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August 22, 2013

Board of Directors
Housing Authority of the City of Decatur
214 E. Monroe Street
Decatur, IN 46733

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period July 1, 2008 to June 30, 2009. 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 Housing Authority of the City of Decatur, as of June 30, 2009 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

**HOUSING AUTHORITY OF THE
CITY OF DECATUR
DECATUR, INDIANA**

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

TWELVE MONTHS ENDED JUNE 30, 2009

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Net Assets At June 30, 2009	7
Statement of Revenue and Expenditures - Proprietary Funds and Changes in Net Assets -Twelve Months Ended June 30, 2009	8
Statement of Cash Flows - Twelve Months Ended June 30, 2009	9
Notes to Financial Statements	11
SUPPLEMENTAL DATA	
Schedule of Expenditure of Federal Awards	22
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	23
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	25
Schedule of Findings and Questioned Costs - Summary	27
Status of Prior Audit Findings	28
Current Findings, Recommendations and Replies	29
Schedule of Adjusting Journal Entries	30
Financial Data Schedule - REAC Electronic Submission	31

PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Housing Authority of the City of Decatur
Decatur, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Decatur, as of and for the year ended June 30, 2009, 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 Housing Authority of the City of Decatur, as of June 30, 2009 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 February 16, 2010, on my consideration of the Housing Authority of the City of Decatur'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 6, 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 Housing Authority of the City of Decatur, 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 Housing Authority of the City of Decatur. 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 Housing Authority of the City of Decatur. 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
February 16, 2010

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

**DECATUR HOUSING AUTHORITY
DECATUR, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009**

3

The management of the Decatur Housing Authority (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended June 30, 2009. The goal is for the reader to better understand the Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begins on page 7.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of June 30, 2009 by \$95,778 (Net Assets).
- The PHA's investment in Capital Assets, net of related debt as of June 30, 2009 was \$1,182.
- The PHA's total revenue for the fiscal year end June 30, 2009 was \$626,641.
- The PHA's total expenses for the fiscal year end June 30, 2009 were \$664,793. Therefore, the PHA's total combined revenue exceeded its total combined expenses by \$38,152.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- *Statement of Net Assets* - reports the Authority current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the PHA. A comparison between this year and the preceding year is also provided.
- *Statement of Revenue and Expenses* - reports the PHA's various revenue and expenses and provides a comparison between this year and the preceding year.
- *Statement of Cash Flows* – reports cash inflows and outflows for the Housing Authority's fiscal year.

**DECATUR HOUSING AUTHORITY
DECATUR, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009**

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>INCREASE (DECREASE)</u>
Cash and investments	\$ 123,291	\$ 158,976	\$ (35,685)
Other current assets	3,801	7,495	(3,694)
Capital assets	<u>1,182</u>	<u>1,396</u>	<u>(214)</u>
TOTAL ASSETS	<u>\$ 128,274</u>	<u>\$ 167,867</u>	<u>\$ (39,593)</u>
Current liabilities	\$ 31,780	\$ 32,606	\$ (826)
Long Term liabilities	-	-	-
Non-current liabilities	<u>716</u>	<u>1,331</u>	<u>(615)</u>
TOTAL LIABILITIES	<u>32,496</u>	<u>33,937</u>	<u>(1,441)</u>
Invested in capital assets	\$ 1,182	\$ 1,396	\$ (214)
Restricted assets	74,582	108,641	(34,059)
Unrestricted assets	<u>20,014</u>	<u>23,893</u>	<u>(3,879)</u>
TOTAL NET ASSETS	<u>\$ 95,778</u>	<u>\$ 133,930</u>	<u>\$ (38,152)</u>

The decrease in cash and investments is due to the increases in expenses and the decrease in revenue.

The decrease in other current assets is due to a decrease in accounts receivable from HUD.

The decrease in capital assets is due to the depreciation that was recorded.

The decrease in current and noncurrent liabilities is due to compensated absences being used during the year.

