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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, 2011 to December 31, 2011. 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, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY OF THE COUNTY OF DELAWARE
MUNCIE, INDIANA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2011
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

HOUSING AUTHORITY OF THE COUNTY OF DELAWARE
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DECEMBER 31, 2011

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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, 2011, which 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, 2011, and the 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 March 25, 2012, 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 10 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 of the County of Delaware, Indiana's financial statements as a whole. The accompanying Housing Authority combining financial statements and financial data schedule are presented for the purpose of additional analysis and are 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

March 25, 2012

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Unaudited)**

As management of the Housing Authority of the County of Delaware we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the County of Delaware's financial activities for the fiscal year ended December 31, 2011. This discussion and analysis letter of the Housing Authority of the County of Delaware's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Housing Authority's federally funded programs and activities in one place. The Housing Authority reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Housing Authority's total net assets as of December 31, 2011 were \$3,234,295. The net assets increased by \$24,844, an increase of 0.8% over the prior fiscal year.

Revenues and contributions for the Housing Authority were \$2,195,236 for the fiscal year ended December 31, 2011. This was a decrease of \$162,906 or 6.9% from the prior fiscal year.

Expenses for the Housing Authority were \$2,241,339 for the fiscal year ended December 31, 2011. This was a decrease of \$112,632 or 4.8% from the prior fiscal year.

HUD operating grants were \$1,749,386 for the fiscal year ended December 31, 2011. This was a decrease of \$35,536 or 2.0% from the prior fiscal year. There were Capital contributions for the fiscal year of \$48,289 a decrease of \$34,466 from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Housing Authority's financial statements are presented as fund financial statements because the Authority only has proprietary funds.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

The *Statement of Net Assets* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Housing Authority's operations in more detail. The Housing Authority reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Continued)**

FUND STATEMENTS (Continued)

Low Rent Public Housing Program: Under this program, the Housing Authority rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Authority to lease these units at a rate that is based on 30% of the household income or a flat rent.

Capital Fund Program: Under this program, the Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Authority is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Authority administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Authority. The Housing Authority subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Authority to enable the Housing Authority to set the rental rates at 30% to 40% of a participant's income.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$3,234,295 at the close of the fiscal year ended December 31, 2011 an increase from \$3,209,451 in 2010. The increase in net assets of \$24,844 was due to the change in net assets for the fiscal year of \$(46,103) and a prior period adjustment of \$70,947.

The unrestricted net assets were \$489,587 as of December 31, 2011. Since the amount is positive it can be used to meet the Housing Authority's ongoing obligations. The Housing Authority had net assets classified as restricted in the amount of \$352,332 that are subject to external restrictions on how they may be used. The restricted asset is from excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Housing Authority is able to report positive a balance in unrestricted net assets in the Housing Choice Voucher Program in the amount of \$40,004.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Continued)**

FINANCIAL ANALYSIS (Continued)

**CONDENSED STATEMENTS OF NET ASSETS
December 31,**

	2011	2010	Dollar Change	Per Cent Change
Current and other assets	\$ 954,523	\$ 686,475	\$ 268,048	39.1%
Capital assets	2,392,376	2,589,784	(197,408)	(7.7)%
Total Assets	<u>3,346,899</u>	<u>3,276,259</u>	<u>70,640</u>	2.2%
Current liabilities	102,394	66,808	35,586	53.3%
Noncurrent liabilities	10,210	0	10,210	100.0%
Total Liabilities	<u>112,604</u>	<u>66,808</u>	<u>45,796</u>	68.6%
Net Assets:				
Invested in capital assets	2,392,376	2,589,784	(197,408)	(7.7)%
Restricted	352,332	0	352,332	100.0%
Unrestricted	489,587	619,667	(130,080)	(21.0)%
Total Net Assets	<u>\$ 3,234,295</u>	<u>\$ 3,209,451</u>	<u>\$ 24,844</u>	0.8%

Total current assets increase of \$268,048, due in large part, to positive cash flows of \$240,848 provided by operating activities.

