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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, 2009 to June 30, 2010. 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, 2010 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**

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

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**TWELVE MONTHS ENDED JUNE 30, 2010**

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

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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, 2010, 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, 2010 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.



Certified Public Accountant

Decatur, Illinois  
February 16, 2010

**DECATUR HOUSING AUTHORITY**  
**Decatur, Indiana**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

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, 2010. 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.

**FINANCIAL HIGHLIGHTS:**

- The assets of the PHA exceed its liabilities as of June 30, 2010 by \$75,071 (Net Assets).
- The PHA's investment in Capital Assets, net of related debt as of June 30, 2010 was \$1,546.
- The PHA's total revenue for the fiscal year end June 30, 2010 was \$659,090.
- The PHA's total expenses for the fiscal year end June 30, 2010 were \$679,797. Therefore, the PHA's total combined expenses exceeded its total combined revenue by \$20,707.

**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, 2010**

**ANALYSIS OF FINANCIAL STATEMENTS:**

**STATEMENT OF NET ASSETS**

	<u>2010</u>	<u>2009</u>	<u>INCREASE (DECREASE)</u>
Cash and investments	\$ 73,626	\$ 123,291	\$ (49,665)
Other current assets	3,889	3,801	88
Capital assets	<u>1,546</u>	<u>1,182</u>	<u>364</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 79,061</u></b>	<b><u>\$ 128,274</u></b>	<b><u>\$ (49,213)</u></b>
Current liabilities	\$ 3,157	\$ 31,780	\$ (28,623)
Long Term liabilities	-	-	-
Non-current liabilities	<u>833</u>	<u>716</u>	<u>117</u>
<b>TOTAL LIABILITIES</b>	<b><u>3,990</u></b>	<b><u>32,496</u></b>	<b><u>(28,506)</u></b>
Invested in capital assets	\$ 1,546	\$ 1,182	\$ 364
Restricted assets	67,023	74,582	(7,559)
Unrestricted assets	<u>6,502</u>	<u>20,014</u>	<u>(13,512)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 75,071</u></b>	<b><u>\$ 95,778</u></b>	<b><u>\$ (20,707)</u></b>

The decrease in cash and investments of \$49,665 is due to the increase in expenses and payment of prior year payables.

The decrease in other current assets of \$88 is due to a decrease in accounts receivable from HUD.

The decrease in capital assets of \$364 is due to the depreciation that was recorded.

The decrease in current and noncurrent liabilities of \$28,506 is due primarily to the payment of accounts payable to HUD.

**DECATUR HOUSING AUTHORITY**  
**Decatur, Indiana**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

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

	YEAR ENDING JUNE 30,		INCREASE (DECREASE)
	<u>2010</u>	<u>2009</u>	
<b>REVENUE</b>			
HUD operating and capital grants	\$ 658,642	\$ 624,382	\$ 34,260
Interest Income	999	2,259	(1,260)
Other revenue - loss on disposal	(1,092)	-	(1,092)
Fraud recovery	541	-	541
TOTAL REVENUE	<u>\$ 659,090</u>	<u>\$ 626,641</u>	<u>\$ 32,449</u>
<b>EXPENSES</b>			
Administrative expenses	\$ 96,719	\$ 92,027	\$ 4,692
Ordinary maintenance	1,054	644	410
General expenses	5,457	3,999	1,458
Housing assistance payments	576,274	567,909	8,365
Depreciation	293	214	79
Prior period adjustment	-	-	-
TOTAL EXPENSES	<u>\$ 679,797</u>	<u>\$ 664,793</u>	<u>\$ 15,004</u>
<b>EXCESS OF EXPENSES OVER REVENUE</b>	<u><b>\$ (20,707)</b></u>	<u><b>\$ (38,152)</b></u>	

The increase in HUD operating and capital grants of \$34,260 is due to an increase in HUD operating grants received.

The decrease in interest income of \$1,260 is due to the economic recession and the use of the investments to cover expenses for the year.

The increase in administrative expenses of \$4,692 is due to an increase in administrative salaries and benefits of \$1,269, an increase in audit fees of \$3,620 and decrease in office expenses of \$197.

The increase in ordinary maintenance of \$410 is due to an increase in spending on maintenance materials of \$354 and contract costs of \$56.

