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July 18, 2014

Board of Directors  
Richmond Housing Authority  
58 S. Fifteenth Street  
Richmond, IN 47374

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 Richmond 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 RICHMOND  
RICHMOND, INDIANA**

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

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**TWELVE MONTHS ENDED JUNE 30, 2009**

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

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

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## Independent Auditor's Report

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

I have audited the accompanying financial statements of Housing Authority of the City of Richmond, 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.

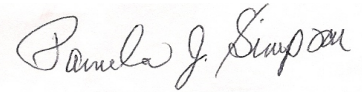
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 Richmond, 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 February 10, 2010, on my consideration of the Housing Authority of the City of Richmond'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 12, 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 Richmond, 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 Richmond. 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 Richmond. 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.

Handwritten signature of Pamela J. Simpson in cursive script.

Decatur, Illinois  
February 10, 2010

Certified Public Accountant

RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

**Management's Discussion And Analysis (MD&A)**

The Richmond Housing Authority's management discussion and analysis of the RHA financial statements including a narrative overview and discussion of the financial activities of the RHA for years and periods ending June 30, 2009 vs. June 30, 2008.

The MD&A is specifically designed to: 1.) assist the reader in focusing on significant financial issues; 2.) provide a broad scope overview of the RHA's financial activities; 3.) identify and explain changes in the RHA's financial position from 2008 to 2009; and 4.) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the RHA's audited financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Derek White, Executive Director, Richmond Housing Authority, 58 S 15<sup>th</sup> St., Richmond, IN 47374

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

RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

### **Reporting On The Housing Authority As A Whole**

One of the most important questions asked about the Authority's finances are, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2009." The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

#### **Financial Highlights**

- RHA's total assets increased by \$22,463 from 2008 to 2009. The increase in total assets was due to the large change in cash which was partially off-set by decreases in net capital assets and other current assets by \$99,807.
- Liabilities increased by \$48,732 which aided by increases in both accounts payable and other liabilities.
- Total net assets decreased by \$26,269 due to a sizeable reduction in net investment in capital assets which was partially off-set by an increase in unrestricted assets.
- Agency revenues grew by \$130,310 because of a combination of increases all line items except for capital fund activities.
- The overall collective effect on operating expenses for 2008 to 2009 was only a 4.6% increase due primarily to a sizeable increase in maintenance cost.
- Total assets were diminished by \$76,292 from 2008 to 2009 with the major contributors being reductions in construction in progress and accumulated depreciation.
- The Agency realized a net operating loss of only \$26,269 because of a sizeable increase in RHA revenues.

RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

### **Fund Financial Statements**

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

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

### **Using This Annual Report**

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

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



RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

### **Reporting The Housing Authority's Most Significant Funds**

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

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

- 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.
- Statement of Capital Assets – reports the Authority's activities to improve and/or expand its assets and reflects current renovation efforts and accumulated depreciation.

The following analysis of the entity wide financial statement is provided to assist the reader of our financial statements.

The RHA maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the authority provides for the residents of the Richmond Housing Authority:

RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

### **Low Income Public Housing**

The RHA owns approximately 304 units in four developments in the City of Richmond. Merle Henderson contains 104 elderly/disabled units, Southview Heights has 50 family units, Jerry Geier Apartments has 50 family units and Bobby Smith Apartments has 100 family units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an allowable Operating Expense Level, Allowable utilities Expenses Level and Audit Costs that becomes the Authority's Total Allowable Expenses. HUD will fund the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculation. The funds are utilized to provide safe, affordable, clean housing to the residents of the City of Richmond, Indiana.

### **Section 8 Housing Choice Voucher Program**

This grant program provides Housing Assistance Payments to Landlords who participate in the program. Qualifying tenants to the program have their income analyzed utilizing HUD's guidelines and their rent are assessed accordingly. The balance between the differences of the allowable rent amount set by HUD and the tenant's contribution is equal to the Housing Assistance Payment.

