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Board of Directors  
The Housing Authority of the County of Delaware  
2401 S. Haddix Avenue  
Muncie, IN 47302

We have reviewed the audit report prepared by Barry E. Gaudette, CPA, PC, Independent Public Accountant, for the period January 1, 2009 to December 31, 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 County of Delaware, as of December 31, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We direct your attention to a note to the financial statements, appearing on page 25, disclosing an instance of fraud which came to light subsequent to December 31, 2008, but which likely occurred over several previous years.

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 COUNTY OF DELAWARE  
MUNCIE, INDIANA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**HOUSING AUTHORITY OF THE COUNTY OF DELAWARE**  
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**DECEMBER 31, 2009**

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## **INTRODUCTION**

*Independent Auditor's Report*

Board of Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Delaware, Indiana, (Housing Authority) as of and for the year ended December 31, 2009, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 above present fairly, in all material respects, the financial position of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of December 31, 2009, and the respective changes in financial position, and cash flows, thereof for the year then ended 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 12, 2010, on my consideration of the Housing Authority of the County of Delaware, Indiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

Housing Authority of the County of Delaware

Independent Auditor's Report

Page Two

The management's discussion and analysis comparison information on pages 3 through 9, are not a required part of the basic financial statements but are 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 required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Housing Authority of the County of Delaware, Indiana's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Housing Authority of the County of Delaware, Indiana. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barry E. Gaudette, CPA, PC*

February 12, 2010

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2009  
(Unaudited)**

The Delaware County Housing Authority ("the Authority") *Management's Discussion And Analysis* is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the *Management's Discussion and Analysis* (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Authority's financial statements.

❖ **FINANCIAL HIGHLIGHTS**

- Net assets were \$3,140,048 and \$3,205,279 for 2008 and 2009, respectively. The Authority-wide statements reflect an increase in total net assets of \$65,231 during 2009. The increase was, in part, the result of the recovery of \$107,000 from the former executive director for fraud of the Authority's funds in prior years.
- Total operating revenue of all Authority programs increased by \$231,114 during 2009, and was \$2,175,837 and \$2,406,951 for 2008 and 2009, respectively. There was an increase of \$21,420 in tenant rents, an increase of \$107,095 in federal grants, and an increase of \$115, 599 in fraud recovery over the prior year.
- Total expenses, of all Authority programs, decreased by \$60,611, or 2.5% from the prior fiscal year. Total expenses were \$2,402,331 and \$2,341,720 for 2008 and 2009, respectively. Total administration expenses decreased by \$82,567, tenant services decreased by \$16,286, and utilities decreased by \$35,917 from the prior year.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

<b>MD&amp;A</b> Management Discussion and Analysis
<b>Basic Financial Statements</b> Authority-wide Financial Statements Statements of Cash Flow Notes to Financial Statements
<b>Other Required Supplementary Information</b> Required Supplementary Information (other than MD&A)

**Housing Authority of the County of Delaware**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2009**  
**(Continued)**

The focus is on the Authority as a whole (authority-wide). This perspective allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority), and enhance the Authority's accountability.

**Authority-Wide Financial Statements**

The Authority-wide financial statements are designed to be corporate-like, in that all business-type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a *Statement of Net Assets*, which is similar to a Balance Sheet, the *Statement of Net Assets* reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Asset", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the *Statement of Net Assets* (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a *Statement of Revenues, Expenses and Changes in Fund Net Assets* (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the *Statement of Revenues, Expenses and Changes in Fund Net Assets* is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a *Statement of Cash Flows*, is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2009  
(Continued)**

**Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise Funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting. The Department of Housing and Urban Development requires the funds be maintained by the Authority.

**Business Type Funds:**

*Conventional Public Housing (PH):* Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

*Capital Fund Program (CFP):* This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CFP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

*Housing Choice Voucher Program (HCVP):* Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

**Housing Authority of the County of Delaware  
Management's Discussion & Analysis (MD&A)  
December 31, 2009  
(Continued)**

**AUTHORITY-WIDE STATEMENT  
STATEMENT OF NET ASSETS**

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1  
STATEMENT OF NET ASSETS  
December 31,

	2009	2008
Current and Other Assets	\$ 589,863	\$ 249,092
Capital Assets	2,836,065	2,956,842
Total Assets	<u>3,425,928</u>	<u>3,205,934</u>
Current liabilities	220,649	65,886
Long-Term Liabilities	0	0
Total Liabilities	<u>220,649</u>	<u>65,886</u>
Net Assets:		
Invested in Capital Assets	2,836,065	2,956,842
Restricted – HAP	42,641	11,303
Unrestricted	326,573	171,903
Total Net Assets	<u>\$ 3,205,279</u>	<u>\$ 3,140,048</u>

For more detailed information, see the Statement of Net Assets.

**Major Factors Affecting the Statement of Net Assets**

Current assets increased by \$340,771 while current liabilities increased by \$154,763. The current assets increased, in part, due to a receivable of \$107,000 for the proceeds of fraud recovery from the former executive director, cash provided by operating activities in the amount of \$150,797, and cash provided by capital activities in the amount of \$77,975, respectively.

Capital assets, net of depreciation, decreased by \$120,777.