The increase in general expenses of \$1,458 is due to a decrease in insurance premiums of \$597 and an increase in compensated absences of \$2,055.

The increase in housing assistance payments of \$8,365 is due to an increase in voucher payment amounts.

**DECATUR HOUSING AUTHORITY**  
Decatur, Indiana  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDING JUNE 30, 2010**

**SIGNIFICANT TRANSACTIONS**

NONE

**CAPITAL ASSETS ACTIVITY DURING THE YEAR**

The housing authority purchased a new copier for the sum of \$1,750. At the time of purchase, the housing authority also disposed of their old copier which was originally purchased for \$1,725.

**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, 2010**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 6,603
Accounts receivable (interfund eliminated)	1,692
Accrued interest receivable	167
Deferred charges	<u>2,030</u>

Total Current Assets \$ 10,492

**RESTRICTED ASSETS**

Cash	\$ <u>67,023</u>
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Total Restricted Assets \$ 67,023

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 26,102
Less: Accumulated depreciation	<u>-24,556</u>

Net Capital Assets \$ 1,546

Total Assets \$ 79,061

**LIABILITIES**

**CURRENT LIABILITIES**

Accrued liabilities	\$ <u>3,157</u>
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Total Current Liabilities \$ 3,157

**NONCURRENT LIABILITIES**

Accrued liabilities	\$ <u>833</u>
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Total Noncurrent Liabilities \$ 833

**NET ASSETS**

Invested in capital assets	\$ 1,546
Restricted	67,023
Unrestricted	<u>6,502</u>

Total Net Assets \$ 75,071

**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, 2010**

Operating Income

HUD grants - operating	\$ 658,642
Fraud recovery	541
Gain (loss) on sale of capital assets	<u>-1,092</u>
Total Operating Income	<u>\$ 658,091</u>

Operating Expenses

Administration	\$ 96,719
Ordinary maintenance and operation	1,054
General expense	5,457
Depreciation	293
Housing assistance payments	<u>576,274</u>
Total Operating Expenses	<u>\$ 679,797</u>
Net Operating Income (Loss)	<u>\$ -21,706</u>

Nonoperating Income (Expense)

Interest income	<u>\$ 999</u>
Total Nonoperating Income (Expense)	<u>\$ 999</u>
Changes in net assets	\$ -20,707
Net assets, beginning of year	<u>95,778</u>
Net assets, end of year	<u><u>\$ 75,071</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2010**

Operating Activities

Operating grants	\$ 628,621
Housing assistance payments	-576,274
Payments to employees	-61,482
Payments to suppliers and contractors	<u>-40,890</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -50,025</u>

Investing Activities

Investments (purchased) redeemed	\$ 68,810
Interest income	<u>1,017</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 69,827</u>

Capital and Related Financing Activities

Capital asset additions	\$ -1,750
Capital asset disposals	<u>1,093</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -657</u>

Net Change in Cash	\$ 19,145
Cash Balance at June 30, 2009	<u>54,481</u>
Cash Balance at June 30, 2010	<u><u>\$ 73,626</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED JUNE 30, 2010**

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

Net operating income (loss)	\$ -21,706
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	293
(Increase) decrease in accounts receivable	-69
(Increase) decrease in deferred charges	-37
Increase (decrease) in accounts payable	-30,689
Increase (decrease) in accrued liabilities	<u>2,183</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -50,025</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010**

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.

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 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, 2010  
(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 practice 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 one (1) month or less when purchased to be cash equivalents.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) 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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(h) Income Tax -

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

(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 \$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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*Custodial Credit Risk*

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

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	<u>\$ 73,626</u>	<u>\$ 74,230</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

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

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, 2010  
(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, 2010, actual contributions by the Housing Authority and plan participants were \$3,420. Total annual payroll expense was \$40,243.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ <u>1,551</u>
---------------------------	-----------------

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 1,171
Prepaid computer software/support	<u>859</u>
Total	<u>\$ 2,030</u>

Note 7 - Fixed Assets

Balance as of June 30, 2010	\$ 1,546
Balance as of June 30, 2009	<u>1,182</u>
Net Increase (Decrease)	<u>\$ 364</u>

Reconciliation

Additions/disposals net	\$ 657
Current year depreciation expense	<u>-293</u> *
Net Increase (Decrease)	<u>\$ 364</u>

