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May 29, 2009

Board of Commissioners
Marshall County Housing Authority
P.O. Box 267
Plymouth, Indiana 46563

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period January 1, 2007 to December 31, 2007. 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 Marshall County Housing Authority, as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A prior year condition, which remained unresolved, is discussed on page 22. The management letter, included in the back of the bound report, addresses two conditions identified by the auditor.

STATE BOARD OF ACCOUNTS

MARSHALL COUNTY HOUSING AUTHORITY

ANNUAL FINANCIAL STATEMENTS

PLYMOUTH, INDIANA
DECEMBER 31, 2007

Jean Sickels

Certified Public Accountant

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Fredericksburg, IN 47120
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MARSHALL COUNTY
HOUSING AUTHORITY

Plymouth, Indiana
DECEMBER 31, 2007

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Jean Sicksels

Certified Public Accountant
8518 S Kays Chapel Road
Fredericksburg, Indiana 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Marshall County Housing Authority
P O Box 267
Plymouth, IN 46563

I have audited the financial statements of the Marshall County Housing Authority ("the Authority") as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

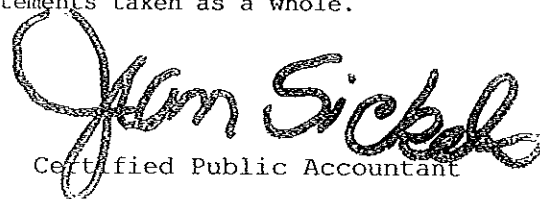
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2007, and the changes in financial position and its cash flows for the year indicated above, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 1, 2008, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis, as detailed in the table of contents in this Report, is not a required part of the financial statements but is supplementary information, required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries made of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements of the Marshall County Housing Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements of the Authority. The supplemental information as listed in the table of contents, including the Financial Data Schedule is presented for purposes of additional analysis, and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements, and in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Certified Public Accountant

Fredericksburg, Indiana
August 1, 2008

MARSHALL COUNTY HOUSING AUTHORITY
P. O. Box 267
Plymouth, IN 46563

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

Our discussion and analysis of the Marshall County Housing Authority financial performance provides the reader with an overview to the Authority's financial Activities for the fiscal year ended December 31, 2007. The information contained in this MD&A should be considered in the conjunction with the Authority's financial statements which are included with the MD&A.

FINANCIAL HIGHLIGHTS

- The Authority's cash balance at December 31, 2007 was \$163,637 representing a increase of \$15,015 over, December 31, 2006.
- The assets of the Authority exceeded its Liabilities at the close of 2007 by \$165,122.
- The Authority had HUD operating grants of \$705,306, investment income of \$164 for the year ending December 31, 2007.

USING THIS ANNUAL REPORT

This annual report consists of the Management's Discussion and Analysis, the financial statements, and notes to the financial statements. The MD&A provides a narrative of the Authority's financial performance and activities for the year ended December 31, 2007. The statements provide readers with a broad overview of the Authority's finances. The notes provide additional information that is essential to the full understanding of the data provided in the financial statements.

The financial statements consist of three statements:

- Statement of Net Assets - presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decrease in net assets may serve as a useful indicator of whether the financial situation of the Authority is improving.
- Statement of Changes in Net Assets - presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- Statement of Cash Flows - presents information showing how the Authority's cash changed during the most recent fiscal year, it shows the sources and uses of cash.

HOUSING AUTHORITY ACTIVITIES AND HIGHLIGHTS

The Marshall County Housing Authority achieved as 82.5% occupancy rate in the Housing Choice Voucher Program for the FYE December 31, 2007. This rate decrease from the previous FYE December 31, 2006 Housing Choice Voucher Program occupancy rate of 89.8%.

MARSHALL COUNTY HOUSING AUTHORITY
P. O. Box 267
Plymouth, IN 46563

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007
(Continued)

FINANCIAL OPERATIONS HIGHLIGHTS

The Marshall County Housing Authority had 75.5% of the Choice Voucher Tenants at the 30% of median (very low income) for the 2006 year. The 2006 tenants at the 30% of median income were 81.3%.

CAPITAL ASSET ACTIVITY

The Marshall County Housing Authority acquired \$120 in new assets in the 2007 year and recorded \$786 in depreciation expense.

DEBT ADMINISTRATION

The Marshall County Housing Authority has no debt.

