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August 26, 2015

Board of Commissioners  
Brazil Housing Authority  
122 West Jackson Street  
Brazil, IN 47834

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2013 to December 31, 2013. 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 Brazil Housing Authority, as of December 31, 2013 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.

A handwritten signature in cursive script that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

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

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**TWELVE MONTHS ENDED DECEMBER 31, 2013**

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**TABLE OF CONTENTS**

Auditor's Report .....	1
Management's Discussion and Analysis .....	3
<b>FINANCIAL STATEMENTS</b>	
Statement of Fund Net Position as of December 31, 2013 .....	9
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds - Twelve Months Ended December 31, 2013 .....	10
Statement of Cash Flows - Twelve Months Ended December 31, 2013 .....	11
Notes to Financial Statements .....	13
<b>SUPPLEMENTAL DATA</b>	
Schedule of Expenditures of Federal Awards .....	26
PHA's Statement and Certification of Actual Modernization Cost - Phase IN360P35501-12 .....	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	28
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 ..	30
Status of Prior Audit Findings .....	32
Schedule of Findings and Questioned Costs - Summary .....	33
Current Findings and Recommendations .....	34
Adjusting Journal Entries .....	35
Financial Data Schedule - REAC Electronic Submission .....	36



## Independent Auditor's Report

Board of Commissioners  
Brazil Housing Authority  
Brazil, Indiana

I have audited the accompanying financial statements of the Brazil Housing Authority, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Brazil Housing Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Brazil Housing Authority, as of December 31, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Report on Supplemental Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brazil Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and None-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 36 to 40 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 15, 2014 on my consideration of the Brazil Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.

Decatur, Illinois  
May 15, 2014



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF BRAZIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE DECEMBER 31, 2013**

**Management's Discussion and Analysis**

As management of the Housing Authority of the City of Brazil, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2013. 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 Executive Director, Housing Authority of the City of Brazil, 122 West Jackson Street, Brazil, Indiana 47834, (812) 446-2517.

**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 Position – 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 Position 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.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

**HOUSING AUTHORITY OF THE CITY OF BRAZIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE DECEMBER 31, 2013**

Over time, significant changes in the Authorities net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of the City of Brazil:

***Low Income Public Housing***

The Housing Authority owns 288 units at 4 sites in the City of Brazil. 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 Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

***Section 8 Housing Choice Vouchers***

HUD has contracted with the Housing Authority support for 115 Housing Choice Vouchers. The Authority pays a Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

***Capital Fund Grant Program***

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is to improve the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as the Authority expends funds.

***State and Local Grants (Kruzan Street Rental Properties)***

The Housing Authority was given two properties (516 and 522 W. Kruzan St. Brazil, IN) by the City of Brazil in January 2011. The two homes were newly constructed under the Neighborhood Stabilization Program (NSP). The authority assumed all rights and responsibilities of these properties and must ensure the units are rented to families that meet the income qualifications of NSP Round 1 (at or below fifty percent of area median income). The authority also agrees to (1) ensure units meet standards set forth in 24 CFR 92.251; (2) ensure that families who rent the units meet the affordability requirements; (3) comply with NSP published rent limits; and (4) comply with annual reporting requirements.

**HOUSING AUTHORITY OF THE CITY OF BRAZIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE DECEMBER 31, 2013**

**Future Events**

There are no future events planned by the Authority during the fiscal year ending December 31, 2014 that will significantly affect the Authority's Net Assets either positively or negatively.

**Condensed Comparative Financial Statements**

***Analysis of Entity Wide Net Position***

**Total Assets** for FYE 2013 were \$5,382,738 and at FYE 2012 the amount was \$5,731,745. This represents a net decrease of \$ 349,007.

**Cash and Investments** increased by \$3,275.

**Other Current Assets** decreased by \$29,365. The amount of prepaid expenses at the end of fiscal year ending December 31, 2013 decreased as compared to December 31, 2012.

**Capital Assets** decreased by \$322,917. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** increased by \$11,506. The Authority had an increase in the amount of accounts payable as of December 31, 2013. The accounts payable balance represents invoices that are for 2013 expenses that will be paid in 2014.