Restricted net assets, the account that resembles restricted reserves that only can be used to fund HAP payments, increased by \$31,338. This increase was attributable to the over-funding of Vouchers in the Authority's Choice Voucher program during 2009.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2009  
(Continued)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The following table compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

TABLE 2  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
December 31,

	2009	2008
<b>Revenues</b>		
Tenant Revenue-Rents and Other	\$ 360,202	\$ 338,782
Operating Subsidies and Grants	1,713,766	1,657,031
Capital Grants	209,492	159,132
Investment Income	1,285	2,978
Other Income – Net	6,607	17,914
Proceeds from fraud recovery	115,599	0
Total Revenue	<u>2,406,951</u>	<u>2,175,837</u>
<b>Expenses</b>		
Administrative	363,064	445,631
Tenant Services	6,604	22,890
Utilities	144,851	180,768
Maintenance	248,661	242,655
Protective Services	15,839	15,103
General	48,663	50,143
Housing Assistance Payments	1,190,359	1,134,855
Depreciation	323,679	310,286
Total Expenses	<u>2,341,720</u>	<u>2,402,331</u>
Net Increase (Decrease)	<u>\$ 65,231</u>	<u>\$ (226,494)</u>

**Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets**

Tenant revenues increased by \$21,420 due to tenants incomes increasing. Funding from HUD for the Section 8 Housing Choice Voucher program increased by \$180,133 for HAP payments over the prior fiscal year. Most of the capital grant monies received were for the ARRP grant in the amount of \$210,000. The proceeds from fraud recovery consist of \$107,000 from the former executive director and the remaining amount is from tenants.

Total expenses decreased by \$60,611 or 2.5% from the prior fiscal year. Administrative expenses decreased by \$82,567, in large part, due to the former executive director being terminated in mid year and the elimination of FSS funding for a staff person. Utilities decreased by \$35,917, in part, due to gas costs decreasing by \$42,800 from the prior fiscal year.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2009  
(Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year end, the Authority had \$10,069,383 invested in a variety of capital assets as reflected in the following schedule, which represents an increase of \$95,763 in gross capital assets from the end of last year.

TABLE 3  
CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)

	Business-Type Activities	
	2009	2008
Land	\$ 26,384	\$ 26,384
Buildings and improvements	9,666,283	9,570,787
Equipment	446,854	376,449
Accumulated depreciation	(7,303,456)	(7,016,778)
Total	\$ 2,836,065	\$ 2,956,842

**Debt Administration**

The Authority's only debt is listed in the current liabilities in the form of accounts payable, accrued payroll, security deposits, deferred revenue, and FSS escrow. The Authority has no other debts.

**CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets:

TABLE 4  
CHANGE IN CAPITAL ASSETS

	2009	2008
Beginning Balance	\$ 2,956,842	\$ 3,107,899
Net Additions (Retirements) Operations	0	97
Additions - CFP	202,902	159,132
Depreciation	(323,679)	(310,286)
Ending Balance	\$ 2,836,065	\$ 2,956,842

This year's major additions included the purchase of a 2008 truck, cabinets, repair electric water heaters, solid surface counter tops, remove and replace patio doors, remodel 28 units, furnaces, locksets, and the purchase of 100 refrigerators and ranges. Next year's planned capital outlays include a roof replacement project and security improvements.

**Housing Authority of the County of Delaware  
Management's Discussion & Analysis (MD&A)  
December 31, 2009  
(Continued)**

**SUBSEQUENT EVENTS AND QUESTIONED COSTS**

During the prior year, management became aware that financial irregularities likely occurred during the previous several years that involved the now former executive director. The Housing Authority has recorded certain "questioned costs" as capital assets and maintenance expenditures that were likely misappropriated by the former executive director. The amount and extent of the misappropriation has not been determined, although a partial reimbursement of \$107,000 was received on February 8, 2010. Adjustments will not be made for these questioned costs until the completion of the Federal investigation which is still ongoing as of the date of this report. The Housing Authority has changed its Employee Handbook to add a "Whistleblower" Policy.

**ECONOMIC FACTORS**

**Significant economic factors affecting the Authority are as follows:**

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

**FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Robert Hammett, Executive Director  
Housing Authority of the County of Delaware  
2401 South Haddix Avenue  
Muncie, Indiana 47302-7547  
(765) 284-3801 Ext. 11

## **FINANCIAL STATEMENTS**

**Housing Authority of the County of Delaware**  
**Statement of Net Assets**  
**December 31, 2009**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 226,012
Cash-restricted	100,516
Receivables, net	109,225
Investments-unrestricted	139,865
Prepaid expenses	12,968
Inventories, net	<u>1,277</u>
Total Current Assets	<u>589,863</u>

Capital Assets:

Land	26,384
Buildings	7,891,786
Equipment	446,854
Site improvements	<u>1,774,497</u>
	10,139,521
Less: accumulated depreciation	<u>(7,303,456)</u>
Net Capital Assets	<u>2,836,065</u>
Total Assets	<u><u>\$ 3,425,928</u></u>

**LIABILITIES and NET ASSETS**

Current Liabilities:

Accounts payable	\$ 9,833
Tenant security deposits	37,648
Accrued expenses	12,716
Deferred revenues	154,006
Other current liabilities	<u>6,446</u>
Total Current Liabilities	<u>220,649</u>

Net Assets:

Invested in capital assets	2,836,065
Restricted net assets	42,641
Unrestricted net assets	<u>326,573</u>
Total Net Assets	<u>3,205,279</u>
Total Liabilities and Net Assets	<u><u>\$ 3,425,928</u></u>