STATEMENT OF CHANGES IN NET ASSETS

| | <u>2007</u> | <u>2006</u> | <u>Variance</u> |
|-------------------------|------------------|------------------|--------------------|
| REVENUE | | | |
| HUD Operating Grants | \$ 705,306 | \$ 686,354 | \$ 18,952 |
| Investment Income | 164 | 329 | (165) |
| Other Income | 0 | (768) | 768 |
| TOTAL OPERATING REVENUE | <u>705,470</u> | <u>685,915</u> | <u>19,555</u> |
| EXPENSES | | | |
| Housing Assistance | 608,343 | 578,150 | 30,193 |
| Administrative | 81,035 | 78,688 | 2,347 |
| Depreciation | <u>786</u> | <u>847</u> | <u>(61)</u> |
| TOTAL OPERATING EXPENSE | <u>690,164</u> | <u>657,685</u> | <u>32,479</u> |
| Net income | <u>\$ 15,306</u> | <u>\$ 28,230</u> | <u>\$ (12,924)</u> |

Our HUD grants went up due to the new voucher program regulations and funding.

HAP's went up due to an increase in the Fair Market Rents. Administrative expenses went up due to a small increase in salaries and an increase in other operating expense due to increases in utilities and inspection costs.

MARSHALL COUNTY HOUSING AUTHORITY
P. O. Box 267
Plymouth, IN 46563

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007
(Continued)

STATEMENT OF NET ASSETS

The following table summarizes the changes in Net Assets between December 31, 2006 and 2007:

| ASSETS | <u>2007</u> | <u>2006</u> | <u>Change</u> |
|-------------------------------------|-------------------|-------------------|------------------|
| Current Assets | | | |
| Cash - Unrestricted | \$ 72,624 | \$ 148,622 | \$ 45,246 |
| Restricted | 91,013 | | 91,013 |
| Prepaid expenses | 483 | 26 | 457 |
| Current Assets | <u>164,120</u> | <u>148,648</u> | <u>15,472</u> |
| Property and Equipment | | | |
| Office Equipment, net | <u>1,452</u> | <u>2,118</u> | <u>(666)</u> |
| TOTAL ASSETS | <u>165,572</u> | <u>150,766</u> | <u>14,806</u> |
| LIABILITIES & NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts Payable | <u>450</u> | <u>950</u> | <u>(500)</u> |
| TOTAL LIABILITIES | <u>450</u> | <u>950</u> | <u>(500)</u> |
| Invested in capital assets | | | |
| Restricted | 1,452 | 2,118 | (660) |
| Unrestricted | 91,013 | 0 | 91,013 |
| | <u>72,657</u> | <u>147,698</u> | <u>(75,041)</u> |
| Net Assets/Retained Earnings | <u>\$ 165,122</u> | <u>\$ 149,816</u> | <u>\$ 15,306</u> |

The cash increased due to changes in the way the federal government operated this program. Office equipment decreased due to depreciation of assets. Restricted net assets are now separately stated due to requirements from REAC.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's Accountability of all those interested. If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

MARSHALL COUNTY HOUSING AUTHORITY
Attn: G. Dean Byers, Executive Director
P. O. Box 267
Plymouth, IN 46563

FINANCIAL STATEMENTS

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS

Current Assets

| | | |
|--------------------------------------|----|----------------|
| Cash and cash equivalents | \$ | 72,624 |
| Restricted cash and cash equivalents | | 91,013 |
| Prepaid expenses | | 483 |
| Total Current Assets | | <u>164,120</u> |

Capital Assets

| | | |
|--------------------------------------|--|--------------|
| Land and other nondepreciable assets | | 0 |
| Depreciable capital assets, net | | <u>1,452</u> |
| Total Capital Assets | | <u>1,452</u> |

| | | |
|--------------|--|----------------|
| Total Assets | | <u>165,572</u> |
|--------------|--|----------------|

LIABILITIES

Current Liabilities

| | | |
|---------------------------|--|------------|
| Accounts payable | | <u>450</u> |
| Total Current Liabilities | | <u>450</u> |

| | | |
|-------------------|--|------------|
| Total Liabilities | | <u>450</u> |
|-------------------|--|------------|

NET ASSETS

| | | |
|----------------------------|----|----------------|
| Invested in capital assets | | 1,452 |
| Restricted net assets | | 91,013 |
| Unrestricted net assets | | <u>72,657</u> |
| Total Net Assets | \$ | <u>165,122</u> |