Current liabilities increased by \$35,586, due in part, to a liability for accrued wages and payroll taxes being setup this fiscal year. Noncurrent liabilities increased by \$10,210 due to long term compensated absences being set up this fiscal year.

The largest portion of the Housing Authority's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Housing Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. Part of the net asset amount is restricted for the amount that HUD overfunded the Housing Choice Voucher Program.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Continued)**

FINANCIAL ANALYSIS (Continued)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

	<u>12/31/11</u>	<u>12/31/10</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues and contributions				
Operating, non operating, capital contributions:				
Tenant Revenue	\$ 374,568	\$ 368,728	\$ 5,840	1.6%
Non dwelling rent	9,665	875	8,790	1,004.6%
Total PHA generated Revenue	384,233	369,603	14,630	4.0%
HUD operating grants	1,749,386	1,784,922	(35,536)	(2.0)%
Capital contributions	48,289	82,755	(34,466)	(41.7)%
Other income	10,641	2,075	8,566	412.9%
Proceeds from fraud recovery	7,562	117,144	(109,582)	(93.6)%
Loss on sale of fixed assets	(6,514)	(182)	(6,332)	(3,479.2)%
Interest income	1,639	1,825	(186)	(10.2)%
Total Revenues and Contributions	<u>2,195,236</u>	<u>2,358,142</u>	<u>(162,906)</u>	<u>(6.9)%</u>
Expenses				
Personnel services	562,272	531,448	30,824	5.8%
Tenant services	2,851	1,330	1,521	114.4%
Utilities	160,000	148,947	11,053	7.5%
Maintenance	108,910	66,741	42,169	63.2%
Protective services	5,293	3,140	2,153	68.6%
Insurance	51,260	63,265	(12,005)	(19.0)%
Other supplies and expenses	110,127	94,599	15,528	16.5%
Housing Assistance Payments	924,871	1,114,768	(189,897)	(17.1)%
Depreciation	315,755	329,733	(13,978)	(4.3)%
Total Expenses	<u>2,241,339</u>	<u>2,353,971</u>	<u>(112,632)</u>	<u>(4.8)%</u>
Change in net assets	(46,103)	4,171	(50,274)	
Prior period adjustments	70,947	0	70,947	
Beginning net assets	3,209,451	3,205,280	4,171	
Ending net assets	<u>\$ 3,234,295</u>	<u>\$ 3,209,451</u>	<u>\$ 24,844</u>	

Revenues:

As can be seen in the above table total revenues and contributions decreased by \$162,906, in part, due to a decrease in Federal grants by \$70,002 due to mostly to the operating subsidy being \$70,417 less than the prior fiscal year. Also, there was \$109,582 less in proceeds from fraud recovery compared to the prior fiscal year.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Continued)**

FINANCIAL ANALYSIS (Continued)

Revenues Continued:

Housing Authority of the County of Delaware's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. For fiscal year ending December 31, 2011, revenue generated by the Housing Authority accounted for \$384,233 (or 17% of total revenue), while HUD contributions accounted for \$1,797,675 (or 82% of total revenue).

Expenses:

Total expenses for the fiscal year ending December 31, 2011 were \$2,241,339 while for the fiscal year ending June 30, 2010 they were \$2,353,971. This represents a 4.8% decrease in our operating costs. The expenses decreased, in large part, due to HAP payments to landlords decreasing by \$189,897 this fiscal year. Other increases were due to cost of living increases to personnel costs, increases to maintenance contract and material costs, and increases to water and sewer costs.

