Finding 2009-2.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

Section II - Financial Statement Findings (continued)

Finding 2008-4 Cash Disbursements/Procurement

Sound, adequate internal controls as well as HUD rules and regulations require adequate accounting and record keeping for all expenditures. While testing the purchasing and disbursement system in place, it was noted that a purchase order system was not used as described in the procurement policy. Most purchases lacked purchase orders. Some paid invoices could not be located (two invoices for insurance coverage) and others lacked proper documentation (two of five credit card invoices were not properly supported). Additionally it was noted that payment of some bills was completed electronically, which lacked all required approvals for payment. This finding continues - see 2009-3.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Section I - Summary of Auditor's Results

Low Risk Auditee _____ yes X _____ no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? X _____ yes _____ no
 * Significant deficiency (ies) identified that are not
 considered to be material weaknesses? X _____ yes _____ none reported

Noncompliance material to financial statements noted X _____ yes _____ no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? X _____ yes _____ 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)

Public and Indian Housing	14.850
Housing Choice Voucher Program	14.871
Public Housing Capital Fund	14.872

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Section II - Financial Statement Findings

There were three financial statement findings discussed with Frederick Hunt, Executive Director, and Rick Dickey, Director of Finance during the course of the audit and at an exit conference held March 5, 2010.

Finding 2009-1: Incomplete Asset Management Conversion

Condition and Criteria: Asset based management (mandated by HUD 24CFR990) requires a separate financial statement for each Asset Management Project Grouping (AMP) designation. Additionally, Capital Fund Program(CFP) projects are to be allocated to the related AMP. The separate Central Office Cost Center (COCC)is also required to maintain a separate set of financial statements. The conversion to asset management procedures completed by the Housing Authority did not include the reconciliation of the depreciation schedules (which includes the related assets cost, accumulated depreciation or depreciation expense) to each of the AMPS or the COCC. The allocation of uncompleted CFP projects was also not completed in the general ledgers.

Effect: The general ledgers maintained by the Housing Authority do not reflect a complete conversion to asset management as required by HUD.

Cause: The asset management conversion was not completed timely and there was a lack of internal controls implemented to assure that the conversion was properly supported and documented.

Auditor's Recommendation: The Housing Authority must review all requirements for a complete conversion and determine that the assignment of assets, liabilities and equity is fully supported and accurate. Depreciation schedules need to be developed to accurately and properly reflect the assets and related depreciation in each of the groupings as well as the COCC. Capital fund projects in process should be properly allocated to each of the related AMPS. The general ledger needs to be updated to accurately report under the Asset Management reporting requirements. Management should thoroughly review and implement the new Operating Fund Rule 24CFR990.

Grantee Response: The Housing Authority worked diligently during the fiscal year to correct errors that had been made in the prior fiscal year. A reconciliation of fixed asset (general ledger vs detailed depreciation schedule) was completed during the fiscal year. Due to time constraints the allocation of assets by Amp and Central Office Cost Center was not complete at the end of the year. The finance department and management continue to work on this project and are working to complete it prior to the end of the next fiscal period.

The finance department is currently working with the new Capital Funds coordinator to properly separate the previously closed and ongoing capital fund projects by AMP so that the Asset Management conversion can be properly completed. The two departments are working to have this project completed by the end of the next fiscal year.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Section II - Financial Statement Findings (continued)

Finding 2009-2: SAS 12 - Internal Control Lacking

Condition and Criteria: The Authority is required to have internal controls over their financial statements. The following account balances lacked adequate support or reconciliations:

- Cash
- Tenant's accounts receivable
- Tenant security deposits
- Prepaid insurance
- Accrued payroll
- Interfund payable and receivable accounts

Effect: There was inadequate support or documentation for several general ledger account balances requiring an excessive number of journal entries to be posted after the end of the fiscal year.

Cause: An adequate internal control system had not yet been developed and the system previously in place was outdated due to changed in software and personnel.

Auditor's Recommendation: The Authority should develop standardize the internal controls over financial statement preparation. The standardized procedures should be documented in a written manual and reviewed with all personnel. The standardized controls should encompass all aspects of financial statement preparation and reflect the current systems, software and personnel in place.

Grantee Response: The former CFO was to have documented the procedures in place by developing a formal, written guidebook. The guidebook did not properly reflect the procedures, systems or personnel involved. As a result, there was not any policies in place that required monthly reconciliations of the general ledger accounts to subsidiary ledgers or other supporting documentation. All internal control policies/procedures are currently being reviewed and revised by management and the new Director of Finance. A new, formal written internal control document will be developed and reviewed by all members of management. Staff will receive copies of the manual and instructed on proper procedures as required. Reconciliations of accounts will be performed monthly.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

Section II - Financial Statement Findings (continued)

Finding 2009-3 Cash Disbursements/Procurement

Condition and Criteria: Sound, adequate internal controls as well as HUD rules and regulations require adequate accounting and record keeping for all expenditures. While testing the purchasing and disbursement system in place, it was noted that a purchase order system was not used as described in the procurement policy. Most purchases lacked purchase orders. Some paid invoices could not be located (one credit card statement was missing - including all supporting documentation and other credit card invoices did not have all supporting receipts attached) and one invoice lacked proper approval for payment .

Effect: Not all expenditures were adequately supported, therefore it could not be determined if they were allowable or were properly procured and approved.

Cause: The internal control system previously in place was ignored.

Auditor's Recommendation: Disbursements should not be made unless complete, approved documentation as required by the procurement policy has been presented. Debit card transactions should be prohibited.

Grantee Response: The Housing Authority has gone through a series of personnel changes. The current director of finance has implemented new procedures for documenting and filing approved expenditures. The new procedures have been reviewed with all related personnel and will be included in a written procedural manual that is being developed.

Section III - Federal Award Findings

There were no federal award findings discussed with Frederick Hunt, Executive Director, during the course of the audit and at an exit conference held March 5, 2010.

