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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, 2010 to December 31, 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 County of Delaware, as of December 31, 2010 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, reporting updated information relative to an instance of fraud that was disclosed in a note to the financial statements in the prior report, for the period ending December 31, 2009.

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, 2010  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**HOUSING AUTHORITY OF THE COUNTY OF DELAWARE**  
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**DECEMBER 31, 2010**

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## **INTRODUCTION**

*Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686*

*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, 2010, 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, 2010, 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 January 26, 2011, 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 should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Housing Authority's financial statements as a whole. The accompanying Housing Authority financial data schedule is presented for the purpose of additional analysis and is not a required part of the 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 financial statements. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Barry E. Gaudette, CPA, PC*

January 26, 2011

**Housing Authority of the County of Delaware  
Management’s Discussion and Analysis (MD&A)  
December 31, 2010  
(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 \$3,205,279 and \$3,209,451 for 2009 and 2010, respectively. The Authority-wide statements reflect an increase in total net assets of \$4,171 during 2010. The increase was, in part, the result of an additional 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 decreased by \$48,809 during 2010, and was \$2,406,951 and \$2,358,142 for 2009 and 2010, respectively. There was an increase of \$9,401 in tenant rents and an increase of \$55,581 in federal grants.
- Total expenses, of all Authority programs, increased by \$12,251, or 0.5% over the prior fiscal year. Total expenses were \$2,341,720 and \$2,353,971 for 2009 and 2010, respectively. Total administration expenses increased by \$60,250, insurance increased by \$15,930, and HAP payments to landlords decreased by \$76,455 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, 2010**  
**(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, 2010  
(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 CGP 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, 2010  
(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,

	2010	2009
Current and Other Assets	\$ 686,475	\$ 589,863
Capital Assets	2,589,784	2,836,065
Total Assets	3,276,259	3,425,928
Current liabilities	66,808	220,649
Total Liabilities	66,808	220,649
Net Assets:		
Invested in Capital Assets	2,589,784	2,836,065
Restricted – HAP	0	42,641
Unrestricted	619,667	326,573
Total Net Assets	\$ 3,209,451	\$ 3,205,279

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

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

Current assets increased by \$96,612 while current liabilities decreased by \$153,841. The current assets increased, in large part, due to a payment of \$107,000 from the former executive director for reimbursement of monies from embezzlement of Housing Authority funds. The current liabilities decreased, in large part, due to deferred revenues decreasing by \$150,796 from the prior fiscal year.

Capital assets, net of depreciation, decreased by \$246,281 due to depreciation expense of \$329,733, asset additions of \$83,502 and net disposals of \$48.

Restricted net assets, the account that resembles restricted reserves that only can be used to fund HAP payments, decreased by \$42,641. This decrease was attributable to the under-leasing of Vouchers in the Authority's Choice Voucher program during 2010.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2010  
(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,

	2010	2009
<b>Revenues</b>		
Tenant revenue-rents and other	\$ 369,603	\$ 360,202
Operating subsidies and grants	1,784,922	1,713,766
Capital grants	82,755	209,492
Investment Income	1,825	1,285
Other income	1,893	6,607
Proceeds from fraud recovery	117,144	115,599
Total Revenue	<u>2,358,142</u>	<u>2,406,951</u>
<b>Expenses</b>		
Administrative	423,314	363,064
Tenant services	20,574	6,604
Utilities	148,947	144,851
Maintenance	241,796	248,661
Protective services	11,574	15,839
General	63,265	48,663
Housing assistance payments	1,114,768	1,190,359
Depreciation	329,733	323,679
Total Expenses	<u>2,353,971</u>	<u>2,341,720</u>
Net Increase (Decrease)	<u>\$ 4,171</u>	<u>\$ 65,231</u>

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

Tenant revenues increased by \$9,401 due to tenants incomes increasing. Funding from HUD for the Section 8 Housing Choice Voucher program increased by \$58,163 for HAP payments over the prior fiscal year. The proceeds from fraud recovery consist of a second payment of \$107,000 from the former executive director and the remaining amount is from housing choice voucher tenants.

Total expenses increased by \$12,251 or 0.5% over the prior fiscal year. Administrative expenses increased by \$60,250, in part, due to a 3% cost of living increase and the hiring of a maintenance supervisor. Tenant services increased by \$13,970, in part, due to a new grant for the FSS coordinator. The cost of property and liability insurance increased by \$15,930 over the prior fiscal year.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2010  
(Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of the year end, the Authority had \$10,189,747 invested in a variety of capital assets as reflected in the following schedule, which represents an increase of \$50,226 in gross capital assets from the end of last year.