The following represents changes in Federal Assistance received:

	12/31/11	12/31/10	Dollar Change	Per Cent Change
Public Housing Operating Subsidy	\$ 403,307	\$ 473,724	\$ (70,417)	(14.9)%
Capital Fund Program	39,445	0	39,445	100.0%
Section 8 Housing Choice Voucher Program	1,341,286	1,305,504	35,782	2.8%
Formula Capital Fund Stimulus Grant	13,637	88,449	(74,812)	(84.6)%
Total	<u>\$ 1,797,675</u>	<u>\$ 1,867,677</u>	<u>\$ (70,002)</u>	<u>(3.8)%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing decreased mainly due HUD decreasing the percentage of subsidy funded. The increase in the Capital Fund Program was due to the fact that some work projects had started this fiscal year. The Voucher funding increased slightly due to HUD overfunding the Housing Authority. The Stimulus Grant is a one-time grant and received \$13,637 in the current fiscal year from the total of \$279,658 the Housing Authority was to receive.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Continued)**

FINANCIAL ANALYSIS (Continued)

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending December 31, 2011 was presented to and approved by the Board of Commissioners. Actual results were in line with the revised budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Housing Authority of the County of Delaware provided the following housing for low-income individuals and families:

	12/31/11	12/31/10
Low Rent Public Housing Program	162	162
Section 8 Housing Choice Voucher Program	211	211

The Low Rent Program had no vacancies as of December 31, 2011.

CAPITAL ASSETS

The Housing Authority of the County of Delaware's investment in capital assets, as of December 31, 2011 amounts to \$2,392,376 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
December 31,**

	2011	2010	Dollar Change
Land	\$ 26,384	\$ 26,384	\$ 0
Buildings	7,805,907	7,959,356	(153,449)
Furniture, equipment and machinery			
- dwellings	231,112	146,739	84,373
Furniture, equipment and machinery			
- administration	299,905	282,772	17,133
Site improvements	1,774,497	1,774,497	0
Construction in progress	192,364	0	192,364
	10,330,169	10,189,748	140,421
Accumulated depreciation	(7,937,793)	(7,599,964)	(337,829)
Total	\$ 2,392,376	\$ 2,589,784	\$ (197,408)

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2011
(Continued)**

CAPITAL ASSETS (Continued)

Capital assets decreased by \$197,408, because of capital outlays of \$118,347 and depreciation of \$(315,755).

During the fiscal year ending December 31, 2011, our Capital Fund Program work projects included:

Self storage rent payments; kitchen improvements including tiling, refrigerators, painting, and cabinets.

Capital projects planned for the next fiscal year include continuing kitchen improvements and a roofing project for all 162 units.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Authority is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Authority remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

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).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Housing 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
2401 South Haddix Avenue
Muncie, Indiana 47302-7547

FINANCIAL STATEMENTS

Housing Authority of the County of Delaware
Statement of Net Assets
December 31, 2011

ASSETS

Current Assets:

Cash and cash equivalents	\$ 335,497
Cash-restricted	352,332
Receivables, net	19,882
Investments	225,494
Prepaid expenses	19,986
Inventories, net	1,332
Total Current Assets	954,523

Capital Assets:

Land	26,384
Buildings	7,805,907
Equipment	531,017
Site improvements	1,774,497
Construction in progress	192,364
	10,330,169
Less: accumulated depreciation	(7,937,793)
Net Capital Assets	2,392,376

Total Assets \$ 3,346,899

LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 15,839
Tenant security deposits	39,818
Accrued expenses	16,988
Deferred revenues	29,749
Total Current Liabilities	102,394

Noncurrent Liabilities-FSS escrow 10,210

Total Liabilities 112,604

Net Assets:

Invested in capital assets	2,392,376
Restricted net assets	352,332
Unrestricted net assets	489,587
Total Net Assets	3,234,295

