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May 28, 2014

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 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 the Linton 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.

STATE BOARD OF ACCOUNTS

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2007

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

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Independent Auditor's Report

Board of Directors
Linton Housing Authority
Linton, Indiana

I have audited the accompanying financial statements of Linton Housing 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 basic financial statements based on my audit.

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated August 29, 2008, on my consideration of the Linton Housing 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Linton Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Linton Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Linton Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
August 29, 2008

Pamela J. Simpson
Certified Public Accountant

REQUIRED SUPPLEMENTAL INFORMATION**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)****DECEMBER 31, 2007**

The management of the Housing Authority of Linton presents the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending December 31, 2007. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The Housing Authority's assets exceeded its liabilities by \$1,337,744 at the close of the fiscal year ended December 31, 2007.

Of this amount, \$240,229 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors. This amount equals 89% of the total operating expenses for the fiscal year 2007, which means the Authority could operate about 10.5 months using the unrestricted assets alone.

The remainder of \$1,009,658 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.

- The Housing Authority's total net assets decreased by \$66,549, a 5% change from the prior fiscal year 2006. This decrease is attributable generally to an overall cost of doing business.
- The Authority spent \$10,063 on capital assets additions and renovation construction in progress during the current fiscal year.
- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information. In addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

REQUIRED SUPPLEMENTAL INFORMATION**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)****DECEMBER 31, 2007****REPORTING ON THE HOUSING AUTHORITY AS A WHOLE**

One of the most important questions asked about the Authority's finances is, "is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

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

USING THIS ANNUAL REPORT

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

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

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2007

REPORTING THE HOUSING AUTHORITY'S MOST SIGNIFICANT FUNDS

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

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

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$1,337,744 as of December 31, 2007. Of this amount, \$1,009,658 was invested in capital assets, \$240,229 was unrestricted and \$87,857 was currently restricted.

CONDENSED FINANCIAL STATEMENTS

COMPARING FYE 12/31/2006 WITH FYE 12/31/2007

	2007	2006	Variances	Percentage Change
Cash	345,298	304,979	40,319	13%
Other Current Assets	6,232	7,634	(1,402)	-18%
Capital Assets	1,009,658	1,112,226	(102,568)	-9%
Total Assets	1,361,188	1,424,839	(63,651)	-5%
Current Liabilities	23,444	20,546	2,898	14%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	23,444	20,546	2,898	14%
Net Invested in Capital Assets	1,009,658	1,112,226	(102,568)	-9%
Restricted Net Assets	87,857	0	87,857	100%
Unrestricted Net Assets	240,229	292,067	(51,838)	-18%
Total Net Assets	1,337,744	1,404,293	(66,549)	-5%
Total Liabilities and Net Assets	1,361,188	1,424,839	(63,651)	-5%

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2007

CONDENSED FINANCIAL STATEMENTS (Continued)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending December 31, 2007 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$188,409
Housing Choice Vouchers	\$648,946
Capital Funds Program	\$103,329

Total revenues for Fiscal Year Ending December 31, 2007 were \$940,684 as compared to the total revenues for Fiscal Year Ending December 31, 2006 of \$894,232. Comparatively, Fiscal Year Ending 2007 revenues exceeded Fiscal Year Ending 2006 revenues by \$46,452.

The most significant changes related to Capital Fund draws.

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>Percentage Change</u>
Total Tenant Revenue	88,793	83,052	5,741	7%
HUD Operating Grants	827,459	794,813	32,646	4%
HUD Capital Grants	10,063	2,000	8,063	403%
Investment Income	9,049	8,969	80	1%
Other Revenue	5,320	5,398	(78)	-1%
Total Revenue	940,684	894,232	46,452	5%

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2007

CONDENSED FINANCIAL STATEMENTS (Continued)

	2007	2006	Variance	Percentage Change
Administrative	194,869	171,116	23,753	14%
Tenant Services	100	0	100	100%
Utilities	22,973	22,152	821	4%
Maintenance	122,893	72,319	50,574	70%
Protective Services	0	267	(267)	-100%
General Expense	19,994	19,986	8	0%
Extraordinary Maintenance	0	62,845	(62,845)	-100%
Housing Assistance Payments	533,773	502,963	30,810	6%
Depreciation Expense	121,311	122,630	(1,319)	-1%
Total Expenses	1,015,913	974,278	41,635	4%

The decrease in net assets of these funds was accompanied by a decrease in unrestricted net assets by \$51,838 from fiscal year 2006.