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

	Business-Type Activities	
	2010	2009
Land	\$ 26,384	\$ 26,384
Buildings and improvements	9,733,853	9,666,283
Equipment	429,510	446,854
Accumulated depreciation	(7,599,963)	(7,303,456)
Total	\$ 2,589,784	\$ 2,836,065

**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

	2010	2009
Beginning Balance	\$ 2,836,064	\$ 2,956,842
Net Additions (Retirements) Operations	(49)	0
Additions – CFP	83,502	202,901
Depreciation	(329,733)	(323,679)
Ending Balance	\$ 2,589,784	\$ 2,836,064

This year's major additions included wiring water heaters and ranges, 100 electric water heaters, 53 electric ranges, 10 windows, a gas meter, and a computer. Next year's planned capital outlays include a roof replacement project, complete remodeling of kitchens, upgrade computers, and purchase new software.

**Housing Authority of the County of Delaware  
Management's Discussion & Analysis (MD&A)  
December 31, 2010  
(Continued)**

**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, 2010**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$	322,231
Receivables, net		755
Investments-unrestricted		327,686
Investments-restricted		6,980
Prepaid expenses		23,034
Inventories, net		5,789
Total Current Assets		686,475

Capital Assets:

Land		26,384
Buildings		7,959,356
Equipment		429,510
Site improvements		1,774,497
		10,189,747
Less: accumulated depreciation		(7,599,963)
Net Capital Assets		2,589,784

Total Assets		\$ 3,276,259
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**LIABILITIES and NET ASSETS**

Current Liabilities:

Accounts payable	\$	7,784
Tenant security deposits		38,802
Accrued expenses		16,845
Deferred revenues		3,377
Total Current Liabilities		66,808

Net Assets:

Invested in capital assets		2,589,784
Unrestricted net assets		619,667
Total Net Assets		3,209,451

Total Liabilities and Net Assets		\$ 3,276,259
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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, 2010**

**OPERATING REVENUES:**

Dwelling rent	\$ 368,728
Non dwelling rent	875
Operating grants	<u>1,784,922</u>
Total operating revenues	<u>2,154,525</u>

**OPERATING EXPENSES:**

Administration	423,314
Tenant services	20,574
Utilities	148,947
Ordinary maintenance and operation	241,796
Protective services	11,574
Insurance	63,265
Housing assistance payments	1,114,768
Depreciation	<u>329,733</u>
Total operating expenses	<u>2,353,971</u>

Operating income (loss)	<u>(199,446)</u>
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**NONOPERATING REVENUES:**

Investment interest income	1,825
Proceeds from fraud recovery	117,144
Other income	2,075
Gain on sale of fixed assets	<u>(182)</u>
Total non operating revenues	<u>120,862</u>

Income (loss) before contributions	(78,584)
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**CAPITAL CONTRIBUTIONS**

	<u>82,755</u>
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Change in net assets	4,171
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Net assets, beginning	<u>3,205,280</u>
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Net assets, ending	<u><u>\$ 3,209,451</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, 2010**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from dwelling and non dwelling rents	\$ 371,046
Cash received from operating grants	1,634,293
Cash payments to other suppliers of goods and services	(1,515,743)
Cash payments to employees for services	<u>(527,437)</u>
Net cash (used) by operating activities	<u>(37,841)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Fraud recovery	224,144
Tenant security deposits	1,154
Other revenue	<u>2,075</u>
Net cash provided by noncapital financing activities	<u>227,373</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING</b>	
Loss on sale of fixed assets	(182)
Capital grants	82,755
Payments for capital acquisitions	<u>(83,454)</u>
Net cash (used) by capital and related financing activities	<u>(881)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Restricted cash decreased	99,106
Investments (increased)	(193,389)
Receipts of interest income	<u>1,852</u>
Net cash (used) by investing activities	<u>(92,431)</u>
Net increase (decrease) in cash	96,220
Cash and cash equivalents, beginning	<u>226,011</u>
Cash and cash equivalents, ending	<u><u>\$ 322,231</u></u>

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2010**

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

Operating income (loss)	\$ (199,446)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	329,733
Allowance for obsolete inventory	238
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	1,443
Prepaid expenses	(10,066)
Inventories	(4,750)
Increase (decrease) in liabilities:	
Accounts payable	(9,569)
Other current liabilities	1,074
Accrued wage/payroll taxes payable	4,130
Deferred revenues	<u>(150,628)</u>
Net cash (used) by operating activities	<u>\$ (37,841)</u>

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Notes to Financial Statements**  
**December 31, 2010**

**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 these 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 Depository 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, 2010, 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, 2010.