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Statement of Revenues, Expenses, And**  
**Changes in Net Assets**  
**Year Ended December 31, 2009**

**OPERATING REVENUES:**

Dwelling rent	\$ 354,399
Non dwelling rent	5,803
Operating grants	<u>1,713,766</u>
Total operating revenues	<u>2,073,968</u>

**OPERATING EXPENSES:**

Administration	363,064
Tenant services	6,604
Utilities	144,851
Ordinary maintenance and operation	248,661
Protective services	15,839
Insurance	47,335
General expenses	1,328
Housing assistance payments	1,190,359
Depreciation	<u>323,679</u>
Total operating expenses	<u>2,341,720</u>

Operating income (loss)	<u>(267,752)</u>
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**NONOPERATING REVENUES:**

Investment interest income	1,285
Proceeds from fraud recovery	115,599
Other income	3,487
Gain on sale of fixed assets	<u>3,120</u>
Total non operating revenues	<u>123,491</u>

Income (loss) before contributions	(144,261)
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**CAPITAL CONTRIBUTIONS**

	<u>209,492</u>
Change in net assets	65,231

Net assets, beginning	<u>3,140,048</u>
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Net assets, ending	<u><u>\$ 3,205,279</u></u>
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See notes to financial statements

**Housing Authority of the County of Delaware**  
**Statement of Cash Flows**  
**Year Ended December 31, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from dwelling and non dwelling rents	\$ 360,266
Cash received from operating grants	1,791,109
Cash payments to other suppliers of goods and services	(1,527,168)
Cash payments to employees for services	(473,410)
	<hr/>
Net cash provided by operating activities	150,797
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Fraud recovery	8,599
Tenant security deposits	2,595
Other revenue	3,487
	<hr/>
Net cash provided by noncapital financing activities	14,681
 <b>CASH FLOW FROM CAPITAL AND RELATED FINANCING</b>	
Gain on sale of fixed assets	3,120
Capital grants	277,757
Payments for capital acquisitions	(202,902)
	<hr/>
Net cash provided by capital and related financing activities	77,975
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Restricted cash decreased	(91,537)
Investments (increased)	(22,088)
Receipts of interest income	998
	<hr/>
Net cash (used) by investing activities	(112,627)
Net increase (decrease) in cash	130,826
Cash and cash equivalents, beginning	95,186
	<hr/>
Cash and cash equivalents, ending	<u>\$ 226,012</u>

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2009**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (267,752)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	323,679
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(426)
Prepaid expenses	11,275
Inventories	119
Increase (decrease) in liabilities:	
Accounts payable	(13,767)
Accrued wage/payroll taxes payable	(871)
FSS escrow	(5,868)
Deferred revenues	104,408
Net cash provided by operating activities	\$ 150,797

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Notes to Financial Statements**  
**December 31, 2009**

**NOTE 1: Summary of Significant Accounting Policies**

The Housing Authority of the County of Delaware (the Housing Authority) is a component unit of the County of Delaware, an Indiana County. The Housing Authority is a Public Housing Agency created by the County of Delaware in 1939, consisting of a seven member board appointed by the County Commissioner's and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Authority complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Authority the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Authority has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Authority's financial reporting entity comprises the following:

Primary Government:	Housing Authority
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In determining the financial reporting entity, the Housing Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Authority appointed a voting majority of the units' board; the Housing Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

**1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Authority's programs as an enterprise fund.

## **1(b) Basis of Presentation (Continued)**

Following is a description of the Housing Authority's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent Program	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers Program	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Family Self-Sufficiency	The Housing Authority coordinated and provides a family self-sufficiency program for Section 8 families in Delaware County, Indiana. Funding for this program is provided under the Section 8 ACC.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows: The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liability, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board and submitted to the Department of Housing and Urban Development for their approval, if required.

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Estimates and Assumptions**

The Housing Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 - 40 years
Building improvements	7 - 20 years
Site improvements	5 - 20 years
Equipment and furnishings	5 - 15 years

### **Compensated Absences**

The Housing Authority's policy does not allow employees to accumulate unused vacation leave. Sick leave is allowed to be accumulated up to 45 days but is not paid upon termination. Sick pay will be paid only upon illness while in the employ of the Housing Authority.

### **Deferred Revenue**

Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- c) Restricted net assets – Consists of net assets of the Housing Choice Voucher program that are restricted for payments by HUD over the Housing Assistance Payments made to landlords. The Low Rent Program pays all of the administrative costs for the Housing Choice Voucher program and gets reimbursed from the Housing Choice Voucher program each month.

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the government’s enterprise fund are charges to tenants for rents, non dwelling rents, and operating grants from HUD. Operating expenses for the operating fund include the cost of administrative, tenant services, utilities, ordinary maintenance and operation, general, casualty losses, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Authority’s policy is to fund pension costs as they accrue.

### **Income Taxes**

As a component unit of an Indiana County, the Housing Authority is exempt from federal and state income taxes. The Housing Authority has no unrelated business income.

**NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Authority and its component units, if any, are subject to various Federal, state, and local laws and contractual regulations. An analysis of the Housing Authority’s compliance with significant laws and regulations and demonstration of its stewardship over Housing Authority resources follows.

