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August 22, 2016

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, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Brazil Housing Authority, as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit 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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2015

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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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, 2015, 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, 2015 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 33 to 37 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 March 10, 2016 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.



Certified Public Accountant

Decatur, Illinois
March 10, 2016

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2015**

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, 2015. 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 Michael K. Hagemeyer, Executive Director, Housing Authority of the City of Brazil, 122 West Jackson Street, Brazil, Indiana 47834.

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 position, 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 position and changes in them. One can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net position 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, 2015**

Over time, significant changes in the Authority's net position 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 Funds 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, 2015**

Future Events

There are no future events planned by the Authority during the fiscal year ending December 31, 2016 that will significantly affect the Authority's Net Position either positively or negatively.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Position

Total Assets for FYE 2015 were \$4,903,132 and at FYE 2014 the amount was \$5,240,453. This represents a net decrease of \$ 337,321.

Cash & Investments increased by \$ 31,055. The Authority did not utilize 100% of its Public Housing Operating Budget, Housing Choice Voucher Budget and Net Restricted Position (HCV). The Authority also increased its security deposit from \$100 to \$150 in 2015.

Other Current Assets decreased by \$18,965. The amount of prepaid expenses and inventories at the end of fiscal year ending December 31, 2015 decreased as compared to December 31, 2014.

Capital Assets decreased by \$349,411. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$27,747. The Authority had an increase in the amount of accounts payable as of December 31, 2015. The accounts payable balance represents invoices that are for 2015 expenses that will be paid in 2016.

The table below illustrates our analysis:

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash and Investments	426,268	395,213	31,055	8%
Other Current Assets	34,987	53,952	(18,965)	-35%
Capital Assets	4,441,877	4,791,288	(349,411)	-7%
Total Assets	4,903,132	5,240,453	(337,321)	-6%
Deferred Outflows of Resources	0	0	0	0%
TOTAL	4,903,132	5,240,453	(337,321)	-6%
Current Liabilities	128,704	103,957	24,747	24%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	128,704	103,957	24,747	24%
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	4,441,877	4,791,288	(349,411)	-7%
Restricted	1,525	572	953	167%
Unrestricted	331,026	344,636	(13,610)	-4%
Total Net Position	4,774,428	5,136,496	(362,068)	-7%
TOTAL	4,903,132	5,240,453	(337,321)	-6%

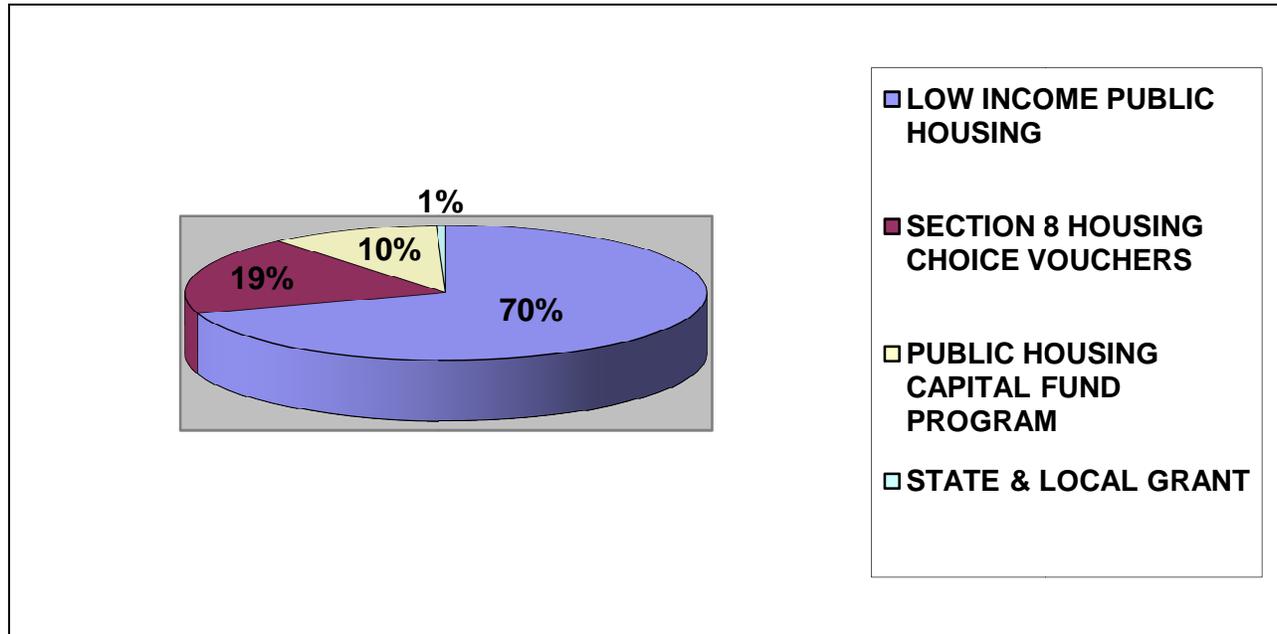
**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2015**