The accompanying notes are an integral part of these financial statements

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATING REVENUES

Other income \$ 0

TOTAL OPERATING REVENUE 0

OPERATING EXPENSES

Administrative 80,630

General expense 405

Housing assistance payments 608,343

Depreciation expense 786

TOTAL OPERATING EXPENSES 690,164

OPERATING INCOME (LOSS) (690,164)

NONOPERATING REVENUES (EXPENSES)

Federal operating grants 705,306

Interest income 164

NET NONOPERATING REVENUES (EXPENSES) 705,470

CHANGE IN NET ASSETS 15,306

TOTAL NET ASSETS - BEGINNING OF YEAR 149,816

TOTAL NET ASSETS - END OF YEAR \$ 165,122

The accompanying notes are an integral part of these financial statements

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|----|------------------|
| Receipts from tenants and other deposits | \$ | 0 |
| Payments to vendors | | (81,992) |
| Payments to landlords | | (608,343) |
| Net Cash Used by Operating Activities | | <u>(690,335)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | | |
|---|--|----------------|
| Federal operating grants received | | 705,306 |
| Net Cash From Noncapital Financing Activities | | <u>705,306</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|--|------------|
| Interest income | | 164 |
| Net Cash Flows Provided From Investing Activities | | <u>164</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | | |
|--|--|--------------|
| Capital Assets Purchased | | (120) |
| Net Cash (Used) by Capital and Related Financing Activities | | <u>(120)</u> |

| | | |
|--|----|-----------------------|
| Net Increase (Decrease) in Cash and Cash Equivalents | | 15,015 |
| Cash and Cash Equivalents - Beginning of year | | <u>148,622</u> |
| Cash and Cash Equivalents - End of year | \$ | <u><u>163,637</u></u> |

| | | |
|---------------------------------|----|-----------------------|
| Reconciliation of Cash | | |
| Unrestricted | \$ | 72,624 |
| Restricted | | <u>91,013</u> |
| Total Cash and Cash Equivalents | \$ | <u><u>163,637</u></u> |

Continued

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

| | | |
|--|----|-------------------------|
| Operating income (loss) | \$ | (690,164) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | | 786 |
| (Increase) Decrease in: | | |
| Prepaid insurance | | (457) |
| Increase (Decrease) in: | | |
| Accounts payable | | <u>(500)</u> |
| Net Cash Flows Provided (Used) by Operating Activities | \$ | <u><u>(690,335)</u></u> |

The accompanying notes are an integral part of these financial statements

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE A - Summary of Significant Accounting Policies:

Reporting Entity

The MARSHALL COUNTY HOUSING AUTHORITY is a political subdivision both corporate and politic which was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into an annual contributions contract with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a section 8 program (Contract No. C-2089).

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Marshall County Housing Authority, a primary government. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the MARSHALL COUNTY HOUSING AUTHORITY include the following:

The Authority had 171 units in management at December 31, 2007:

| <u>Project</u> | <u>Units</u> |
|----------------|--------------|
| Vouchers | <u>171</u> |

Basis of Accounting and Presentation

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U. S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) as applicable to special-purpose governments engaged in business-type activities. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, in accounting and reporting for its proprietary operations have been applied, but has elected not to apply FASB pronouncements issued after November 30, 1989.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Basis of Accounting and Presentation: (Continued)

The Authority presents its financial statements using enterprise accounting. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting, expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Net Assets

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

Restricted - Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. The Authority has restricted funds totaling \$91,013 that represents excess HAP grant funding provided by the Department of Housing & Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. This amount represents the total amount of excess Authority to retain these funds for future housing assistance payments. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Budgets -Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle.

Budget compared to Actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board. This budget does not represent an appropriated budget that has been signed into law or a nonappropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not required.

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Cash and Cash Equivalents - Deposits consist of checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

Tenant Receivables - Receivables (if any) for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid - Prepays represent payments made to vendors for services that will benefit beyond December 31, 2007.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. The Authority's policy is to capitalize assets costing \$100 or more.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

| <u>Class</u> | <u>Life</u> |
|----------------------------------|-------------|
| Furniture, Equipment & Machinery | 5-10 years |

Compensated Absences - Compensated absences (if any) are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Restricted Assets - When both restricted (if any) and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are allowed.

