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September 2, 2015

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period January 1, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Brazil Housing Authority, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

Paul D. Joyce, CPA
State Examiner

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

TWELVE MONTHS ENDED DECEMBER 31, 2014

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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Independent Auditor's Report

Board of Commissioners
Brazil Housing Authority
Brazil, Indiana

I have audited the accompanying financial statements of the Brazil Housing Authority, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Brazil Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Brazil Housing Authority, as of December 31, 2014 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

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

Report on Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brazil Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 36 to 40 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

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

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 7, 2015 on my consideration of the Brazil Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Certified Public Accountant

Decatur, Illinois
May 7, 2015

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2014**

Management's Discussion and Analysis

As management of the Housing Authority of the City of Brazil, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Brazil.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Position – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Position reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2014**

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

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

Low Income Public Housing

The Housing Authority owns 288 units at 4 sites in the City of Brazil. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

Section 8 Housing Choice Vouchers

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

Capital Funds Program

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

State and Local Grants (Kruzan Street Rental Properties)

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

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2014**

Future Events

There are no future events planned by the Authority during the fiscal year ending December 31, 2015 that will significantly affect the Authority's Net Position either positively or negatively.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Position

Total Assets for FYE 2014 were \$5,240,453 and at FYE 2013 the amount was \$5,390,830. This represents a net decrease of \$150,377.

Cash & Investments decreased by \$49,312. The Authority utilized 100% of its Public Housing Operating Budget, Housing Choice Voucher Budget and Net Restricted Position (HCV).

Other Current Assets increased by \$3,424. The amount of prepaid expenses at the end of fiscal year ending December 31, 2014 increased as compared to December 31, 2013.

Capital Assets decreased by \$104,489. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased by \$11,688. The Authority had an decrease in the amount of accounts payable as of December 31, 2014. The accounts payable balance represents invoices that are for 2014 expenses that will be paid in 2015.

The table below illustrates our analysis:

	2014	2013	Net Change	Percent Variances
Cash and Investments	395,213	444,525	(49,312)	-11%
Other Current Assets	53,952	50,528	3,424	7%
Capital Assets	4,791,288	4,895,777	(104,489)	-2%
Total Assets	5,240,453	5,390,830	(150,377)	-3%
Deferred Outflows of Resources	0	0	0	0%
TOTAL	5,240,453	5,390,830	(150,377)	-3%
Current Liabilities	103,957	115,645	(11,688)	-10%
Noncurrent Liabilities	0	0	0	0%
Total Liabilities	103,957	115,645	(11,688)	-10%
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	4,791,288	4,895,777	(104,489)	-2%
Restricted	572	18,100	(17,528)	-97%
Unrestricted	344,636	361,308	(16,672)	-5%
Total Net Position	5,136,496	5,275,185	(138,689)	-3%
TOTAL	5,240,453	5,390,830	(150,377)	-3%