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2015 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,299,398
Section 8 Housing Choice Vouchers	351,211
Public Housing Capital Fund Program	196,635
State & Local Grant	10,932
Total Revenue	<u><u>\$1,858,176</u></u>

The diagram on the following page illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2015:



**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2015**

Total tenant revenue decreased by \$2,333. Total tenant revenue decreased because of changes in tenant characteristics that caused lower rental charges to tenants and a decreased in unit months leased as compared to the prior fiscal year.

HUD Operating Grants increased by \$26,370. The funding increase is due to increased Capital Funds being utilized by Operations.

HUD Capital Grants drawn down from HUD decreased \$224,945.

Investment Income decreased by \$40.

The table below illustrates our analysis:

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>	<u>Percentage Change</u>
Total Tenant Revenue	831,388	833,721	-2,333	0%
HUD Operating Grants	904,953	878,583	26,370	3%
HUD Capital Grants	111,635	336,580	-224,945	-67%
Fraud Recovery	334	0	334	100%
Investment Income	659	699	-40	-6%
Other Revenue	9,207	10,602	-1,395	-13%
Gain/loss on Sale of Fixed Assets	0	-4,072	4,072	0%
Total Revenue	<u>1,858,176</u>	<u>2,056,113</u>	<u>-197,937</u>	<u>-10%</u>

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2015 were \$2,220,244 as compared to the \$2,194,802 of total expenditures for Fiscal Year Ending December 31, 2014. Comparatively, Fiscal Year Ending 2015 expenditures increased from Fiscal Year Ending 2014 expenditures by \$25,442 or 1%.

Utilities Expense decreased by \$37,305 or 11%. The decrease in utilities is due to weather conditions and savings generated by buying natural gas under a managed portfolio.

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2015**

The table below illustrates our analysis:

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>	<u>Percentage Change</u>
Administrative	437,178	431,521	5,657	1%
Tenant Services	51,643	51,033	610	1%
Utilities	290,132	327,437	-37,305	-11%
Maintenance	448,673	449,780	-1,107	0%
General Expenses	164,403	153,980	10,423	7%
Housing Assistance Payments	318,378	301,915	16,463	6%
Depreciation Expense	509,837	479,136	30,701	6%
	<u><u>\$2,220,244</u></u>	<u><u>\$2,194,802</u></u>	<u><u>\$25,442</u></u>	<u><u>1%</u></u>

Analysis of Capital Asset and Long-Term Debt Activity

Buildings increased by \$431,836. The Authority capitalized construction projects started and completed in fiscal year ending 2015 and capitalized construction in process from the prior year that were completed in fiscal year ending 2015.

Furniture, Equipment & Machinery – Dwelling increased by \$22,996.

Accumulated Depreciation increased by \$509,837. The Authority's depreciation expense for the fiscal year ending December 31, 2015 was \$509,837.