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Amp 1</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Undesignated fund balance	2809.01	\$ 2,512.53		2809.01
Accrued wages	2135		\$ 2,512.53	2135
(To post prior year audit adjustment for accrued wages)				
(2)				
Other government grants	3415	\$101,633.58		2809.01
Transfer in	5200		\$101,633.58	2809.01
(To record transfer properly)				
(3)				
Admin salary	4110	\$ 198.82		2809.01
Maintenance labor	4410	298.22		2809.01
Accrued wages	2135		\$ 497.04	2135
(To adjust accrued wages to actual per schedule)				
(4)				
Accumulated depreciation	1405.05	\$121,903.35		1405.05
Undesignated fund balance	2809.01	8,363.62		2809.01
Depreciation expense	5100.01		\$ 55,493.76	2809.01
Building improvements	1400.65		74,773.21	1400.65
(To adjust the books per depreciation schedule - improvements were not allocated properly and prior year CFP additions had no basis)				
(5)				
PILOT	2137	\$ 1,171.71		2137
PILOT expense	4520		\$ 1,171.71	2809.01
(To adjust to actual per current year and prior year's calculation)				
<u>Amp 2</u>				
(1)				
Undesignated fund balance	2809.01	\$ 6,321.40		2809.01
Accrued wages	2135		\$ 4,897.40	2135
Accounts receivable - tenants	1122		1,424.00	1122
(To post prior year audit adjustment for accrued wages and correct beginning balance of Tenants Accounts Receivable)				
(2)				
Transfers out	5210	\$ 100.00		2809.01
Accounts receivable - Noah's inv.	1129.001		\$ 100.00	1129.001
(To record transfer of property)				
(3)				
Admin salary	4110	\$ 400.78		2809.01
Maintenance labor	4410	451.95		2809.01
Accrued wages	2135		\$ 852.73	2135
(To adjust accrued wages to actual per schedule)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Amp 2 (Continued)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(4)				
Accumulated depreciation	1405.05	\$ 17,302.38		1405.05
Depreciation expense	5100.01		\$ 8,034.81	2809.01
Undesignated fund balance	2809.01		9,267.57	2809.01
(To adjust the books per depreciation schedule - improvements were not allocated properly and prior year CFP additions had no basis)				
(5)				
PILOT expense	4520	\$ 3,023.43		2809.01
PILOT	2137		\$ 3,023.43	2137
(To adjust to actual per current year and prior year's calculation)				
<u>Capital Funds (2004)</u>				
(1)				
Accounts receivable - HUD	1135.01		\$ 926.50	1135.01
Fixed assets	1400	\$ 100.00		1400
Invested in fixed assets	2800	826.50		2800
(To adjust beginning balances to 06/30/2008 audited balance)				
<u>Capital Funds (2005)</u>				
(1)				
Accounts payable - Central Admin	2116.01	\$ 12,587.82		2116.01
Invested in capital assets	2800	39,983.56		2800
HUD subsidy	3401	98.16		2800
Accounts receivable - HUD	1135		\$ 43,564.65	1135
Deferred revenue	2360		9,104.89	2360
(To correct transactions for FY 2009)				
<u>Capital Funds (2006)</u>				
(1)				
Accounts receivable - HUD	1135.01		\$ 34,463.31	1135.01
Fixed assets	1400	\$ 5,693.04		1400
Deferred revenue	2360	75,621.40		2360
HUD subsidy - capital	3401	2,697.36		2800
Admin - sundry	----	1,404.58		2800
Admin - training	----	1,292.78		2800
Accounts payable - capital admin	2116.01		12,076.06	2116.01
Accumulated soft costs	1429		2,697.38	1429
Vendor payable	2111		.02	2111
Invested in capital assets	2800		34,775.03	2800
HUD subsidy - operations	3401.01		2,697.36	2800
(To correct transactions for FY 2009)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Capital Funds 2006 (Cont'd)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(2)				
Painting	1460.01.015	\$ 1,119.00		1460.01.015
Accounts payable - central office	2116.01		\$ 1,119.00	2116.01
Accounts receivable - HUD	1135	1,119.00		1135
HUD subsidy	3401		1,119.00	2800
(To reverse JV19125 and correct interfunds to COCC)				

Capital Funds 2006 (502-06)

(1)				
Accounts receivable - HUD	1135.01	\$ 26,537.02		1135.01
Fixed assets	1400	4,054.51		1400
Accounts payable - central admin	2116.01		\$ 4,054.51	2116.01
Accumulated soft costs	1429		4,054.51	1429
Deferred revenue	2360		22,482.51	2360
(To correct balance @ 07/01/2008)				

Capital Funds 2007

(1)				
Accounts receivable - HUD	1135.01	\$ 51,802.80		1135.01
Accounts payable - central admin	2116.01	4,054.51		2116.01
Fixed assets	1400	73,339.40		1400
HUD subsidy - capital	3401	61,424.95		2800
Admin - sundry	4000	36,447.66	\$ 346.02	2800
Admin - training	----	5,284.60		2800
Accumulated soft costs	1429		114,498.82	1429
Accrued absences	2306		1,354.60	2306
Vendor payable	2111	0.00		2111
Invested in capital assets	2800		2,437.42	2800
HUD subsidy - operations	3401.01		113,490.24	2800
Prepaid expenses	1211		346.02	1211
Audit fee	4000	119.20		2800
(To correct FY 2009 postings)				