Compared with the prior fiscal year, total tenant revenues increased \$5,741 or by 7%.

Compared with the prior fiscal year, total expenses increased, by \$41,635 with the most significant cause(s) listed below:

- Administrative costs increased by \$23,753. Increased salaries and benefits made up \$14,936 of that increase.
- Maintenance costs increased \$50,574 related to an increase in routine maintenance projects during the year completed with operating funds.

These changes led to a decrease in total assets by \$63,651 and an increase in liabilities by \$2,898. With these changes, there is still almost \$5.56 of current assets covering each dollar of liability.

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2007

ANALYSIS OF CAPITAL ASSET ACTIVITY

	2007	2006	Variance	Percentage Change
Land	280,993	280,993	0	0%
Buildings	2,548,116	2,543,193	4,923	0%
Furniture, Equipment, & Machinery - Administrative	114,946	101,861	13,085	13%
Total Fixed Assets	2,944,055	2,926,047	18,008	1%
Accumulated Depreciation	1,934,397	1,813,821	120,576	7%
Net Fixed Assets	1,009,658	1,112,226	-102,568	-9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability or the money it receives. If you have questions about this report, or wish to request additional financial information, contact J Ken Wright, Executive Director, Linton Housing Authority, Rt. #2, Box 655, Linton, IN 47441.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2007**

ASSETS

CURRENT ASSETS

Cash	\$ 257,441
Accounts receivable (interfund eliminated)	306
Inventory	2,538
Deferred charges	<u>3,388</u>

Total Current Assets \$ 263,673

CAPITAL ASSETS

Land, buildings and equipment	\$ 2,944,055
Less: Accumulated depreciation	<u>-1,934,397</u>

Net Capital Assets \$ 1,009,658

OTHER RESTRICTED

Cash	<u>\$ 87,857</u>
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Total Assets \$ 1,361,188

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 22,646
Accrued liabilities	533
Deferred revenue	<u>265</u>

Total Current Liabilities \$ 23,444

NET ASSETS

Invested in capital assets	\$ 1,009,658
Restricted	87,857
Unrestricted	<u>240,229</u>

Total Net Assets \$ 1,337,744

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Income

Tenant rental revenue	\$ 88,793
Total Rental Revenue	\$ 88,793
HUD grants - operating	827,459
Other revenue	<u>5,320</u>
Total Operating Income	<u>\$ 921,572</u>

Operating Expenses

Administration	\$ 194,869
Tenant service	100
Utilities	22,973
Ordinary maintenance and operation	122,893
General expense	19,994
Housing assistance payments	533,773
Depreciation	<u>121,311</u>
Total Operating Expenses	<u>\$ 1,015,913</u>
Net Operating Income (Loss)	<u>\$ -94,341</u>

Nonoperating Income

HUD grants - capital	\$ 10,063
Interest income	<u>9,049</u>
Total Nonoperating Income	<u>\$ 19,112</u>
Changes in net assets	\$ -75,229
Net assets, beginning of year	1,404,293
Prior period adjustments	<u>8,680</u>
Net assets, end of year	<u><u>\$ 1,337,744</u></u>

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Operating Activities

Operating grants	\$ 827,459
Tenant revenue	90,727
Other revenue	5,320
Housing assistance payments	-533,773
Payments to employees	-162,397
Payments to suppliers and contractors	<u>-187,386</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ 39,950</u>
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Investing Activities

Interest income	<u>\$ 9,049</u>
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Net Cash Provided (Used) by Investing Activities	<u>\$ 9,049</u>
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Capital and Related Financing Activities

HUD grants - capital	\$ 10,063
(Additions) deletions to fixed assets	<u>-18,743</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -8,680</u>
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Net Change in Cash	\$ 40,319
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Cash Balance at December 31, 2006	<u>304,979</u>
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Cash Balance at December 31, 2007	<u><u>\$ 345,298</u></u>
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**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

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

Net operating income (loss)	\$ -94,341
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	121,311
Adjustments to net assets	8,680
(Increase) decrease in accounts receivable	-1,872
(Increase) decrease in deferred charges	420
(Increase) decrease in inventories	-835
Increase (decrease) in accounts payable	6,262
Increase (decrease) in accrued liabilities	533
Increase (decrease) in deferred revenues	<u>-208</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 39,950</u></u>

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

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

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

(b) Method of Accounting -

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

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

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

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

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

Proprietary Fund Types:

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

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2007, 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.

