



STATE OF INDIANA

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October 1, 2015

Board of Commissioners
Linton Housing Authority
1148 N. 1300 West
Linton, IN 47441

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2014 to December 31, 2014. 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 Linton Housing Authority, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on page 31 which outlines a significant deficiency in internal control over financial reporting and which is referred to in the 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*. To summarize, detailed subsidiary ledgers were not being reconciled routinely to the associated accounts and, if fact, did not support balances used in financial statement preparation.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2014

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

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Independent Auditor's Report

Board of Directors
Linton Housing Authority
Linton, Indiana

I have audited the accompanying financial statements of the Linton Housing Authority, as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Linton 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 Linton 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 Linton 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 Linton Housing Authority, as of December 31, 2014 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 7 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.

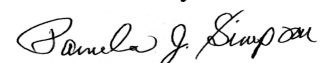
Report on Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Linton 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 Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 34 to 38 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 August 20, 2015 on my consideration of the Linton 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.



Certified Public Accountant

Decatur, Illinois
August 20, 2015

**HOUSING AUTHORITY OF LINTON
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2014**

The management of the Housing Authority of Linton presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending December 31, 2014. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

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.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$993,657 at the close of the fiscal year ended December 31, 2014.

Of this amount, \$173,590 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 19% of the total operating expenses for the fiscal year 2014, which means the Authority could operate about 2 months using the unrestricted and restricted assets alone.

The remainder of \$820,067 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net assets decreased by \$49,175, a (5%) change from the prior fiscal year 2013. This decrease is attributable generally to a decrease in grant funding.
- The Housing Authority continues to operate without the need for debt borrowing.

**HOUSING AUTHORITY OF LINTON
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2014**

REPORTING ON THE HOUSING AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2014?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Position 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.

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. For reporting purposes all housing funds are reported in one housing enterprise fund.

The Housing Authority's financial statements report its net position and changes in them. One can think of the Housing Authority's net position – 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 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 three funds, the Public and Indian Housing Program, the Section 8 Housing Choice Voucher Program and Public Housing Capital Fund Program.

The Housing Authority's auditors provided assurance in their independent auditor's report, located immediately following 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 auditor's report carefully to determine the level of assurance provided for each of the other parts of the report.

**HOUSING AUTHORITY OF LINTON
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2014**

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 position, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net position was \$993,657 as of December 31, 2014. Of this amount, \$820,067 was invested in capital assets and the remaining \$173,590 was unrestricted.

The table below illustrates our analysis:

	<u>2014</u>	<u>2013</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	183,633	180,933	2,700	2%
Other Current Assets	27,917	8,093	19,824	245%
Capital Assets	820,067	887,390	(67,323)	-8%
Total Assets	1,031,617	1,076,416	(44,799)	-4%
Deferred Outflows of Resources	0	0	0	0%
TOTAL	1,031,617	1,076,416	(44,799)	-4%
Current Liabilities	37,960	23,456	14,504	62%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	37,960	23,456	14,504	62%
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	820,067	887,390	(67,323)	-8%
Restricted	0	47,723	(47,723)	-100%
Unrestricted	173,590	117,847	55,743	47%
Total Net Position	993,657	1,052,960	(59,303)	-6%
TOTAL	1,031,617	1,076,416	(44,799)	-4%

**HOUSING AUTHORITY OF LINTON
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2014**

Total revenues for Fiscal Year Ending December 31, 2014 were \$860,905 as compared to the total revenues for Fiscal Year Ending December 31, 2013 of \$892,871. Comparatively, Fiscal Year Ending 2013 revenues exceeded Fiscal Year Ending 2014 revenues by \$31,966.

	2014	2013	Net Change	Percentage Change
Total Tenant Revenue	129,013	123,082	5,931	5%
HUD Operating Grants	724,037	759,176	(35,139)	-5%
Investment Income	90	68	22	32%
Fraud Recovery	0	3,553	(3,553)	-100%
Other Revenue	7,765	6,992	773	11%
Total Revenue	860,905	892,871	(31,966)	-4%

Compared with the prior fiscal year, total tenant revenues increased \$5,931 or by 5%.

Total Expenditures for Fiscal Year Ending December 31, 2014 were \$920,208 as compared to \$939,556 of total expenditures for Fiscal Year Ending December 31, 2013. Comparatively, Fiscal Year Ending 2013 expenditures exceeded Fiscal Year Ending 2014 expenditures by \$19,348.