**2(a) Program Accounting Requirements**

The Housing Authority complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Authority are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD
Housing Choice Voucher Program	U.S. Department of HUD

**2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Authority must have a written Depositary Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Authority are limited by state law to the following:

- a) Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b) Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**2(c) Revenue Restrictions**

The Housing Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended December 31, 2009, the Housing Authority complied, in all material respects, with these revenue restrictions.

**NOTE 3: Detail Notes on Transactions Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### 3(a) Cash and Investments

#### Deposits

The Housing Authority's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Authority based upon how its deposits were insured or secured with collateral at December 31, 2009.

The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Housing Authority (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Authority's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 286,213	\$ 286,213	\$ 0	\$ 0	\$ 273,542
Certificate of deposit	10,245	10,245	0	0	10,245
Money market account	42,641	42,641	0	0	42,641
	<u>\$ 339,099</u>	<u>\$ 339,099</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 326,428</u>

#### Investments

The Housing Authority's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Authority (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2009. The categories of credit risk are defined as follows:

Category 1 – Insured or registered with securities held by the Housing Authority or its agent in the Housing Authority's name.

Category 2 – Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Authority's name.

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Authority's name.

### 3(a) Cash and Investments (Continued)

#### Investments (Continued)

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Money market account	\$ 47,732	\$ 47,732	\$ 0	\$ 47,732	\$ 47,732
Fixed income securities	90,422	90,422	0	90,422	90,422
Savings	1,711	1,711	0	1,711	1,711
	<u>\$ 139,865</u>	<u>\$ 139,865</u>	<u>\$ 0</u>	<u>\$ 139,865</u>	<u>\$ 139,865</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 100
Carrying amount of deposits	326,428
Investments	139,865
Total	<u>\$ 466,393</u>
Cash and investments:	
Enterprise activities	\$ 479,074
Enterprise activities – deposits in transit	0
Enterprise activities – checks written in excess of deposits	(12,681)
Total	<u>\$ 466,393</u>

### 3(b) Receivables

Receivables detail at December 31, 2009, is as follows:

Tenant accounts receivable	\$ 1,853
Proceeds from fraud recovery	107,000
Accrued interest receivable	372
	<u>\$ 109,225</u>

### 3(c) Prepaid Expenses

Prepaid detail at December 31, 2009, is as follows:

Prepaid insurance	\$ 4,037
Prepaid conferences and training seminars	4,306
Prepaid health insurance	3,045
Prepaid dues	1,158
Prepaid other	422
	<u>\$ 12,968</u>

### 3(d) Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Balance 12/31/08</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/09</u>
<b>Low Rent Program</b>				
Land	\$ 26,384	\$ 0	\$ 0	\$ 26,384
Buildings	7,700,768	105,139	0	7,805,907
Furniture, equipment & machinery - dwellings	107,200	5,331	(37,000)	75,531
Furniture, equipment & machinery - administration	196,871	86,594	0	283,465
Site improvements	1,765,545	8,952	0	1,774,497
	<u>9,796,768</u>	<u>\$ 206,016</u>	<u>\$ (37,000)</u>	<u>9,965,784</u>
Less accumulated depreciation	<u>(6,993,005)</u>	<u>\$ (324,292)</u>	<u>\$ 37,000</u>	<u>(7,280,297)</u>
Total	<u>\$ 2,803,763</u>			<u>\$ 2,685,487</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equipment & machinery - administration	\$ 17,720	\$ 0	\$ 0	\$ 17,720
	<u>17,720</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>17,720</u>
Less accumulated depreciation	<u>(16,784)</u>	<u>\$ (864)</u>	<u>\$ 0</u>	<u>(17,648)</u>
Total	<u>\$ 936</u>			<u>\$ 72</u>
<b>Capital Fund Program</b>				
Buildings	\$ 95,523	\$ 85,879	\$ (95,523)	\$ 85,879
Furniture, equipment & machinery - dwelling	5,331	70,138	(5,331)	70,138
Furniture, equipment & machinery - administration	49,327	0	(49,327)	0
Site improvements	8,951	0	(8,951)	0
	<u>159,132</u>	<u>\$ 156,017</u>	<u>\$ (159,132)</u>	<u>156,017</u>
Less accumulated depreciation	<u>(6,989)</u>	<u>\$ (5,511)</u>	<u>\$ 6,989</u>	<u>(5,511)</u>
Total	<u>\$ 152,143</u>			<u>\$ 150,506</u>
<b>Combined Totals</b>				<u>\$ 2,836,065</u>

### 3(d) Capital assets (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 317,304
Housing Choice Voucher Program	864
HOPE VI	5,511
	<u>\$ 323,679</u>

### 3(e) Accounts Payable

Payable detail at December 31, 2009, is as follows:

Accounts payable-vendors	\$ 2,143
Accounts payable-pension	7,690
	<u>\$ 9,833</u>

### 3(f) Accrued Expenses

Accrued expense detail at December 31, 2009, is as follows:

Accrued wage/payroll taxes payable	<u>\$ 12,716</u>
------------------------------------	------------------

### 3(g) Deferred revenues

Tenants-low rent program	\$ 1,403
FSS-low rent program	834
HAP reimbursement-housing choice voucher program	94,519
Administrative reimbursement-housing choice voucher program	9,692
Stimulus monies (ARRA)-capital fund program	47,558
	<u>\$ 154,006</u>

### 3(h) Inter program Transactions and Balance

#### *Equity Transfers*

There was an equity transfer of \$159,132 from the capital fund program to the low rent program during the fiscal year ended December 31, 2009.