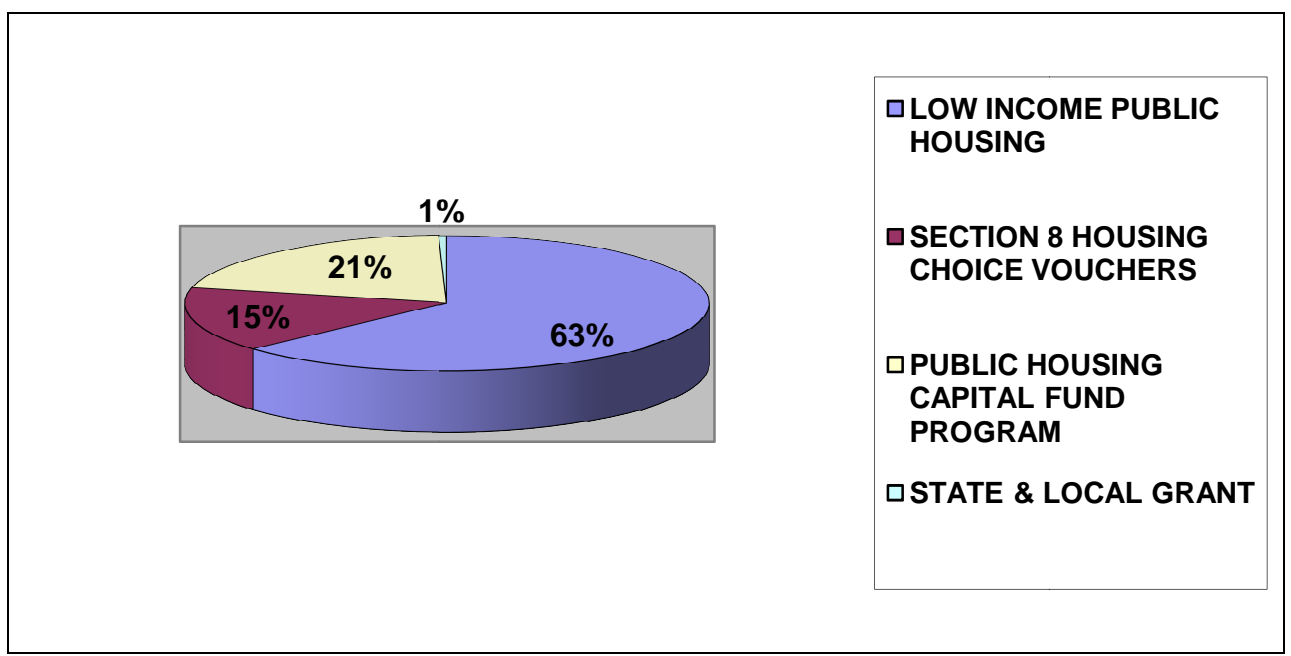
**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2014**

Analysis of Entity Wide Revenues

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2014 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$1,299,754
Section 8 Housing Choice Vouchers	316,861
Public Housing Capital Fund Program	429,078
State & Local Grant	10,420
Total Revenue	<u><u>\$2,056,113</u></u>

The diagram below illustrates the percentage of revenues generated by these programs for Fiscal Year Ending December 31, 2014:



**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2014**

Total tenant revenue decreased by \$19,387. Total tenant revenue increased because of changes in tenant characteristics that caused lower rental charges to tenants and a decreased in unit months leased as compared to the prior fiscal year.

HUD Operating Grants increased by \$8,468. The funding increase is due to increased funding availability by HUD.

HUD Capital Grants increased \$149,654.

Investment Income increased by \$34.

The table below illustrates our analysis:

	2014	2013	Net Change	Percentage Change
Total Tenant Revenue	833,721	853,108	-19,387	-2%
HUD Operating Grants	878,583	870,115	8,468	1%
HUD Capital Grants	336,580	186,926	149,654	80%
Investment Income	699	665	34	5%
Fraud Recovery	0	235	-235	-100%
Other Revenue	10,602	11,863	-1,261	-11%
Gain/loss on Sale of Fixed Assets	-4,072	0	-4,072	0%
Total Revenue	<u>2,056,113</u>	<u>1,922,912</u>	<u>133,201</u>	<u>7%</u>

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending December 31, 2014 were \$2,194,802 as compared to the \$2,281,751 of total expenditures for Fiscal Year Ending December 31, 2013. Comparatively, Fiscal Year Ending 2014 expenditures decreased from Fiscal Year Ending 2013 expenditures by \$86,949 or 4%.

Maintenance Expense increased by \$1,690. The increase in maintenance is due to an increase in maintenance materials.

**HOUSING AUTHORITY OF THE CITY OF BRAZIL
MANAGEMENT DISCUSSION AND ANALYSIS
FYE DECEMBER 31, 2014**

The table below illustrates our analysis:

	2014	2013	Net Change	Percent Variances
Administrative	431,521	452,371	-20,850	-5%
Tenant Services	51,033	48,763	2,270	5%
Utilities	327,437	326,792	645	0%
Maintenance	449,780	448,090	1,690	0%
General Expenses	153,980	158,636	-4,656	-3%
Housing Assistance Payments	301,915	336,852	-34,937	-10%
Depreciation Expense	479,136	510,247	-31,111	-6%
	<u><u>\$2,194,802</u></u>	<u><u>\$2,281,751</u></u>	<u><u>-\$86,949</u></u>	<u><u>-4%</u></u>

Analysis of Capital Asset and Long-Term Debt Activity

Buildings increased by \$3,998. The Authority capitalized construction projects started and completed in fiscal year ending 2014 and capitalized construction in process from the prior year that were completed in fiscal year ending 2014.