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>	<u>Percentage Change</u>
Land	198,125	198,125	0	0.0%
Buildings	15,793,414	15,361,578	431,836	2.8%
Furniture, Equip., & Mach. - Dwelling	573,827	550,831	22,996	4.2%
Furniture, Equip., & Mach. - Admin	296,959	293,427	3,532	1.2%
Construction In Process	0	297,938	-297,938	-100.0%
Total Fixed Assets	<u>16,862,325</u>	<u>16,701,899</u>	<u>160,426</u>	<u>1.0%</u>
Accumulated Depreciation	12,420,448	11,910,611	509,837	4.3%
Net Fixed Assets	<u><u>4,441,877</u></u>	<u><u>4,791,288</u></u>	<u><u>-349,411</u></u>	<u><u>-7.3%</u></u>

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

Outstanding Debt

As of December 31, 2015, the Authority had no outstanding long-term debt.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2015**

ASSETS

Cash - operating	\$ 26,006
Cash - restricted	47,042
Receivables, net	5,157
Investments	353,220
Inventory, net	11,993
Prepaid expenses	17,837
Capital assets:	
Land, improvements and construction in progress	\$ 198,125
Other capital assets, net of depreciation	<u>4,243,752</u>
Total Capital Assets	<u>\$ 4,441,877</u>
Total Assets	<u>\$ 4,903,132</u>

DEFERRED OUTFLOWS OF RESOURCES

\$ 0

TOTAL

\$ 4,903,132

LIABILITIES

Accounts payable	\$ 57,025
Other liabilities	68,141
Unearned revenue	<u>3,538</u>
Total Liabilities	<u>\$ 128,704</u>

DEFERRED INFLOWS OF RESOURCES

\$ 0

NET POSITION

Net investment in capital assets	\$ 4,441,877
Restricted	1,525
Unrestricted	<u>331,026</u>
Total Net Position	<u>\$ 4,774,428</u>

TOTAL

\$ 4,903,132

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2015**

Operating Income

Tenant rental revenue	\$ 730,841
Tenant revenue - other	<u>100,547</u>
Total Rental Income	\$ 831,388
HUD operating grants	904,953
Fraud recovery	334
Other revenue	<u>9,207</u>
Total Operating Income	<u>\$ 1,745,882</u>

Operating Expenses

Administration	\$ 437,178
Tenant services	51,643
Utilities	290,132
Ordinary maintenance and operation	448,673
General expense	164,403
Housing assistance payments	318,378
Depreciation	<u>509,837</u>
Total Operating Expenses	<u>\$ 2,220,244</u>
Net Operating Income (Loss)	\$ -474,362

Nonoperating Income (Expense)

Interest income	659
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Capital Contributions

Capital fund grants	<u>111,635</u>
Changes in net position	\$ -362,068
Net position, beginning of year	<u>5,136,496</u>
Net position, end of year	<u>\$ 4,774,428</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, 2015**

Operating Activities

Operating grants	\$ 908,501
Tenant revenue	834,070
Other revenue	9,541
Housing assistance payments	-318,378
Payments to employees	-354,231
Payments to suppliers and contractors	<u>-1,000,316</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 79,187</u>

Investing Activities

Investments (purchased) redeemed	\$ -517
Interest income	<u>659</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 142</u>

Capital and Related Financing Activities

Capital funds grants	\$ 111,635
(Additions) deletions of fixed assets	<u>-160,426</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -48,791</u>
Net Change in Cash	\$ 30,538
Cash Balance at December 31, 2014	<u>42,510</u>
Cash Balance at December 31, 2015	<u><u>\$ 73,048</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, 2015**

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

Net operating income (loss)	\$ -474,362
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	509,837
(Increase) decrease in accounts receivable	5,896
(Increase) decrease in prepaid expenses	10,686
(Increase) decrease in inventories	2,383
Increase (decrease) in accounts payable	9,806
Increase (decrease) in other liabilities	18,073
Increase (decrease) in unearned revenues	<u>-3,132</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 79,187</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, 2015**

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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(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
- * Public Housing Capital Funds
- * Section 8 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, 2015
(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, 2015, 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) Capital Assets -

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

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more (except ranges, refrigerators, heat pumps and electronic equipment) and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

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

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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 under Indiana state law as a political subdivision 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.