The table below illustrates our analysis:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	92,322	89,832	2,490	3%
Other Current Assets	394,639	423,219	(28,580)	-7%
Capital Assets	4,895,777	5,218,694	(322,917)	-6%
<b>Total Assets</b>	<b>5,382,738</b>	<b>5,731,745</b>	<b>(349,007)</b>	<b>-6%</b>
Deferred Outflows of Resources	8,092	6,014	2,078	35%
<b>TOTAL</b>	<b>5,390,830</b>	<b>5,737,759</b>	<b>(346,929)</b>	<b>-6%</b>
Current Liabilities	115,645	104,139	11,506	11%
Noncurrent Liabilities	0	0	0	0%
<b>Total Liabilities</b>	<b>115,645</b>	<b>104,139</b>	<b>11,506</b>	<b>11%</b>
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	4,895,777	5,218,694	(322,917)	-6%
Restricted	18,100	17,081	1,019	6%
Unrestricted	361,308	397,845	(36,537)	-9%
<b>Total Net Position</b>	<b>5,275,185</b>	<b>5,633,620</b>	<b>(358,435)</b>	<b>-6%</b>
<b>TOTAL</b>	<b>5,390,830</b>	<b>5,737,759</b>	<b>(346,929)</b>	<b>-6%</b>

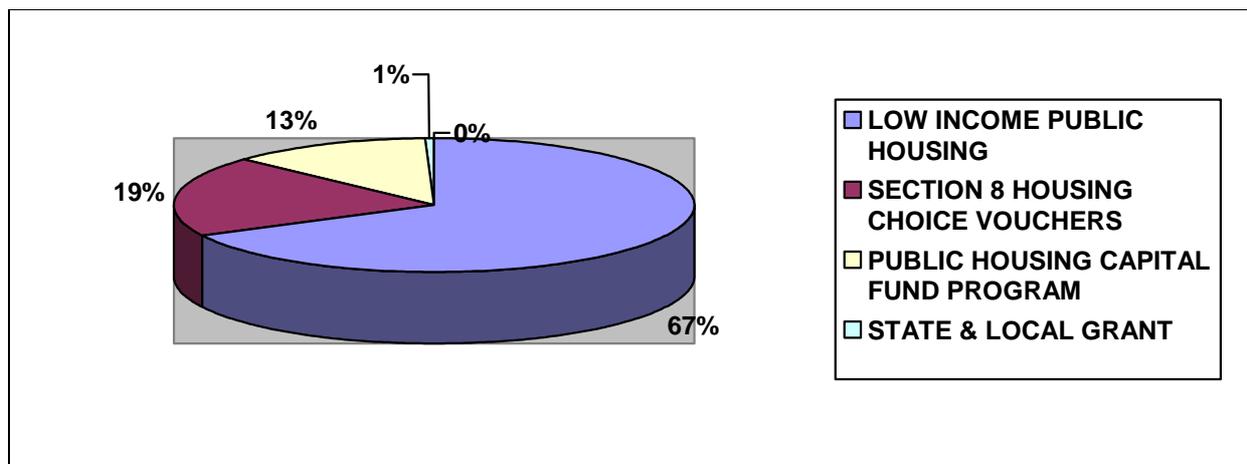
**HOUSING AUTHORITY OF THE CITY OF BRAZIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE DECEMBER 31, 2013**

*Analysis of Entity Wide Revenues*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2013 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,299,613
Section 8 Housing Choice Vouchers	370,076
Public Housing Capital Fund Program	242,321
State & Local Grant	10,902
<b>Total Revenue</b>	<b><u><u>\$1,922,912</u></u></b>

The diagram below illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2013:



**Total tenant revenue** increased by \$7,792. Total tenant revenue increased because of changes in tenant characteristics that caused higher rental charges to tenants as compared to the prior fiscal year.

**HUD Operating Grants** decreased by \$36,029. The funding decrease is due to decreased funding availability by HUD.

**HUD Capital Grants** decreased by \$23,294.

**Investment Income** decreased by \$1,436.

**HOUSING AUTHORITY OF THE CITY OF BRAZIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE DECEMBER 31, 2013**

The table below illustrates our analysis:

	<u>2013</u>	<u>2,012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Total Tenant Revenue	853,108	845,316	7,792	1%
HUD Operating Grants	870,115	906,144	(36,029)	-4%
HUD Capital Grants	186,926	210,220	(23,294)	-11%
Investment Income	665	2,101	(1,436)	-68%
Fraud Recovery	235	133	102	77%
Other Revenue	11,863	20,934	(9,071)	-43%
Gain/loss on Sale of Fixed Assets	0	(3,874)	3,874	100%
Total Revenue	<u>1,922,912</u>	<u>1,980,974</u>	<u>(58,062)</u>	<u>-3%</u>

***Analysis of Entity Wide Expenditures***

**Total Expenditures** for Fiscal Year Ending December 31, 2013 were \$2,281,751 as compared to the \$2,317,036 of total expenditures for Fiscal Year Ending December 31, 2012. Comparatively, Fiscal Year Ending 2013 expenditures decreased from Fiscal Year Ending 2012 expenditures by \$35,285 or 2%.