The table below illustrates our analysis:

	2014	2013	Net Change	Percentage Change
Administrative	171,329	184,594	(13,265)	-7%
Utilities	33,482	30,002	3,480	12%
Maintenance	65,239	49,054	16,185	33%
Protective Services	1,547	0	1,547	100%
General Expense	34,881	30,307	4,574	15%
Extraordinary Maintenance	5,026	5,520	(494)	-9%
Housing Assistance Payments	535,136	562,032	(26,896)	-5%
Depreciation Expense	73,568	78,047	(4,479)	-6%
Total Expenses	920,208	939,556	(19,348)	-2%

Compared with the prior fiscal year, total operating expenses decreased, by \$19,348 with the most significant cause(s) listed below:

- Administrative costs decreased by \$13,265 or 7%.
- HAP payments decreased by \$26,896 or 5%.

**HOUSING AUTHORITY OF LINTON
REQUIRED SUPPLEMENTAL INFORMATION**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is 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 December 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

	2014	2013	Net Change	Percentage Change
Land	293,481	293,481	0	0.0%
Buildings	2,902,618	2,902,618	0	0.0%
Furniture, Equipment, & Machinery - Admin	114,146	107,901	6,245	5.8%
Leasehold Improvements	1,242	1,242	0	0.0%
Total Fixed Assets	3,311,487	3,305,242	6,245	0.2%
Accumulated Depreciation	2,491,420	2,417,852	73,568	3.0%
Net Fixed Assets	820,067	887,390	-67,323	-7.6%

Additional information regarding capital assets can be found in "Notes to Financial Statements".

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability or the money it receives. If you have questions about this report, or wish to request additional financial information, contact J Ken Wright, Executive Director, Linton Housing Authority, 1148N 1300W, Linton, IN 47441.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2014**

ASSETS

Cash - operating	\$ 175,766
Cash - restricted	7,867
Receivables (net)	3,263
Inventory	1,104
Prepaid expenses	4,601
Capital assets:	
Land, land improvements and construction in progress	\$ 293,481
Other capital assets, net of depreciation	<u>526,586</u>
Net Capital Assets	<u>\$ 820,067</u>
Total Assets	<u>\$ 1,012,668</u>

DEFERRED OUTFLOWS OF RESOURCES \$ 0

TOTAL \$ 1,012,668

LIABILITIES

Accounts payable	\$ 10,399
Other liabilities	7,645
Unearned revenue	<u>967</u>
Total Liabilities	<u>\$ 19,011</u>

DEFERRED OUTFLOWS OF RESOURCES \$ 0

NET POSITION

Net investment in capital assets	\$ 820,067
Restricted	0
Unrestricted	<u>173,590</u>
Total Net Position	<u>\$ 993,657</u>
TOTAL	<u><u>\$ 1,012,668</u></u>

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2014**

Operating Income

Tenant rental revenue	\$ 129,013
Total Rental Revenue	\$ 129,013
HUD grants - operating	724,037
Other revenue	<u>7,765</u>
Total Operating Income	<u>\$ 860,815</u>

Operating Expenses

Administration	\$ 171,329
Utilities	33,482
Ordinary maintenance and operation	65,239
Protective services	1,547
General expense	34,881
Extraordinary maintenance	5,026
Housing assistance payments	535,136
Depreciation	<u>73,568</u>
Total Operating Expenses	<u>\$ 920,208</u>
Net Operating Income (Loss)	\$ -59,393

Nonoperating Income

Interest income	<u>90</u>
Changes in net position	\$ -59,303
Net position, beginning of year	<u>1,052,960</u>
Net position, end of year	<u>\$ 993,657</u>

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2014**

Operating Activities

Operating grants	\$ 724,037
Tenant revenue	131,603
Other revenue	7,765
Housing assistance payments	-535,136
Payments to employees	-146,775
Payments to suppliers and contractors	<u>-172,639</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ 8,855</u>
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Investing Activities

Interest income	<u>\$ 90</u>
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Net Cash Provided (Used) by Investing Activities	<u>\$ 90</u>
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Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -6,245</u>
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Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -6,245</u>
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Net Change in Cash	\$ 2,700
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Cash Balance at December 31, 2013	<u>180,933</u>
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Cash Balance at December 31, 2014	<u><u>\$ 183,633</u></u>
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**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2014**

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

Net operating income (loss)	\$ -59,393
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	73,568
(Increase) decrease in accounts receivable	-2,590
(Increase) decrease in prepaid expenses	1,127
(Increase) decrease in inventories	588
Increase (decrease) in accounts payable	-4,720
Increase (decrease) in other liabilities	151
Increase (decrease) in unearned revenues	<u>124</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,855</u>

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Linton Housing Authority was established by the 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 Linton 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 Linton 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.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(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:

- * Public and Indian Housing
- * Section 8 Housing Choice Vouchers
- * Public Housing Capital Funds

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 practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(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.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(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, 2014, 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) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

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

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

Buildings	25	years
Equipment	3	years
Transportation equipment	7	years
Furniture and fixtures	7	years
Leasehold improvements	10	years

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) 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.