### **Capital Fund Program**

This grant program is awarded by HUD on an annual basis. The purposes of this grant is to maintain the physical improvements of the Authority's sites and the administrative management to ensure those improvements are completed in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

## Authority-Wide Condensed Financial Statements

### Statement of Net Assets

Current & Other Assets	2009	2008	Change
Cash & Cash Equivalents	1,776,443	1,655,173	121,270
Other Current Assets	88,391	110,906	(22,515)
Capital Assets (Net)	5,173,626	5,249,918	(76,292)
<b>Total Assets</b>	<b>7,038,460</b>	<b>7,015,997</b>	<b>22,463</b>
<b>Liabilities</b>			
Accounts Payable	79,935	66,928	13,007
Other Liabilities	170,851	135,126	35,725
<b>Total Liabilities</b>	<b>250,786</b>	<b>202,054</b>	<b>48,732</b>
<b>Net Assets</b>			
Net Investment in Capital Assets	5,173,626	5,249,918	(76,292)
Restricted	0	18,443	(18,443)
Unrestricted	1,614,048	1,545,582	68,196
<b>Total Net Assets</b>	<b>6,787,674</b>	<b>6,813,943</b>	<b>(26,269)</b>

#### Major Factors affecting the statement of Net Assets

Total Assets for FYE 2009 are \$7,038,460 and at FYE 2008 the amount was \$7,015,997. This represents an increase of \$22,463 for which the major reason was the large increase in cash for 2009 vs. 2008 of \$121,270 which was partially off-set by a reduction in net capital assets of \$76,292.

Total liabilities increased by \$48,732 with the major impact due to the combined increase of accounts payable and other liability which amounted to \$48,732 for 2009.

Net assets decreased by \$26,269 from 2008 to 2009 with the major reason being a reduction in net investment in capital assets of \$76,292 which was partially off-set by an increase in unrestricted net assets of \$68,196.

RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

**Statement of Agency Wide Revenues, Expenses, and Net Assets**

**Statement of Revenues**

<b>Source</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Public Housing Rental	431,647	382,330	49,317
HUD Operating Subsidy	2,326,071	2,239,165	86,906
HUD Capital Fund	154,312	486,829	(332,517)
Other Income	462,087	159,203	302,884
Gain/Loss on Sale of Fixed Assets	0	(23,720)	23,720
<b>Total Revenues</b>	<b>3,374,117</b>	<b>3,243,807</b>	<b>130,310</b>

The combined affect of revenue sources for 2009 created an increase of \$130,310 vs. 2008. There were increases of \$462,827 in all categories which more than off-set the reduction in capital funds by \$332,517.

**Statement of Expenses**

<b>Activity</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Administrative	626,463	653,813	(27,350)
Tenant Services	20,351	27,734	(7,383)
Utilities	258,861	233,189	25,672
Maintenance	606,361	493,995	112,366
Housing Assistance Payment	1,121,235	1,120,631	604
Depreciation	619,302	610,192	9,110
General Expense	144,678	121,137	23,541
Casualty Losses	0	0	0
Extraordinary Maintenance	3,135	549	2,586
<b>Total Expenses</b>	<b>3,400,386</b>	<b>3,261,240</b>	<b>139,146</b>

Total operating expense rose by \$139,146 for 2009 vs. 2008. The major expense increases were 18.5% maintenance costs, 10% for utilities, 19.5% general expenses. This deficit was minimally off-set by a decrease of 4% in administrative cost and 36% in Tenant Services.

The combination of an increase in Total Revenue by \$130,310 and an increase in total operating expense of \$139,146 resulted in a net operating loss of \$26,269.