Total Liabilities and Net Assets \$ 3,346,899

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, 2011

OPERATING REVENUES:	
Dwelling rent	\$ 374,568
Non dwelling rent	9,665
Operating grants	<u>1,749,386</u>
Total operating revenues	<u>2,133,619</u>
OPERATING EXPENSES:	
Administration	447,840
Tenant services	60,312
Utilities	160,000
Maintenance	257,977
Protective services	9,133
Insurance	51,260
General expenses	8,591
Extraordinary maintenance	5,600
Housing assistance payments	924,871
Depreciation	<u>315,755</u>
Total operating expenses	<u>2,241,339</u>
Operating income (loss)	<u>(107,720)</u>
NONOPERATING REVENUES:	
Investment interest income	1,639
Proceeds from fraud recovery	7,562
Other income	10,641
Gain on sale of fixed assets	<u>(6,514)</u>
Total non operating revenues	<u>13,328</u>
Income (loss) before contributions	(94,392)
CAPITAL CONTRIBUTIONS	<u>48,289</u>
Change in net assets	(46,103)
Prior period adjustments	70,947
Net assets, beginning	<u>3,209,451</u>
Net assets, ending	<u><u>\$ 3,234,295</u></u>

See notes to financial statements

Housing Authority of the County of Delaware
Statement of Cash Flows
Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$ 379,748
Cash received from operating grants	1,760,622
Cash payments to other suppliers of goods and services	(1,349,785)
Cash payments to employees for services	<u>(549,737)</u>

Net cash provided by operating activities 240,848

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Prior period adjustment	70,947
Fraud recovery	7,562
Tenant security deposits	1,016
Other revenue	<u>10,641</u>

Net cash provided by noncapital financing activities 90,166

CASH FLOW FROM CAPITAL AND RELATED FINANCING

Loss on sale of fixed assets	(6,514)
Capital grants	48,289
Payments for capital acquisitions	<u>(118,347)</u>

Net cash (used) by capital and related financing activities (76,572)

CASH FLOWS FROM INVESTING ACTIVITIES:

Restricted cash (increased)	(352,332)
Investments decreased	109,172
Receipts of interest income	<u>1,984</u>

Net cash (used) by investing activities (241,176)

Net increase (decrease) in cash 13,266

Cash and cash equivalents, beginning 322,231

Cash and cash equivalents, ending \$ 335,497

Housing Authority of the County of Delaware
Statement of Cash Flows (Continued)
Year Ended December 31, 2011

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

Operating income (loss)	\$ (107,720)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	315,755
Bad debt allowance	149
Allowance for obsolete inventory	(235)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(2,563)
Accounts receivable-HUD	(17,058)
Prepaid expenses	3,048
Inventories	4,692
Increase (decrease) in liabilities:	
Accounts payable	4,172
Other current liabilities	1,701
Accrued wage/payroll taxes payable	12,535
Deferred revenues	26,372
	<hr/>
Net cash provided by operating activities	<u>\$ 240,848</u>

Housing Authority of the County of Delaware
Notes to Financial Statements
December 31, 2011

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 Authorityer'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:

Program	Brief Description
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:

Program	Required By
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, 2011, 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, 2011.

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	\$ 589,207	\$ 428,733	\$ 160,474	\$ 0	\$ 576,826
Certificate of deposits	110,903	35,097	75,806	0	110,903
	<u>\$ 700,110</u>	<u>\$ 463,830</u>	<u>\$ 236,280</u>	<u>\$ 0</u>	<u>\$ 687,729</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, 2011. 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)

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Money market account	\$ 10,591	\$ 0	\$ 0	\$ 10,591	\$ 10,591
Certificate of deposits	214,903	0	0	214,903	214,903
	<u>\$ 225,494</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 225,494</u>	<u>\$ 225,494</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	687,729
Investments	225,494
Total	<u>\$ 913,323</u>

Cash and investments:	
Enterprise activities	\$ 930,014
Enterprise activities – deposits in transit	0
Enterprise activities – checks written in excess of deposits	(16,691)
Total	<u>\$ 913,323</u>

3(b) Receivables

Receivables detail at December 31, 2011, is as follows:

Accounts receivable-HUD	\$ 17,058
Accounts receivable-tenants	2,973
Allowance for doubtful accounts	(149)
	<u>\$ 19,882</u>