**DECATUR HOUSING AUTHORITY
DECATUR, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009**

5

**ANALYSIS OF STATEMENT OF REVENUE AND EXPENSES
PRIOR AND CURRENT FISCAL YEAR:**

	YEAR ENDING JUNE 30,		INCREASE (DECREASE)
	<u>2009</u>	<u>2008</u>	
REVENUE			
HUD operating and capital grants	\$ 624,382	\$ 705,478	\$ (81,096)
Interest Income	2,259	3,101	(842)
Other revenue	-	73	(73)
Fraud recovery	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>\$ 626,641</u>	<u>\$ 708,652</u>	<u>\$ (82,011)</u>
EXPENSES			
Administrative expenses	\$ 92,027	\$ 88,691	\$ 3,336
Ordinary maintenance	644	882	(238)
General expenses	3,999	3,166	833
Housing assistance payments	567,909	542,169	25,740
Depreciation	214	430	(216)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 664,793</u>	<u>\$ 635,338</u>	<u>\$ 29,455</u>
EXCESS OF EXPENSES OVER REVENUE	<u>\$ (38,152)</u>	<u>\$ 73,314</u>	

The decrease in HUD operating and capital grants is due to a decrease in HUD operating grants received.

The decrease in interest income is due to the economic recession.

The increase in administrative expenses is due an increase in salaries and benefits.

The decrease in ordinary maintenance is due to a decrease in spending on maintenance materials and contracts.

The increase in general expenses is due to an increase in insurance premiums.

The increase in housing assistance payments is due to an increase in voucher payment amounts.

**DECATUR HOUSING AUTHORITY
DECATUR, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2009**

6

SIGNIFICANT TRANSACTIONS

None

BUDGETARY HIGHLIGHTS

None

CAPITAL ASSETS ACTIVITY DURING THE YEAR

There were no capital assets purchased or disposed of during the year.

FUTURE EVENTS (NEW BUSINESS)

None anticipated.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the PHA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Janelle Young, Executive Director, Decatur Housing Authority, 214 East Monroe Street, Decatur, IN 46733.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF NET ASSETS- PROPRIETARY FUNDS
AS OF JUNE 30, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 48,709
Accounts receivable (interfund eliminated)	1,623
Accrued interest receivable	185
Deferred charges	<u>1,993</u>
Total Current Assets	<u>\$ 52,510</u>

RESTRICTED ASSETS

Cash	\$ 5,772
Investments	<u>68,810</u>
Total Restricted Assets	<u>\$ 74,582</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 26,077
Less: Accumulated depreciation	<u>-24,895</u>
Net Capital Assets	<u>\$ 1,182</u>

Total Assets	<u>\$ 128,274</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 30,689
Accrued liabilities	<u>1,091</u>
Total Current Liabilities	<u>\$ 31,780</u>

NONCURRENT LIABILITIES

Accrued liabilities	<u>\$ 716</u>
Total Noncurrent Liabilities	<u>\$ 716</u>

NET ASSETS

Invested in capital assets	\$ 1,182
Restricted	74,582
Unrestricted	<u>20,014</u>
Total Net Assets	<u><u>\$ 95,778</u></u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED JUNE 30, 2009**

Operating Income

HUD grants - operating	\$ <u>624,382</u>
Total Operating Income	\$ <u>624,382</u>

Operating Expenses

Administration	\$ 92,027
Ordinary maintenance and operation	644
General expense	3,999
Depreciation	214
Housing assistance payments	<u>567,909</u>
Total Operating Expenses	\$ <u>664,793</u>
Net Operating Income (Loss)	\$ <u>-40,411</u>

Nonoperating Income (Expense)

Interest income	\$ <u>2,259</u>
Total Nonoperating Income (Expense)	\$ <u>2,259</u>
Changes in net assets	\$ -38,152
Net assets, beginning of year	<u>133,930</u>
Net assets, end of year	<u><u>\$ 95,778</u></u>

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

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2009**

Operating Activities

Operating grants	\$ 623,999
Housing assistance payments	-567,909
Payments to employees	-59,708
Payments to suppliers and contractors	<u>-34,351</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -37,969</u>

Investing Activities

Investments (purchased) redeemed	\$ 6,190
Interest income	<u>2,284</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 8,474</u>