Capital Funds 2008

(1)				
Accounts receivable - HUD	1135.01	\$ 10,049.43		1135.01
Fixed assets	1400	147.06		1400
Invested in capital assets	2800		\$ 9,902.37	2800
HUD subsidy - capital	3401		147.06	2800
Retirement	4540		147.06	2800
Admin - sundry	4000	38,638.70		2800
Accumulated soft costs	1429		38,638.70	1429
HUD subsidy - operations	3401		38,785.76	2800
HUD subsidy - capital	3401.01	38,785.76		2800
(To correct FY 2009 postings)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>COCC</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accounts receivable - Noah's inv	1129.001	\$ 3,002.22		1129.001
Accounts receivable - CFP 2004	----	995.42		----
Undesignated fund balance	2809.01	3,649.83		2809.01
Accrued wages	2135		\$ 7,647.47	2135
Accounts receivable - CFP 2006	1129.13.126	4,054.51		1129.13.126
Accounts receivable - CFP 2007	1129.13.107		4,054.51	1129.13.107
(To post prior year audit adjustments)				
(2)				
Accounts payable - other gov't	2116.02	\$ 64,858.54		2116.02
Notes/loans receivable - current	1140	7,346.00		1140
Accounts receivable - TJ	1129.08		\$ 64,858.52	1129.08
Accounts receivable - Springhill	1129.11		7,346.00	1129.11
Undesignated fund balance	2809.01		.02	2809.01
(To combine related accounts)				
(3)				
Accounts receivable - Noah's inv	1129.001		\$138,627.43	1129.001
Transfers out	5210	\$138,627.43		2809.01
(To reclassify interfund to Noah's as permanent transfer)				
(4)				
Cash operating 1	1111.10	\$ 3,477.69		1111.10
Undesignated fund balance	2809.01		\$ 3,477.69	2809.01
(To remove check #518 off outstanding list; check cleared 12/28/2007)				
(5)				
Notes/loans receivable	1140	\$ 59,750.00		1140
Accounts receivable - escrow	1129.25		\$ 59,750.00	1129.25
(To reclassify loan receivables from Sunderland)				
(6)				
Buildings	1400.06	\$ 74,773.21		1400.06
Accumulated depreciation	1405.05	11,385.68		1405.05
Depreciation expense	5100.01		\$ 8,261.20	2809.01
Undesignated fund balance	2809.01		77,897.69	2809.01
(To adjust the books per depreciation schedule - improvements were not allocated properly and prior year CFP additions had no basis)				
(7)				
Accrued wages	2135	\$ 1,322.63		2135
Admin salaries	4110		\$ 1,322.63	2809.01
(To adjust accrued wages to actual per schedule)				
(8)				
Other government grants	3415	\$204,756.26		2809.01
Transfer in	5200		\$204,756.26	2809.01
(To record transfer properly)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Transfer out	5210	\$ 15,000.00		2809.01
Accounts receivable - Noah's inv	1129.01		\$ 15,000.00	1129-01
(To reclassify interfund accounts to permanent transfers for Noah's)				
(2)				
Admin salaries	4110	\$ 347.69		2809.01
Accrued wages	2135		\$ 347.69	2135
(To adjust accrued wages to actual per schedule)				
(3)				
Cash - operating 1	1111.10	\$ 18,701.40		1111.10
Accounts receivable - Campus Cnr.	1129.12	6,000.00		1129.12
Prepaid expenses/other assets	1211	78,520.74		1211
Tenants accounts receivable	1122		\$ 177.00	1122
Accounts payable - vendor	2111		77,448.18	2111
Accounts payable - other	2115		6,000.00	2115
Accrued wages	2135		2,804.68	2135
Tenant security deposits	2114		413.00	2114
Undesignated fund balance	2809.01		16,379.28	2809.01
(To correct beginning balances brought forward)				
(4)				
Undesignated fund balance	2809.01	\$ 18,701.40		2809.01
Cash operating 1	1111.10		\$ 18,701.40	1111.10
(To adjust cash back to actual)				
(5)				
Accounts payable - vendor	2111	\$ 78,520.74		2111
Prepaid expenses/other assets	1211		\$ 78,520.74	1211
(To correct prior year prepaid HAP expenses)				
(6)				
Accounts receivable - HUD	1125	\$ 3,413.00		1125
Section 8 admin fee	3410.02		\$ 3,413.00	2809.01
(To record admin fees received after fiscal year)				
(7)				
Furniture/equipment - dwelling	1400.07	\$ 2,600.00		1400.07
Accumulated depreciation - bldg	1405.01	1,190.10		1405.01
Accumulated depreciation	1405.05	.24		1405.05
Depreciation expense	5100.01		\$ 1,190.34	2809.01
Undesignated fund balance	2809.01		2,600.00	2809.01
(To adjust accounts per depreciation schedule)				
(8)				
FSS escrow	2307	\$ 27,024.20		2307
FSS escrow payments	4715.03		\$ 27,024.20	2809-01
(To adjust to actual)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>State and Local (T.J.)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Undesignated fund balance	2809.01	\$ 454.97		2809.01
Accrued wages	2135		\$ 454.97	2135
(To post prior year audit adjustments for accrued wages)				
(2)				
Transfers out	5210	\$ 9,000.00		2809-01
Accounts receivable - Noah's inv	1129.001		\$ 9,000.00	1129.001
(To reclassify interfunds form Noah's as permanent transfers)				
(3)				
Admin salaries	4110	\$ 79.55		2809-01
Maintenance labor	4410	152.08		2809-01
Protective services - labor	4580	2.34		2809-01
Accrued wages	2135		\$ 233.97	2135
(To adjust accrued wages to actual per schedule)				
<u>Property Management</u>				
(1)				
Unrestricted	2809.01	\$ 67.27		2809-01
Accrued compensated absence	2260		\$ 67.27	2260
(To record prior year adjusting journal entry for accrual)				
(2)				
Notes payable - long term	2310	\$104,327.97		2310
Accounts payable - other	2115	15,458.71		2115
Loan payable	2310.10	1,911.61		2310.10
Accounts receivable - Emerson	1129-10	426.85		1129.10
Notes/loans receivable - current	1140		\$106,239.58	1140
Accounts receivable - Springhill	1129.11		12,190.53	1129.11
Accounts payable - COCC	2116.01		3,695.03	2116.01
(To correct beginning balances)				
(3)				
Transfers out	5210	\$ 17,347.76		2809.01
Accounts receivable - other	1129		\$ 5,300.00	1129
Accounts receivable - Noah's inv	1129.001		12,047.76	1129.001
(To reclassify interfunds to Noah's as permanent transfers)				
(4)				
Accounts payable - other	2115	\$161,917.12		2115
Postage	4190.08		\$ 10.64	2809.01
Accounts payable - COCC	2116.01		161,906.48	2116.01
(To correct interfunds to actual)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Property Mgmt (Cont'd)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(5)				
Admin wages	4110	\$ 46.10		2809.01
Maintenance labor	4410	154.33		2809-01