(f) Inventories and Materials -

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

(g) Investments -

Investments are stated at cost which approximates market.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

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

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

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Income Tax -

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

(j) 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.

(k) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.

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

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk

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

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 205,671	\$ 210,115
Voucher	<u>139,627</u>	<u>140,704</u>
Total	<u>\$ 345,298</u>	<u>\$ 350,819</u>

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 3 - Compensated Absences

Vacation Leave

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

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

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

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

- (2) Employees shall not be granted pay in lieu of vacation.

- (3) All vacation must be taken during the calendar year of eligibility.

- (4) Employees who terminate without proper notification shall forfeit all right to vacation pay.

Sick Leave

- (1) Employees may be paid for leave taken because of illness or accident. An employee must work six (6) consecutive months before the employee becomes eligible for paid sick leave. All eligible employees shall be entitled to six (6) full days with pay for sick leave in any twelve (12) month period, which twelve month period shall be measured from anniversary date of such employee's employment. Any employee may accumulate his or her unused sick leave toward increasing the period of sick leave to which her or she is entitled in any given twelve months period, up to a maximum of twelve (12) days of sick leave in any given twelve (12) month period.

- (2) Sick leave may be accumulated not to exceed twelve (12) days.

- (3) In no event shall an employee be paid for sick leave not taken.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority and the participants are required to contribute a percentage of annual covered payroll. The plan requires the Housing Authority and the employee to contribute 8.25% and 3% of covered wages, respectively. For the fiscal year ended December 31, 2007, required contributions by the Housing Authority were \$14,777.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 475
Allowance for doubtful accounts	<u>-169</u>
Subtotal	\$ 306
Interfund	<u>40,126</u>
Total	<u><u>\$ 40,432</u></u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 3,388</u></u>
-------------------	------------------------

Note 7 - Fixed Assets

Balance as of December 31, 2007	\$ 1,009,658
Balance as of December 31, 2006	<u>1,112,226</u>
Net Increase (Decrease)	<u><u>\$ -102,568</u></u>

Reconciliation

Property betterments/additions	\$ 10,063
Adjustment to fixed asset basis	8,680
Current year depreciation expense	<u>-121,311</u>
Net Increase (Decrease)	<u><u>\$ -102,568</u></u>

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	<u>01/01/2007 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2007 Balance</u>
Land	\$ 280,993	\$ 0	\$ 0	\$ 280,993
Buildings	2,543,193	85,132	80,209	2,548,116
Equipment and furniture	<u>101,861</u>	<u>24,391</u>	<u>11,306</u>	<u>114,946</u>
Total	\$ 2,926,047	\$ 109,523	\$ 91,515	\$ 2,944,055
Accumulated depreciation	<u>-1,813,821</u>	<u>735</u>	<u>121,311</u>	<u>-1,934,397</u>
Net Assets	<u>\$ 1,112,226</u>	<u>\$ 110,258</u>	<u>\$ 212,826</u>	<u>\$ 1,009,658</u>

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 5,584
Tenants security deposits	7,575
Payroll taxes payable	6,925
Accounts payable - other	<u>2,562</u>
Subtotal	\$ 22,646
Interfund	<u>40,126</u>
Total	<u>\$ 62,772</u>

Note 9 - Notes Payable

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

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

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

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages	\$ <u>533</u>
---------------	---------------

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>265</u>
----------------------	---------------

Note 12 - Administrative Fee

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

Note 13 - Allocation of Costs

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

Note 14 - Contingencies

Federal Grants

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

Note 15 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment to depreciable fixed asset basis	\$ <u>8,680</u>
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**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2007
(CONTINUED)**

Note 16 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disaster and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverages in the current or past three years.