Furniture, Equipment & Machinery – Dwelling increased by \$37,333.

Accumulated Depreciation increased by \$441,798. The Authority's depreciation expense for the fiscal year ending December 31, 2014 was \$479,136.

	2014	2013	Net Change	Percent Variance
Land	198,125	198,125	0	0.0%
Buildings	15,361,578	15,357,580	3,998	0.0%
Furniture, Equip., & Mach. - Dwelling	550,831	513,498	37,333	7.3%
Furniture, Equip., & Mach. - Administrative	293,427	295,387	-1,960	-0.7%
Construction In Progress	297,938	0	297,938	0.0%
Total Fixed Assets	<u><u>16,701,899</u></u>	<u><u>16,364,590</u></u>	<u><u>337,309</u></u>	<u><u>2.1%</u></u>
Accumulated Depreciation	11,910,611	11,468,813	441,798	3.9%
Net Fixed Assets	<u><u>4,791,288</u></u>	<u><u>4,895,777</u></u>	<u><u>-104,489</u></u>	<u><u>-2.1%</u></u>

See also Note 1 to the financial statements for additional information regarding Capital Assets.

Outstanding Debt

As of December 31, 2013 and December 31, 2014, the Authority had no outstanding long-term debt.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

ASSETS

Cash - operating	\$	17,954
Cash - restricted		24,556
Receivables, net		11,053
Investments		352,703
Inventory, net		14,376
Prepaid expenses		28,523
Capital assets:		
Land, improvements and construction in progress	\$	496,063
Other capital assets, net of depreciation		<u>4,295,225</u>
Total Capital Assets		<u>\$ 4,791,288</u>
Total Assets		<u>\$ 5,240,453</u>

DEFERRED OUTFLOWS OF RESOURCES

\$ 0

TOTAL

\$ 5,240,453

LIABILITIES

Accounts payable	\$	47,219
Other liabilities		50,068
Unearned revenue		<u>6,670</u>
Total Liabilities		<u>\$ 103,957</u>

DEFERRED INFLOWS OF RESOURCES

\$ 0

NET POSITION

Net investment in capital assets	\$	4,791,288
Restricted		572
Unrestricted		<u>344,636</u>
Total Net Position		<u>\$ 5,136,496</u>

TOTAL

\$ 5,240,453

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Operating Income

Tenant rental revenue	\$ 732,701
Tenant revenue - other	<u>101,020</u>
Total Rental Income	\$ 833,721
HUD operating grants	878,583
Other revenue	10,602
Gain (loss) on sale of capital assets	<u>-4,072</u>
Total Operating Income	<u>\$ 1,718,834</u>

Operating Expenses

Administration	\$ 431,521
Tenant services	51,033
Utilities	327,437
Ordinary maintenance and operation	449,780
General expense	153,980
Housing assistance payments	301,915
Depreciation	<u>479,136</u>
Total Operating Expenses	<u>\$ 2,194,802</u>
Net Operating Income (Loss)	\$ -475,968

Nonoperating Income (Expense)

Interest income	699
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Capital Contributions

Capital fund grants	<u>336,580</u>
Changes in net position	\$ -138,689
Net position, beginning of year	<u>5,275,185</u>
Net position, end of year	<u>\$ 5,136,496</u>

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Operating Activities

Operating grants	\$ 883,127
Tenant revenue	835,915
Other revenue	6,530
Housing assistance payments	-301,915
Payments to employees	-368,785
Payments to suppliers and contractors	<u>-1,066,816</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -11,944</u>

Investing Activities

Investments (purchased) redeemed	\$ -500
Interest income	<u>699</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 199</u>

Capital and Related Financing Activities

Capital funds grants	\$ 336,580
(Additions) deletions of fixed assets	<u>-374,647</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -38,067</u>
Net Change in Cash	\$ -49,812
Cash Balance at December 31, 2013	<u>92,322</u>
Cash Balance at December 31, 2014	<u><u>\$ 42,510</u></u>