Accrued wages	2135		\$ 200.43	2135
(To adjust accrued wages to actual per schedule)				
(6)				
Depreciation expense	5100.10	\$ 593.75		2809-01
Accumulated depreciation	1405.05		\$ 593.75	1405.05
(To set up depreciation expense per schedule)				
(7)				
Cash restricted - security dep.	1112.01		\$ 17,027.00	1112.01
Cash restricted - res for replace.	1112.04		60.00	1112.04
Other miscellaneous admin	4190.22	\$ 1,855.68		2809.01
Accounts receivable - other	1129	6,405.92		1129
Accounts receivable - Emerson	1129.10	11,270.02		1129.10
Cash operating 1	1111.10		2,444.62	1111.10
(To correct per reconciling items from Housing Authority's spreadsheet and bank statement)				
<u>Beckford</u>				
(1)				
Undesignated fund balance	2809.01	\$ 1,416.33		2809.01
Accrued wages	2135		\$ 1,416.33	2135
(To post prior year audit adjustments for accrued wages)				
(2)				
Accrued interest payable	2131	\$ 5,479.32		2131
Interest expense	4851		\$ 5,479.32	2809.01
(To reverse prior year accrued interest and record prior year)				
(3)				
PILOT	2138	\$ 12,148.08		2138
Real estate tax	4515		\$ 12,148.08	2809.01
(To adjust property tax accrual to schedule)				
(4)				
Accrued wages	2135	\$ 52.70		2135
Admin salaries	4110		\$ 16.86	2809-01
Maintenance labor	4410		33.73	2809-01
Protective services - labor	4580		2.11	2809-01
(To adjust accrued wages to actual per schedule)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Parkville</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Undesignated fund balance	2809.01	\$ 1,466.47		2809.01
Accrued wages	2135		\$ 1,466.47	2135
Accounts payable - other	2115	59.66		2115
Vendors and contractors	2111		59.66	2111
(To post prior year audit adjustments and correct beginning balances)				
(2)				
Accrued wages	2135	\$ 102.81		2135
Accrued salaries	4110		\$ 38.04	2809.01
Maintenance labor	4410		64.77	2809.01
(To adjust accrued wages to actual per schedule)				
(3)				
Accumulated depreciation	1405.05	\$ 56,930.44		1405.05
Accumulated depreciation - bldg	1405.01		\$ 52,838.21	1405.01
Undesignated fund balance	2809.01		4,092.23	2809.01
(To adjust fixed asset basis per schedule)				
<u>Noah's</u>				
(1)				
Accounts payable - other - CC	2115	\$ 14,185.02		2115
Accounts payable - other - PM	2115	17,347.76		2115
Accounts payable - other - admin	2116.01	135,625.21		2116.01
Accounts payable - other - COCC	2115	3,002.22		2115
Accounts payable - other - voucher	2115	15,000.00		2115
Accounts payable - other - Amp 2	2115	100.00		2115
Accounts payable - other - MDIC	2115	2,000.00		2115
Accounts payable - other - S & L	2115	9,000.00		2115
Permanent transfers in	5210		\$196,260.21	2809.01
(To reclassify interfund accounts to permanent transfers)				
(2)				
Paper supplies	4001.03	\$ 81.18		2809.01
Food supplies	4001.01	459.50		2809.01
Vendor payable	2111		\$ 540.68	2111
(To adjust accrued wages to actual per schedule)				
(3)				
General manager salary	4111.05	\$ 403.87		2809.01
Staff general labor	4110.07	968.35		2809.01
Accrued wages	2135		\$ 1,372.22	2135
(To adjust accrued wages to actual per schedule)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Campus Corner</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accumulated depreciation	1405.01	\$ 593.75		1405.01
Accumulated amortization	1405.06		\$ 52.20	1405.06
Accrued comp abs - current	2260		148.35	2260
Accrued wages	2135		38.28	2135
Undesignated fund balance	2809.01		354.92	2809.01
(To post prior year audit adjustments)				
(2)				
Transfer out	5210	\$ 14,185.02		2809.01
Accounts receivable - Noah's	1129.001		\$ 14,185.02	1129.00-100
(To reclassify interfunds to Noah's as permanent transfers)				
(3)				
Accrued compensated absence	2260	\$ 148.35		2260
Admin salaries	4110		\$ 148.35	2809.01
(To reverse accrued absence from prior year)				
(4)				
Accrued wages	2135	\$ 4.36		2135
Admin salaries	4110		\$ 4.36	2809.01
(To adjust accrued wages to actual per schedule)				
(5)				
Loan payable	2310.10	\$ 187.47		2310.10
Interest expense	4851	640.56		2809.01
Cash	1111.10		\$ 828.03	1111.10
(To post auto payment made 6/1/09 to Mutual Bank for loan payment not posted on general ledger)				
(6)				
Interest expense	4851	\$ 618.69		2809.01
Accrued interest payable	2131		\$ 618.69	2131
(To set up accrued interest payable per note statement)				
(7)				
Accumulated depreciation	1405.05	\$ 20,544.87		1405.05
Depreciation expense	5100.01		\$ 20,544.87	2809.01
(To adjust depreciation expense to actual per schedule)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>MDIC</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Unrestricted net assets	2809.01	\$ 1,364.61		2809.01
Accrued payroll	2135		\$ 1,364.61	2135
(To post PHA's adjustments to actual)				
(2)				
Transfers out	5210	\$ 2,000.00		2809.01
Accounts receivable - Noah's	1129.001		\$ 2,000.00	1129.00-100
(To reclassify interfunds as permanent transfer for Noah's)				
(3)				
Accounts receivable - Sandalwood	1129.19	\$ 41,000.00		1129.19
Notes payable - long term	2310	113,497.24		2310
Loan payable	2310.10		\$ 63,527.40	2310.10
Buildings	1400.06		90,969.84	1400.06
(To correct notes payable to actual and remove closing costs from Sandalwood off the books)				
(4)				
Accounts payable - other	2115	\$ 250.00		2115
Accounts receivable - Beckford	1129.15		\$ 250.00	1129.15
(To close the interfund receivable to the interfund payable for Beckford)				
(5)				
Prepaid insurance	1211	\$ 2,644.99		1211
Insurance	4510		\$ 2,644.99	2809-01
(To set up prepaid insurance for MDIC)				
(6)				
Accrued wages	2135	\$ 608.81		2135
Administrative wages	4110		\$ 85.23	2809-01
Maintenance wages	4410		523.58	2809-01
(To adjust accrued wages to actual per schedule)				
(7)				
Gain/loss on equipment	3650	\$ 500.00		2809.01
Buildings	1400.06		\$ 500.00	1400.06
(To remove asset cost from 2805 Nebraska Street due to it was sold during year)				
<u>Sandalwood</u>				
(1)				
Prepaid insurance	1211	\$ 1,061.50		1211
Insurance expense	4510		\$ 1,061.50	2809.01
(To set up prepaid insurance for Sandalwood Apartments)				

**HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA**

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

<u>Sandalwood (Cont'd)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(2)				
Admin salaries	4110	\$ 321.79		2809-01
Maintenance labor	4410	473.61		2809-01
Accrued wages	2135		\$ 795.40	2135
(To adjust accrued wages to actual per schedule)				
(3)				
Depreciation expense	5100.01	\$ 21,468.17		2809.01
Accumulated depreciation	1405.05		\$ 21,468.17	1405.05
(To take depreciation expense per schedule for asset bought during year)				
(4)				
Interest expense	4851	\$ 2,397.74		2809.01
Accrued interest payable	2131		\$ 2,397.74	2131
(To set up accrued interest payable for outstanding note)				
(5)				
Accrued property tax	2138	\$ 7,924.28		2138
Real estate tax	4515		\$ 7,924.28	2809-01
(To correct real estate tax accrual per schedule)				
<u>Hilltop</u>				
(1)				
Unrestricted net assets	2809.01	\$ 2,623.27		2809.01
Accrued salaries	2135		\$ 2,623.27	2135
(To post prior year accrual)				
(2)				
Electric	4320	\$ 5,030.54		2809-01
Vendor payable	2111		\$ 5,030.54	2111
(To set up extra vendor payable per payable search)				
(3)				
Admin salaries	4110	\$ 30.95		2809.01
Maintenance labor	4410	26.27		2809-01
Protective service - labor	4580	1.17		2809-01
Accrued wages	2135		\$ 58.39	2135
(To adjust accrued wage to actual per schedule)				
(4)				
Accumulated depreciation	1405.05	\$ 1,023.43		1405.05
Depreciation expense	5100.01		\$ 674.40	2802
Contributed capital	2802		349.03	2802
(To remove accumulated depreciation for asset removed with prior audit still being depreciated in schedule)				

Housing Authority of the City of Marion, IN (IN041)
MARION, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2009

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus Grant	6 Component Units	COCC	Subtotal	ELIM	Total
311 Bank Overdraft	\$12,709										
312 Accounts Payable <= 90 Days	\$14,832	\$499	\$8,432	\$610	\$7,323			\$1,432	\$14,141		\$14,141
313 Accounts Payable >90 Days Past Due								\$2,195	\$5,506		\$5,506
321 Accrued Wage/Payroll Taxes Payable	\$3,780	\$3,153	\$2,882	\$889	\$5,129			\$10,085	\$31,234		\$31,234
322 Accrued Compensated Absences - Current Portion	\$51,994	\$13,803	\$9,989	\$1,568	\$13,188			\$24,962	\$117,078		\$117,078
324 Accrued Contingency Liability											
325 Accrued Interest Payable			\$5,865	\$1,744	\$8,224				\$15,833		\$15,833
331 Accounts Payable - HUD PHA Programs											
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	\$92,071		\$90,474		\$144,736			\$43,754	\$341,035		\$341,035
341 Tenant Security Deposits	\$58,491		\$23,137	\$8,926	\$35,637				\$126,871		\$126,871
342 Deferred Revenues	\$103,984	\$1,413	\$443	\$3,187	\$40,901				\$149,928		\$149,928
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			\$165,000	\$15,785	\$576,871				\$759,383	-\$469,103	\$290,280
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities				\$883	\$105,296				\$106,600		\$106,600
346 Accrued Liabilities - Other											
347 Inter Program - Due To	\$12,385	\$103,291	\$215,691	\$427	\$460,343	\$8,677		\$182,572	\$1,048,520	-\$1,048,520	\$0
348 Loan Liability - Current											
310 Total Current Liabilities	\$355,226	\$122,159	\$491,713	\$33,619	\$1,397,848	\$8,677		\$274,980	\$2,746,129	-\$1,517,623	\$1,228,506
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue											
352 Long-term Debt, Net of Current - Operating Borrowings			\$175,000	\$237,279	\$2,727,951				\$3,202,030		\$3,202,030
353 Non-current Liabilities - Other		\$25,755							\$25,755		\$25,755
354 Accrued Compensated Absences - Non Current											
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities											
350 Total Non-Current Liabilities	\$0	\$25,755	\$175,000	\$237,279	\$2,727,951	\$0		\$0	\$3,227,785	\$0	\$3,227,785
300 Total Liabilities	\$355,226	\$147,914	\$666,713	\$271,098	\$4,125,599	\$8,677		\$274,980	\$5,973,914	-\$1,517,623	\$4,456,291
508.1 Invested in Capital Assets, Net of Related Debt											
509.2 Fund Balance Reserved	\$6,438,787	\$5,020	\$520,070	\$1,525,519	\$155,693	\$8,677		\$69,755	\$8,695,097		\$8,695,097
511.2 Unreserved, Designated Fund Balance											
511.1 Restricted Net Assets		\$207,284	\$698,191						\$905,475		\$905,475
512.1 Unrestricted Net Assets	\$730,068	-\$98,668	-\$113,559	\$245,317	-\$395,534	\$0		\$691,190	\$1,065,499		\$1,065,499
512.2 Unreserved, Unesignated Fund Balance											
513 Total Equity/Net Assets	\$7,168,855	\$113,646	\$1,104,702	\$1,770,836	-\$239,841	\$8,677		\$760,945	\$10,666,071	\$0	\$10,666,071
600 Total Liabilities and Equity/Net Assets	\$7,524,081	\$261,560	\$1,771,415	\$2,041,934	\$3,885,758	\$17,354		\$1,035,925	\$16,639,985	-\$1,517,623	\$15,122,362