(k) Income Tax -

The Authority, organized under Indiana state law as a political subdivision 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.
- (o) 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.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (p) Rental income is recognized as rents become due.
- (q) 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

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 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.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(CONTINUED)**

Note 2 - Cash (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Public and Indian Housing	\$ 167,939	\$ 167,233
Section 8 Housing Choice Vouchers	<u>15,694</u>	<u>15,694</u>
Total	<u>\$ 183,633</u>	<u>\$ 182,927</u>

Note 3 - Compensated Absences

Vacation Leave

1. Vacation leave with pay shall be earned by all regular full time employees at the following rates:

Upon completion of one (1) year continuous service employees will earn one (1) weeks pay.

Upon completion of two (2) years continuous service employees will earn two (2) weeks pay.

Upon completion of ten (10) years continuous service employees will earn three (3) weeks pay. Continuous service defined as an employee who has worked for the same office or has worked for various county offices for ten continuous years or more.

2. Employees shall not be granted pay in lieu of vacation.
3. All vacation must be taken during the calendar year of eligibility.
4. Employees who terminate without proper notification shall forfeit all right to vacation pay.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(CONTINUED)**

Note 3 - Compensated Absences

Sick Leave

1. Employees may be paid for leave taken because of illness or accident. An employee must work six (6) consecutive months before the employee becomes eligible for paid sick leave. All eligible employees shall be entitled to six (6) full days with pay for sick leave in any twelve (12) month period, which twelve month period shall be measured from anniversary date of such employee's employment. Any employee may accumulate his or her unused sick leave toward increasing the period of sick leave to which her or she is entitled in any given twelve months period, up to a maximum of twelve (12) days of sick leave in any given twelve (12) month period.
2. Sick leave may be accumulated not to exceed twelve (12) days.
3. In no event shall an employee be paid for sick leave not taken.

Note 4 - Multi-Employer Defined Contribution Plan

Plan Description. The Linton Housing Authority contributes to the State of Indiana Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS). PERF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under Indiana Statutes, employer contribution rates and amounts, as applicable, are adopted annual for each plan by the INPRS Board of Trustees. The State of Indiana assigns the authority to establish and amend benefit provisions to the INPRS Board of Trustees. The Indiana Public Retirement System issues a publicly available report that includes financial statements and the required supplementary information for PERF. The report and actuarial valuation for the period that ended June 30, 2014 is available on-line at:

<https://secure.in.gov/inprs/files/FY2014PARFActuarialValuationReport.pdf>.

Funding Policy. Plan members are required to contribute 3% of their annual covered salary and the Housing Authority is required to contribute at an actuarially determined rate. The current rate is 11.2% of annual covered payroll. Employees may exercise an option to voluntarily contribute an additional amount of their annual covered salary. The contribution requirements of plan members and Housing Authority are established and may be amended by INPRS Board of Trustees.

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.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(CONTINUED)**

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

HUD other projects	\$ 2,735
Tenants accounts receivable	612
Allowance for doubtful accounts - tenants	<u>-84</u>
Subtotal	\$ 3,263
Interfund	<u>18,949</u>
Total	<u><u>\$ 22,212</u></u>

Note 7 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 4,601</u></u>
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Note 8 - Capital Assets

Balance as of December 31, 2014	\$ 820,067
Balance as of December 31, 2013	<u>887,390</u>
Net Increase (Decrease)	<u><u>\$ -67,323</u></u>

Reconciliation

Replacement of equipment	\$ 6,245	
Current year depreciation expense	<u>-73,567</u>	*
Net Increase (Decrease)	<u><u>\$ -67,323</u></u>	