Note 17 - Economic Dependency

The Housing Authority received most of its revenue (89%) from the Units States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
			FYE			
Public and Indian Housing	14.850a	C-2080	12/31/07	\$ 89,373	\$ 89,373	\$ 89,373
			FYE			
Housing Choice Vouchers*	14.871	C2021V	12/31/07	\$ 644,820	\$ 644,820	\$ 644,820
			FYE			
Public Housing - Capital Fund	14.872	C-2080	12/31/07	\$ 152,725	\$ 103,329	\$ 103,329
Total Housing Assistance				<u>\$ 886,918</u>	<u>\$ 837,522</u>	<u>\$ 837,522</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2007**

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
CURRENT ASSETS			
Cash	\$ 205,671	\$ 0	\$ 51,770
Accounts receivable	40,432	0	0
Inventory	2,538	0	0
Deferred charges	<u>3,388</u>	<u>0</u>	<u>0</u>
Total Current Assets	<u>\$ 252,029</u>	<u>\$ 0</u>	<u>\$ 51,770</u>
CAPITAL ASSETS			
Land, buildings and equipment	\$ 2,887,727	\$ 16,697	\$ 39,631
Less: Accumulated depreciation	<u>-1,890,349</u>	<u>-4,417</u>	<u>-39,631</u>
Net Capital Assets	<u>\$ 997,378</u>	<u>\$ 12,280</u>	<u>\$ 0</u>
OTHER RESTRICTED			
Cash	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,857</u>
Total Assets	<u>\$ 1,249,407</u>	<u>\$ 12,280</u>	<u>\$ 139,627</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 20,246	\$ 0	\$ 42,526
Accrued liabilities	533	0	0
Deferred revenue	<u>265</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 21,044</u>	<u>\$ 0</u>	<u>\$ 42,526</u>
<u>NET ASSETS</u>			
Invested in capital assets	\$ 997,378	\$ 12,280	\$ 0
Restricted	0	0	87,857
Unrestricted	<u>230,985</u>	<u>0</u>	<u>9,244</u>
Total Net Assets	<u>\$ 1,228,363</u>	<u>\$ 12,280</u>	<u>\$ 97,101</u>

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Tenant rental revenue	\$ 88,793	\$ 0	\$ 0
Total Rental Income	\$ 88,793	\$ 0	\$ 0
HUD grants - operating	89,373	93,266	644,820
Other revenue	<u>5,317</u>	<u>0</u>	<u>3</u>
Total Operating Income	<u>\$ 183,483</u>	<u>\$ 93,266</u>	<u>\$ 644,823</u>
<u>Operating Expenses</u>			
Administration	\$ 75,476	\$ 7,500	\$ 111,893
Tenant services	100	0	0
Utilities	22,973	0	0
Ordinary maintenance and operation	84,027	38,766	100
General expense	19,806	0	188
Housing assistance payments	0	0	533,773
Depreciation	<u>116,894</u>	<u>4,417</u>	<u>0</u>
Total Operating Expenses	<u>\$ 319,276</u>	<u>\$ 50,683</u>	<u>\$ 645,954</u>
Net Operating Income (Loss)	<u>\$ -135,793</u>	<u>\$ 42,583</u>	<u>\$ -1,131</u>
<u>Nonoperating Income</u>			
HUD grants - capital	\$ 0	\$ 10,063	\$ 0
Interest income	4,926	0	4,123
Transfers	<u>47,000</u>	<u>-47,000</u>	<u>0</u>
Total Nonoperating Income	<u>\$ 51,926</u>	<u>\$ -36,937</u>	<u>\$ 4,123</u>
Changes in Net Assets	<u><u>\$ -83,867</u></u>	<u><u>\$ 5,646</u></u>	<u><u>\$ 2,992</u></u>

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Balance at December 31, 2006	\$ 1,050,175	\$ 62,051	\$ 0
Current year net income (loss)	-116,894	5,646	0
Transfers	60,719	-60,719	0
Prior year adjustments	<u>3,378</u>	<u>5,302</u>	<u>0</u>
Balance at December 31, 2007	<u>\$ 997,378</u>	<u>\$ 12,280</u>	<u>\$ 0</u>
<u>Restricted Net Assets</u>			
Balance at December 31, 2006	\$ 0	\$ 0	\$ 0
Current year net income (loss)	0	0	14,935
Transfers	<u>0</u>	<u>0</u>	<u>72,922</u>
Balance at December 31, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87,857</u>
<u>Unrestricted Net Assets</u>			
Balance at December 31, 2006	\$ 197,958	\$ 0	\$ 94,109
Current year net income (loss)	33,027	0	-11,943
Transfers	<u>0</u>	<u>0</u>	<u>-72,922</u>
Balance at December 31, 2007	<u>\$ 230,985</u>	<u>\$ 0</u>	<u>\$ 9,244</u>
Total Net Assets	<u><u>\$ 1,228,363</u></u>	<u><u>\$ 12,280</u></u>	<u><u>\$ 97,101</u></u>