#### *Interprogram Receivable/Payable*

Low Rent Program	\$ 69,206
Housing Choice Voucher Program	(69,134)
Capital Fund Program	(72)
	<u>\$ 0</u>

**NOTE 4: Other Notes**

**4(a) Employee Retirement Plans**

The Housing Authority provides retirement to all permanent employees in a multiple-employer public employee retirement fund (PERF). Employees are required to contribute 3% mandatory and up to 2.25% voluntarily. The employer's contribution to the Plan was 7.25% mandatory for the year ended December 31, 2009. Benefits are not fully vested until the employee has been in the Plan for ten years. If an employee leaves before fully vested, they receive their contributions to the Plan plus income earned. An employee who has been in the Plan over ten years receives both the employees and employers contributions plus income earned. The total employer's contribution paid into the Plan during 2009 was \$23,272. Covered wages in 2009 totaled \$320,990.

PERF issues a stand alone financial report which may be obtained by writing to the Public Employees' Retirement Fund, Harrison Building Suite 800, Indianapolis, IN 46204 or by calling 1-317-233-4162.

**4(b) Risk Management**

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**4(c) Commitments and Contingencies**

**Commitments – Construction**

At December 31, 2009, the Housing Authority had the following pending construction projects in progress:

	<b>Funds Approved</b>	<b>Funds Expended - Project to Date</b>
2009 CFP	\$ 219,780	\$ 0
2009 CFRG	279,658	210,000

**Contingencies**

The Housing Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

#### **4(d) Questioned Costs and Subsequent Events**

Subsequent to December 31, 2008, the Housing Authority became aware that financial irregularities likely occurred during the previous several years that involved the now former executive director. The Housing Authority has recorded certain “questioned costs” as capital assets and maintenance expenditures that were likely misappropriated by the former executive director. However, the amount and extent of the misappropriation has not been determined and no adjustments have been made for these questioned costs. It is believed the misappropriations are material to the financial statements. When appropriate documentation is obtained to support the misappropriations; the financial statements will be adjusted accordingly.

A letter dated February 5, 2010 was received from the former executive director’s lawyer. This letter stated that a check was provided him for \$107,000 from the former executive director to be forwarded to the Housing Authority as partial reimbursement of amounts owing to the Housing Authority. The lawyer expects that the balance of the amount owing will be forwarded soon. The check was sent directly to the Housing Authority in compliance with the instructions received from the Assistant U.S. Attorney. The Housing Authority purchased a short-term Certificate of Deposit in the amount of \$107,000 until this matter is completely resolved.

**SUPPLEMENTARY INFORMATION**

**Housing Authority of the County of Delaware**  
**Combining Statement of Net Assets by Program**  
**December 31, 2009**

<b>ASSETS</b>	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>Current assets:</b>				
Cash and cash equivalents	\$ 95,389	\$ 130,623	\$ 0	\$ 226,012
Cash-restricted	0	52,886	47,630	100,516
Receivables, net	2,225	0	107,000	109,225
Investments-unrestricted	134,297	5,568	0	139,865
Prepaid expenses	12,968	0	0	12,968
Inventories, net	1,277	0	0	1,277
Due from other programs	69,206	0	0	69,206
<b>Total current assets</b>	<b>315,362</b>	<b>189,077</b>	<b>154,630</b>	<b>659,069</b>
<b>Capital assets:</b>				
Land	26,384	0	0	26,384
Buildings	7,805,907	0	85,879	7,891,786
Equipment	358,996	17,720	70,138	446,854
Site improvements	1,774,497	0	0	1,774,497
	9,965,784	17,720	156,017	10,139,521
Less accumulated depreciation	(7,280,297)	(17,648)	(5,511)	(7,303,456)
<b>Net capital assets</b>	<b>2,685,487</b>	<b>72</b>	<b>150,506</b>	<b>2,836,065</b>
<b>Total Assets</b>	<b>\$ 3,000,849</b>	<b>\$ 189,149</b>	<b>\$ 305,136</b>	<b>\$ 3,495,134</b>