- (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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (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.

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.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 2 - Cash and Investments (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	\$ 405,450	\$ 414,084
Section 8 Housing Choice Vouchers	4,884	4,884
State and Local	<u>15,934</u>	<u>16,159</u>
Total	<u>\$ 426,268</u>	<u>\$ 435,127</u>

Note 3 - Compensated Absences

Vacation Leave

All regular full-time employees earn paid annual leave in the following manner:

Category #1:	Years 1-3	96 hours
Category #2:	Years 4-15	144 hours
Category #3:	Over 15 years	192 hours

All regular part-time employees earn paid annual leave in the following manner:

Category #1:	Years 1-3	27 hours
Category #2:	Years 4-15	45 hours
Category #3:	Over 15 years	63 hours

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Vacation Leave (Continued)

As noted above, to recognize commitment to the agency, the Authority does increase the paid annual leave effective the 4th and 16th 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 4th and 16th year. Thereafter the days will be posted on the 1st of January.

Employees who comply with the advance notice requirement when resigning will be paid for any unused but earned annual leave, based on the schedule listed above. In cases where the employee has already taken more annual leave than they earned, the Authority may deduct the difference from their last pay. Paid annual leave will be computed on the basis of an employee's regular salary or hourly rate. Terminating employees who comply with the advance notice requirement when resigning will be paid for unused and earned annual leave. Annual leave will be posted in half hour increments.

Vacation Schedule for New Hires

Conforming to the Vacation Schedule for New Hires, all new employees will be credited one day of paid leave for the months remaining in the calendar year they were hired. New employees hired after October 1st of any year, the schedules continue through the next calendar year.

If the new employee receives a satisfactory performance review at the end of the first three months of employment, the appropriate vacation time will be credited to their account and they may request to use up to half of the time credited to their account. If at the end of the six-month probationary period the employee is granted full-time status, the balance of any unused days become available to the employee.

A new employee who does not receive a satisfactory performance review at the end of the first three months will have no annual leave credited to their account at that time. If after the end of the six-month probationary period the employee is not granted full-time status, they shall receive compensation for 24 hours of annual leave, which was earned.

Sick Leave

All full-time employees shall begin accruing sick leave at the rate of 6.75 hours per month (a maximum of 81 hours per year), after they have satisfactorily completed the first three months of the probationary period.

All part-time employees shall begin accruing sick leave at the rate of 3 hours per month (a maximum of 36 hours per year), after they have satisfactorily completed the first three months of the probationary period.

Sick leave may be taken in half-hour increments. The BHA allows all employees to accrue sick leave, but the accrued sick leave has no financial/cash benefit upon termination of employment.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(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 Billings and Company. 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 can only be amended by Board action. 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, 2015 were \$26,447 and \$17,888, respectively. The total annual related payroll expense was \$354,231. Employees become 100% vested after five years of participation.

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 - miscellaneous	\$	7
Accounts receivable - tenants		8,445
Allowance for doubtful accounts - tenants		<u>-3,295</u>
Total	<u>\$</u>	<u>5,157</u>

Note 7 - Investments

At December 31, 2015 investments consist of the following:

	<u>Rate</u>	
Certificate of deposits	0.15 - 0.30%	<u>\$ 353,220</u>

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$	15,320
Other		<u>2,517</u>
Total	<u>\$</u>	<u>17,837</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 9 - Capital Assets

Balance as of December 31, 2015	\$ 4,441,877
Balance as of December 31, 2014	<u>4,791,288</u>
Net Increase (Decrease)	<u>\$ -349,411</u>