**Utilities Expense** increased by \$52,315 or 19%. The increase in utilities is due to changes in weather and increased water and sewer rates in Brazil Indiana.

The table below illustrates our analysis:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	452,371	441,694	10,677	2%
Tenant Services	48,763	52,786	(4,023)	-8%
Utilities	326,792	274,477	52,315	19%
Maintenance	448,090	442,012	6,078	1%
General Expenses	158,636	163,163	(4,527)	-3%
Housing Assistance Payments	336,852	361,503	(24,651)	-7%
Depreciation Expense	510,247	581,401	(71,154)	-12%
	<u><b>\$2,281,751</b></u>	<u><b>\$2,317,036</b></u>	<u><b>(35,285)</b></u>	<u><b>-2%</b></u>

**HOUSING AUTHORITY OF THE CITY OF BRAZIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FYE DECEMBER 31, 2013**

*Analysis of Capital Assets*

**Buildings** increased by \$290,005. The Authority capitalized construction projects started and completed in fiscal year ending 2013 and capitalized construction in process from the prior year that were completed in fiscal year ending 2013.

**Furniture, Equipment & Machinery – Dwelling** increased by \$10,043.

**Accumulated Depreciation** increased by \$509,843. The Authority's depreciation expense for the fiscal year ending December 31, 2013 was \$510,247. Accumulated depreciation decreased because of an adjustment for beginning basis.

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Land	198,125	198,125	0	0%
Buildings	15,357,580	15,067,575	290,005	2%
Furniture, Equip., & Mach. - Dwelling	513,498	503,455	10,043	2%
Furniture, Equip., & Mach. - Administrative	295,387	295,387	0	0%
Construction In Process	0	113,112	(113,112)	-100%
<b>Total Fixed Assets</b>	<b>16,364,590</b>	<b>16,177,654</b>	<b>186,936</b>	<b>1%</b>
Accumulated Depreciation	11,468,813	10,958,970	509,843	5%
<b>Net Fixed Assets</b>	<b>4,895,777</b>	<b>5,218,684</b>	<b>(322,907)</b>	<b>-6%</b>

*Long-Term Debt Activity*

As of December 31, 2013, the Authority had no outstanding long-term debt.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2013**

**ASSETS**

Cash - operating	\$ 31,997
Cash - restricted	60,325
Receivables, net	6,499
Investments	352,203
Inventory, net	17,804
Prepaid expenses	18,133
Capital assets:	
Land, improvements and construction in progress	\$ 198,125
Other capital assets, net of depreciation	<u>4,697,652</u>
Total Capital Assets	<u>\$ 4,895,777</u>
Total Assets	<u>\$ 5,382,738</u>

**DEFERRED OUTFLOWS OF RESOURCES (Note 10)** \$ 8,092

**TOTAL** \$ 5,390,830

**LIABILITIES**

Accounts payable	\$ 50,624
Other liabilities	60,536
Unearned revenue	<u>4,485</u>
Total Liabilities	<u>\$ 115,645</u>

**DEFERRED INFLOWS OF RESOURCES** \$ 0

**NET POSITION**

Net investment in capital assets	\$ 4,895,777
Restricted	18,100
Unrestricted	<u>361,308</u>
Total Net Position	<u>\$ 5,275,185</u>

**TOTAL** \$ 5,390,830

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2013**

Operating Income

Tenant rental revenue	\$ 757,782
Tenant revenue - other	<u>95,326</u>
 Total Rental Income	 \$ 853,108
 HUD operating grants	 870,115
Fraud recovery	235
Other revenue	<u>11,863</u>
 Total Operating Income	 <u>\$ 1,735,321</u>