Net Change in Cash	\$ -29,495
Cash Balance at June 30, 2008	<u>83,976</u>
Cash Balance at June 30, 2009	<u><u>\$ 54,481</u></u>

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

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED JUNE 30, 2009**

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

Net operating income (loss)	\$ -40,411
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	214
(Increase) decrease in accounts receivable	3,643
(Increase) decrease in deferred charges	26
Increase (decrease) in accrued liabilities	<u>-1,441</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -37,969</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Decatur 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 Decatur 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 Housing Authority of the City of Decatur 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.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, 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 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:

- * Section 8 Choice Vouchers

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.

(e) 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 month or less when purchased to be cash equivalents. Although the Housing Authority has not adopted a formal policy, this is the procedures followed in the preparation of financial statements.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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 assets and have been eliminated in the basic financial statements.

(g) 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 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	15-40	years
Equipment	5-10	years
Transportation equipment	5-10	years
Furniture and fixtures	5-10	years
Leasehold improvements	15	years

(h) Income Tax -

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

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Annual Contributions/Subsidies and Other Grants

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

Other 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.

- (j) 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.

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.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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>
Voucher	<u>\$ 54,481</u>	<u>\$ 54,684</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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>
Voucher	<u>\$ 68,810</u>	<u>\$ 68,810</u>

Note 3 - Compensated Absences

Sick Leave

Each employee shall be entitled to twelve (12) sick days per year. Unused sick leave may be accumulated up to two hundred (200) days. They will not accumulate more until accrued sick days fall below two hundred (200).

Upon retirement or honorable job termination, an employee shall receive compensation days for accumulated sick days:

- 1-15 years of service 10% of accumulated days
- 16-24 years of service 12 ½% of accumulated days
- 25 or more years of service 15% of accumulated days

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Vacation

All full-time employees hired after January 1, 1993, shall be entitled to accrue vacation time after completion of one (1) full year of continuous employment. Vacation shall accrue as follows:

Completed one year	Non-exempt employees: Forty (40) hours Exempt employees: Five (5) days
Completed 3 years	Non-exempt employees: Eighty (80) Exempt employees: Ten (10)
Completed 8 years	Non-exempt employees: (120) hours Exempt employees: Fifteen (15) days
Completed 15 years	Non-exempt employees: (160) hours Exempt employees: Twenty (20) days

Days accrued assumes an employee's pay status is 2080 hours per year or 40 hours per week. Exempt employees must take vacation benefit days in increments of full days (8 hours). Accrual of vacation time does not start until of beginning of second year.

Vacation time does not accumulate from year to the next and must be taken within twelve (12) months following an employee's anniversary date. Upon separation from service, an employee is entitled to compensation for accrued but unused vacation for current year.

Vacation accumulation does not accrue for full-time employees for time spent on any leave of absences without pay.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority contributes 6% of total wages, then the employees contribute 50% of that amount. For the fiscal year ended June 30, 2009, actual contributions by the Housing Authority and plan participants were \$3,241.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ <u>1,623</u>
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Note 6 - Investments

At June 30, 2009 investments consist of the following:

<u>Voucher</u>	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	1.60-2.92%	\$ <u>68,810</u>	\$ <u>68,810</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 1,168
Prepaid expenses	<u>825</u>
Total	\$ <u>1,993</u>

Note 8 - Fixed Assets

Balance as of June 30, 2009	\$ 1,182
Balance as of June 30, 2008	<u>1,396</u>
Net Increase (Decrease)	\$ <u>-214</u>

Reconciliation

Current year depreciation expense	\$ <u>-214</u> *
Net Increase (Decrease)	\$ <u>-214</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 8 - Fixed Assets (Continued)

<u>Analysis</u>	07/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	06/30/2009 <u>Balance</u>
Equipment and furniture	\$ 26,077	\$ 0	\$ 0	\$ 26,077
Accumulated depreciation	<u>-24,681</u>	<u>0</u>	<u>214</u>	<u>* -24,895</u>
Net Capital Assets	<u>\$ 1,396</u>	<u>\$ 0</u>	<u>\$ 214</u>	<u>\$ 1,182</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 596
Accounts payable - HUD	<u>30,093</u>
Total	<u>\$ 30,689</u>

Note 10 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages and benefits	\$ 815
Accrued compensated absences	<u>276</u>
Subtotal	\$ 1,091

Noncurrent Portion:

Accrued compensated absences	<u>716</u>
Total	<u>\$ 1,807</u>

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED JUNE 30, 2009
(CONTINUED)**

Note 11 - 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 12 - 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 insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage in the current or past three years.