NOTE B - Deposits and Cash and Cash Equivalents:

HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

Deposits consist of the following:

| | |
|------------------|------------------|
| Deposits in Bank | <u>\$163,637</u> |
|------------------|------------------|

NOTE C - Prepaid expenses:

Prepaid expenses at December 31, 2007, consist of the following:

| | |
|-------------------|---------------|
| Prepaid insurance | <u>\$ 483</u> |
|-------------------|---------------|

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)

NOTE D - Capital Assets:

A summary in changes in capital assets is as follows:

| | Beginning Balance <u>12/31/06</u> | <u>Increases</u> | <u>Decreases</u> | Ending Balance <u>12/31/07</u> |
|--|---|------------------|------------------|--------------------------------------|
| Capital Assets, being depreciated: | | | | |
| Equipment | \$ 4,872 | \$ 120 | \$ -0- | \$ 4,992 |
| Total Capital Assets, being depreciated | <u>4,871</u> | <u>120</u> | <u>-0-</u> | <u>4,992</u> |
| Less Accumulated Depreciation: | <u>(2,754)</u> | <u>(786)</u> | <u>-0-</u> | <u>(3,540)</u> |
| Total Capital Assets, being depreciated, net | <u>2,118</u> | <u>(666)</u> | <u>-0-</u> | <u>1,452</u> |
| Capital Assets, Net | <u>\$ 2,118</u> | <u>\$ (666)</u> | <u>\$ -0-</u> | <u>\$ 1,452</u> |

For the year ended December 31, 2007, depreciation in the amount of \$786 was recorded.

NOTE E - Accounts payable:

Accounts payable at December 31, 2007, consist of the following:

Accounts payable - Vendors' \$ 450

NOTE F - Federal Operating Grants:

HUD grants for the Housing Choice Voucher program totaled \$705,306 for 2007.

NOTE G - Commitments and Contingencies:

Litigation: At December 31, 2007, the Authority was not involved in any threatened litigation.

Examinations: The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no examinations during the year ended December 31, 2007.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

(Continued)

NOTE H - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE I - Economic Dependency:

The Authority receives approximately 99% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations reserves could be adversely affected.

SUPPLEMENTAL FINANCIAL INFORMATION

PHA: IN103 FYED: 12/31/2007

| Line Item No. | Account Description | Housing Choice Vouchers | Total |
|---------------|--|-------------------------|-----------|
| 111 | Cash - Unrestricted | \$72,624 | \$72,624 |
| 113 | Cash - Other Restricted | \$91,013 | \$91,013 |
| 100 | Total Cash | \$163,637 | \$163,637 |
| 126.2 | Allowance for Doubtful Accounts - Other | \$0 | \$0 |
| 120 | Total Receivables, net of allowances for doubtful accounts | \$0 | \$0 |
| 142 | Prepaid Expenses and Other Assets | \$483 | \$483 |
| 150 | Total Current Assets | \$164,120 | \$164,120 |
| 164 | Furniture, Equipment & Machinery - Administration | \$4,992 | \$4,992 |
| 166 | Accumulated Depreciation | \$-3,540 | \$-3,540 |
| 160 | Total Fixed Assets, Net of Accumulated Depreciation | \$1,452 | \$1,452 |
| 180 | Total Non-Current Assets | \$1,452 | \$1,452 |
| 190 | Total Assets | \$165,572 | \$165,572 |

PHA: IN103 FYED: 12/31/2007

| Line Item No. | Account Description | Housing Choice Vouchers | Total |
|---------------|----------------------------------|-------------------------|-----------|
| 705 | Total Tenant Revenue | \$0 | \$0 |
| 706 | HUD PHA Operating Grants | \$705,306 | \$705,306 |
| 711 | Investment Income - Unrestricted | \$164 | \$164 |
| 700 | Total Revenue | \$705,470 | \$705,470 |