Housing Authority of the City of Marion, IN (IN041)

MARION, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2009

	Project Total	14.571 Housing Choice Vouchers	14.102 NVC/SR Section 8 Programs	2 State/Local	1 Business Activities	14.885 Formula Capital Fund Stimulus Grant	6 Component Units	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$5,935	\$2,542	\$33,159	\$78,355	\$73,198		\$22,339		\$215,528		\$215,528
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted		\$233,039							\$233,039		\$233,039
114 Cash - Tenant Security Deposits	\$59,491		\$23,137	\$8,926	\$35,637		\$660		\$126,871		\$126,871
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$64,426	\$235,581	\$56,296	\$87,281	\$108,835	\$0	\$23,019	\$0	\$575,438	\$0	\$575,438
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects		\$3,413				\$8,677			\$12,090		\$12,090
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous		\$8,994	\$2,844	\$1,799	\$47,817		\$191	\$77,347	\$138,901		\$138,901
126 Accounts Receivable - Tenants	\$8,458		\$15,168	\$2,049	\$21,033	\$0			\$44,899		\$44,899
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0	\$-884	\$0	\$0	\$0	\$0	\$0	\$-884		\$-884
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current			\$78,625	\$117,983	\$171,545		\$41,000	\$59,750	\$469,103	\$-469,103	\$0
128 Fraud Recovery		\$317							\$317		\$317
128.1 Allowance for Doubtful Accounts - Fraud		\$0							\$0		\$0
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,458	\$12,724	\$95,973	\$121,831	\$240,495	\$8,677	\$41,191	\$137,097	\$664,446	\$-469,103	\$195,343
131 Investments - Unrestricted	\$638,546		\$32,980						\$671,526		\$671,526
132 Investments - Restricted			\$698,191						\$698,191		\$698,191
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets			\$2,755		\$1,943		\$2,645		\$7,343		\$7,343
143 Inventories			\$1,207					\$14,512	\$15,719		\$15,719
143.1 Allowance for Obsolete Inventories			\$0					\$0	\$0		\$0
144 Inter Program Due From	\$175,864	\$8,235	\$23,943	\$54,239	\$73,970			\$12,269	\$104,520	\$-104,520	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$1,085,294	\$256,540	\$911,345	\$263,351	\$425,243	\$8,677	\$66,855	\$963,978	\$3,881,183	\$-1,517,623	\$2,363,560
161 Land	\$251,583		\$105,072	\$73,226				\$15,000	\$444,881		\$444,881
162 Buildings	\$7,787,477		\$2,432,311	\$1,563,443	\$3,558,276		\$35,103	\$141,866	\$15,518,496		\$15,518,496
163 Furniture, Equipment & Machinery - Dwellings	\$74,052	\$9,970	\$12,128						\$96,150		\$96,150
164 Furniture, Equipment & Machinery - Administration	\$92,910	\$29,156	\$67,674		\$1,200			\$189,730	\$360,730		\$360,730
165 Leasehold Improvements	\$3,143,213		\$78,827	\$11,644	\$45,104			\$3,250	\$3,822,038		\$3,822,038
166 Accumulated Depreciation	\$-6,018,635	\$-34,106	\$-1,635,942	\$-369,730	\$-184,065		\$0	\$-260,171	\$-8,702,649		\$-8,702,649
167 Construction in Progress	\$1,108,187					\$8,677			\$1,116,864		\$1,116,864
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,438,787	\$5,020	\$860,070	\$1,778,583	\$3,460,515	\$8,677	\$35,103	\$69,755	\$12,656,510	\$0	\$12,656,510
171 Notes, Loans and Mortgages Receivable - Non-Current								\$102,292	\$102,292		\$102,292
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$6,438,787	\$5,020	\$860,070	\$1,778,583	\$3,460,515	\$8,677	\$35,103	\$72,047	\$12,758,802	\$0	\$12,758,802
190 Total Assets	\$7,524,081	\$261,560	\$1,771,415	\$2,041,934	\$3,885,758	\$17,354	\$101,958	\$1,035,925	\$16,639,985	\$-1,517,623	\$15,122,362

Housing Authority of the City of Marion, IN (IN041)
MARION, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2009