RICHMOND HOUSING AUTHORITY  
RICHMOND, INDIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

**Statement of Capital Assets**

<b>Source</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Land	960,488	960,488	0
Buildings	12,393,428	11,804,934	588,494
Equipment And Furniture	762,087	741,781	20,306
Leasehold Improvements	744,906	696,391	48,515
Construction in progress	623,838	738,144	(114,306)
Accumulated Depreciation	(10,311,121)	(9,691,820)	(619,301)
<b>Total Assets</b>	<b>5,173,626</b>	<b>5,249,918</b>	<b>(76,292)</b>

Net property and equipment value has decreased by \$76,292 from 2008 to 2009. The major negative impacts to capital asset were accumulated depreciation which increased by \$619,301 plus a reduction in the construction in progress of \$114,306. This negative factor was reduced by increases in the value of buildings, land and leasehold improvements of \$608,800.

**Economic Factors**

The Housing Authority's primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for 2008 fiscal year have already been submitted to HUD for approval and no major changes are expected.

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental.
- Income Inflationary pressure on utility rates, supplies and other costs.

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

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

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,776,443
Accounts receivable (interfund eliminated)	24,244
Accrued interest receivable	4,583
Inventory	11,647
Deferred charges	<u>47,917</u>

Total Current Assets \$ 1,864,834

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 15,484,747
Less: Accumulated depreciation	<u>-10,311,121</u>

Total Capital Assets \$ 5,173,626

Total Assets \$ 7,038,460

**LIABILITIES**

**CURRENT LIABILITIES**

Bank overdraft	\$ 54,437
Accounts payable (interfund eliminated)	77,495
Accrued liabilities	22,120
Deferred revenue	<u>5,381</u>

Total Current Liabilities \$ 159,433

**NONCURRENT LIABILITIES**

Trust and deposit liabilities	<u>\$ 91,353</u>
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Total Noncurrent Liabilities \$ 91,353

**NET ASSETS**

Invested in capital assets	\$ 5,173,626
Unrestricted	<u>1,614,048</u>

Total Net Assets \$ 6,787,674

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

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

Operating Income

Tenant rental revenue	\$ 394,640
Tenant revenue - other	<u>37,007</u>
Total Rental Income	\$ 431,647
HUD PHA operating grants	2,326,071
Other government grants	371,344
Fraud recovery	8,826
Other revenue	<u>28,106</u>
Total Operating Income	<u>\$ 3,165,994</u>

Operating Expenses

Administration	\$ 626,463
Tenant services	20,351
Utilities	258,861
Ordinary maintenance and operation	606,361
Protective services	47,124
General expense	97,554
Extraordinary maintenance	3,135
Housing assistance payments	1,121,235
Depreciation	<u>619,302</u>
Total Operating Expenses	<u>\$ 3,400,386</u>
Net Operating Income (Loss)	\$ -234,392

Nonoperating Income (Expense)

Interest income	53,811
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Capital Contributions

Capital fund grants	<u>154,312</u>
Changes in net assets	\$ -26,269
Net assets, beginning of year	<u>6,813,943</u>
Net assets, end of year	<u>\$ 6,787,674</u>

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

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

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

Operating Activities

Operating grants	\$ 2,332,865
Tenant revenue	435,892
Other revenue	408,276
Housing assistance payments	-1,121,235
Payments to employees	-483,417
Payments to suppliers and contractors	<u>-1,149,167</u>

Net Cash Provided (Used) by Operating Activities \$ 423,214

Investing Activities

Interest income	<u>\$ 62,884</u>
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Net Cash Provided (Used) by Investing Activities \$ 62,884

Capital and Related Financing Activities

HUD grants - capital	\$ 154,312
Additions (deletions) to fixed assets	<u>-542,920</u>

Net Cash Provided (Used) by  
Capital and Related Financing Activities \$ -388,608