<u>Analysis</u>	<u>01/01/2014 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2014 Balance</u>
Land	\$ 293,481	\$ 0	\$ 0	\$ 293,481
Buildings	2,902,618	0	0	2,902,618
Equipment and furniture	107,901	6,245	0	114,146
Leasehold improvements	<u>1,242</u>	<u>0</u>	<u>0</u>	<u>1,242</u>
Total	\$ 3,305,242	\$ 6,245	\$ 0	\$ 3,311,487
Accumulated depreciation	<u>-2,417,852</u>	<u>0</u>	<u>73,568</u>	<u>* -2,491,420</u>
Net Position	<u><u>\$ 887,390</u></u>	<u><u>\$ 6,245</u></u>	<u><u>\$ 73,568</u></u>	<u><u>\$ 820,067</u></u>

*Current year depreciation expense recognized.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 3,499
Tenants security deposits	<u>6,900</u>
Subtotal	\$ 10,399
Interfund	<u>18,949</u>
Total	<u><u>\$ 29,348</u></u>

Note 10 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 5,203
Utilities payable	<u>2,442</u>
Total	<u><u>\$ 7,645</u></u>

Note 11 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u><u>\$ 967</u></u>
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Note 12 - Administrative Fee

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2014
(CONTINUED)**

Note 13 - 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 14 - 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 15 - 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 disaster and defalcation.

Settled claims have not exceeded insurance coverage in the current or past three years and there has been no significant reduction in insurance coverage during the fiscal year.

Note 16 - Economic Dependency

The Housing Authority received most of its revenue (85%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

<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:						
			FYE			
Public and Indian Housing	14.850	C-2080	12/31/14	\$ 86,520	\$ 86,520	\$ 86,520
Section 8						
			FYE			
Housing Choice Vouchers*	14.871	C2021V	12/31/14	\$ 579,543	\$ 579,543	\$ 579,543
Public Housing						
			FYE			
Capital Fund	14.872	C-2080	12/31/14	\$ 57,974	\$ 57,974	\$ 57,974
Total Housing Assistance				\$ 724,037	\$ 724,037	\$ 724,037

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2014**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Linton Housing Authority (Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's consolidated financial statements.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended December 31, 2014. The awards are classified as major and non-major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States Local Governments and Non-Profit Organizations*. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended December 31, 2014, and should be read in conjunction with the Authority's consolidated financial statements.

Note 2 – Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

The Authority did not receive any non-cash assistance from federal funds, had no federal insurance, nor have any loan or loan guarantees outstanding as of December 31, 2014.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P05501-14**

1. The Actual Modernization Costs of Phase IN36P05501-14 are as follows:

Funds approved	\$ 57,974
Funds expended	<u>57,974</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 57,974
Funds expended	<u>57,974</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 25, 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
Linton Housing Authority
Linton, Indiana

I have audited in accordance with the 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 Linton Housing Authority, which comprise the statement of net position as of December 31, 2014, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Linton Housing Authority's basic financial statements and have issued my report thereon dated August 20, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Linton 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Linton Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Linton 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 Linton 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 over financial reporting 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 financial reporting that might be deficiencies, *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. However, I identified certain deficiencies in internal control over financial reporting. I considering the following deficiencies to be significant deficiencies:

The Housing Authority did not properly reconcile all accounts to balances maintained in subsidiary ledgers and workpapers. As a result several accounts were misstated.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Linton Housing Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed 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 of the Linton Housing Authority in a separate letter dated August 20, 2015.

The Linton Housing Authority's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Linton Housing Authority's response was not subjected to the auditing procedures and I express no opinion on the response.

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 the Linton 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 the Linton Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Decatur, Illinois
August 20, 2015

Certified Public Accountant



**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major HUD-Assisted Program
and on Internal Control over Compliance in Accordance with *OMB Circular A-133***

Board of Commissioners
Linton Housing Authority
Linton, Indiana

Report on Compliance for Each Major Program

I have audited the Linton 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 Linton Housing Authority's major federal programs for the year ended December 31, 2014. The Linton 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 Linton 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 types of 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 Linton 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 for each major program. However, my audit does not provide a legal determination of the Linton Housing Authority's compliance.

Opinion on Each Major Program

In my opinion, the Linton 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, 2014.

Other Matters

The results of my auditing procedures disclosed no immaterial instances of noncompliance which are to be reported in accordance with *OMB Circular A-133*. My opinion is not modified with respect to this matter.

I noted certain matters that I reported to the management of the Linton Housing Authority in a separate letter dated August 20, 2015.

Report on Internal Control Over Compliance

Management of the Linton 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 Linton Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *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 Linton 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 type of 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
August 20, 2015

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2013 contained one finding.