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	\$ 347,575	\$ 347,575	\$ 0	\$ 0	\$ 320,693
Savings	1,440	1,440	0	0	1,440
	<u>\$ 349,015</u>	<u>\$ 349,015</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 322,133</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, 2010. 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	\$ 9,351	\$ 9,351	\$ 0	\$ 9,006	\$ 9,006
Certificate of deposits	214,329	214,329	0	214,329	214,329
Fixed income securities	111,331	111,331	0	111,331	111,331
	<u>\$ 335,011</u>	<u>\$ 335,011</u>	<u>\$ 0</u>	<u>\$ 334,666</u>	<u>\$ 334,666</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	322,133
Investments	334,666
Total	<u>\$ 656,899</u>

Cash and investments:	
Enterprise activities	\$ 684,031
Enterprise activities – deposits in transit	0
Enterprise activities – checks written in excess of deposits	(27,132)
Total	<u>\$ 656,899</u>

### 3(b) Receivables

Receivables detail at December 31, 2010, is as follows:

Tenant accounts receivable	\$ 410
Accrued interest receivable	345
	<u>\$ 755</u>

### 3(c) Prepaid Expenses

Prepaid detail at December 31, 2010, is as follows:

Prepaid insurance	\$ 16,285
Prepaid conferences and training seminars	810
Prepaid health insurance	4,465
Prepaid protective services	218
Prepaid other	1,256
	<u>\$ 23,034</u>

### 3(d) Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance 12/31/09</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/10</u>
<b>Low Rent Program</b>				
Land	\$ 26,384	\$ 0	\$ 0	\$ 26,384
Buildings	7,805,907	0	0	7,805,907
Furniture, equipment & machinery - dwellings	75,531	0	(14,115)	61,416
Furniture, equipment & machinery - administration	283,465	747	(1,440)	282,772
Site improvements	1,774,497	0	0	1,774,497
	<u>9,965,784</u>	<u>\$ 747</u>	<u>\$ (15,555)</u>	<u>9,950,976</u>
Less accumulated depreciation	<u>(7,280,298)</u>	<u>\$ (309,326)</u>	<u>\$ 15,506</u>	<u>(7,574,118)</u>
Total	<u>\$ 2,685,486</u>			<u>\$ 2,376,858</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equipment & machinery - administration	\$ 17,720	<u>\$ 0</u>	<u>\$ (17,720)</u>	\$ 0
Less accumulated depreciation	<u>(17,648)</u>	<u>\$ (72)</u>	<u>\$ 17,720</u>	<u>0</u>
Total	<u>\$ 72</u>			<u>\$ 0</u>
<b>Capital Fund Program</b>				
Buildings	\$ 85,879	\$ 67,570	\$ 0	\$ 153,449
Furniture, equipment & machinery - dwelling	70,138	15,185	0	85,323
	<u>156,017</u>	<u>\$ 82,755</u>	<u>\$ 0</u>	<u>238,772</u>
Less accumulated depreciation	<u>(5,511)</u>	<u>\$ (20,335)</u>	<u>\$ 0</u>	<u>(25,846)</u>
Total	<u>\$ 150,506</u>			<u>\$ 212,926</u>
<b>Combined Totals</b>				<u>\$ 2,589,784</u>

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

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

Business-type activities:	
Low Rent Program	\$ 309,326
Housing Choice Voucher Program	72
Capital Fund Program	20,335
	<u>\$ 329,733</u>

### 3(e) Accounts Payable

Payable detail at December 31, 2010, is as follows:

Accounts payable-vendors	\$ 264
Other current liabilities-FSS escrow deposits	7,520
	<u>\$ 7,784</u>

### 3(f) Accrued Expenses

Accrued expense detail at December 31, 2010, is as follows:

Accrued wage/payroll taxes payable	<u>\$ 16,845</u>
------------------------------------	------------------

### 3(g) Deferred revenues

Tenant prepaid rent-low rent program	\$ 1,378
FSS-low rent program	1,832
Stimulus monies (ARRA)	167
	<u>\$ 3,377</u>

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

*Interprogram Receivable/Payable*

Low Rent Program	\$ (228)
Housing Choice Voucher Program	228
	<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, 2010. 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 2010 was \$30,776. Covered wages in 2010 totaled \$395,089.