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus Grant	9 Component Units	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$609,676		\$457,203	\$105,359	\$571,872		\$9,626	\$39,936	\$1,793,472		\$1,793,472
70400 Tenant Revenue - Other	\$37,734		\$8,114	\$6,616	\$58,470		\$673		\$111,607		\$111,607
70500 Total Tenant Revenue	\$647,410	\$0	\$465,317	\$111,975	\$630,342	\$0	\$10,299	\$39,936	\$1,905,079	\$0	\$1,905,079
70600 HUD PHA Operating Grants	\$949,672	\$1,768,547							\$2,418,219		\$2,418,219
70610 Capital Grants	\$157,469					\$9,677			\$166,146		\$166,146
70710 Management Fee								\$237,247	\$237,247	-\$237,247	\$0
70720 Asset Management Fee								\$45,678	\$45,678	-\$45,678	\$0
70730 Book Keeping Fee								\$33,940	\$33,940	-\$33,940	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue								\$316,865	\$316,865	-\$316,865	\$0
70800 Other Government Grants											
71100 Investment Income - Unrestricted	\$31,752	\$2,692	\$226	\$26				\$116	\$34,812		\$34,812
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery											
71500 Other Revenue	\$12,785	\$10,197	\$1,762	\$134	\$87,491		\$49,264	\$27,104	\$188,737		\$188,737
71600 Gain or Loss on Sale of Capital Assets							\$46,600		\$46,600		\$46,600
72000 Investment Income - Restricted			\$145					\$11,769	\$11,914		\$11,914
70000 Total Revenue	\$1,499,068	\$1,781,436	\$467,450	\$112,135	\$717,633	\$9,677	\$106,163	\$395,790	\$5,086,372	-\$316,865	\$4,771,507
91100 Administrative Salaries	\$179,824	\$124,950	\$54,013	\$9,998	\$102,248		\$6,359	\$255,592	\$732,984		\$732,984
91200 Auditing Fees											
91300 Management Fee	\$151,902	\$57,208		\$4,658	\$23,479				\$237,247	-\$237,247	\$0
91310 Book-keeping Fee	\$24,767		\$9,173						\$33,940	-\$33,940	\$0
91400 Advertising and Marketing							\$138	\$1,206	\$1,344		\$1,344
91500 Employee Benefit Contributions - Administrative	\$79,693	\$57,844	\$22,513	\$4,304	\$31,290		\$2,804	\$71,115	\$289,463		\$289,463
91600 Office Expenses	\$34,520	\$40,393	\$11,519	\$2,677	\$21,805				\$111,314		\$111,314
91700 Legal Expense	\$1,691	\$274	\$2,763	\$420	\$20,755		\$423	\$14,996	\$41,222		\$41,222
91800 Travel								\$4,345	\$4,345		\$4,345
91810 Allocated Overhead											
91900 Other	\$151,348	\$29,112	\$7,118	\$4,486	\$94,314		\$2,630	\$76,019	\$365,027		\$365,027
91000 Total Operating - Administrative	\$624,045	\$309,781	\$107,099	\$28,543	\$293,891	\$0	\$12,354	\$423,173	\$1,796,866	-\$271,167	\$1,525,699
92000 Asset Management Fee											
92100 Tenant Services - Salaries											
92200 Relocation Costs	\$33,692		\$11,986						\$45,678	-\$45,678	\$0
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other	\$2,699		\$3,749		\$464				\$6,912		\$6,912
92500 Total Tenant Services	\$2,699	\$0	\$3,749	\$0	\$464	\$0	\$0	\$0	\$6,912	\$0	\$6,912

Housing Authority of the City of Marion, IN (IN041)
MARION, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2009

	Project Total	14,871 Housing Choice Vouchers	14,182 NYC S/R Section 8 Programs	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus Grant	6 Component Units	COCC	Subtotal	ELIM	Total
93100 Water	\$25,188		\$15,483	\$654	\$32,933		\$1,050	\$1,135	\$76,443		\$76,443
93200 Electricity	\$130,748		\$72,389	\$738	\$18,526		\$653	\$5,791	\$228,907		\$228,907
93300 Gas				\$1,357	\$2,128		\$1,959	\$5,409	\$10,853		\$10,853
93400 Fuel											
93500 Labor											
93600 Sewer	\$2,401		\$726	\$44	\$596		\$41	\$145	\$3,953		\$3,953
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense	\$5,731	\$592	\$1,887	\$133	\$7,977		\$815	\$716	\$17,851		\$17,851
93900 Total Utilities	\$164,068	\$592	\$90,485	\$2,976	\$92,162	\$0	\$4,518	\$13,196	\$338,007	\$0	\$338,007
94100 Ordinary Maintenance and Operations - Labor	\$192,047		\$44,931	\$13,248	\$80,124		\$50,510	\$477	\$381,337		\$381,337
94200 Ordinary Maintenance and Operations - Materials and Other	\$58,429	\$2,137	\$20,220	\$4,660	\$99,273		\$30,410	\$2,831	\$197,760		\$197,760
94300 Ordinary Maintenance and Operations Contracts	\$59,450	\$663	\$18,754	\$7,459	\$81,188		\$49,081	\$3,789	\$220,564		\$220,564
94500 Employee Benefit Contributions - Ordinary Maintenance	\$95,709		\$19,077	\$5,735	\$35,966		\$22,861	\$112	\$169,160		\$169,160
94600 Total Maintenance	\$405,635	\$3,000	\$102,982	\$31,102	\$266,451	\$0	\$152,662	\$7,029	\$968,861	\$0	\$968,861
95100 Protective Services - Labor	\$14,450		\$17,795	\$162	\$1,612				\$18,039		\$18,039
95200 Protective Services - Other Contract Costs											
95300 Protective Services - Other											
95500 Employee Benefit Contributions - Protective Services											
95600 Total Protective Services	\$14,450	\$0	\$17,795	\$162	\$1,612	\$0	\$0	\$0	\$18,039	\$0	\$18,039
96110 Property Insurance	\$77,255	\$8,119	\$13,725	\$10,452	\$33,095		\$3,738	\$21,841	\$168,225		\$168,225
96120 Liability Insurance											
96130 Workmen's Compensation											
96140 All Other Insurance											
96100 Total Insurance Premiums	\$77,255	\$8,119	\$13,725	\$10,452	\$33,095	\$0	\$3,738	\$21,841	\$168,225	\$0	\$168,225
96200 Other General Expenses											
96210 Compensated Absences		\$7,413		\$5,000	\$6,601		\$650	\$61	\$19,725		\$19,725
96300 Payments in Lieu of Taxes	\$44,566		\$18,566		\$67,645		\$91		\$150,868		\$150,868
96400 Bad debt - Tenant Retts	\$15,916		\$288	\$1,204	\$956				\$17,810		\$17,810
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Surveys Expense	\$405,635										
96900 Total Other General Expenses	\$60,482	\$7,413	\$18,298	\$6,204	\$95,204	\$0	\$741	\$61	\$188,403	\$0	\$188,403
96710 Interest of Mortgage (or Bonds) Payable			\$33,065	\$21,738	\$131,903		\$4,402		\$191,108		\$191,108
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$33,065	\$21,738	\$131,903	\$0	\$4,402	\$0	\$191,108	\$0	\$191,108
96900 Total Operating Expenses	\$1,382,326	\$328,905	\$383,194	\$99,197	\$684,782	\$0	\$178,415	\$465,300	\$3,722,119	-\$316,865	\$3,405,254
97000 Excess of Operating Revenues over Operating Expenses	\$116,762	\$1,452,531	\$84,256	\$12,938	\$167,149	\$8,877	\$72,252	-\$69,510	\$1,366,255	\$0	\$1,366,255