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

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

Net operating income (loss)	\$ -475,968
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	479,136
(Increase) decrease in accounts receivable	3,538
(Increase) decrease in prepaid expenses	-10,390
(Increase) decrease in inventories	3,428
(Increase) decrease in deferred outflows	0
Increase (decrease) in accounts payable	-3,405
Increase (decrease) in other liabilities	-10,468
Increase (decrease) in unearned revenues	<u>2,185</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -11,944</u>

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization -

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

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

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

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

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

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Public and Indian Housing
- * Public Housing Capital Fund
- * Section 8 Housing Choice Vouchers
- * State and Local

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the policy of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of six (6) months or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at December 31, 2014, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

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

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

Land, buildings and equipment contains the following:

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

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(k) Net Position -

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

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

(l) Income Tax -

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

(m) Annual Contributions/Subsidies and Other Grants

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

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

- (q) Rental income is recognized as rents become due.
- (r) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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

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

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 23,584	\$ 72,857
Voucher	4,406	4,406
State and Local	<u>14,520</u>	<u>14,520</u>
Total	<u>\$ 42,510</u>	<u>\$ 91,783</u>

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 352,703</u>	<u>\$ 352,703</u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 3 - Compensated Absences

Vacation Leave

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

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

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

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

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

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

Vacation Schedule for New Hires

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

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 3 - Compensated Absences (Continued)

Sick Leave

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

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

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

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Billings and Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days. The plan can be amended by Board action. The plan requires the Housing Authority and the employee to contribute 7.5% and 5.5% of covered wages, respectively. The amounts contributed for the twelve months ended December 31, 2014 were \$26,231 and \$18,053, respectively. The total annual related payroll expense was \$364,162. Employees become 100% vested after five years of participation.

Note 5 - Post-Employment Benefits

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

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD other projects	\$ 3,548
Accounts receivable - miscellaneous	15
Accounts receivable - tenants	<u>7,490</u>
Subtotal	\$ 11,053
Interfund	<u>370</u>
Total	<u><u>\$ 11,423</u></u>

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 7 - Investments

At December 31, 2014 investments consist of the following:

	<u>Rate</u>	
Certificate of deposits	0.10 - 0.15%	<u>\$ 352,703</u>

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 14,931
Other	<u>13,592</u>
Total	<u>\$ 28,523</u>

Note 9 - Capital Assets

Balance as of December 31, 2014	\$ 4,791,288
Balance as of December 31, 2013	<u>4,895,777</u>
Net Increase (Decrease)	<u>\$ -104,489</u>

Reconciliation

Property betterments and additions	\$ 301,936
Replacement of nonexpendable equipment	76,783
Disposal of nonexpendable equipment	-4,072
Current year depreciation expense	<u>-479,136</u> *
Net Increase (Decrease)	<u>\$ -104,489</u>

<u>Analysis</u>	<u>01/01/2014 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>12/31/2014 Balance</u>
Land	\$ 198,125	\$ 0	\$ 0	\$ 198,125
Buildings	15,357,580	3,998	0	15,361,578
Equipment and furniture	808,885	76,783	41,410	844,258
Construction in progress	<u>0</u>	<u>297,938</u>	<u>0</u>	<u>297,938</u>
Subtotal	\$ 16,364,590	\$ 378,719	\$ 41,410	\$ 16,701,899
Accumulated depreciation	<u>-11,468,813</u>	<u>37,338</u>	<u>479,136</u> *	<u>-11,910,611</u>
Total	<u>\$ 4,895,777</u>	<u>\$ 416,057</u>	<u>\$ 520,546</u>	<u>\$ 4,791,288</u>

*Current year depreciation expense recognized.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 8,714
Tenants security deposits	<u>38,505</u>
Subtotal	\$ 47,219
Interfund	<u>370</u>
Total	<u>\$ 47,589</u>

Note 11 - Other Liabilities

Other liabilities consists of the following:

Payment in lieu of taxes	\$ 41,154
Utilities payable	<u>8,914</u>
Total	<u>\$ 50,068</u>

Note 12 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 6,670</u>
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Note 13 - Administrative Fee