**Housing Authority of the County of Delaware**  
**Combining Statement of Net Assets by Program**  
**(Continued)**  
**December 31, 2009**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>LIABILITIES and NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 9,833	\$ 0	\$ 0	\$ 9,833
Tenant security deposits	37,648	0	0	37,648
Accrued expenses	9,725	2,991	0	12,716
Deferred revenues	2,237	104,211	47,558	154,006
Other current liabilities	877	5,569	0	6,446
Due to other programs	0	69,134	72	69,206
Total current liabilities	<u>60,320</u>	<u>181,905</u>	<u>47,630</u>	<u>289,855</u>
Net Assets:				
Invested in capital assets	2,685,487	72	150,506	2,836,065
Restricted net assets	0	42,641	0	42,641
Unrestricted net assets	<u>255,042</u>	<u>(35,469)</u>	<u>107,000</u>	<u>326,573</u>
Total net assets	<u>2,940,529</u>	<u>7,244</u>	<u>257,506</u>	<u>3,205,279</u>
Total Liabilities and Net Assets	<u>\$ 3,000,849</u>	<u>\$ 189,149</u>	<u>\$ 305,136</u>	<u>\$ 3,495,134</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Assets by Program**  
**Year Ended December 31, 2009**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>OPERATING REVENUES:</b>				
Dwelling rent	\$ 354,399	\$ 0	\$ 0	\$ 354,399
Non dwelling rent	5,803	0	0	5,803
Operating grants	466,424	1,247,342	0	1,713,766
Total operating revenues	<u>826,626</u>	<u>1,247,342</u>	<u>0</u>	<u>2,073,968</u>
<b>OPERATING EXPENSES:</b>				
Administration	230,465	115,937	16,662	363,064
Tenant services	6,604	0	0	6,604
Utilities	144,851	0	0	144,851
Ordinary maintenance and operation	211,848	0	36,813	248,661
Protective services	15,839	0	0	15,839
Insurance	47,335	0	0	47,335
General expenses	1,328	0	0	1,328
Housing assistance payments	0	1,190,359	0	1,190,359
Depreciation	317,304	864	5,511	323,679
Total operating expenses	<u>975,574</u>	<u>1,307,160</u>	<u>58,986</u>	<u>2,341,720</u>
Operating income (loss)	<u>(148,948)</u>	<u>(59,818)</u>	<u>(58,986)</u>	<u>(267,752)</u>
<b>NONOPERATING REVENUES :</b>				
Investment interest income	1,141	144	0	1,285
Proceeds from fraud recovery	0	8,599	107,000	115,599
Other income	424	3,063	0	3,487
Gain on sale of fixed assets	3,120	0	0	3,120
Total non operating revenues	<u>4,685</u>	<u>11,806</u>	<u>107,000</u>	<u>123,491</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>0</u>	<u>0</u>	<u>209,492</u>	<u>209,492</u>
Change in net assets	(144,263)	(48,012)	257,506	65,231
Equity transfers	152,143	0	(152,143)	0
Net assets, beginning	<u>2,932,649</u>	<u>55,256</u>	<u>152,143</u>	<u>3,140,048</u>
Net assets, ending	<u>\$ 2,940,529</u>	<u>\$ 7,244</u>	<u>\$ 257,506</u>	<u>\$ 3,205,279</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Cash Flows by Program**  
**Year Ended December 31, 2009**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from dwelling and non dwelling rents	\$ 360,266	\$ 0	\$ 0	\$ 360,266
Cash received from operating grants	466,424	1,324,685	0	1,791,109
Cash payments to other suppliers of goods and services	(309,259)	(1,210,152)	(7,757)	(1,527,168)
Cash payments to employees for services	(331,825)	(94,539)	(47,046)	(473,410)
Net cash provided(used) by operating activities	<u>185,606</u>	<u>19,994</u>	<u>(54,803)</u>	<u>150,797</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Inter program due from (to)	(69,206)	69,134	72	0
Fraud recovery	0	8,599	0	8,599
Tenant security deposits	2,595	0	0	2,595
Other revenue	424	3,063	0	3,487
Net cash provided (used) by noncapital financing activities	<u>(66,187)</u>	<u>80,796</u>	<u>72</u>	<u>14,681</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Gain on sale of fixed assets	3,120	0	0	3,120
Capital grants	20,779	0	256,978	277,757
Payments for capital acquisitions	(46,885)	0	(156,017)	(202,902)
Net cash provided (used) by capital and related financing activities	<u>(22,986)</u>	<u>0</u>	<u>100,961</u>	<u>77,975</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Restricted cash (increased) decreased	1,447	(46,754)	(46,230)	(91,537)
Investments (increased)	(22,088)	0	0	(22,088)
Receipts of interest	850	148	0	998
Net cash (used) by investing Activities	<u>(19,791)</u>	<u>(46,606)</u>	<u>(46,230)</u>	<u>(112,627)</u>
Net increase (decrease) in cash	76,642	54,184	0	130,826
Cash and cash equivalents, beginning	<u>18,747</u>	<u>76,439</u>	<u>0</u>	<u>95,186</u>
Cash and cash equivalents, ending	<u>\$ 95,389</u>	<u>\$ 130,623</u>	<u>\$ 0</u>	<u>\$ 226,012</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Cash Flows by Program**  
**(Continued)**  
**Year Ended December 31, 2009**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (148,948)	\$ (59,818)	\$ (58,986)	\$ (267,752)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation	317,304	864	5,511	323,679
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable-tenants	(426)	0	0	(426)
Prepaid expenses	11,275	0	0	11,275
Inventories	119	0	0	119
Increase (decrease) in liabilities:				
Accounts payable-vendors	578	0	(1,328)	(750)
Accounts payable-pension	7,690	0	0	7,690
Accounts payable-HUD	0	(20,707)	0	(20,707)
Accrued wage/payroll taxes payable	(2,476)	1,605	0	(871)
FSS escrow	264	(6,132)	0	(5,868)
Deferred revenues	226	104,182	0	104,408
Net cash provided (used) by operating activities	<u>\$ 185,606</u>	<u>\$ 19,994</u>	<u>\$ (54,803)</u>	<u>\$ 150,797</u>