Net Change in Cash \$ 97,490

Cash Balance at June 30, 2008 1,624,516

Cash Balance at June 30, 2009 \$ 1,722,006



**HOUSING AUTHORITY OF THE CITY OF RICHMOND  
RICHMOND, 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)	\$ -234,392
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	619,302
(Increase) decrease in accounts receivable	6,373
(Increase) decrease in deferred charges	-428
(Increase) decrease in inventories	7,497
Increase (decrease) in accounts payable	13,007
Increase (decrease) in accrued liabilities	4,631
Increase (decrease) in deferred revenues	1,444
Increase (decrease) in other liabilities	<u>5,780</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 423,214</u>

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

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

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Richmond and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Richmond is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

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

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

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation -

The practice of the Housing Authority is to distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

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

- \* Low Rent Public Housing
- \* Section 8 Housing Choice Vouchers
- \* Capital Fund Program
- \* Business Activities

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

*Proprietary Fund Types:*

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents. This is not a formal policy but the procedure followed in financial preparation.

(f) Interprogram Receivables and Payables -

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

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

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

Note 1 - Summary of Significant Accounting Policies

(g) 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.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) 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	5-10	years
Transportation equipment	5	years
Furniture and fixtures	10	years
Building improvements	10-40	years
Leasehold improvements	20	years

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

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

Note 1 - Summary of Significant Accounting Policies

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

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

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

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

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

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.

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

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

Note 2 - Cash and Investments (Continued)

*Custodial Credit Risk*

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

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

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

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

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

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

- Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.
- Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 1,729,739	\$ 1,797,794
Voucher (overdraft)	-50,212	0
Business Activities	<u>84,279</u>	<u>88,503</u>
Total	<u>\$ 1,763,806</u>	<u>\$ 1,886,297</u>

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

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

Note 3 - Compensated Absences

An employee's eligibility to use accrued vacation is based on the calendar year. Introductory employees are not eligible to take vacation but will be given credit for accrued vacation hours once regular employment status is achieved retroactively to their date of employment. Eligible employees accrue credit for each pay period of service in which the employee is actively in Housing Authority of the City of Richmond employment and in a paid status. Vacation credit will not be earned for any month in which the employee is on a leave of absence or disciplinary suspension, regardless of the number of workdays absent for these reasons.

Full-time employees, defined here as working a regularly scheduled workweek of forty hours, will accrue paid vacation credit as follows:

0 - 1 years in service	1.5 hours per pay period
1 - 6 years in service	3.1 hours per pay period
7 - 14 years in service	4.6 hours per pay period
15+ years in service	6.2 hours per pay period

Regular part-time employees must normally work 20-27 hours per week to be eligible for vacation credit equivalent to one-half of the full-time rate and part-time employees working a 28-34 hour scheduled work week will accrue vacation credit at the rate of three-fourths the full-time rate.

Employees begin to accrue personal leave credit on the first of the month following their hire date. Introductory employees are not eligible to use personal leave, but will be given credit for accrued personal leave hours once regular employment status is achieved retroactively to the month in which credit begin to accrue. Introductory employees who are absent due to illness or nonwork-related injury may have their pay adjusted to reflect an unpaid absence. Regular employees who are absent due to illness and have used all accrued sick days will have their pay adjusted to reflect an unpaid absence.

Personal leave accrues annually for eligible employees.

Sick Days	15 days per year
Personal Days	3 days per year
Bereavement	3 days per family member

Part-time employees working a 20-27 hour workweek schedule will accrue at one-half the full-time rate, and employees working a 28-34 hour scheduled work week will accrue at three-fourths the full-time rate.

The accrual of personal leave credit can be, and is encouraged to be, accumulated up to the established maximum number of dates in the event of serious injury (60 days maximum sick time). Upon separation from agency service, accrued sick days will not be paid in any manner. Personal days cannot be carried over or accumulated year from year. Bereavement time will not be charged to the employee's sick days; but are not given unless there is a death in the family.