Operating Expenses

Administration	\$ 452,371
Tenant services	48,763
Utilities	326,792
Ordinary maintenance and operation	448,090
General expense	158,636
Housing assistance payments	336,852
Depreciation	<u>510,247</u>
 Total Operating Expenses	 <u>\$ 2,281,751</u>
 Net Operating Income (Loss)	 \$ -546,430

Nonoperating Income (Expense)

Interest income	665
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Capital Contributions

Capital fund grants	<u>186,926</u>
 Changes in net position	 \$ -358,839
Net position, beginning of year	5,633,620
Prior period adjustments	<u>404</u>
 Net position, end of year	 <u><u>\$ 5,275,185</u></u>

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

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2013**

Operating Activities

Operating grants	\$ 868,037
Tenant revenue	851,940
Other revenue	12,098
Housing assistance payments	-336,852
Payments to employees	-342,386
Payments to suppliers and contractors	<u>-1,050,154</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,683</u>

Investing Activities

Investments (purchased) redeemed	\$ -785
Interest income	<u>996</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 211</u>

Capital and Related Financing Activities

Capital funds grants	\$ 186,926
(Additions) deletions of fixed assets	<u>-187,330</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -404</u>
Net Change in Cash	\$ 2,490
Cash Balance at December 31, 2012	<u>89,832</u>
Cash Balance at December 31, 2013	<u><u>\$ 92,322</u></u>

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

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED DECEMBER 31, 2013**

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

Net operating income (loss)	\$ -546,430
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	510,247
Adjustments to net position	404
(Increase) decrease in accounts receivable	3,407
(Increase) decrease in prepaid charges	31,222
(Increase) decrease in inventories	419
(Increase) decrease in deferred outflows	-8,092
Increase (decrease) in accounts payable	9,124
Increase (decrease) in other liabilities	1,187
Increase (decrease) in unearned revenues	<u>1,195</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,683</u>

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

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013**

Note 1 - Summary of Significant Accounting Policies

(a) Organization -

The Brazil Housing Authority was established by the City of Brazil 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 Brazil and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

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

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Brazil Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

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

- \* Low Rent Public Housing
- \* Capital Fund Program
- \* Housing Choice Vouchers
- \* State and Local

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 Net Investment in Capital Assets, Restricted and Unrestricted.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the policy 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 six (6) months or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables

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

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2013, 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 anticipated life or useful life of 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.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Fixed Assets (continued) -

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
Leasehold improvements	15 years

(k) Net Position -

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

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

(l) Income Tax -

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

(m) Annual Contributions/Subsidies and Other Grants

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

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

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (n) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted to the Board for approval.
- (o) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (q) Rental income is recognized as rents become due.
- (r) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned 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.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(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>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 58,689	\$ 106,071
Voucher	21,774	21,774
State and Local	<u>11,859</u>	<u>12,251</u>
Total	<u>\$ 92,322</u>	<u>\$ 140,096</u>

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(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>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 352,203</u>	<u>\$ 352,203</u>

Note 3 - Compensated Absences

All regular full-time employees will be eligible for paid annual leave as follows:

Years 1-3	12 days
Years 4-15	18 days
Over 15 years	24 days

To recognize commitment to the agency, the Authority does increase the paid annual leave effective the 4<sup>th</sup> and 16<sup>th</sup> year of service. Employees will first earn and have these bonus days posted to their account on the anniversary of their employment date on the 4<sup>th</sup> and 16<sup>th</sup> year. Thereafter the days will be posted on the 1<sup>st</sup> of January.

The Housing Authority requires all employees to take their annual/vacation leave each year as earned; however, if business circumstances prohibit employees from using their annual leave, carryover of not more than 5 days may be permitted with the prior approval of the Executive Director.

Vacation Leave

Employees will not earn vacation during their first three months of the probationary period. Accrual begins the 1<sup>st</sup> day of the fourth month of employment.

Sick Leave

Employees shall begin accruing sick leave at the rate of one (1) day per month, after they have satisfactorily completed the first three months of the probationary period.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Life Associates as the administrator. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days. The plan requires the Housing Authority and the employee to contribute 7.5% and 5.5% of covered wages, respectively. The amounts contributed for the twelve months ended December 31, 2013 were \$25,951 and \$19,031. The total annual payroll expense was \$347,009. Employees become 100% vested upon starting the plan.