Reconciliation

Property betterments and additions	\$ 133,898
Replacement of nonexpendable equipment	26,528
Current year depreciation expense	<u>-509,837</u> *
Net Increase (Decrease)	<u>\$ -349,411</u>

<u>Analysis</u>	<u>01/01/2015 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2015 Balance</u>
Land	\$ 198,125	\$ 0	\$ 0	\$ 198,125
Buildings	15,361,578	431,836	0	15,793,414
Equipment and furniture	844,258	26,528	0	870,786
Construction in progress	<u>297,938</u>	<u>0</u>	<u>297,938</u>	<u>0</u>
Subtotal	\$ 16,701,899	\$ 458,364	\$ 297,938	\$ 16,862,325
Accumulated depreciation	<u>-11,910,611</u>	<u>0</u>	<u>509,837</u> *	<u>-12,420,448</u>
Total	<u>\$ 4,791,288</u>	<u>\$ 458,364</u>	<u>\$ 807,775</u>	<u>\$ 4,441,877</u>

*Current year depreciation expense recognized.

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 15,046
Tenants security deposits	<u>41,979</u>
Total	<u>\$ 57,025</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 11 - Other Liabilities

Other liabilities consists of the following:

Payment in lieu of taxes	\$ 44,653
Utilities payable	<u>23,488</u>
Total	<u>\$ 68,141</u>

Note 12 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 3,538</u>
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Note 13 - Administrative Fee

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

Note 14 - Allocation of Costs

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

Note 15 - Contingencies

Federal Grants

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

Note 16 - Contracts/Commitments

As of December 31, 2015, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-14	\$ 297,878	\$ 288,626
CFP 501-15	<u>304,742</u>	<u>101,522</u>
Total	<u>\$ 602,620</u>	<u>\$ 390,148</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 17 - 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.

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

Note 18 - 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 19 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	\$ <u>1,525</u>
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When both restricted and unrestricted reserves are available for use, the Housing Authority's policy is to use restricted resources to fund restricted costs and then unrestricted resources as they are needed.

SUPPLEMENTAL DATA

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

<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*	14.850	C-913	FYE 12/31/15	\$ <u>469,076</u>	\$ <u>469,076</u>	\$ <u>469,076</u>
Section 8 Housing Choice Vouchers	14.871	C-2040	FYE 12/31/15	\$ <u>350,877</u>	\$ <u>350,877</u>	\$ <u>350,731</u>
Public Housing Capital Funds	14.872	C-913	FYE 12/31/15	\$ <u>602,620</u>	\$ <u>196,635</u>	\$ <u>196,635</u>
Total Housing Assistance				\$ <u>1,422,573</u>	\$ <u>1,016,588</u>	\$ <u>1,016,442</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2015**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Brazil Housing Authority (Authority) and is presented on the accrual basis of accounting.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended December 31, 2015. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended December 31, 2015, 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, 2015.



**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 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 Brazil Housing Authority, which comprise the statement of net position as of December 31, 2015, 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 Brazil Housing Authority's basic financial statements and have issued my report thereon dated March 10, 2016.

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 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*.

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.

Decatur, Illinois
March 10, 2016

Certified Public Accountant



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* 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 types of 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, 2015.

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 *Uniform Guidance*, 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 type of compliance requirement of a federal program 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 *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois
March 10, 2016

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2014 contained no findings.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report:	Unmodified		
* Material weakness(es) identified?	_____	yes	<u> X </u> no
* Significant deficiency (ies) identified?	_____	yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____	yes	<u> X </u> no

Federal Awards

Internal control over major programs:			
* Material weakness(es) identified?	_____	yes	<u> X </u> no
* Significant deficiency (ies) identified?	_____	yes	<u> X </u> none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____	yes	<u> X </u> no
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Identification of major programs:

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

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

 \$ 750,000

Auditee qualified as low-risk auditee?	<u> X </u>	yes	_____	no
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**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Michael K. Hagemeyer, Executive Director and Crissy Lawson, Deputy Director, during the course of the audit and at an exit conference held March 10, 2016.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Michael K. Hagemeyer, Executive Director and Crissy Lawson, Deputy Director, during the course of the audit and at an exit conference held March 10, 2016.