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

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

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan (IRA-SEP plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months after the date of employment. The plan requires the Housing Authority to contribute 14.5% of covered wages. The Housing Authority's contribution for each employee are vested immediately. In fiscal year 2009, the Housing Authority contributed \$82,411.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 8,339
Fraud recovery (net)	12,459
Accounts receivable - HUD	3,365
Other	<u>81</u>
Subtotal	\$ 24,244
Interfund	<u>232,839</u>
Total	<u>\$ 257,083</u>

Note 6 - Deferred Charges

This classification includes the following:

Prepaid insurance	<u>\$ 47,917</u>
-------------------	------------------

Note 7 - Fixed Assets

Balance as of June 30, 2009	\$ 5,173,626
Balance as of June 30, 2008	<u>5,249,918</u>
Net Increase (Decrease)	<u>\$ -76,292</u>

Reconciliation

Additions	\$ 543,010
Current year depreciation expense	<u>-619,302</u> *
Net Increase (Decrease)	<u>\$ -76,292</u>



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

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

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	07/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	06/30/2009 <u>Balance</u>
Land	\$ 960,488	\$ 0	\$ 0	\$ 960,488
Buildings	11,804,934	588,494	0	12,393,428
Equipment and furniture	741,781	20,306	0	762,087
Leasehold improvements	696,391	48,515	0	744,906
Construction in progress	<u>738,144</u>	<u>154,312</u>	<u>268,618</u>	<u>623,838</u>
Total	\$ 14,941,738	\$ 811,627	\$ 268,618	\$ 15,484,747
Accumulated depreciation	<u>-9,691,820</u>	<u>-619,301</u> *	<u>0</u>	<u>-10,311,121</u>
Net Assets	<u>\$ 5,249,918</u>	<u>\$ 192,326</u>	<u>\$ 268,618</u>	<u>\$ 5,173,626</u>

\*Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 29,664
Tenants security deposits	46,704
Accounts payable - HUD	<u>1,127</u>
Subtotal	\$ 77,495
Interfund	<u>232,839</u>
Total	<u>\$ 310,334</u>

Note 9 - Notes Payable

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

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

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

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

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

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 14,446
Accrued wages/taxes	<u>7,674</u>
Total	<u>\$ 22,120</u>

Note 11 - Trust and Deposit Liabilities

This classification consists of the following:

Homebuyer Reserves	<u>\$ 91,353</u>
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Note 12 - Deferred Revenue

This classification consists of the following:

Tenants prepaid rent	<u>\$ 5,381</u>
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Note 13 - Administrative Fee

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

Note 14 - Allocation of Costs

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

Note 15 - 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.

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

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

Note 16 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural 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 17 - Economic Dependency

The Housing Authority received most of its revenue (74%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

**HOUSING AUTHORITY OF THE CITY OF RICHMOND  
RICHMOND, 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-853	FYE 06/30/09	\$ 866,452	\$ 866,452	\$ 866,452
Housing Choice Voucher Program*	14.871	IN009VO	FYE 06/30/09	\$ 1,222,666	\$ 1,222,666	\$ 1,222,666
Public Housing - Capital Fund*	14.872	C-853	FYE 06/30/09	\$ 1,675,193	\$ 391,265	\$ 391,265
Total Housing Assistance				<u>\$ 3,764,311</u>	<u>\$ 2,480,383</u>	<u>\$ 2,480,383</u>

\*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 equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P009501-05**

1. The Actual Modernization Costs of Phase IN36P009501-05 are as follows:

Funds approved	\$ 520,446
Funds expended	<u>520,446</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 520,446
Funds expended	<u>520,446</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated August 21, 2008, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P009501-06**

1. The Actual Modernization Costs of Phase IN36P009501-06 are as follows:

Funds approved	\$ 512,427
Funds expended	<u>512,427</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 512,427
Funds expended	<u>512,427</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated July 21, 2009, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

# 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 Richmond  
Richmond, Indiana

I have audited the financial statements of (and the aggregate discretely presented component unit) of Housing Authority of the City of Richmond as of and for the year ended June 30, 2009, which collectively comprise the Housing Authority of the City of Richmond's basic financial statements and have issued my report thereon dated February 10, 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 Richmond'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 Richmond's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Richmond's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority of the City of Richmond'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 Richmond's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Richmond's internal control.