Finding 2013-001: Financial Statements Lack Required Detail

The Housing Authority was not maintaining the proper detail in their general ledger to properly complete the electronic reporting to REAC/HUD.

During fiscal year 2014, the Housing Authority's fee accountant adjusted and expanded the chart of accounts used in financial statement preparation. The Housing Authority's financial statements now meet HUD's reporting requirements. This finding is considered closed.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report:

Unqualified

* Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
* Significant deficiency (ies) identified?	<u> X </u>	yes	<u> </u>	none reported

Noncompliance material to financial statements noted?	<u> </u>	yes	<u> X </u>	no
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Federal Awards

Internal control over major programs:

* Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
* Significant deficiency (ies) identified?	<u> </u>	yes	<u> X </u>	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?	<u> </u>	yes	<u> X </u>	no
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Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between
type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

<u> </u>	yes	<u> X </u>	no
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**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

CURRENT FINDINGS, RECOMMENDATIONS AND GRANTEE RESPONSE

Section II - Financial Statement Audit Findings

There was one financial statement audit findings discussed with J. Ken Wright, during the course of the audit and at an exit conference held August 20, 2015.

Finding 2014-001: Finding Over Internal Controls of Financial Statements

Criteria: Sound, adequate internal controls as well as HUD rules and regulations require adequate accounting and record keeping for financial statement preparation. While auditing several accounts, the detailed data/ledgers did not support the balances.

Condition: It was apparent that the balances of these accounts were not being reconciled on a monthly basis as part of the financial statement preparation. Adequate detailed subsidiary ledgers were being maintained, but the accounts are not properly adjusted. Some of the accounts that were not fully supported/reconciled included: vendor payables, prepaid expenses and accrued compensated absence liability.

Effect: The Housing Authority operated without a true picture of its financial condition.

Cause: The Housing Authority's internal control system over financial statement preparation was not adequate. Reliance upon a fee accountant to provide adequate controls is not sufficient and did not result in accurate financial statements.

Recommendation: The subsidiary ledgers for all accounts must be reviewed on a monthly basis to determine that the amounts recorded represent valid balances.

Corrective Actions: The fee accountant will be required to work with the Housing Authority Staff to insure that the subsidiary ledgers are updated and the detail will be used to reconcile the general ledger accounts to report accurate information in the financial statements. These reviews and reconciliations will continue to be completed in FYE 2015 by the Housing Authority's fee accountant. Executive Director J. Ken Wright will be the person responsible to see that the reconciliation and revenues are completed.

Section III - Federal Award Audit Findings

There were no federal award audit finding discussed with J. Ken Wright, during the course of the audit and at an exit conference held August 20, 2015.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2014**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Other accrued liabilities	2290	\$.31		2290
Prepaid insurance	1211	1,443.18		1211
Inventories - materials	1260		\$ 1,443.00	1260
Unreserved surplus	2810		.35	2810
Development cost - other	1400.2		.14	1400.2
(To post prior year audit adjustments)				
(2)				
Property insurance	4510.1	\$ 9,823.82		2810
Workers comp insurance	4510.3	1,498.97		2810
Liability insurance	4510.2		\$ 2,382.10	2810
All other insurance	4510.4		7,321.77	2810
Prepaid insurance	1211		1,220.60	1211
Employee benefits - other	4540		443.00	2810
(To adjust insurance accounts to actual)				
(3)				
Accounting fees	4170	\$ 145.00		2810
Bad debts	4570		\$ 145.00	2810
(To correct posting of JE 14-031)				
(4)				
Accounting fees	4170	\$ 275.00		2810
Sundry	4190		\$ 275.00	2810
(To reclassify check #10745)				
(5)				
Nondwelling equipment - other	1475	\$ 15,940.00		1475
Nondwelling equip - non expend.	1475.1	110,270.97		1475.1
Dwelling structures	1460	2,751,868.00		1460
Sundry - other admin exp.	4190		\$ 2,369.97	2810
Development cost - other	1400.2		2,875,709.00	1400.2
(To reclassify computers purchased in February 2014 and assets in accordance with cost categories)				
(6)				
Accounts payable - vendor	2111	\$ 4,969.00		2111
Fee accounting	4170	220.00	\$ 60.00	2810
Audit fee	4171		4,589.00	2810
(To reverse prior year vendor payable balance at 12/31/2013)				
(7)				
Fee accounting	4170	\$ 380.00		2810
Accounts payable - vendor	2111		\$ 380.00	2111
(To record November and December fee accounting due at 12/31/2014)				