**Housing Authority of the County of Delaware  
Schedule of Expenditures of Federal Awards  
And Notes to the Schedule of Federal Awards  
Year Ended December 31, 2009**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major – Direct Program</u>		
2009	Low Rent Public Housing	14.850	\$ 466,424
	<u>Low Income Public Housing Major – Direct Program</u>		
2009	Housing Choice Vouchers	14.871	1,247,219
	<u>Public and Indian Housing Nonmajor – Direct Program</u>		
2009	Public Housing Capital Fund Program	14.872	<u>209,492</u>
	Total		<u>\$ 1,923,135</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**Year Ended December 31, 2009**

FDS Line Item No.	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
<b>ASSETS</b>			
Current assets:			
111	\$ 57,741	\$ 130,623	\$ 0
112	0	0	47,630
113	0	42,641	0
114	37,648	0	0
115	0	10,245	0
100	<u>95,389</u>	<u>183,509</u>	<u>47,630</u>
Receivables:			
125	0	0	107,000
126	1,853	0	0
129	372	0	0
120	<u>2,225</u>	<u>0</u>	<u>107,000</u>
Other Current Assets:			
131	134,297	0	0
132	0	5,568	0
142	12,968	0	0
143	1,344	0	0
143.1	(67)	0	0
144	69,206	0	0
	<u>217,748</u>	<u>5,568</u>	<u>0</u>
150	<u>315,362</u>	<u>189,077</u>	<u>154,630</u>
Noncurrent Assets:			
Fixed Assets:			
161	26,384	0	0
162	7,805,907	0	85,879
163	75,531	0	70,138
164	283,465	17,720	0
165	1,774,497	0	0
166	(7,280,297)	(17,648)	(5,511)
160	<u>2,685,487</u>	<u>72</u>	<u>150,506</u>
180	<u>2,685,487</u>	<u>72</u>	<u>150,506</u>
190	<u>\$ 3,000,849</u>	<u>\$ 189,149</u>	<u>\$ 305,136</u>

Totals

\$ 188,364  
47,630  
42,641  
37,648  
10,245  
326,528

107,000  
1,853  
372  
109,225

134,297  
5,568  
12,968  
1,344  
(67)  
69,206  
223,316

659,069

26,384  
7,891,786  
145,669  
301,185  
1,774,497  
(7,303,456)  
2,836,065

2,836,065

\$ 3,495,134

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
(Continued)  
**Year Ended December 31, 2009**

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
	<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:			
	Current liabilities:			
312	Accounts payable<=90 days	\$ 9,833	\$ 0	\$ 0
321	Accrued wage/payroll taxes payable	9,725	2,991	0
341	Tenant security deposits	37,648	0	0
342	Deferred revenues	2,237	104,211	47,558
345	Other current liabilities	877	5,569	0
347	Inter program due to	0	69,134	72
310	Total current liabilities	<u>60,320</u>	<u>181,905</u>	<u>47,630</u>
300	Total liabilities	<u>60,320</u>	<u>181,905</u>	<u>47,630</u>
	Net assets:			
508.1	Invested in capital assets	2,685,487	72	150,506
511.1	Restricted net assets	0	42,641	0
512.1	Unrestricted net assets	255,042	(35,469)	107,000
513	Total net assets	<u>2,940,529</u>	<u>7,244</u>	<u>257,506</u>
600	Total Liabilities and Net Assets	<u>\$ 3,000,849</u>	<u>\$ 189,149</u>	<u>\$ 305,136</u>

Totals

\$ 9,833

12,716

37,648

154,006

6,446

69,206

289,855

289,855

2,836,065

42,641

326,573

3,205,279

\$ 3,495,134

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
(Continued)  
**Year Ended December 31, 2009**

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
	<b>Revenues:</b>			
70300	Net tenant rental revenue	\$ 354,399	\$ 0	\$ 0
70400	Tenant revenue-other	5,803	0	0
70500	Total tenant revenue	360,202	0	0
70600	HUD PHA operating grants	466,424	1,247,342	0
70610	Capital grants	0	0	209,492
71100	Investment income-unrestricted	1,141	144	0
71400	Fraud recovery	0	8,599	0
71500	Other income	424	3,063	0
71600	Gain or loss on the sale of fixed assets	3,120	0	0
70000	Total revenue	<u>831,311</u>	<u>1,259,148</u>	<u>209,492</u>
	<b>Expenses</b>			
	Administrative:			
91100	Salaries	133,874	76,336	13,017
91200	Auditing fees	7,000	3,000	0
91500	Employee benefit contributions	41,934	19,808	3,645
91600	Office expenses	8,355	852	0
91700	Legal	1,580	0	0
91800	Travel	48	1,402	0
91900	Other	37,674	14,539	0
91000	Total operating-administrative	<u>230,465</u>	<u>115,937</u>	<u>16,662</u>
	Tenant services:			
92400	Tenant services-other	6,604	0	0
92500	Total tenant services	<u>6,604</u>	<u>0</u>	<u>0</u>
	Utilities:			
93100	Water	62,964	0	0
93200	Electricity	8,650	0	0
93300	Gas	73,237	0	0
93000	Total utilities	<u>144,851</u>	<u>0</u>	<u>0</u>

<u>Totals</u>	
\$	354,399
	5,803
	<u>360,202</u>
	1,713,766
	209,492
	1,285
	8,599
	3,487
	3,120
	<u>2,299,951</u>