3(c) Prepaid Expenses

Prepaid detail at December 31, 2011, is as follows:

Prepaid insurance	<u>\$ 19,986</u>
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3(d) Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Balance 12/31/10</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/11</u>
Low Rent Program				
Land	\$ 26,384	\$ 0	\$ 0	\$ 26,384
Buildings	7,805,907	0	0	7,805,907
Furniture, equipment & machinery - dwellings	61,416	169,696	0	231,112
Furniture, equipment & machinery - administration	282,772	0	(587)	282,185
Site improvements	1,774,497	0	0	1,774,497
Construction in progress	0	192,364	0	192,364
	<u>9,950,976</u>	<u>\$ 362,060</u>	<u>\$ (587)</u>	<u>10,312,449</u>
Less accumulated depreciation	<u>(7,574,118)</u>	<u>\$ (309,326)</u>	<u>\$ 15,506</u>	<u>(7,920,073)</u>
Total	<u>\$ 2,376,858</u>			<u>\$ 2,392,376</u>
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$ 0	<u>\$ 17,720</u>	<u>\$ 0</u>	\$ 17,720
Less accumulated depreciation	<u>0</u>	<u>\$ (17,720)</u>	<u>\$ 0</u>	<u>(17,720)</u>
Total	<u>\$ 0</u>			<u>\$ 0</u>
Capital Fund Program				
Buildings	\$ 153,449	\$ 0	\$ (153,449)	\$ 0
Furniture, equipment & machinery - dwelling	85,323	0	(85,323)	0
	<u>238,772</u>	<u>\$ 0</u>	<u>\$ (238,772)</u>	<u>0</u>
Less accumulated depreciation	<u>(25,846)</u>	<u>\$ 0</u>	<u>\$ 25,846</u>	<u>0</u>
Total	<u>\$ 212,926</u>			<u>\$ 0</u>
Combined Totals				<u>\$ 2,392,376</u>

3(d) Capital assets (Continued)

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

Business-type activities:		
Low Rent Program	\$	314,562
Capital Fund Program		1,193
	\$	<u>315,755</u>

3(e) Accounts Payable

Payable detail at December 31, 2011, is as follows:

Accounts payable-vendors	\$	4,436
Other current liabilities		11,403
	\$	<u>15,839</u>

3(f) Accrued Expenses

Accrued expense detail at December 31, 2011, is as follows:

Accrued wage/payroll taxes payable	\$	<u>16,988</u>
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3(g) Deferred revenues

Tenant prepaid rent-low rent program	\$	1,453
Resident Opportunity and Supportive Services		28,294
Stimulus monies (ARRA)		2
	\$	<u>29,749</u>

3(h) Inter program Transactions and Balance

Interprogram Receivable/Payable

<u>Due From</u>	<u>Due to</u>	<u>Amount</u>
Low Rent Program	Housing Choice Voucher Program	\$ 665
Housing Choice Voucher Program	Low Rent Program	32,444
		<u>\$ 33,109</u>

3(i) Non-current Liabilities

As of March 31, 2011, the non-current liabilities are comprised of the following:

FSS escrow - Noncurrent portion	\$ 12,045
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The following is a summary of changes in non-current liabilities for the year ended March 31, 2011:

	Balance 12/31/10	Additions	Deductions	Balance 12/31/11	Amounts Due within One Year
Accrued compensated absences	\$ 7,520	\$ 4,525	\$ 0	\$ 12,045	\$ 0

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, 2011. 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 2011 was \$29,540. Covered wages in 2011 totaled \$381,154.

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, 2011, the Housing Authority had the following pending construction projects in progress:

	LOCCS Authorized	LOCCS Disbursed
2009 CFP	\$ 219,780	\$ 86,550
2009 CFRG	279,658	264,283
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) Prior Period Adjustments

The prior year fixed assets were corrected in the amount of \$70,947 in the Low Rent Program.