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2014**

<u>Low Rent (Cont'd)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(8)				
Water	4310	\$ 373.37		2810
Trash removal	4430.1	12.00		2810
Other accrued liabilities	2290	18.20		2290
Sewer	4390		\$ 353.22	2810
Electricity	4320		29.50	2810
Gas	4330		20.85	2810
(To adjust utilities payable for removing prior year payable and recording check #11026 for current year payable)				
(9)				
Accrued compensated absences	2133	\$ 1,112.00		2133
Maintenance labor	4410	309.00		2810
Administrative payroll	4110	1,442.00		2810
Payroll payable	2131		\$ 2,863.00	2131
(To remove balance from compensated absences and adjust payroll payable to actual)				
(10)				
Compensated absences expense	4595	\$ 4,780.90		2810
Administrative payroll	4110		\$ 3,818.22	2810
Maintenance labor	4410		962.68	2810
(To reclassify absences earned in FY'14)				
<u>Voucher</u>				
(1)				
Accounts receivable - HUD	1125	\$ 2,735.00		1125
Operating subsidy - HUD - CY	8020		\$ 2,735.00	2820
(To record receivable for 2014 admin fee adjustment)				
(2)				
Unrestricted net assets	2820	\$ 2,121.00	\$.46	2820
Restricted net assets	2810	.46	2,121.00	2810
(To correct closing entry - miscellaneous income for void HAP/URP checks and refunds from landlords)				
(3)				
Vendor payable	2111	\$ 200.00		2111
Accounting fees	4170		\$ 200.00	2820
(To adjust payable for November and December fees)				
(4)				
Compensated absence expense	4595	\$ 3,205.56		2820
Administrative payroll	4110		\$ 2,205.56	2820
(To reclassify compensated expense earned for FY '14)				

Linton Housing Authority (IN055)

LINTON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$160,072	\$15,694	\$175,766	\$175,766
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted		\$0	\$0	\$0
114 Cash - Tenant Security Deposits	\$6,900		\$6,900	\$6,900
115 Cash - Restricted for Payment of Current Liabilities	\$967		\$967	\$967
100 Total Cash	\$167,939	\$15,694	\$183,633	\$183,633
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects		\$2,735	\$2,735	\$2,735
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous		\$0	\$0	\$0
126 Accounts Receivable - Tenants	\$612		\$612	\$612
126.1 Allowance for Doubtful Accounts - Tenants	-\$84		-\$84	-\$84
126.2 Allowance for Doubtful Accounts - Other	\$0	\$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	\$528	\$2,735	\$3,263	\$3,263
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$4,601		\$4,601	\$4,601
143 Inventories	\$1,104		\$1,104	\$1,104
143.1 Allowance for Obsolete Inventories	\$0		\$0	\$0
144 Inter Program Due From		\$18,949	\$18,949	\$18,949
145 Assets Held for Sale				
150 Total Current Assets	\$174,172	\$37,378	\$211,550	\$211,550
161 Land	\$293,481		\$293,481	\$293,481
162 Buildings	\$2,862,987	\$39,631	\$2,902,618	\$2,902,618
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$114,146		\$114,146	\$114,146
165 Leasehold Improvements	\$1,242		\$1,242	\$1,242
166 Accumulated Depreciation	-\$2,451,789	-\$39,631	-\$2,491,420	-\$2,491,420
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$820,067	\$0	\$820,067	\$820,067
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$820,067	\$0	\$820,067	\$820,067
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$994,239	\$37,378	\$1,031,617	\$1,031,617

Linton Housing Authority (IN055)

LINTON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$2,439	\$1,060	\$3,499	\$3,499
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$5,203		\$5,203	\$5,203
322 Accrued Compensated Absences - Current Portion				
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits	\$6,900		\$6,900	\$6,900
342 Unearned Revenue	\$967		\$967	\$967
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other	\$2,442		\$2,442	\$2,442
347 Inter Program - Due To	\$18,949		\$18,949	\$18,949
348 Loan Liability - Current				
310 Total Current Liabilities	\$36,900	\$1,060	\$37,960	\$37,960
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
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
300 Total Liabilities	\$36,900	\$1,060	\$37,960	\$37,960
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets	\$820,067	\$0	\$820,067	\$820,067
511.4 Restricted Net Position	\$0	\$0	\$0	\$0
512.4 Unrestricted Net Position	\$137,272	\$36,318	\$173,590	\$173,590
513 Total Equity - Net Assets / Position	\$957,339	\$36,318	\$993,657	\$993,657
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$994,239	\$37,378	\$1,031,617	\$1,031,617