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Operating grants	\$ 89,373	\$ 93,266	\$ 644,820
Rental revenue	90,727	0	0
Other revenue	5,317	0	3
Housing assistance payments	0	0	-533,773
Payments to employees	-63,035	-34,159	-65,203
Payments to suppliers and contractors	<u>-137,292</u>	<u>-6,805</u>	<u>-43,289</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -14,910</u>	<u>\$ 52,302</u>	<u>\$ 2,558</u>
<u>Investing Activities</u>			
Interest income	<u>\$ 4,926</u>	<u>\$ 0</u>	<u>\$ 4,123</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 4,926</u>	<u>\$ 0</u>	<u>\$ 4,123</u>
<u>Capital and Related Financing Activities</u>			
HUD grants - capital	\$ 0	\$ 10,063	\$ 0
(Additions) deletions to fixed assets	-3,378	-15,365	0
Transfers	<u>47,000</u>	<u>-47,000</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 43,622</u>	<u>\$ -52,302</u>	<u>\$ 0</u>
Net Change in Cash	\$ 33,638	\$ 0	\$ 6,681
Cash Balance at December 31, 2006	<u>172,033</u>	<u>0</u>	<u>\$ 132,946</u>
Cash Balance at December 31, 2007	<u><u>\$ 205,671</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 139,627</u></u>

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED DECEMBER 31, 2007**

Reconciliation of Operating Income (Loss) to Net Cash

<u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Net operating income (loss)	\$ -135,793	\$ 42,583	\$ -1,131
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Depreciation	116,894	4,417	0
Adjustments to net assets	3,378	5,302	0
 (Increase) decrease in accounts receivable	-1,872	0	0
(Increase) decrease in deferred charges	420	0	0
(Increase) decrease in inventories	-835	0	0
 Increase (decrease) in accounts payable	2,573	0	3,689
Increase (decrease) in accrued liabilities	533	0	0
Increase (decrease) in deferred revenues	<u>-208</u>	<u>0</u>	<u>0</u>
 Net Cash Provided (Used) by Operating Activities	<u>\$ -14,910</u>	<u>\$ 52,302</u>	<u>\$ 2,558</u>

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P055501-06**

1. The Actual Modernization Costs of Phase IN36P055501-06 are as follows:

Funds approved	\$ 78,009
Funds expended	<u>78,009</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 78,009
Funds expended	<u>78,009</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated August 31, 2007, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.
433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Board of Commissioners
Linton Housing Authority
Linton, Indiana

I have audited the financial statements of Linton Housing Authority as of and for the year ended December 31, 2007, which collectively comprise the Linton Housing Authority's basic financial statements and have issued my report thereon dated August 29, 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 Linton Housing 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 Linton Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Linton Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Linton Housing 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 Linton Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Linton Housing 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 Linton Housing 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 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. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Compliance and Other Matters

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

I noted certain matters that we reported to management of Linton Housing Authority, in a separate letter dated August 29, 2008.

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

Decatur, Illinois
August 29, 2008

Pamela J. Simpson
Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.
433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

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

Board of Commissioners
Linton Housing Authority
Linton, Indiana

Compliance

I have audited the compliance of Linton 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. Linton Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Linton Housing Authority's management. My responsibility is to express an opinion on Linton 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 Linton Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Linton Housing Authority's compliance with those requirements.

In my opinion, Linton 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 no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Linton Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Linton Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Linton Housing Authority's internal control over compliance.

A *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 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.

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.

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Linton Housing Authority in a separate letter dated August 29, 2008.

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

Decatur, Illinois
August 29, 2008

Pamela J. Simpson
Certified Public Accountant

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2006 contained two findings.

Finding 2006-1: Calculation of Section 8 Rents.

In the prior year it was noted that the PHA had allowed medical deductions for over the counter medications without requiring proof of the expenditure. During the examination of Section 8 participant files for 2007, I noted that all over the counter medications allowed as deductions were supported by copies of receipts. This finding is considered closed.

Finding 2006-2: Internal Control Policies.

During the review of Section 8 participant files in the prior year, it was noted that a participant that vacated his Section 8 unit without proper notice and was subsequently readmitted to the program contrary to the Housing Authority's written policies. No instances of exceptions to policy were noted during the audit of tenant files in the current year. This finding is considered closed.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section I - Summary of Auditor's Results

Low Risk Auditee _____ yes X no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

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

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

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

Major Programs: (Threshold \$300,000) CFDA Number(s)

Housing Choice Voucher Program 14.871

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings were discussed with J. Ken Wright, Executive Director, during the course of the audit or at an exit conference held August 29, 2008.