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	1 Business Activities	14,885 Formula Capital Fund Stimulus Grant	6 Component Units	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance			\$10,468						\$10,468		\$10,468
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments	\$57,681	\$1,801,970							\$1,859,651		\$1,859,651
97350 HAP Portability-In											
97400 Depreciation Expense	\$372,076	\$2,362	\$68,863	\$39,979	\$87,772			\$11,115	\$500,167		\$500,167
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$1,612,083	\$2,133,237	\$460,523	\$139,176	\$972,354	\$0	\$178,415	\$476,415	\$6,172,413	-\$316,865	\$5,855,548
10010 Operating Transfer In	\$101,634								\$502,650		\$502,650
10020 Operating Transfer Out	-\$306,490	\$15,000		\$9,000	-\$31,533		\$2,000	-\$138,627	\$502,650		-\$502,650
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter-Project Excess Cash Transfer In											
10092 Inter-Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	-\$204,856	-\$15,000	\$0	-\$9,000	\$164,727	\$0	-\$2,000	\$66,129	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$517,861	-\$366,801	\$65,927	-\$36,041	-\$90,194	\$8,677	-\$74,252	-\$14,496	-\$1,094,041	\$0	-\$1,094,041
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$7,665,711	\$477,054	\$1,097,427	\$1,806,877	-\$153,739	\$0	\$52,503	\$694,040	\$11,659,873		\$11,659,873
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$1,005	\$3,393	\$348		\$4,082			\$81,401	\$90,239		\$90,239
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity		-\$93,638							-\$93,638		-\$93,638
11180 Housing Assistance Payments Equity		\$207,284							\$207,284		\$207,284
11190 Unit Months Available	3240	5052	1176	300	1560				11328		11328
11210 Number of Unit Months Leased	3204	5052	1140	298	1502				11196		11196
11270 Excess Cash	\$0							\$0	\$0		\$0
11610 Land Purchases	\$0							\$0	\$0		\$0
11620 Building Purchases	\$0							\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0							\$0	\$0		\$0
11660 Infrastructure Purchases	\$0							\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0							\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0							\$0	\$0		\$0

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

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Board of Commissioners
Housing Authority of the City of Marion
Marion, Indiana

In planning and performing my audit of the financial statements of Housing Authority of the City of Marion as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Marion's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Marion'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 document (manual). Discussions with Housing Authority management indicated that the Housing Authority had a system of internal control in place, however, many of procedures became outdated when a new accounting software system was implemented and with personnel changes. Procedures need to be reviewed, updated and documented.
2. During the audit, it was noted that several accounts were not properly reconciled to supporting data or subsidiary ledgers. For example, one separate bank account reconciliations listed 'reconciling' items as a part of the reconciliations. Variances, when discovered should be investigated and corrected regardless of the materiality.

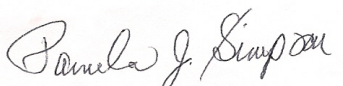
3. The detailed depreciation schedule for the Parkville project did not reconcile to the fixed asset control accounts on the general ledger. Again, the variances noted were not material, however, the lack of reconciliation indicates that internal control procedures were lacking.
4. Management of the Housing Authority indicated that the new director of finance has been instructed to review all current policies and procedures for adequacy and applicability. During the review of current formal and informal procedures, the director of finance and management should consider adopting or revising the following policies:
 - credit card usage and documentation
 - personal use of company assets (automobiles, cell phones, etc.)
 - performance of quality assurance reviews of public housing tenant files and Section 8 participant files
 - contracting, purchasing and receiving
 - review and approval of non-cash transactions (adjusting journal entries) recorded in the general ledger
 - bank transfers

Management of the Housing Authority is responsible for over seeing the development and implementation of the revised internal control policies and procedures in all areas of operations of the agency.

5. During the examination of Section 8 participant files , five instances were noted where the files did not contain proper documentation of a fully executed §214 Declaration required by the Section 8 Administrative Plan. Periodic quality control reviews of the files should be completed to determine that all files contain the proper documentation.

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
July 15, 2009


Certified Public Accountant