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
111 Cash - Unrestricted	\$7,113	\$3,359	\$15,534	\$26,006	\$26,006
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$1,525		\$1,525	\$1,525
114 Cash - Tenant Security Deposits	\$41,579		\$400	\$41,979	\$41,979
115 Cash - Restricted for Payment of Current Liabilities	\$3,538			\$3,538	\$3,538
100 Total Cash	\$52,230	\$4,884	\$15,934	\$73,048	\$73,048
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$7			\$7	\$7
126 Accounts Receivable - Tenants	\$8,445			\$8,445	\$8,445
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,295			-\$3,295	-\$3,295
126.2 Allowance for Doubtful Accounts - Other	\$0	\$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	\$5,157	\$0	\$0	\$5,157	\$5,157
131 Investments - Unrestricted	\$353,220			\$353,220	\$353,220
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$17,279	\$339	\$219	\$17,837	\$17,837
143 Inventories	\$13,582			\$13,582	\$13,582
143.1 Allowance for Obsolete Inventories	-\$1,589			-\$1,589	-\$1,589
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$439,879	\$5,223	\$16,153	\$461,255	\$461,255
161 Land	\$173,525		\$24,600	\$198,125	\$198,125
162 Buildings	\$15,568,016		\$225,398	\$15,793,414	\$15,793,414
163 Furniture, Equipment & Machinery - Dwellings	\$573,827			\$573,827	\$573,827
164 Furniture, Equipment & Machinery - Administration	\$296,959			\$296,959	\$296,959
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$12,392,685		-\$27,763	-\$12,420,448	-\$12,420,448
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,219,642	\$0	\$222,235	\$4,441,877	\$4,441,877
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	\$4,219,642	\$0	\$222,235	\$4,441,877	\$4,441,877
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$4,659,521	\$5,223	\$238,388	\$4,903,132	\$4,903,132

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$15,046			\$15,046	\$15,046
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
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	\$44,653			\$44,653	\$44,653
341 Tenant Security Deposits	\$41,579		\$400	\$41,979	\$41,979
342 Unearned Revenue	\$3,538			\$3,538	\$3,538
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	\$23,488			\$23,488	\$23,488
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$128,304	\$0	\$400	\$128,704	\$128,704
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	\$0
300 Total Liabilities	\$128,304	\$0	\$400	\$128,704	\$128,704
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$4,219,642		\$222,235	\$4,441,877	\$4,441,877
511.4 Restricted Net Position		\$1,525		\$1,525	\$1,525
512.4 Unrestricted Net Position	\$311,575	\$3,698	\$15,753	\$331,026	\$331,026
513 Total Equity - Net Assets / Position	\$4,531,217	\$5,223	\$237,988	\$4,774,428	\$4,774,428
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,659,521	\$5,223	\$238,388	\$4,903,132	\$4,903,132

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
70300 Net Tenant Rental Revenue	\$720,041		\$10,800	\$730,841	\$730,841
70400 Tenant Revenue - Other	\$100,427		\$120	\$100,547	\$100,547
70500 Total Tenant Revenue	\$820,468	\$0	\$10,920	\$831,388	\$831,388
70600 HUD PHA Operating Grants	\$554,076	\$350,877		\$904,953	\$904,953
70610 Capital Grants	\$111,635			\$111,635	\$111,635
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	\$647		\$12	\$659	\$659
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$334		\$334	\$334
71500 Other Revenue	\$9,207			\$9,207	\$9,207
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$1,496,033	\$351,211	\$10,932	\$1,858,176	\$1,858,176
91100 Administrative Salaries	\$190,162	\$13,248		\$203,410	\$203,410
91200 Auditing Fees	\$4,730	\$500		\$5,230	\$5,230
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$127,259	\$4,472		\$131,731	\$131,731
91600 Office Expenses	\$19,763	\$3,527	\$191	\$23,481	\$23,481
91700 Legal Expense	\$5,301			\$5,301	\$5,301
91800 Travel	\$9,267	\$939		\$10,206	\$10,206
91810 Allocated Overhead					
91900 Other	\$44,432	\$7,836	\$5,551	\$57,819	\$57,819
91000 Total Operating - Administrative	\$400,914	\$30,522	\$5,742	\$437,178	\$437,178
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$51,643			\$51,643	\$51,643
92500 Total Tenant Services	\$51,643	\$0	\$0	\$51,643	\$51,643