Section III - Federal Award Findings

There were no federal award audit findings were discussed with J. Ken Wright, Executive Director, during the course of the audit or at an exit conference held August 29, 2008.

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2007**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Sundry	4190	\$ 11,040.00		2810
Extraordinary maintenance	4610		\$ 11,040.00	2810
(To reclassify ck#4510 to administrative cost for the software update and renewal and remove it from extraordinary maintenance)				
(2)				
Tenant accounts receivable	1122	\$ 2,827.25		1122
Prepaid rent	2240		\$ 265.00	2240
Accounts payable - other	----		2,562.25	----
(To reclassify prepaid and deposits recorded in January 2008)				
(3)				
Development costs	1400.2	\$ 3,309.76		1400.2
Development cost - contra	1400.3	1,928.00		1400.3
Protective services - materials	4470		\$ 1,860.00	2810
Unreserved surplus	2810		3,377.76	2810
(To adjust accounts to actual - there should be no "mower" or "audit adjustment" lines on the depreciation schedule)				
(4)				
PILOT	2137	\$ 6,582.00		2137
PILOT expense	4520		\$ 6,582.00	2810
(To write off the PILOT liability - Housing Authority has a letter signed with the City to waive the 2007 PILOT)				
(5)				
Prepaid insurance	1211	\$ 1,819.00		1211
Employee benefits	4540		\$ 1,720.00	2810
Insurance expense	4510		99.00	2810
(To reclassify refund received 06/07 and ck#4677. Related to W/C insurance and D & O insurance)				

**LINTON HOUSING AUTHORITY
LINTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2007**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Unrestricted fund balance	2810	\$ 1,600.00		2810
Interfund - accounts payable	2119		\$ 1,600.00	2119
(To correct posting of 2006 audit adjusting journal entry and to reconcile interfund accounts receivable and accounts payable)				
<u>Capital Funds</u>				
(1)				
Modernization costs	1400.5	\$ 4,634.07		1400.5
Depreciation expense	----	1,544.00		2845
Land, structures and equipment	1400.4		\$ 877.00	1400.4
Cumulative HUD grants	2845		5,301.07	2845
(To adjust accounts to actual - mower should have value of \$6,633 because of trade in on the 2006 mower for the new 2007 mower)				

PHA: IN055 FYED: 12/31/2007

Line Item No	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$198,096	\$51,770	\$0	\$249,866
113	Cash - Other Restricted	\$0	\$87,857	\$0	\$87,857
114	Cash - Tenant Security Deposits	\$7,575	\$0	\$0	\$7,575
100	Total Cash	\$205,671	\$139,627	\$0	\$345,298
126	Accounts Receivable - Tenants - Dwelling Rents	\$475	\$0	\$0	\$475
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$-169	\$0	\$0	\$-169
120	Total Receivables, net of allowances for doubtful accounts	\$306	\$0	\$0	\$306
142	Prepaid Expenses and Other Assets	\$3,388	\$0	\$0	\$3,388
143	Inventories	\$2,538	\$0	\$0	\$2,538
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$40,126	\$0	\$0	\$40,126
150	Total Current Assets	\$252,029	\$139,627	\$0	\$391,656
161	Land	\$280,993	\$0	\$0	\$280,993
162	Buildings	\$2,503,562	\$39,631	\$4,923	\$2,548,116
164	Furniture, Equipment & Machinery - Administration	\$103,172	\$0	\$11,774	\$114,946
165	Leasehold Improvements	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$-1,890,349	\$-39,631	\$-4,417	\$-1,934,397
160	Total Fixed Assets, Net of Accumulated Depreciation	\$997,378	\$0	\$12,280	\$1,009,658
180	Total Non-Current Assets	\$997,378	\$0	\$12,280	\$1,009,658
190	Total Assets	\$1,249,407	\$139,627	\$12,280	\$1,401,314