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - tenants	\$ 6,494
Accounts receivable - miscellaneous	<u>5</u>
Total	<u>\$ 6,499</u>

Note 7 - Investments

At December 31, 2013 investments consist of the following:

	<u>Rate</u>	
Certificate of deposits	0.10 - 0.20%	<u>\$ 352,203</u>

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 14,515
Other	<u>3,618</u>
Total	<u>\$ 18,133</u>

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 9 - Capital Assets

Balance as of December 31, 2013	\$ 4,895,777
Balance as of December 31, 2012	<u>5,218,694</u>
Net Increase (Decrease)	<u>\$ -322,917</u>

Reconciliation

Property betterments and additions	\$ 176,883
Replacement of nonexpendable equipment	10,0436
Adjustment to accumulated depreciation	404
Current year depreciation expense	<u>-510,247</u> *
Net Increase (Decrease)	<u>\$ -322,917</u>

<u>Analysis</u>	<u>01/01/2013 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2013 Balance</u>
Land	\$ 198,125	\$ 0	\$ 0	\$ 198,125
Buildings	15,067,575	290,005	0	15,357,580
Equipment and furniture	798,842	10,043	0	808,885
Construction in progress	<u>113,122</u>	<u>0</u>	<u>113,122</u>	<u>0</u>
Subtotal	\$ 16,177,664	\$ 300,048	\$ 113,122	\$ 16,364,590
Accumulated depreciation	<u>-10,958,970</u>	<u>404</u>	<u>510,247</u> *	<u>-11,468,813</u>
Total	<u>\$ 5,218,694</u>	<u>\$ 300,452</u>	<u>\$ 623,369</u>	<u>\$ 4,895,777</u>

\*Current year depreciation expense recognized.

Note 10 - Deferred Outflows of Resources

HUD - CFP funds	<u>\$ 8,092</u>
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**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 11 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 12,884
Accounts payable - HUD interest	240
Tenants security deposits	<u>37,500</u>
Total	<u>\$ 50,624</u>

Note 12 - Notes Payable

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

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

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

Note 13 - Other Liabilities

Other liabilities consists of the following:

Wages/payroll taxes payable	\$ 4,623
Payment in lieu of taxes	43,680
Utilities payable	<u>12,233</u>
Total	<u>\$ 60,536</u>

Note 14 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 4,485</u>
----------------------	-----------------

Note 15 - 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/annual basis.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 16 - 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 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 net position are detailed below:

Adjustment to accumulated depreciation	\$ <u>404</u>
--	---------------

Note 19 - Contracts/Commitments

As of December 31, 2013, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-11	\$ 326,680	\$ 321,523
CFP 501-13	<u>288,209</u>	<u>57,801</u>
Total	<u>\$ 614,889</u>	<u>\$ 379,324</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.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED DECEMBER 31, 2013  
(CONTINUED)**

Note 21 - Economic Dependency

The Housing Authority received most of its revenue (55%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 22 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	<u>\$ 18,100</u>
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**SUPPLEMENTAL DATA**

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013**

<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-913	FYE 12/31/13	\$ 444,879	\$ 444,879	\$ 444,879
Housing Choice Voucher Program*	14.871	C-2040	FYE 12/31/13	\$ 369,841	\$ 369,841	\$ 366,980
Capital Funds Program	14.872	C-913	FYE 12/31/13	\$ 904,481	\$ 242,321	\$ 242,321
Total Housing Assistance				<u>\$ 1,719,201</u>	<u>\$ 1,057,041</u>	<u>\$ 1,054,180</u>

\*Denotes major program.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P035501-12**

1. The Actual Modernization Costs of Phase IN36P035501-12 are as follows:

Funds approved	\$ 289,592
Funds expended	<u>289,592</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 289,592
Funds expended	<u>289,592</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 May 14, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Board of Commissioners  
Brazil Housing Authority  
Brazil, Indiana

I have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Brazil Housing Authority, as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued my report thereon dated May 15, 2014.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Brazil Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

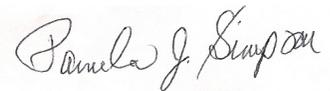
**Compliance and Other Matters**

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

I noted certain matters that I reported to the management the Brazil Housing Authority in a separate letter dated May 15, 2014.