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

Note 14 - Allocation of Costs

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

Note 15 - Contingencies

Federal Grants

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Note 16 - Contracts/Commitments

As of December 31, 2014, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-14	\$ <u>297,878</u>	\$ <u>193,513</u>

Note 17 - Risk Management

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

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

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (59%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 19 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	\$ <u>572</u>
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SUPPLEMENTAL DATA

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing	14.850	C-913	FYE 12/31/14	\$ 469,224	\$ 469,224	\$ 469,224
Section 8 Housing Choice Vouchers *	14.871	C-2040	FYE 12/31/14	\$ 316,861	\$ 316,861	\$ 316,861
Capital Funds Program *	14.872	C-913	FYE 12/31/14	\$ 912,767	\$ 429,078	\$ 429,078
Total Housing Assistance				<u>\$ 1,698,852</u>	<u>\$ 1,215,163</u>	<u>\$ 1,215,163</u>

*Denotes major program.

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

Note 1 – Basis of Presentation

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

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

Note 2 – Sources of Funding

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

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

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P035501-11**

1. The Actual Modernization Costs of Phase IN36P035501-11 are as follows:

Funds approved	\$ 326,680
Funds expended	<u>326,680</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 326,680
Funds expended	<u>326,680</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 July 10, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P035501-13**

1. The Actual Modernization Costs of Phase IN36P035501-13 are as follows:

Funds approved	\$ 288,209
Funds expended	<u>288,209</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 288,209
Funds expended	<u>288,209</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 September 25, 2014, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



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

Board of Commissioners
Brazil Housing Authority
Brazil, Indiana

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Brazil Housing Authority, which comprise the statement of net position as of December 31, 2014, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Brazil Housing Authority's basic financial statements and have issued my report thereon dated May 7, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountant

Decatur, Illinois
May 7, 2015



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

Board of Commissioners
Brazil Housing Authority
Brazil, Indiana

Report on Compliance for Each Major Program

I have audited the Brazil Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Brazil Housing Authority's major federal programs for the year ended December 31, 2014. The Brazil Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Program

In my opinion, the Brazil Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Other Matters

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

Report on Internal Control Over Compliance

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

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

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

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



Certified Public Accountant

Decatur, Illinois
May 7, 2015

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2013 contained no findings.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

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

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
14.872	Capital Funds Program

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

Auditee qualified as low-risk auditee? X yes _____ no

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Michael K. Hagemeyer, Executive Director and Crissy Lawson, Director of Finance, during the course of the audit and at an exit conference held May 7, 2015.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Michael K. Hagemeyer, Executive Director and Crissy Lawson, Director of Finance, during the course of the audit and at an exit conference held May 7, 2015.

**BRAZIL HOUSING AUTHORITY
BRAZIL, INDIANA**

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

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accounts receivable - HUD	1514.1125	\$ 3,548.00		1125
Grant funds received - CY	8029.2		\$ 3,548.00	2802
Construction in process	1514.1400.11	3,548.00		1400.11
Grant expense contra	1514.1400.3		3,548.00	1400.3
(To record receivable for vendor payable charged to CFP 2014; draw made in January 2015)				
(2)				
Depreciation expense - FA	5801	\$ 806.68		2802
Gain/loss disposition non exp equip	6120	1,357.36		2802
Depreciation exp - assets op funds	5800		\$ 1,357.37	2802
CFP2011 - accumulated depreciation	1511.1400.5	.01		1511.1400.5
CFP2013 - accumulated depreciation	1513.1400.5		806.68	1513.1400.5
(To correct accounts to actual per corrected depreciation schedule)				
(3)				
PILOT	2137	\$ 2,444.51		2137
PILOT expense	4520		\$ 2,444.51	2806
(To correct liability to PILOT form; miscalculation on form)				
(4)				
Furniture, equipment - dwelling	1400.8	\$ 2,592.00		1400.8
Ordinary maintenance - materials	4420		\$ 2,592.00	2802
(To reclassify three zone lines @ \$864 each purchased in August 2014 from General Electric)				
<u>Voucher</u>				
(1)				
Unrestricted net position	2826	\$ 93.62		2826
Restricted net position	2806.1		\$ 93.62	2806.1
(To correct posting of prior year MT13851, corrected for audit @09/30/2013 not correct per general ledger in subsequent posting)				