<u>Analysis</u>	<u>07/01/2009 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>06/30/2010 Balance</u>
Equipment and furniture	\$ 26,077	\$ 1,750	\$ 1,725	\$ 26,102
Accumulated depreciation	<u>-24,895</u>	<u>-293</u> *	<u>-632</u>	<u>-24,556</u>
Net Capital Assets	<u>\$ 1,182</u>	<u>\$ 1,457</u>	<u>\$ 1,093</u>	<u>\$ 1,546</u>

\*Current year depreciation expense recognized.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED JUNE 30, 2010  
(CONTINUED)**

Note 8 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wages and benefits	\$ 2,879
Accrued compensated absences	<u>278</u>
Subtotal	\$ 3,157

Noncurrent Portion:

Accrued compensated absences	<u>833</u>
Total	<u>\$ 3,990</u>

Note 9 - 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 10 - 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 11 - 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, 2010**

<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 06/30/10	\$ 658,642	\$ 658,642	\$ 658,642
Total Housing Assistance				<u>\$ 658,642</u>	<u>\$ 658,642</u>	<u>\$ 658,642</u>

\*Denotes major program.

**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 Housing Authority of the City of Decatur as of and for the year ended June 30, 2010, and have issued my report thereon dated January 18, 2011. 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 Housing Authority of the City of Decatur's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Decatur's internal control over financial reporting.

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

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

I noted certain matters that I reported to management of Housing Authority of the City of Decatur in a separate letter dated January 18, 2011.

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



Certified Public Accountant

Decatur, Illinois  
January 18, 2011



**Report on Compliance With Requirements That Could Have a Direct and Material Effect  
on 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 Housing Authority of the City of Decatur'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 Housing Authority of the City of Decatur's major federal programs for the year ended June 30, 2010. 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. 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 requirement 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, Housing Authority of the City of Decatur 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 June 30, 2010. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

## Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with 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 Housing Authority of the City of Decatur's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, Housing and Urban Development, 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.



Certified Public Accountant

Decatur, Illinois  
January 18, 2011

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2009 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2010**

**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 Circular A-133?

\_\_\_\_\_ yes X\_\_\_\_\_ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Housing Choice Voucher Program

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

\$ 300,000

Auditee qualified as low-risk auditee?

X\_\_\_\_\_ yes \_\_\_\_\_ no

**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 January 18, 2011.

**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 January 18, 2011.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
JUNE 30, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Insurance expense - other	4510	\$ 104.00	\$ 50.00	2810
Prepaid insurance - other	1211	50.00		1211
Other general expense	4590		104.00	2810
(To reclass other insurance paid that was expensed to general expense, and to set up portion of ED Bond that was prepaid)				
(2)				
Employee benefit contribution	4182	\$ 735.20		2810
Perf	2117.07		\$ 735.20	2117.07
(To record 06/30/10 Perf liability for subsequent payment 07/16/2010)				
(3)				
Admin salaries	4110	\$ 1,364.30		2810
Benefits	4132	104.37		2810
Accrued salaries	2135		\$ 1,468.67	2135
(To correct accrued salary expense for wages paid 07/09/2010)				
(4)				
Accounts receivable - HUD	1125	\$ 1,551.00		1125
HUD grants - admin fee	3410.01		\$ 1,551.00	2810.002
(To adjust HUD subsidy to actual per HUD ACC contract)				

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, 2010, 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. The Housing Authority's system of internal controls should be formally documented in a written internal control manual (handbook). Discussions with Housing Authority management indicate that the Housing Authority has a system of internal control in place, but without the policies being in writing and formally adopted, adherence to the procedures cannot always be verified.

The written policies should also cover the extent that outside consultants are used to enhance internal controls. The policies should include the detail of level of responsibility the fee accountant is assuming in the preparation and review of the year end financial statements as compared to the level responsibility the housing is authority is maintaining. The written procedures should indicate who will prepare and maintain copies of year end schedules, journal entries and reconciliations. However the Housing Authority management should keep in mind that you have the ultimate responsibility for preparation of accurate and complete financial statements.

In addition to the current informal policies being used, other policies you may want to consider would address: (a) approval of journal entries (hard copies should be initialed) (b) documentation of approval of payroll (payroll registers should be initialed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc). The written policies should also cover the extent of use of outside consultants (fee accountants) are used to provide internal controls.

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois  
January 18, 2011