Note 13 - Economic Dependency

The Housing Authority received most of its revenue (99%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009**

<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:						
Housing Choice Voucher Program*	14.871	IN062V	FYE 06/30/09	\$ <u>624,382</u>	\$ <u>624,382</u>	\$ <u>624,382</u>
Total Housing Assistance				\$ <u>624,382</u>	\$ <u>624,382</u>	\$ <u>624,382</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED JUNE 30, 2009**

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.

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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
Housing Authority of the City of Decatur
Decatur, Indiana

I have audited the financial statements of the governmental activities of Housing Authority of the City of Decatur as of and for the year ended June 30, 2009, which collectively comprise the Housing Authority of the City of Decatur's basic financial statements and have issued my report thereon dated February 16, 2010. 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 Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur'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 described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of Decatur'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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs.

Also, I noted certain matters that we reported to management of Housing Authority of the City of Decatur, in a separate letter dated February 16, 2010.

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
February 16, 2010



Certified Public Accountant

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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
Housing Authority of the City of Decatur
Decatur, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Decatur 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 June 30, 2009. Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur's management. My responsibility is to express an opinion on Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur's compliance with those requirements.

In my opinion, except for the noncompliance described in the preceding paragraph, Housing Authority of the City of Decatur 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 June 30, 2009. The results of my auditing procedures also disclosed no instances of noncompliance with those requirements, which are to be reported in compliance with OMB Circular A-133.

Internal Control Over Compliance

The management of Housing Authority of the City of Decatur 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 Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur's internal control over compliance.

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 below.

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. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Decatur in a separate letter dated February 16, 2010.

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
February 16, 2010



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended June 30, 2008 contained one finding.

Finding 2008-01: SEMAP Submission

The Housing Authority failed to submit the FY 2008 SEMAP submission to REAC as required by 24CFR Part 985. The submission was completed and submitted by the deadline for FY 2009.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE TWELVE MONTHS ENDED JUNE 30, 2009**

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: Qualified

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

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit finding discussed with Janelle L. Young, Executive Director, during the course of the audit or at an exit conference held February 16, 2010.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Janelle L. Young, Executive Director, during the course of the audit or at an exit conference held February 16, 2010.

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
JUNE 30, 2009**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accounts receivable - HUD	1125	\$ 216.00		1125
HUD grants - admin fee	3410.01		\$ 216.00	2810.002
(To adjust receivable per notice received 8/27/09 for CY 2008 on going admin fees)				

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Board of Commissioners
Housing Authority of the City of Decatur
Decatur, Indiana

In planning and performing my audit of the financial statements of Housing Authority of the City of Decatur as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities 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 Housing Authority of the City of Decatur's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Decatur's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of 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. During review of the Housing Authority, it was noted that the Authority maintains "position" surety bonds. While this type of bond coverage is allowable, it only provides surety coverage for those individuals/positions named in the bond. It is suggested that the Housing Authority investigate the possibility of adding a more comprehensive blanket bond for surety/bonding insurance purposes to cover all employees and commissioners that sign checks.
- 2 The Housing Authority should maintain documentation for all questions (indicators) submitted on the annual SEMAP report. The Housing Authority's current files did not indicate that the required number of files were tested for quality control for FY 2009.

3. During the examination of Section 8 participant files, it was noted inspection booklets were not fully completed for certain sections. All applicable sections of the inspection booklets must be completed (i.e. building exterior and heating and plumbing systems).

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
February 16, 2010


Certified Public Accountant