**Purpose of this Report**

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



Certified Public Accountant

Decatur, Illinois  
May 15, 2014



**Independent Auditor's Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Commissioners  
Brazil Housing Authority  
Brazil, Indiana

**Report on Compliance for Each Major Program**

I have audited the Brazil Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Brazil Housing Authority's major federal programs for the year ended December 31, 2013. The Brazil Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Brazil Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Brazil Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance with each major program. However, my audit does not provide a legal determination of the Brazil Housing Authority's compliance.

**Opinion on Each Major Program**

In my opinion, the Brazil Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

## **Other Matters**

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with *OMB Circular A-133*.

I noted certain matters that I reported to the management of the Brazil Housing Authority in a separate letter dated May 15, 2014.

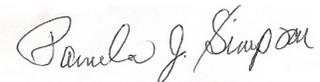
## **Report on Internal Control Over Compliance**

Management of the Brazil Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Brazil Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the the Brazil Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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

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



Certified Public Accountant

Decatur, Illinois  
May 15, 2014

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended December 31, 2012 contained no findings.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report: Unqualified

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

\* Significant deficiency (ies) identified? \_\_\_\_\_ yes X none reported

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

*Federal Awards*

Internal control over major programs:

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

\* Significant deficiency (ies) identified? \_\_\_\_\_ yes X none reported

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

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

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850a	Public and Indian Housing
14.871	Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes X no

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with Crissy Lawson, Director of Finance, during the course of the audit and at an exit conference held May 15, 2014.

**Section III - Federal Award Findings**

There were no federal award audit findings discussed with Crissy Lawson, Director of Finance, during the course of the audit and at an exit conference held May 15, 2014.

**BRAZIL HOUSING AUTHORITY  
BRAZIL, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
DECEMBER 31, 2013**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Maintenance - contract costs	4430	\$ 7,784.00		2806
Accounts payable - other	2119		\$ 7,784.00	2119
(To set up liability for Simplex-Grinnell invoice paid check #30781)				
(2)				
CFP2011 - accumulated depreciation	1400.5 (11)	\$ 1,877.93		1400.5
CFP2012 - accumulated depreciation	1400.5 (12)	2,259.69		1400.5
CFP2013 - accumulated depreciation	1400.5 (13)	555.61		1400.5
Depreciation - fixed assets (CFP)	5801		\$ 4,693.23	2802
Contributed capital	2802		403.89	2802
Depreciation - enterprise fund	4800	403.89		2802
(To adjust accumulated depreciation to actual per schedules; schedules are calculating to different expense basis)				

Brazil Housing Authority (IN035)  
 BRAZIL, IN  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2013

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$17,104	\$3,434	\$11,459	\$31,997		\$31,997
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$18,100		\$18,100		\$18,100
114 Cash - Tenant Security Deposits	\$37,100		\$400	\$37,500		\$37,500
115 Cash - Restricted for Payment of Current Liabilities	\$4,485	\$240		\$4,725		\$4,725
100 Total Cash	\$58,689	\$21,774	\$11,859	\$92,322	\$0	\$92,322
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$0			\$0		\$0
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$5			\$5		\$5
126 Accounts Receivable - Tenants	\$6,494			\$6,494		\$6,494
126.1 Allowance for Doubtful Accounts - Tenants	\$0			\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,499	\$0	\$0	\$6,499	\$0	\$6,499
131 Investments - Unrestricted	\$352,203			\$352,203		\$352,203
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$17,728	\$167	\$218	\$18,133		\$18,133
143 Inventories	\$20,163			\$20,163		\$20,163
143.1 Allowance for Obsolete Inventories	-\$2,359			-\$2,359		-\$2,359
144 Inter Program Due From						
145 Assets Held for Sale						
150 Total Current Assets	\$452,923	\$21,961	\$12,077	\$486,961	\$0	\$486,961
161 Land	\$173,525		\$24,600	\$198,125		\$198,125
162 Buildings	\$15,136,180		\$221,400	\$15,357,580		\$15,357,580
163 Furniture, Equipment & Machinery - Dwellings	\$513,498			\$513,498		\$513,498
164 Furniture, Equipment & Machinery - Administration	\$295,387			\$295,387		\$295,387
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$11,452,405		-\$16,408	-\$11,468,813		-\$11,468,813
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,666,185	\$0	\$229,592	\$4,895,777	\$0	\$4,895,777
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$4,666,185	\$0	\$229,592	\$4,895,777	\$0	\$4,895,777
190 Total Assets	\$5,119,108	\$21,961	\$241,669	\$5,382,738	\$0	\$5,382,738
200 Deferred Outflow of Resources	\$8,092		\$0	\$8,092		\$8,092
290 Total Assets and Deferred Outflow of Resources	\$5,127,200	\$21,961	\$241,669	\$5,390,830	\$0	\$5,390,830