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

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



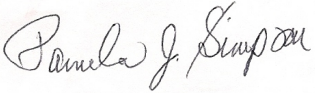
## Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority of the City of Richmond, in a separate letter dated February 10, 2010.

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

Decatur, Illinois  
February 10, 2010



Certified Public Accountant

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

433 WEST PERSHING ROAD

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

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

### Compliance

I have audited the compliance of Housing Authority of the City of Richmond 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 Richmond'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 Richmond's management. My responsibility is to express an opinion on Housing Authority of the City of Richmond'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 Richmond'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 Richmond's compliance with those requirements.

As described in items 2009-1 and 2009-2 in the accompanying schedule of findings and questioned costs, Housing Authority of the City of Richmond, did not comply with requirements regarding cash management that are applicable to its Housing Choice Voucher Program and obtaining adequate documentation to support tenant's eligibility. Compliance with such requirements is necessary, in my opinion, for Housing Authority of the City of Richmond 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 Richmond 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 2009-1 and 2009-2.

## Internal Control Over Compliance

The management of Housing Authority of the City of Richmond 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 Richmond'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 Richmond'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 and 2009-2 to be significant deficiencies.

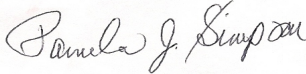
A *material weakness* is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I consider item 2009-2 to be a material weakness.

Housing Authority of the City of Richmond'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 Richmond'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 Richmond in a separate letter dated February 10, 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  
February 10, 2010

  
Certified Public Accountant

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2008 contained one finding:

**Finding 2008-1: Housing Choice Voucher - Participant Eligibility**

HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). In the prior year 9 instances of incompleteness were found of the 14 files tested. This finding continues in the current year,

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

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

**Section I - Summary of Auditor Results**

Low Risk Auditee \_\_\_\_\_ yes X\_\_\_\_\_ no

*Financial Statements*

Type of auditor's report: Unqualified

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

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

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

*Federal Awards*

Internal control over major programs:

\* Material weakness(es) identified? 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	14.850a
Housing Choice Voucher Program	14.871
Public Housing - Capital Funds	14.872

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

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

**Section II - Financial Statement Findings**

There was one financial statement audit findings discussed with Derek White, Executive Director, during the course of the audit or at an exit conference held February 10, 2010.

**Finding 2009-1: Housing Choice Voucher - Negative Equity**

*Condition and Criteria:* HUD provides the Housing Authority with subsidy for administrative fees, and Housing Assistance Payments. At the end of the fiscal year the administrative equity of the Housing Authority was a deficit balance of \$52,296. Under HUD requirement each Housing Authority is to administer the program within the budget (subsidy) provided. When the administrative expenses exceed available funds, restricted HAP equity is used. This use of restricted funds is not allowed.

*Effect:* The Housing Authority is using restricted funds for unallowed purposes.

*Cause:* The Housing Authority is not monitoring expenditures.

*Auditor's Recommendation:* The Housing Authority must monitor funds available and operate within the budgetary constraints.

**Section III - Federal Award Findings**

There was one federal award audit findings was discussed with Derek White, Executive Director, during the course of the audit and at an exit conference held February 10, 2010.

**Finding 2009-2: Housing Choice Voucher - Participant Eligibility (2008-1) continued**

*Condition and Criteria:* HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance Payments (HAP). During my test of participant eligibility (27 files examined) I noted eleven instances of incomplete documentation or incorrect calculations of housing assistance.