Linton Housing Authority (IN055)
LINTON, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$129,013		\$129,013	\$129,013
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$129,013	\$0	\$129,013	\$129,013
70600 HUD PHA Operating Grants	\$144,494	\$579,543	\$724,037	\$724,037
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$54	\$36	\$90	\$90
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery		\$0	\$0	\$0
71500 Other Revenue	\$5,644	\$2,121	\$7,765	\$7,765
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$279,205	\$581,700	\$860,905	\$860,905
91100 Administrative Salaries	\$55,695	\$59,357	\$115,052	\$115,052
91200 Auditing Fees	\$451		\$451	\$451
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$13,425	\$8,915	\$22,340	\$22,340
91600 Office Expenses	\$10,507	\$9,695	\$20,202	\$20,202
91700 Legal Expense				
91800 Travel	\$5,370	\$629	\$5,999	\$5,999
91810 Allocated Overhead				
91900 Other	\$4,225	\$3,060	\$7,285	\$7,285
91000 Total Operating - Administrative	\$89,673	\$81,656	\$171,329	\$171,329
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0

Linton Housing Authority (IN055)
LINTON, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
93100 Water	\$11,641		\$11,641	\$11,641
93200 Electricity	\$3,588		\$3,588	\$3,588
93300 Gas	\$933		\$933	\$933
93400 Fuel				
93500 Labor				
93600 Sewer	\$17,320		\$17,320	\$17,320
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$33,482	\$0	\$33,482	\$33,482
94100 Ordinary Maintenance and Operations - Labor	\$24,376		\$24,376	\$24,376
94200 Ordinary Maintenance and Operations - Materials and Other	\$15,208		\$15,208	\$15,208
94300 Ordinary Maintenance and Operations Contracts	\$19,901		\$19,901	\$19,901
94500 Employee Benefit Contributions - Ordinary Maintenance	\$5,754		\$5,754	\$5,754
94000 Total Maintenance	\$65,239	\$0	\$65,239	\$65,239
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other	\$1,547		\$1,547	\$1,547
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$1,547	\$0	\$1,547	\$1,547
96110 Property Insurance	\$19,415		\$19,415	\$19,415
96120 Liability Insurance	\$232		\$232	\$232
96130 Workmen's Compensation	\$3,487		\$3,487	\$3,487
96140 All Other Insurance	\$3,474		\$3,474	\$3,474
96100 Total Insurance Premiums	\$26,608	\$0	\$26,608	\$26,608
96200 Other General Expenses				
96210 Compensated Absences	\$4,781	\$3,205	\$7,986	\$7,986
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents	\$287		\$287	\$287
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$5,068	\$3,205	\$8,273	\$8,273
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
96900 Total Operating Expenses	\$221,617	\$84,861	\$306,478	\$306,478
97000 Excess of Operating Revenue over Operating Expenses	\$57,588	\$496,839	\$554,427	\$554,427

Linton Housing Authority (IN055)

LINTON, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
97100 Extraordinary Maintenance	\$5,026		\$5,026	\$5,026
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments		\$535,136	\$535,136	\$535,136
97350 HAP Portability-In				
97400 Depreciation Expense	\$73,568		\$73,568	\$73,568
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$300,211	\$619,997	\$920,208	\$920,208
10010 Operating Transfer In	\$57,974		\$57,974	\$57,974
10020 Operating transfer Out	-\$57,974		-\$57,974	-\$57,974
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$21,006	-\$38,297	-\$59,303	-\$59,303
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$978,345	\$74,615	\$1,052,960	\$1,052,960
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$36,318	\$36,318	\$36,318
11180 Housing Assistance Payments Equity		\$0	\$0	\$0
11190 Unit Months Available	588	2628	3216	3216
11210 Number of Unit Months Leased	582	2447	3029	3029
11270 Excess Cash	\$112,766		\$112,766	\$112,766
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$0		\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$6,245		\$6,245	\$6,245
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
Linton Housing Authority
Linton, Indiana

In planning and performing my audit of the financial statements of Linton Housing Authority as of and for the year ended December 31, 2014, 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 Linton Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Linton 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. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in the written policy/procedural manual. A procedural manual is essential to any system of internal controls.