PHA: IN103 FYED: 12/31/2007

| Line Item No. | Account Description | Housing Choice Vouchers | Total |
|---------------|---|-------------------------|-----------|
| 312 | Accounts Payable <= 90 Days | \$450 | \$450 |
| 310 | Total Current Liabilities | \$450 | \$450 |
| 350 | Total Noncurrent Liabilities | \$0 | \$0 |
| 300 | Total Liabilities | \$450 | \$450 |
| 508 | Total Contributed Capital | \$0 | \$0 |
| 508.1 | Invested in Capital Assets, Net of Related Debt | \$1,452 | \$1,452 |
| 511 | Total Reserved Fund Balance | \$0 | \$0 |
| 511.1 | Restricted Net Assets | \$91,013 | \$91,013 |
| 512.1 | Unrestricted Net Assets | \$72,657 | \$72,657 |
| 513 | Total Equity/Net Assets | \$165,122 | \$165,122 |
| 600 | Total Liabilities and Equity/Net Assets | \$165,572 | \$165,572 |

PHA: IN103 FYED: 12/31/2007

| Line Item No. | Account Description | Housing Choice Vouchers | Total |
|---------------|--|-------------------------|-----------|
| 911 | Administrative Salaries | \$43,548 | \$43,548 |
| 912 | Auditing Fees | \$2,323 | \$2,323 |
| 915 | Employee Benefit Contributions - Administrative | \$3,526 | \$3,526 |
| 916 | Other Operating - Administrative | \$31,233 | \$31,233 |
| 961 | Insurance Premiums | \$154 | \$154 |
| 962 | Other General Expenses | \$251 | \$251 |
| 969 | Total Operating Expenses | \$81,035 | \$81,035 |
| 970 | Excess Operating Revenue over Operating Expenses | \$624,435 | \$624,435 |
| 973 | Housing Assistance Payments | \$608,343 | \$608,343 |
| 974 | Depreciation Expense | \$786 | \$786 |
| 900 | Total Expenses | \$690,164 | \$690,164 |
| 1010 | Total Other Financing Sources (Uses) | \$0 | \$0 |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$15,306 | \$15,306 |

PHA: IN103 FYED: 12/31/2007

| Line Item No. | Account Description | Housing Choice Vouchers | Total |
|---------------|--|-------------------------|-----------|
| 1102 | Debt Principal Payments - Enterprise Funds | \$0 | \$0 |
| 1103 | Beginning Equity | \$149,816 | \$149,816 |
| 1120 | Unit Months Available | 2,052 | 2,052 |
| 1121 | Number of Unit Months Leased | 1,838 | 1,838 |
| 1117 | Administrative Fee Equity | \$74,109 | \$74,109 |
| 1118 | Housing Assistance Payments Equity | \$91,013 | \$91,013 |

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Date Submission Created: 07/16/2008

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OTHER REPORTS

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

| <u>ANNUAL CONTRIBUTION CONTRACT</u> | <u>PROGRAM AND ASSISTANCE TYPE</u> | <u>CFDA NUMBER</u> | <u>AWARD</u> | <u>EXPENDITURES</u> |
|---|---|------------------------|-------------------|---------------------|
| | <u>U. S. DEPARTMENT OF HUD</u> | | | |
| C-2089 | Section 8 Housing Choice Voucher Program | 14.871 | <u>\$ 705,306</u> | <u>\$ 705,306</u> |

Notes to Schedule of Expenditures of Federal Awards:

Note 1 The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Road
Fredericksburg, Indiana 47120

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE
AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Marshall County Housing Authority
P O Box 267
Plymouth, IN 46563

I have audited the financial statements of the Marshall County Housing Authority ("the Authority"), as of and for the year ended December 31, 2007 and have issued my report thereon dated August 1, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

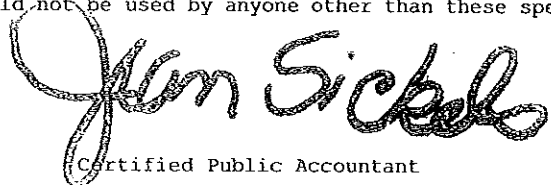
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County 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*.

I noted certain matters that I reported to the management of the Marshall County Housing Authority in a separate letter dated August 1, 2008.

This report is intended solely for the information and use of the Authority's management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

Fredericksburg, Indiana
August 1, 2008

Jean Sickels

Certified Public Accountant
8518 S Kays Chapel Road
Fredericksburg, Indiana 47120

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of Commissioners
Marshall County Housing Authority
P O Box 267
Plymouth, IN 46563

Compliance

I have audited the compliance of the Marshall County Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Marshall County 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Marshall County Housing Authority's management. My responsibility is to express an opinion on the Marshall County Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Marshall County 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. My audit does not provide a legal determination on the Marshall County Housing Authority's compliance with those requirements.