Brazil Housing Authority (IN035)

BRAZIL, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$3,834	\$14,120	\$17,954		\$17,954
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$572		\$572		\$572
114 Cash - Tenant Security Deposits	\$16,914		\$400	\$17,314		\$17,314
115 Cash - Restricted for Payment of Current Liabilities	\$6,670			\$6,670		\$6,670
100 Total Cash	\$23,584	\$4,406	\$14,520	\$42,510	\$0	\$42,510
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$3,548			\$3,548		\$3,548
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$15			\$15		\$15
126 Accounts Receivable - Tenants	\$7,490			\$7,490		\$7,490
126.1 Allowance for Doubtful Accounts - Tenants	\$0			\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$11,053	\$0	\$0	\$11,053	\$0	\$11,053
131 Investments - Unrestricted	\$314,598			\$314,598		\$314,598
132 Investments - Restricted	\$38,105			\$38,105		\$38,105
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$27,972	\$337	\$214	\$28,523		\$28,523
143 Inventories	\$16,281			\$16,281		\$16,281
143.1 Allowance for Obsolete Inventories	-\$1,905			-\$1,905		-\$1,905
144 Inter Program Due From	\$370			\$370	-\$370	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$430,058	\$4,743	\$14,734	\$449,535	-\$370	\$449,165
161 Land	\$173,525		\$24,600	\$198,125		\$198,125
162 Buildings	\$15,136,180		\$225,398	\$15,361,578		\$15,361,578
163 Furniture, Equipment & Machinery - Dwellings	\$550,831			\$550,831		\$550,831
164 Furniture, Equipment & Machinery - Administration	\$293,427			\$293,427		\$293,427
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$11,888,649		-\$21,962	-\$11,910,611		-\$11,910,611
167 Construction in Progress	\$297,938			\$297,938		\$297,938
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,563,252	\$0	\$228,036	\$4,791,288	\$0	\$4,791,288
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$4,563,252	\$0	\$228,036	\$4,791,288	\$0	\$4,791,288
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$4,993,310	\$4,743	\$242,770	\$5,240,823	-\$370	\$5,240,453

Brazil Housing Authority (IN035)

BRAZIL, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$8,714			\$8,714		\$8,714
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable						
322 Accrued Compensated Absences - Current Portion						
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$41,154			\$41,154		\$41,154
341 Tenant Security Deposits	\$38,105		\$400	\$38,505		\$38,505
342 Unearned Revenue	\$6,670			\$6,670		\$6,670
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$8,914			\$8,914		\$8,914
347 Inter Program - Due To			\$370	\$370	-\$370	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$103,557	\$0	\$770	\$104,327	-\$370	\$103,957
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current						
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$103,557	\$0	\$770	\$104,327	-\$370	\$103,957
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	\$4,563,252		\$228,036	\$4,791,288		\$4,791,288
511.4 Restricted Net Position		\$572		\$572		\$572
512.4 Unrestricted Net Position	\$326,501	\$4,171	\$13,964	\$344,636		\$344,636
513 Total Equity - Net Assets / Position	\$4,889,753	\$4,743	\$242,000	\$5,136,496	\$0	\$5,136,496
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$4,993,310	\$4,743	\$242,770	\$5,240,823	-\$370	\$5,240,453