SUPPLEMENTARY INFORMATION

Housing Authority of the County of Delaware
Combining Statement of Net Assets by Program
December 31, 2011

	Low Rent Program	Housing Choice Voucher Program	Resident Opportunity and Supportive Services	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 248,990	\$ 58,213	\$ 28,294	\$ 335,497
Cash-restricted	0	352,332	0	352,332
Receivables, net	2,824	17,058	0	19,882
Investments	217,862	7,632	0	225,494
Prepaid expenses	19,986	0	0	19,986
Inventories, net	1,332	0	0	1,332
Due from other programs	32,444	665	0	33,109
	<u>523,438</u>	<u>435,900</u>	<u>28,294</u>	<u>987,632</u>
Total current assets				
Capital assets:				
Land	26,384	0	0	26,384
Buildings	7,805,907	0	0	7,805,907
Equipment	513,297	17,720	0	531,017
Site improvements	1,774,497	0	0	1,774,497
Construction in progress	192,364	0	0	192,364
	<u>10,312,449</u>	<u>17,720</u>	<u>0</u>	<u>10,330,169</u>
Less accumulated depreciation	<u>(7,920,073)</u>	<u>(17,720)</u>	<u>0</u>	<u>(7,937,793)</u>
	<u>2,392,376</u>	<u>0</u>	<u>0</u>	<u>2,392,376</u>
Net capital assets				
	<u>2,392,376</u>	<u>0</u>	<u>0</u>	<u>2,392,376</u>
Total Assets	<u>\$ 2,915,814</u>	<u>\$ 435,900</u>	<u>\$ 28,294</u>	<u>\$ 3,380,008</u>

Housing Authority of the County of Delaware
Combining Statement of Net Assets by Program
(Continued)
December 31, 2011

	Low Rent Program	Housing Choice Voucher Program	Resident Opportunity and Supportive Services	Totals
LIABILITIES and NET ASSETS				
Current liabilities:				
Accounts payable	\$ 15,378	\$ 461	\$ 0	\$ 15,839
Tenant security deposits	39,818	0	0	39,818
Accrued expenses	13,961	3,027	0	16,988
Deferred revenues	1,455	0	28,294	29,749
Due to other programs	665	32,444	0	33,109
	71,277	35,932	28,294	135,503
Total current liabilities				
Noncurrent liabilities:				
FSS escrow	2,578	7,632	0	10,210
	73,855	43,564	28,294	145,713
Total liabilities				
Net Assets:				
Invested in capital assets	2,392,376	0	0	2,392,376
Restricted net assets	0	352,332	0	352,332
Unrestricted net assets	449,583	40,004	0	489,587
	2,841,959	392,336	0	3,234,295
Total net assets				
Total Liabilities and Net Assets				
	\$ 2,915,814	\$ 435,900	\$ 28,294	\$ 3,380,008

Housing Authority of the County of Delaware
Combining Statement of Revenues, Expenses, and
Changes in Net Assets by Program
Year Ended December 31, 2011