PHA: IN055 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$3,184	\$2,400	\$0	\$5,584
321	Accrued Wage/Payroll Taxes Payable	\$7,458	\$0	\$0	\$7,458
341	Tenant Security Deposits	\$7,575	\$0	\$0	\$7,575
342	Deferred Revenues	\$265	\$0	\$0	\$265
345	Other Current Liabilities	\$2,562	\$0	\$0	\$2,562
347	Interprogram Due To	\$0	\$40,126	\$0	\$40,126
310	Total Current Liabilities	\$21,044	\$42,526	\$0	\$63,570
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$0
300	Total Liabilities	\$21,044	\$42,526	\$0	\$63,570
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$997,376	\$0	\$12,280	\$1,009,656
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$87,857	\$0	\$87,857
512.1	Unrestricted Net Assets	\$230,985	\$9,244	\$0	\$240,229
513	Total Equity/Net Assets	\$1,228,363	\$97,101	\$12,280	\$1,337,744
600	Total Liabilities and Equity/Net Assets	\$1,249,407	\$139,627	\$12,280	\$1,401,314

PHA: IN055 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$88,793	\$0	\$0	\$88,793
705	Total Tenant Revenue	\$88,793	\$0	\$0	\$88,793
706	HUD PHA Operating Grants	\$89,373	\$844,820	\$93,266	\$827,459
706.1	Capital Grants	\$0	\$0	\$10,063	\$10,063
711	Investment Income - Unrestricted	\$4,926	\$4,123	\$0	\$9,049
715	Other Revenue	\$5,317	\$3	\$0	\$5,320
700	Total Revenue	\$188,409	\$648,946	\$103,329	\$940,684

PHA: IN055 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$31,068	\$65,203	\$7,500	\$103,771
912	Auditing Fees	\$1,912	\$1,913	\$0	\$3,825
915	Employee Benefit Contributions - Administrative	\$15,596	\$30,582	\$0	\$46,178
918	Other Operating - Administrative	\$26,900	\$14,195	\$0	\$41,095
924	Tenant Services - Other	\$100	\$0	\$0	\$100
931	Water	\$6,589	\$0	\$0	\$6,589
932	Electricity	\$6,348	\$0	\$0	\$6,348
933	Gas	\$171	\$0	\$0	\$171
938	Other Utilities Expense	\$9,865	\$0	\$0	\$9,865
941	Ordinary Maintenance and Operations - Labor	\$35,436	\$0	\$26,659	\$62,095
942	Ordinary Maintenance and Operations - Materials and Other	\$14,566	\$0	\$3,318	\$17,884
943	Ordinary Maintenance and Operations - Contract Costs	\$14,498	\$100	\$8,789	\$23,387
945	Employee Benefit Contributions - Ordinary Maintenance	\$19,527	\$0	\$0	\$19,527
961	Insurance Premiums	\$19,025	\$188	\$0	\$19,213
964	Bad Debt - Tenant Rents	\$781	\$0	\$0	\$781
969	Total Operating Expenses	\$202,382	\$112,181	\$46,266	\$360,829
970	Excess Operating Revenue over Operating Expenses	\$-13,973	\$538,765	\$57,063	\$579,855
973	Housing Assistance Payments	\$0	\$533,773	\$0	\$533,773
974	Depreciation Expense	\$116,894	\$0	\$4,417	\$121,311
990	Total Expenses	\$319,276	\$645,954	\$50,683	\$1,015,913
1001	Operating Transfers in	\$47,000	\$0	\$0	\$47,000
1002	Operating Transfers Out	\$0	\$0	\$-47,000	\$-47,000
1010	Total Other Financing Sources (Uses)	\$47,000	\$0	\$-47,000	\$0
1030	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$-83,867	\$2,992	\$5,646	\$-75,229

PHA: IN055 FYED: 12/31/2007

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,248,133	\$94,109	\$62,051	\$1,404,293
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$64,097	\$0	\$-55,417	\$8,680
1120	Unit Months Available	600	2,316	0	2,916
1121	Number of Unit Months Leased	595	2,255	0	2,850
1117	Administrative Fee Equity	\$0	\$9,244	\$0	\$9,244
1118	Housing Assistance Payments Equity	\$0	\$87,857	\$0	\$87,857

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PAMELA J. SIMPSON, C.P.A.
433 WEST PERSHING ROAD
DECATUR, ILLINOIS 62526
(217) 872-1908

Board of Commissioners
Linton Housing Authority
Linton, Indiana

In planning and performing my audit of the financial statements of Linton Housing Authority as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Linton Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Linton Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. While reviewing the Housing Authority's system of internal controls, it came to my attention that not all internal control procedures being followed have been included in the written policy/procedural manual.

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

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

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

Decatur, Illinois
August 29, 2008

Pamela J. Simpson
Certified Public Accountant