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, 2010, 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	\$ 47,050
2009 CFRG	279,658	251,058
2010 CFP	235,189	0

**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) Fraud Recovery**

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. During 2010 the Housing Authority received a total of \$214,000 from the former executive director as reimbursement of amounts owing in compliance with instructions received from the Assistant U.S. Attorney. The Housing Authority purchased a short-term Certificate of Deposit with a balance of \$214,329 as of December 31, 2010. The Housing Authority is awaiting approval from HUD to use these funds for capital needs. The Housing Authority, on May 25, 2010, received a letter from the U.S. Department of Justice stating that the defendant (the former executive director) pled guilty to the charges of theft in programs receiving federal funds and therefore avoided a trial.

**SUPPLEMENTARY INFORMATION**

**Housing Authority of the County of Delaware**  
**Combining Statement of Net Assets by Program**  
**December 31, 2010**

	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant	Totals
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 255,712	\$ 66,352	\$ 167	\$ 322,231
Receivables, net	755	0	0	755
Investments-unrestricted	327,686	0	0	327,686
Investments-restricted	0	6,980	0	6,980
Prepaid expenses	23,034	0	0	23,034
Inventories, net	5,789	0	0	5,789
Due from other programs	0	228	0	228
	<u>612,976</u>	<u>73,560</u>	<u>167</u>	<u>686,703</u>
Total current assets				
Capital assets:				
Land	26,384	0	0	26,384
Buildings	7,805,907	0	153,449	7,959,356
Equipment	344,188	0	85,322	429,510
Site improvements	1,774,497	0	0	1,774,497
	<u>9,950,976</u>	<u>0</u>	<u>238,771</u>	<u>10,189,747</u>
Less accumulated depreciation	<u>(7,574,117)</u>	<u>0</u>	<u>(25,846)</u>	<u>(7,599,963)</u>
	<u>2,376,859</u>	<u>0</u>	<u>212,925</u>	<u>2,589,784</u>
Net capital assets				
	<u>2,376,859</u>	<u>0</u>	<u>212,925</u>	<u>2,589,784</u>
Total Assets				
	<u>\$ 2,989,835</u>	<u>\$ 73,560</u>	<u>\$ 213,092</u>	<u>\$ 3,276,487</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Net Assets by Program**  
**(Continued)**  
**December 31, 2010**

	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant	Totals
<b>LIABILITIES and NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 576	\$ 7,208	\$ 0	\$ 7,784
Tenant security deposits	38,802	0	0	38,802
Accrued expenses	12,392	4,453	0	16,845
Deferred revenues	3,210	0	167	3,377
Due to other programs	228	0	0	228
 Total current liabilities	 <u>55,208</u>	 <u>11,661</u>	 <u>167</u>	 <u>67,036</u>
Net Assets:				
Invested in capital assets	2,376,859	0	212,925	2,589,784
Unrestricted net assets	557,768	61,899	0	619,667
 Total net assets	 <u>2,934,627</u>	 <u>61,899</u>	 <u>212,925</u>	 <u>3,209,451</u>
 Total Liabilities and Net Assets	 <u>\$ 2,989,835</u>	 <u>\$ 73,560</u>	 <u>\$ 213,092</u>	 <u>\$ 3,276,487</u>

**Housing Authority of the County of Delaware  
Combining Statement of Revenues, Expenses, and  
Changes in Net Assets by Program  
Year Ended December 31, 2010**