In my opinion, Marshall County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2007-01.

Internal Control Over Compliance

The management of the Marshall County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Marshall County Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance 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 Authority's internal control over compliance.

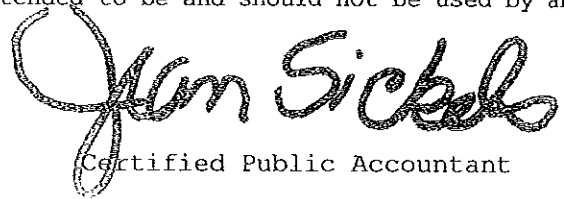
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, I do not consider the significant deficiency described above as item 2007-01 to be a material weakness.

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

This report is intended solely for the information and use of the Authority's management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.



Jim Sicks

Certified Public Accountant

Fredericksburg, Indiana
August 1, 2008

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

DECEMBER 31, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
~ Material weakness(es) identified? yes X no
~ Significant deficiency identified that are
not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements
noted? yes X no

FEDERAL AWARDS

Internal control over major programs:
~ Material weakness(es) identified? yes X no
~ Significant deficiency identified that are
not considered to be material weakness(es)? X yes none reported

Type of auditors' 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 Circular A-133? X yes no

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--------------------------------|
| 14.871 | Housing Choice Voucher Program |

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

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no Financial Statement Findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2007-01 is also a Federal Award Finding.

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

DECEMBER 31, 2007

STATUS OF PRIOR FINDINGS AND CURRENT FINDINGS

PRIOR YEAR FINDINGS

2006-01

TENANT FILES

PRIOR
CONDITION:

In the current review of 17 files (10%) the following exceptions were noted:
2 - 9886 not signed or dated
2 - inspections not current
1 - lease not current

This finding continues as 2007-01.

CURRENT YEAR FINDINGS

2007-01

CONDITION:

TENANT FILES

In the current review of 17 files (10%) the following exceptions were noted:
1 - Missing/not current 9886
2 - Inspections not current
5 - No current leases signed/dated
1 - Tenant receiving 2 HAP

CFDA #: 14.871

CRITERIA: HUD rules and regulations require specific documentation to be present and properly executed within the resident files.

CAUSE/EFFECT: Monitoring procedures were not in place.

RECOMMENDATION: The Authority should more thoroughly review each resident file at re-exam and ensure that all required documentation is in place.

REPLY: On re-examination the landlords will be notified of a new one year lease and payment will be held until lease is provided. The above correction will be completed by November 1, 2008. The files will be audited by the Executive Director to ensure the above is in compliance. The Program Administrator will be responsible for the correcting the findings.

DICUSSED
WITH:

Dean Byers 7/9/08

MARSHALL COUNTY HOUSING AUTHORITY
Plymouth, Indiana

DECEMBER 31, 2007

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

The audit contained the following finding for the year ended December 31, 2007.
Its current condition is as follows:

| <u>Finding #</u> | <u>Condition</u> | <u>Status</u> |
|------------------|------------------|----------------------|
| 2006-01 | Tenant Files | Continues as 2007-01 |

Jean Sickels

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August 1, 2008

Mr. Dean Byers
Executive Director
Marshall County Housing Authority
P O Box 267
Plymouth, IN 46563

Dear Mr. Byers:

In planning and performing my audit of the financial statements of the Marshall County Housing Authority as of and for the year ended December 31, 2007, I considered the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of matters that are an opportunities for strengthening internal controls and operating efficiency. This letter does not effect my report dated August 1, 2008 on the financial statements of the Authority.

I will review the status of the comment during my next audit engagement. I have already discussed the comments and suggestions with Authority personnel, and will be pleased to discuss the comments in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comments are summarized as follows:

1. **CONDITION: JOURNAL VOUCHERS**

During the review of the Journal Vouchers it was noted that the fee accountant does not sign off as the preparer and does not attach supporting documentation behind the Journal Vouchers.

RECOMMENDATION:

The fee accountant should attach documentation to support the journal entries and should sign the journal entries as the preparer.

2. **CONDITION: SEMAP QUALITY CONTROL INSPECTIONS**

There were quality control inspections performed, however, the number performed was not sufficient.

RECOMMENDATION:

HUD rules and regulations state the required number of inspections to perform. The Authority should follow the HUD specifications.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Board of Commissioners, Management, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Jean Sickels
Certified Public Accountant