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$722,351		\$10,350	\$732,701		\$732,701
70400 Tenant Revenue - Other	\$100,960		\$60	\$101,020		\$101,020
70500 Total Tenant Revenue	\$823,311	\$0	\$10,410	\$833,721	\$0	\$833,721
70600 HUD PHA Operating Grants	\$561,722	\$316,861		\$878,583		\$878,583
70610 Capital Grants	\$336,580			\$336,580		\$336,580
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$689		\$10	\$699		\$699
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue	\$10,602			\$10,602		\$10,602
71600 Gain or Loss on Sale of Capital Assets	-\$4,072			-\$4,072		-\$4,072
72000 Investment Income - Restricted	\$0			\$0		\$0
70000 Total Revenue	\$1,728,832	\$316,861	\$10,420	\$2,056,113	\$0	\$2,056,113
91100 Administrative Salaries	\$203,057	\$12,999		\$216,056		\$216,056
91200 Auditing Fees	\$4,730	\$500		\$5,230		\$5,230
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$117,849	\$4,569		\$122,418		\$122,418
91600 Office Expenses	\$18,061	\$3,466	\$472	\$21,999		\$21,999
91700 Legal Expense						
91800 Travel	\$4,068	\$452		\$4,520		\$4,520
91810 Allocated Overhead						
91900 Other	\$53,384	\$7,914		\$61,298		\$61,298
91000 Total Operating - Administrative	\$401,149	\$29,900	\$472	\$431,521	\$0	\$431,521
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$51,033			\$51,033		\$51,033
92500 Total Tenant Services	\$51,033	\$0	\$0	\$51,033	\$0	\$51,033

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
93100 Water	\$20,563			\$20,563		\$20,563
93200 Electricity	\$230,627			\$230,627		\$230,627
93300 Gas	\$22,626			\$22,626		\$22,626
93400 Fuel						
93500 Labor						
93600 Sewer	\$53,621			\$53,621		\$53,621
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$327,437	\$0	\$0	\$327,437	\$0	\$327,437
94100 Ordinary Maintenance and Operations - Labor	\$121,926			\$121,926		\$121,926
94200 Ordinary Maintenance and Operations - Materials and Other	\$80,241			\$80,241		\$80,241
94300 Ordinary Maintenance and Operations Contracts	\$164,589		\$2,326	\$166,915		\$166,915
94500 Employee Benefit Contributions - Ordinary Maintenance	\$80,698			\$80,698		\$80,698
94000 Total Maintenance	\$447,454	\$0	\$2,326	\$449,780	\$0	\$449,780
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$49,945		\$1,213	\$51,158		\$51,158
96120 Liability Insurance	\$11,352	\$386	\$74	\$11,812		\$11,812
96130 Workmen's Compensation	\$4,176	\$45		\$4,221		\$4,221
96140 All Other Insurance	\$3,557	\$891		\$4,448		\$4,448
96100 Total Insurance Premiums	\$69,030	\$1,322	\$1,287	\$71,639	\$0	\$71,639
96200 Other General Expenses			\$50	\$50		\$50
96210 Compensated Absences	\$25,478	\$702		\$26,180		\$26,180
96300 Payments in Lieu of Taxes	\$42,806			\$42,806		\$42,806
96400 Bad debt - Tenant Rents	\$13,305			\$13,305		\$13,305
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$81,589	\$702	\$50	\$82,341	\$0	\$82,341
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,377,692	\$31,924	\$4,135	\$1,413,751	\$0	\$1,413,751
97000 Excess of Operating Revenue over Operating Expenses	\$351,140	\$284,937	\$6,285	\$642,362	\$0	\$642,362

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

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2014

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$301,915		\$301,915		\$301,915
97350 HAP Portability-In						
97400 Depreciation Expense	\$473,582		\$5,554	\$479,136		\$479,136
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$1,851,274	\$333,839	\$9,689	\$2,194,802	\$0	\$2,194,802
10010 Operating Transfer In	\$67,498			\$67,498	-\$67,498	\$0
10020 Operating transfer Out	-\$67,498			-\$67,498	\$67,498	\$0
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$122,442	-\$16,978	\$731	-\$138,689	\$0	-\$138,689
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$5,012,195	\$21,721	\$241,269	\$5,275,185		\$5,275,185
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity		\$4,171		\$4,171		\$4,171
11180 Housing Assistance Payments Equity		\$572		\$572		\$572
11190 Unit Months Available	3394	1380	24	4798		4798
11210 Number of Unit Months Leased	3277	799	24	4100		4100
11270 Excess Cash	\$133,324			\$133,324		\$133,324
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$297,938			\$297,938		\$297,938
11630 Furniture & Equipment - Dwelling Purchases	\$63,797			\$63,797		\$63,797
11640 Furniture & Equipment - Administrative Purchases	\$12,986			\$12,986		\$12,986
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
11660 Infrastructure Purchases	\$0			\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0