	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant	Totals
<b>OPERATING REVENUES:</b>				
Dwelling rent	\$ 368,728	\$ 0	\$ 0	\$ 368,728
Non dwelling rent	875	0	0	875
Operating grants	473,724	1,305,504	5,694	1,784,922
Total operating revenues	<u>843,327</u>	<u>1,305,504</u>	<u>5,694</u>	<u>2,154,525</u>
<b>OPERATING EXPENSES:</b>				
Administration	276,837	146,477	0	423,314
Tenant services	20,574	0	0	20,574
Utilities	148,947	0	0	148,947
Ordinary maintenance and operation	234,379	1,722	5,695	241,796
Protective services	11,574	0	0	11,574
Insurance	63,265	0	0	63,265
Housing assistance payments	0	1,114,768	0	1,114,768
Depreciation	309,326	72	20,335	329,733
Total operating expenses	<u>1,064,902</u>	<u>1,263,039</u>	<u>26,030</u>	<u>2,353,971</u>
Operating income (loss)	<u>(221,575)</u>	<u>42,465</u>	<u>(20,336)</u>	<u>(199,446)</u>
<b>NONOPERATING REVENUES :</b>				
Investment interest income	1,784	41	0	1,825
Proceeds from fraud recovery	106,936	10,208	0	117,144
Other income	135	1,940	0	2,075
Gain on sale of fixed assets	(182)	0	0	(182)
Total non operating revenues	<u>108,673</u>	<u>12,189</u>	<u>0</u>	<u>120,862</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>0</u>	<u>0</u>	<u>82,755</u>	<u>82,755</u>
Change in net assets	(112,902)	54,654	62,419	4,171
Net assets, beginning	<u>3,047,529</u>	<u>7,245</u>	<u>150,506</u>	<u>3,205,280</u>
Net assets, ending	<u>\$ 2,934,627</u>	<u>\$ 61,899</u>	<u>\$ 212,925</u>	<u>\$ 3,209,451</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Cash Flows by Program**  
**Year Ended December 31, 2010**

	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from dwelling and non dwelling rents	\$ 371,046	\$ 0	\$ 0	\$ 371,046
Cash received from operating grants	427,139	1,201,293	5,861	1,634,293
Cash payments to other suppliers of goods and services	(383,923)	(1,127,520)	(4,300)	(1,515,743)
Cash payments to employees for services	(393,698)	(132,345)	(1,394)	(527,437)
Net cash provided (used) by operating activities	<u>20,564</u>	<u>(58,572)</u>	<u>167</u>	<u>(37,841)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Inter program due from (to)	69,363	(69,363)	0	0
Fraud recovery	213,936	10,208	0	224,144
Tenant security deposits	1,154	0	0	1,154
Other revenue	135	1,940	0	2,075
Net cash provided (used) by noncapital financing activities	<u>284,588</u>	<u>(57,215)</u>	<u>0</u>	<u>227,373</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Loss on sale of fixed assets	(182)	0	0	(182)
Capital grants	0	0	82,755	82,755
Payments for capital acquisitions	(699)	0	(82,755)	(83,454)
Net cash (used) by capital and related financing activities	<u>(881)</u>	<u>0</u>	<u>0</u>	<u>(881)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Restricted cash (increased) decreased	47,630	51,476	0	99,106
Investments (increased)	(193,389)	0	0	(193,389)
Receipts of interest	1,811	41	0	1,852
Net cash provided (used) by investing activities	<u>(143,948)</u>	<u>51,517</u>	<u>0</u>	<u>(92,431)</u>
Net increase (decrease) in cash	160,323	(64,270)	167	96,220
Cash and cash equivalents, beginning	<u>95,389</u>	<u>130,622</u>	<u>0</u>	<u>226,011</u>
Cash and cash equivalents, ending	<u>\$ 255,712</u>	<u>\$ 66,352</u>	<u>\$ 167</u>	<u>\$ 322,231</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Cash Flows by Program**  
**(Continued)**  
**Year Ended December 31, 2010**

	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (221,575)	\$ 42,465	\$ (20,336)	\$ (199,446)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation	309,326	72	20,335	329,733
Allowance for obsolete inventory	238	0	0	238
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable-tenants	1,443	0	0	1,443
Prepaid expenses	(10,066)	0	0	(10,066)
Inventories	(4,750)	0	0	(4,750)
Increase (decrease) in liabilities:				
Accounts payable-vendors	(9,569)	0	0	(9,569)
Other current liabilities	(565)	1,639	0	1,074
Accrued wage/payroll taxes payable	2,667	1,463	0	4,130
Deferred revenues	(46,585)	(104,211)	168	(150,628)
Net cash provided (used) by operating activities	\$ 20,564	\$ (58,572)	\$ 167	\$ (37,841)