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

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

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

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

**CORRECTIVE ACTION PLAN  
RELATED TO CURRENT FINDINGS AND RECOMMENDATIONS**

**Finding 2009-1: Housing Choice Voucher - Negative Equity**

*Grantee Response:* Management will review utilization and recert of related subsidy more closely. Current expenditures will be monitored and every effort will be made to restore the negative equity to a positive balance.

**Finding 2009-2: Housing Choice Voucher - Participant Eligibility**

*Grantee Response:* The Executive Director will meet with the Section 8 intake staff to review the current Section 8 Admin Plan adopted by the agency. The Section 8 participant files will be subject to additional reviews for completeness and accuracy prior to the end of the next fiscal year.

**HOUSING AUTHORITY OF THE CITY OF RICHMOND  
RICHMOND, 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)				
Accrued payroll	2135	\$ 3,189.83		2135
Administrative salary	4110		\$ 1,151.60	4110
Administrative benefits	4182		254.51	4182
Maintenance salaries	4410		1,460.56	4410
Maintenance benefits	4433		323.16	4433
Accrued payroll COCC	2135.09	1,398.08		2135.09
Allocated overhead from COCC	4900		1,398.08	4900
(To correct accrued payroll JV5984 and only 2 days of the next payroll should have been accrued)				

Amp 2

(1)				
Accrued payroll	2135	\$ 5,110.23		2135
Administrative salary	4110		\$ 1,060.98	4110
Administrative benefits	4182		234.45	4182
Maintenance salaries	4410		3,125.20	4410
Maintenance benefits	4433		689.60	4433
Accrued payroll COCC	2135.09	1,643.93		2135.09
Allocated overhead from COCC	4900		1,643.93	4900
(To correct accrued payroll JV5984 and only 2 days of the next payroll should have been accrued)				

Amp 3

(1)				
Accrued payroll	2135	\$ 5,008.38		2135
Administrative salary	4110		\$ 1,060.98	4110
Administrative benefits	4182		234.46	4182
Maintenance salaries	4410		3,040.70	4410
Maintenance benefits	4433		672.24	4433
Accrued payroll COCC	2135.09	1,632.74		2135.09
Allocated overhead from COCC	4900		1,632.74	4900
(To correct accrued payroll JV5984 and only 2 days of the next payroll should have been accrued)				



**HOUSING AUTHORITY OF THE CITY OF RICHMOND  
RICHMOND, 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)				
Housing assistance payments	4715.010	\$ 1,634.08		n/a
Fraud recovery - HAP	----		\$ 817.04	n/a
Fraud recovery - admin	----		817.04	n/a
(To reclassify Section 8 receipts for repayment agreements)				
(2)				
Unrestricted net assets	2810.020	\$ 404.23		2810.020
Restricted net assets	2810		\$ 404.23	2810
(To correct surplus balances brought forward @ 07/01/2007)				
(3)				
Accrued payroll	2135	\$ 2,953.54		2135
Administrative salaries	4110		\$ 2,421.01	2810
Administrative benefits	4182		532.53	2810
(To correct accrued payroll JV5984 and only 2 days of the next payroll should have been accrued)				

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

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Richmond 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 Richmond's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Richmond'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.

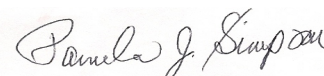
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the 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 experienced cash overdrafts in two programs (Voucher and Nicholson) at year end. This constitutes unapproved loans between programs. The financial status and cash management of each program must monitored more closely to prevent overdrafts in the future.
2. During my audit, I determined that the Housing Authority had not recorded fraud recovery receivable balances on the general ledger. Fraud recovery accounts in the Section 8 program must be tracked in accumulative and accurate subsidiary ledgers with the total properly recorded in the financial statements.

Further review indicated that the agency had collected more that \$1,600 of repayments, which had been recorded as offsets to current HAP expenditures. Receipts of repayments should be recorded in accordance with HUD guidelines.

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



Certified Public Accountant

Decatur, Illinois  
February 10, 2010