	223,227
	10,000
	65,387
	9,207
	1,580
	1,450
	52,213
	<u>363,064</u>

	6,604
	<u>6,604</u>

	62,964
	8,650
	73,237
	<u>144,851</u>

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2009**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
<b>Expenses (continued):</b>			
Ordinary maintenance and operation:			
94100	122,426	0	24,198
94200	48,339	0	6,084
94300	15,497	0	345
94500	25,586	0	6,186
94000	<u>211,848</u>	<u>0</u>	<u>36,813</u>
Protective services:			
95100	7,010	0	0
95200	2,620	0	0
95500	6,209	0	0
95000	<u>15,839</u>	<u>0</u>	<u>0</u>
Insurance:			
96110	47,335	0	0
96100	<u>47,335</u>	<u>0</u>	<u>0</u>
General expenses:			
96400	1,328	0	0
96000	<u>1,328</u>	<u>0</u>	<u>0</u>
96900	<u>658,270</u>	<u>115,937</u>	<u>53,475</u>
97000	<u>173,041</u>	<u>1,143,211</u>	<u>156,017</u>

Totals

146,624  
54,423  
15,842  
31,772  
248,661

7,010  
2,620  
6,209  
15,839

47,335  
47,335

1,328  
1,328

827,682

1,472,269

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2009**

FDS Line Item No.	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
	<b>Expenses (continued):</b>		
	Other expenses:		
97300	0	1,190,359	0
97400	317,304	864	5,511
	<u>317,304</u>	<u>1,191,223</u>	<u>5,511</u>
90000	Total expenses	<u>975,574</u>	<u>1,307,160</u>
			<u>58,986</u>
	<b>Other Financing Sources</b>		
10080	0	0	107,000
10100	<u>0</u>	<u>0</u>	<u>107,000</u>
10000	Excess (deficiency) of revenue over (under) expenses	(144,263)	(48,012)
			257,506
11030	2,932,649	55,256	152,143
11040	<u>152,143</u>	<u>0</u>	<u>(152,143)</u>
	<u>\$ 2,940,529</u>	<u>\$ 7,244</u>	<u>\$ 257,506</u>
11190	1,944	3,072	
11210	1,916	3,035	

Totals

1,190,359

323,679

1,514,038

2,341,720

107,000

107,000

65,231

3,140,048

0

\$ 3,205,279

**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 Housing Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

I have audited the financial statements of the business-type activities of Housing Authority of the County of Delaware, Indiana, (Housing Authority) as of and for the year ended December 31, 2009, which comprise the Housing Authority's basic financial statements and have issued my report thereon dated February 12, 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 the Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

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

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*  
Housing Authority of the County of Delaware  
Page Two

**Internal Control Over Financial Reporting (Continued)**

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's internal control.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatements, 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 statements 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*.

This report is intended solely for the information and use of management, Board of Housing Commissioners, others within the entity, the County of Delaware, the Indiana Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Gaudette, CPA, PC*

February 12, 2010

**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 Housing Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

**Compliance**

I have audited the compliance of Housing Authority of the County of Delaware, Indiana, (Housing Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority's management. My responsibility is to express an opinion on the Housing Authority's compliance based on my audit.

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

In my opinion, the Housing Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

### **Internal Control over Compliance**

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

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the Board of Housing Commissioners, others within the agency, the County of Delaware, the Indiana Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Gaudette, CPA, PC*

February 12, 2010

**Housing Authority of the County of Delaware  
Status of Prior Audit Findings  
December 31, 2009**

**Financial Statement Findings**

**2008-1: Fraud Reporting Procedures (design deficiency)**

*Criteria:* Policies and procedures should be in place to encourage the reporting of suspected fraud.

*Condition:* An employee was aware of fraud but feared her employment would be terminated by the executive director if reported to the board or an outside party.

*Response:* The Housing Commission has updated its employee handbook as of January 1, 2010 to include a whistleblower policy in Chapter 6 in the section titled personal conduct. This finding is **cleared**.

**Major Federal Award Findings**

**2008-2: Fraud Reporting Procedures (design deficiency) – HUD Low Income Public Housing Operating Subsidy CFDA 14.850**

*Criteria:* Policies and procedures should be in place to encourage the reporting of suspected fraud.

*Condition:* An employee was aware of fraud but feared her employment would be terminated by the executive director if reported to the board or an outside party.

*Response:* The Housing Commission has updated its employee handbook as of January 1, 2010 to include a whistleblower policy in Chapter 6 in the section titled personal conduct. This finding is **cleared**.

**Housing Authority of the County of Delaware**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2009**

**SECTION I – SUMMARY OF AUDITOR RESULTS**

1. The Auditor's report expresses an unqualified opinion on the financial statements of Housing Authority of the County of Delaware.
2. There were no control deficiencies disclosed during the audit of the financial statements.
3. There were no significant deficiencies or other matters that were required to be reported under *Government Auditing Standards* to the financial statements of Housing Authority of the County of Delaware that were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal award programs disclosed during the audit that were reported as material weaknesses).
5. The auditor's report on compliance for the major federal award programs for Housing Authority of the County of Delaware disclosed no significant deficiencies and expresses an unqualified opinion on the affected major program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Low Rent Public Housing program - CFDA No. 14.850  
Housing Choice Voucher program - CFDA No. 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Housing Authority of the County of Delaware was not determined to be a low risk auditee, since there were findings in the prior year.

**Housing Authority of the County of Delaware**  
**Schedule of Findings and Questioned Costs**  
**(Continued)**  
**December 31, 2009**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS**

None