**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, 2010**

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 Nonmajor – Direct Program</u>		
2010	Low Rent Public Housing	14.850	\$ 473,724
	<u>Low Income Public Housing Major – Direct Program</u>		
2010	Housing Choice Vouchers	14.871	1,305,504
	<u>Public and Indian Housing Nonmajor – Direct Program</u>		
2010	Formula Capital Fund Stimulus Grant	14.885	<u>88,449</u>
	Total		<u>\$ 1,867,677</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, 2010**

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
	<b>ASSETS</b>			
	Current assets:			
111	Cash-unrestricted	\$ 216,910	\$ 59,144	\$ 0
112	Cash-restricted	0	0	167
114	Cash-tenant security deposit	38,802	0	0
115	Cash-restricted for payment of current liabilities	0	7,208	0
100	Total cash	<u>255,712</u>	<u>66,352</u>	<u>167</u>
	Receivables:			
126	A/R-tenants-dwelling rents	410	0	0
129	Accrued interest receivable	345	0	0
120	Total receivables, net	<u>755</u>	<u>0</u>	<u>0</u>
	Other Current Assets:			
131	Investments-unrestricted	327,686	0	0
132	Investments-restricted	0	6,980	0
142	Prepaid expenses	23,034	0	0
143	Inventories	6,094	0	0
143.1	Allowance for obsolete inventories	(305)	0	0
144	Interprogram-due from	0	228	0
	Total other current assets	<u>356,509</u>	<u>7,208</u>	<u>0</u>
150	Total current assets	<u>612,976</u>	<u>73,560</u>	<u>167</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	26,384	0	0
162	Buildings	7,805,907	0	153,449
163	Furn, equip & mach-dwelling	61,416	0	85,322
164	Furn, equip & mach-administration	282,772	0	0
165	Site improvements	1,774,497	0	0
166	Accumulated depreciation	(7,574,117)	0	(25,846)
160	Total fixed assets, net	<u>2,376,859</u>	<u>0</u>	<u>212,925</u>
180	Total non-current assets	<u>2,376,859</u>	<u>0</u>	<u>212,925</u>
190	Total Assets	<u>\$ 2,989,835</u>	<u>\$ 73,560</u>	<u>\$ 213,092</u>

Totals

\$ 276,054  
167  
38,802  
7,208  
322,231

410  
345  
755

327,686  
6,980  
23,034  
6,094  
(305)  
228  
363,717

686,703

26,384  
7,959,356  
146,738  
282,772  
1,774,497  
(7,599,963)  
2,589,784

2,589,784

\$ 3,276,487

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
(Continued)  
**Year Ended December 31, 2010**

FDS Line Item No.	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
<b>LIABILITIES and NET ASSETS</b>			
Liabilities:			
Current liabilities:			
312	\$ 264	\$ 0	\$ 0
321	0	4,453	0
341	38,802	0	0
342	3,210	0	167
345	312	7,208	0
346	12,392	0	0
347	228	0	0
310	<u>55,208</u>	<u>11,661</u>	<u>167</u>
300	<u>55,208</u>	<u>11,661</u>	<u>167</u>
Net assets:			
508.1	2,376,859	0	212,925
512.1	<u>557,768</u>	<u>61,899</u>	<u>0</u>
513	<u>2,934,627</u>	<u>61,899</u>	<u>212,925</u>
600	<u>\$ 2,989,835</u>	<u>\$ 73,560</u>	<u>\$ 213,092</u>

Totals

\$ 264  
4,453  
38,802  
3,377  
7,520  
12,392  
228  
67,036

67,036

2,589,784  
619,667  
3,209,451

\$ 3,276,487

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
(Continued)  
**Year Ended December 31, 2010**