In addition to the current policies/procedures, I suggest that the written manual be expanded to include: (a) approval of journal entries (hard copies initialed or signed) (b) documentation of approval of payroll (payroll registers should be initialed or signed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc) (e) reconciliation of rent rolls and HAP registers with written documentation of approval and (f) method of maintenance materials physical inventory reconciliation and valuation methods. The written policies should also cover the extent that outside consultants are used to provide internal controls.

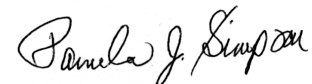
A more detailed written manual will aid in the training of new staff, assure management of consistency in policy application as well as accurate financial reporting.

2. While reviewing the agency's SEMAP certification, the Housing Authority could not provide written documentation to substantiate that all of the SEMAP indicators had been properly tested. The Housing Authority should expand and retain its documentation of quality control reviews of the Section 8 HCV files.
3. During our review of insurance coverage, it was noted that none of the insurance premiums had been allocated to the Section 8 Housing Choice Voucher Program. The PHA should allocate a portion of applicable insurance expenses to the Section 8 program (for example: worker's compensation). OMB Circular A-122 requires a uniform allocation of all shared expenses.
4. It was noted that the fee accountant's monthly reconciliation of the security deposit reports does not coincide with the PHA's records. The fee accountant should be instructed to confer with the housing personnel on all adjustments required to be posted to the detail. Lack of proper reconciliations lead to material misstatements of financial reports.
5. The year end financials and the year end financial report submitted to REAC did not properly account for the accrued compensated absence expense. Per the HUD Financial Data Schedule Line Definition Guide, the Housing Authorities should report amounts expensed for vacation and sick leave as a separate line item (FDS line 96100) . The Housing Authority should provide the number of hours earned in a year for all employees to the fee accountant so compensated absence expense can be calculated and properly reported.
6. The Housing Authority should adopt a formal policy relating to the periodic write off of stale dated checks. In my review of the year end bank reconciliations, it was noted that old outstanding checks in the Public Housing program and the Housing Choice Voucher program had been written off in the current year, however, a formal policy will help ensure that this is done at least annually.
7. It was noted that the detailed depreciation schedule does currently reconcile to the capital asset accounts in the general ledger, however, the listing does not appear to be accurate or current. For example, two mower upgrade lines items appear on the schedule and an "audit adjustment" line item also is on the schedule. The housing authority currently does not own multiple mowers. A complete physical inventory should be taken of all assets and the physical counts reconciled to both the depreciation schedule and the control account.
8. While reviewing the current personnel policy and testing adherence to the policy, I noted that the written policies do not properly reflect the day to day operations of the housing authority in some instances. The current policy should be reviewed and updated with current policies being followed. Specifically I noted that Housing Authority's work week (hours per week) is not properly defined.

The current policy requires all employees to participate in the retirement plan. Some employees are currently covered under the PERF retirement plan and others have elected not to participate. Participation must be uniform or exceptions covered in the policy.

9. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
10. Generally accepted accounting principles (GAAP) generally pair accounts receivables (tenants) with an estimate of an amount that may become uncollectible in the future (an Allowance for Doubtful Accounts). In almost all situations, you do not know which accounts will become uncollectible - but you know that some will and GAAP insists that your financial statements reflect that. There are several methods of estimating an allowance account, and I suggest that the Housing Authority adopt a policy regarding the establishment and recording of an allowance for doubtful accounts that best suits their needs.
11. HUD regulations prohibit nepotism and the Housing Authority's personnel policy prohibits nepotism except in the case of emergencies. While testing current year expenditures I noted instances where family members were paid for cleaning services and mowing services. These did not appear to be emergency situations, therefore, the service should be properly contracted to non-related parties in the future.
12. The Voucher Management System (VMS) is used to report the monthly activity of the Housing Choice Voucher program. A comparison of the year end VMS reporting revealed that it did not reconcile to or reflect the financial statement data. These two reporting systems must be reconciled.
13. As I tested cash disbursements and the Housing Authority's procurement policy, I noted that some contracts were supported by contracts that were several years old. The Housing Authority is reminded that contracts should be written for a specified period of time and new quotes or bids should be obtained periodically (no less than every 3 years) in accordance with the procurement policy adopted.
14. During the preparation of financial statements, the housing authority has designated certain revenues and certain expenditures as 'operating' revenues or 'operating' expenditures and other accounts are designated as 'non operating'. I suggest that the Housing Authority adopt a formal policy that coincides with the current practice.

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



Decatur, Illinois
August 20, 2015

Certified Public Accountant