Brazil Housing Authority (IN035)  
 BRAZIL, IN  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2013

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$12,884			\$12,884		\$12,884
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$4,623			\$4,623		\$4,623
322 Accrued Compensated Absences - Current Portion						
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs		\$240		\$240		\$240
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$43,680			\$43,680		\$43,680
341 Tenant Security Deposits	\$37,100		\$400	\$37,500		\$37,500
342 Unearned Revenue	\$4,485			\$4,485		\$4,485
343 Current Portion of Long-term Debt - Capital						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$12,233			\$12,233		\$12,233
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$115,005	\$240	\$400	\$115,645	\$0	\$115,645
351 Long-term Debt, Net of Current - Capital Projects/Mortgage						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current						
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$115,005	\$240	\$400	\$115,645	\$0	\$115,645
400 Deferred Inflow of Resources	\$0	\$0	\$0	\$0		\$0
508.4 Net Investment in Capital Assets	\$4,666,185	\$0	\$229,592	\$4,895,777		\$4,895,777
511.4 Restricted Net Position	\$0	\$18,100		\$18,100		\$18,100
512.4 Unrestricted Net Position	\$346,010	\$3,621	\$11,677	\$361,308		\$361,308
513 Total Equity - Net Assets / Position	\$5,012,195	\$21,721	\$241,269	\$5,275,185	\$0	\$5,275,185
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets /	\$5,127,200	\$21,961	\$241,669	\$5,390,830	\$0	\$5,390,830

Brazil Housing Authority (IN035)  
 BRAZIL, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$746,937		\$10,845	\$757,782		\$757,782
70400 Tenant Revenue - Other	\$95,275		\$51	\$95,326		\$95,326
70500 Total Tenant Revenue	\$842,212	\$0	\$10,896	\$853,108	\$0	\$853,108
70600 HUD PHA Operating Grants	\$500,274	\$389,841		\$870,115		\$870,115
70610 Capital Grants	\$186,926			\$186,926		\$186,926
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$659		\$6	\$665		\$665
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery		\$235		\$235		\$235
71500 Other Revenue	\$11,863			\$11,863		\$11,863
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$1,541,934	\$370,076	\$10,902	\$1,922,912	\$0	\$1,922,912
91100 Administrative Salaries	\$186,498	\$17,417		\$203,915		\$203,915
91200 Auditing Fees	\$4,730	\$500		\$5,230		\$5,230
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing			\$229	\$229		\$229
91500 Employee Benefit contributions - Administrative	\$149,364	\$5,321		\$154,685		\$154,685
91600 Office Expenses	\$28,589	\$1,404	\$243	\$30,236		\$30,236
91700 Legal Expense	\$3,804			\$3,804		\$3,804
91800 Travel	\$4,561	\$32		\$4,593		\$4,593
91810 Allocated Overhead						
91900 Other	\$47,875	\$1,804		\$49,679		\$49,679
91000 Total Operating - Administrative	\$425,421	\$26,478	\$472	\$452,371	\$0	\$452,371
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$48,763			\$48,763		\$48,763
92500 Total Tenant Services	\$48,763	\$0	\$0	\$48,763	\$0	\$48,763