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
93100 Water	\$19,129			\$19,129	\$19,129
93200 Electricity	\$208,192			\$208,192	\$208,192
93300 Gas	\$16,725			\$16,725	\$16,725
93400 Fuel					
93500 Labor					
93600 Sewer	\$46,086			\$46,086	\$46,086
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$290,132	\$0	\$0	\$290,132	\$290,132
94100 Ordinary Maintenance and Operations - Labor	\$121,228			\$121,228	\$121,228
94200 Ordinary Maintenance and Operations - Materials and Other	\$67,759			\$67,759	\$67,759
94300 Ordinary Maintenance and Operations Contracts	\$179,560		\$2,419	\$181,979	\$181,979
94500 Employee Benefit Contributions - Ordinary Maintenance	\$77,707			\$77,707	\$77,707
94000 Total Maintenance	\$446,254	\$0	\$2,419	\$448,673	\$448,673
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
96110 Property Insurance	\$51,426		\$982	\$52,408	\$52,408
96120 Liability Insurance	\$14,067	\$1,162		\$15,229	\$15,229
96130 Workmen's Compensation	\$4,194	\$175		\$4,369	\$4,369
96140 All Other Insurance	\$547			\$547	\$547
96100 Total insurance Premiums	\$70,234	\$1,337	\$982	\$72,553	\$72,553
96200 Other General Expenses					
96210 Compensated Absences	\$29,099	\$494		\$29,593	\$29,593
96300 Payments in Lieu of Taxes	\$44,953			\$44,953	\$44,953
96400 Bad debt - Tenant Rents	\$17,304			\$17,304	\$17,304
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$91,356	\$494	\$0	\$91,850	\$91,850
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
96900 Total Operating Expenses	\$1,350,533	\$32,353	\$9,143	\$1,392,029	\$1,392,029
97000 Excess of Operating Revenue over Operating Expenses	\$145,500	\$318,858	\$1,789	\$466,147	\$466,147

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

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2015

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$318,378		\$318,378	\$318,378
97350 HAP Portability-In					
97400 Depreciation Expense	\$504,036		\$5,801	\$509,837	\$509,837
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,854,569	\$350,731	\$14,944	\$2,220,244	\$2,220,244
10010 Operating Transfer In	\$60,000			\$60,000	\$60,000
10020 Operating transfer Out	-\$60,000			-\$60,000	-\$60,000
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$358,536	\$480	-\$4,012	-\$362,068	-\$362,068
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$4,889,753	\$4,743	\$242,000	\$5,136,496	\$5,136,496
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		\$3,698		\$3,698	\$3,698
11180 Housing Assistance Payments Equity		\$1,525		\$1,525	\$1,525
11190 Unit Months Available	3383	1380	24	4787	4787
11210 Number of Unit Months Leased	3258	828	24	4110	4110
11270 Excess Cash	\$172,055			\$172,055	\$172,055
11610 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$133,898			\$133,898	\$133,898
11630 Furniture & Equipment - Dwelling Purchases	\$22,996			\$22,996	\$22,996
11640 Furniture & Equipment - Administrative Purchases	\$3,532			\$3,532	\$3,532
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