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
	<b>Revenues:</b>			
70300	Net tenant rental revenue	\$ 368,728	\$ 0	\$ 0
70400	Tenant revenue-other	875	0	0
70500	Total tenant revenue	369,603	0	0
70600	HUD PHA operating grants	473,724	1,305,504	5,694
70610	Capital grants	0	0	82,755
71100	Investment income-unrestricted	1,784	41	0
71400	Fraud recovery	0	10,208	0
71500	Other income	135	1,940	0
71600	Gain or loss on the sale of fixed assets	(182)	0	0
72000	Investment income-restricted	106,936	0	0
70000	Total revenue	952,000	1,317,693	88,449
	<b>Expenses</b>			
	Administrative:			
91100	Salaries	138,352	102,291	0
91200	Auditing fees	8,500	0	0
91310	Book-keeping fee	8,094	5,659	0
91500	Employee benefit contributions	58,277	29,795	0
91600	Office expenses	7,357	444	0
91800	Travel	844	1,548	0
91900	Other	55,413	6,740	0
91000	Total operating-administrative	276,837	146,477	0
	Tenant services:			
91100	Salaries	19,244	0	0
92400	Other	1,330	0	0
92500	Total tenant services	20,574	0	0
	Utilities:			
93100	Water and sewer	71,492	0	0
93200	Electricity	9,208	0	0
93300	Gas	68,247	0	0
93000	Total utilities	148,947	0	0
	Ordinary maintenance and operation:			
94100	Labor	135,044	1,604	1,394
94200	Materials and other	41,600	118	1,248
94300	Contracts	20,722	0	3,053
94500	Employee benefit contributions	37,013	0	0
94000	Total maintenance	234,379	1,722	5,695

<u>Totals</u>	
\$	368,728
	<u>875</u>
	369,603
	1,784,922
	82,755
	1,825
	10,208
	2,075
	(182)
	<u>106,936</u>
	<u>2,358,142</u>

	240,643
	8,500
	13,753
	88,072
	7,801
	2,392
	<u>62,153</u>
	<u>423,314</u>

	19,244
	<u>1,330</u>
	<u>20,574</u>

	71,492
	9,208
	<u>68,247</u>
	<u>148,947</u>

	138,042
	42,966
	23,775
	<u>37,013</u>
	<u>241,796</u>

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2010**

FDS Line Item No.	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
<b>Expenses (continued):</b>			
Protective services:			
95100	Labor	6,785	0
95200	Other contract costs	3,140	0
95500	Employee benefit contributions	1,649	0
95000	Total protective services	<u>11,574</u>	<u>0</u>
Insurance:			
96110	Property insurance	63,265	0
96100	Total insurance premiums	<u>63,265</u>	<u>0</u>
96900	Total operating expenses	<u>755,576</u>	<u>148,199</u>
97000	Excess revenue over operating Expenses	<u>196,424</u>	<u>1,169,494</u>
Other expenses:			
97300	Housing assistance payments	0	1,114,768
97400	Depreciation expense	309,326	72
	Total other expenses	<u>309,326</u>	<u>1,114,840</u>
90000	Total expenses	<u>1,064,902</u>	<u>1,263,039</u>
10000	Excess (deficiency) of revenue over (under) expenses	(112,902)	54,654
11030	Beginning Net Assets	<u>3,047,529</u>	<u>7,245</u>
	Ending Net Assets	<u>\$ 2,934,627</u>	<u>\$ 61,899</u>
11190	Unit months available	1,944	
11210	Unit months leased	1,916	

Totals

6,785

3,140

1,649

11,574

63,265

63,265

909,470

1,448,672

1,114,768

329,733

1,444,501

2,353,971

4,171

3,205,280

\$ 3,209,451

Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686

**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 Housing Authority of the County of Delaware, Indiana (Housing Authority), as of and for the year ended December 31, 2010, and have issued my report thereon dated January 26, 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 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 *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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Housing Authority'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 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 the Board of Commissioners, management, others within the organization, 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*

January 26, 2011

Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686

**Independent Auditor's 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 Housing Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

***Compliance***

I have audited Housing Authority of the County of Delaware's, Indiana (the Housing Authority) 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 the Housing Authority's major federal program for the year ended December 31, 2010. The Housing Authority's major federal program's 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 its major federal program 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 compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2010.

### ***Internal Control over Compliance***

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 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 the Housing Authority'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 the Board of Commissioners, management, others within the organization 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*

January 26, 2011

**Housing Authority of the County of Delaware  
Status of Prior Audit Findings  
December 31, 2010**

There no prior year audit findings.

**Housing Authority of the County of Delaware  
Schedule of Findings and Questioned Costs  
December 31, 2010**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	none reported
Noncompliance material to financial statements noted?	no

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	none reported
Type of auditors' 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 <i>OMB Circular A-133</i> ?	no

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
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?	Yes

**Section II - Findings Related to the Financial Statements**

There were no findings which are required to be reported under *Government Auditing Standards*.

**Section III - Findings and Questioned Costs for Federal Awards**

There were no findings or questioned costs.