Brazil Housing Authority (IN035)  
 BRAZIL, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
93100 Water	\$20,535		\$102	\$20,637		\$20,637
93200 Electricity	\$217,236		\$66	\$217,302		\$217,302
93300 Gas	\$36,505			\$36,505		\$36,505
93400 Fuel						
93500 Labor						
93600 Sewer	\$52,348			\$52,348		\$52,348
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$326,624	\$0	\$168	\$326,792	\$0	\$326,792
94100 Ordinary Maintenance and Operations - Labor	\$113,987		\$1,202	\$115,189		\$115,189
94200 Ordinary Maintenance and Operations - Materials and	\$59,967			\$59,967		\$59,967
94300 Ordinary Maintenance and Operations Contracts	\$178,503		\$1,380	\$179,883		\$179,883
94500 Employee Benefit Contributions - Ordinary Maintenance	\$93,051			\$93,051		\$93,051
94000 Total Maintenance	\$445,508	\$0	\$2,582	\$448,090	\$0	\$448,090
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$46,558		\$1,240	\$47,798		\$47,798
96120 Liability Insurance	\$7,150	\$383	\$65	\$7,598		\$7,598
96130 Workmen's Compensation	\$4,956			\$4,956		\$4,956
96140 All Other Insurance	\$9,387	\$617		\$10,004		\$10,004
96100 Total Insurance Premiums	\$68,051	\$1,000	\$1,305	\$70,356	\$0	\$70,356
96200 Other General Expenses						
96210 Compensated Absences	\$26,456	\$1,449		\$27,905		\$27,905
96300 Payments in Lieu of Taxes	\$43,680			\$43,680		\$43,680
96400 Bad debt - Tenant Rents	\$15,244		\$250	\$15,494		\$15,494
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$85,380	\$1,449	\$250	\$87,079	\$0	\$87,079
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,399,747	\$28,927	\$4,777	\$1,433,451	\$0	\$1,433,451
97000 Excess of Operating Revenue over Operating Expenses	\$142,187	\$341,149	\$6,125	\$489,461	\$0	\$489,461

Brazil Housing Authority (IN035)  
 BRAZIL, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 12/31/2013

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$336,852		\$336,852		\$336,852
97350 HAP Portability-In						
97400 Depreciation Expense	\$504,712		\$6,535	\$510,247		\$510,247
97500 Fraud Losses		\$1,201		\$1,201		\$1,201
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$1,904,459	\$366,980	\$10,312	\$2,281,751	\$0	\$2,281,751
10010 Operating Transfer In	\$27,395			\$27,395	-\$27,395	\$0
10020 Operating transfer Out	-\$27,395			-\$27,395	\$27,395	\$0
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$362,525	\$3,096	\$590	-\$358,839	\$0	-\$358,839
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$5,374,316	\$18,625	\$240,679	\$5,633,620		\$5,633,620
11040 Prior Period Adjustments, Equity Transfers and Correction	\$404			\$404		\$404
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						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity		\$3,621		\$3,621		\$3,621
11180 Housing Assistance Payments Equity		\$18,100		\$18,100		\$18,100
11190 Unit Months Available	3410	1380	24	4814		4814
11210 Number of Unit Months Leased	3268	912	23	4203		4203
11270 Excess Cash	\$188,074			\$188,074		\$188,074
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$176,883			\$176,883		\$176,883
11630 Furniture & Equipment - Dwelling Purchases	\$10,043			\$10,043		\$10,043
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
11660 Infrastructure Purchases	\$0			\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0



Board of Commissioners  
Brazil Housing Authority  
Brazil, Indiana

In planning and performing my audit of the financial statements of Brazil Housing Authority as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brazil Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Brazil Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or 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. During my review of insurance coverage, it was noted that a portion of all the insurance premiums had been allocated to the Housing Choice Voucher Program, except worker's compensation. Since worker's compensation insurance is payroll driven a portion of this insurance should also be calculated and allocated.
2. During the review of fixed assets, it was noted that Capital Fund assets are being depreciated in two different manners. Before the transfer, assets are counted as depreciated for a full year. After the transfer, asset depreciation is recalculated depending on time of purchase in that year. The depreciation methods should be consistent and not altered when transferred.

3. PHA should adopt a policy on voiding old outstanding checks. One check listed on the current reconciliation is over five years old.
4. During the test of cash disbursements, the following observations were made: 1) one disbursement over \$1,500 was not supported by quotes, through discussion with management it was determined that the services received were a result of an emergency but the situation was not properly documented. 2) the elevator maintenance contract is over 3 years old. New quotes/bids have not been obtained because previous work completed on one elevator extended the warranty, therefore no current proposals obtained until warranty expires. This information should be retained in the contract file. 3) The current painting (for unit turnaround) contract is 10 years old, however no recent bids or quotes could be provided. Contracts such as this, must be supported by current bids and/or quotes in accordance with procurement guidelines.
5. During the fiscal year, the Housing Authority began converting to a paperless system for Public Housing and Section 8 participant files. The conversion was not yet complete, therefore some files examined contained hard copies of supporting documents (such as social security cards) and others did not. It would be helpful and more efficient if notations were retained in each file when the scanning of documents was completed. Without those notations, a reviewer cannot determine if the information has been scanned or it is missing.

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  
May 15, 2014