	Low Rent Program	Housing Choice Voucher Program	Resident Opportunity and Supportive Services	Totals
OPERATING REVENUES:				
Dwelling rent	\$ 374,568	\$ 0	\$ 0	\$ 374,568
Non dwelling rent	9,665	0	0	9,665
Operating grants	408,100	1,341,286	0	1,749,386
Total operating revenues	<u>792,333</u>	<u>1,341,286</u>	<u>0</u>	<u>2,133,619</u>
OPERATING EXPENSES:				
Administration	348,955	98,885	0	447,840
Tenant services	60,312	0	0	60,312
Utilities	160,000	0	0	160,000
Maintenance	257,977	0	0	257,977
Protective services	9,133	0	0	9,133
Insurance	51,260	0	0	51,260
General expenses	7,782	809	0	8,591
Extraordinary maintenance	5,600	0	0	5,600
Housing assistance payments	0	924,871	0	924,871
Depreciation	315,755	0	0	315,755
Total operating expenses	<u>1,216,774</u>	<u>1,024,565</u>	<u>0</u>	<u>2,241,339</u>
Operating income (loss)	<u>(424,441)</u>	<u>316,721</u>	<u>0</u>	<u>(107,720)</u>
NONOPERATING REVENUES :				
Investment interest income	1,610	29	0	1,639
Proceeds from fraud recovery	0	7,562	0	7,562
Other income	4,516	6,125	0	10,641
Gain on sale of fixed assets	(6,514)	0	0	(6,514)
Total non operating revenues	<u>(388)</u>	<u>13,716</u>	<u>0</u>	<u>13,328</u>
CAPITAL CONTRIBUTIONS	<u>48,289</u>	<u>0</u>	<u>0</u>	<u>48,289</u>
Change in net assets	(376,540)	330,437	0	(46,103)
Prior period adjustments	70,947	0	0	70,947
Net assets, beginning	<u>3,147,552</u>	<u>61,899</u>	<u>0</u>	<u>3,209,451</u>
Net assets, ending	<u>\$ 2,841,959</u>	<u>\$ 392,336</u>	<u>\$ 0</u>	<u>\$ 3,234,295</u>

Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
Year Ended December 31, 2011

	Low Rent Program	Housing Choice Voucher Program	Resident Opportunity and Supportive Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from dwelling and non dwelling rents	\$ 379,748	\$ 0	\$ 0	\$ 379,748
Cash received from operating grants	408,100	1,324,228	28,294	1,760,622
Cash payments to other suppliers of goods and services	(410,652)	(939,133)	0	(1,349,785)
Cash payments to employees for services	(463,764)	(85,973)	0	(549,737)
Net cash provided (used) by operating activities	<u>(86,568)</u>	<u>299,122</u>	<u>28,294</u>	<u>240,848</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Inter program due from (to)	(32,007)	32,007	0	0
Prior period adjustment	70,947	0	0	70,947
Fraud recovery	0	7,562	0	7,562
Tenant security deposits	1,016	0	0	1,016
Other revenue	4,516	6,125	0	10,641
Net cash provided by noncapital financing activities	<u>44,472</u>	<u>45,694</u>	<u>0</u>	<u>90,166</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loss on sale of fixed assets	(6,514)	0	0	(6,514)
Capital grants	48,289	0	0	48,289
Payments for capital acquisitions	(118,347)	0	0	(118,347)
Net cash (used) by capital and related financing activities	<u>(76,572)</u>	<u>0</u>	<u>0</u>	<u>(76,572)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Restricted cash (increased) decreased	0	(352,332)	0	(352,332)
Investments (increased) decreased	109,824	(652)	0	109,172
Receipts of interest	1,955	29	0	1,984
Net cash provided (used) by investing activities	<u>111,779</u>	<u>(352,955)</u>	<u>0</u>	<u>(241,176)</u>
Net increase (decrease) in cash	(6,889)	(8,139)	28,294	13,266
Cash and cash equivalents, beginning	255,879	66,352	0	322,231
Cash and cash equivalents, ending	<u>\$ 248,990</u>	<u>\$ 58,213</u>	<u>\$ 28,294</u>	<u>\$ 335,497</u>

Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
(Continued)
Year Ended December 31, 2011

	Low Rent Program	Housing Choice Voucher Program	Resident Opportunity And Supportive Services	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (424,441)	\$ 316,721	\$ 0	\$ (107,720)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation	315,755	0	0	315,755
Bad debt allowance	149	0	0	149
Allowance for obsolete inventory	(235)	0	0	(235)
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable-tenants	(2,563)	0	0	(2,563)
Accounts receivable-HUD	0	(17,058)	0	(17,058)
Prepaid expenses	3,048	0	0	3,048
Inventories	4,692	0	0	4,692
Increase (decrease) in liabilities:				
Accounts payable-vendors	4,172	0	0	4,172
Other current liabilities	816	885	0	1,701
Accrued wage/payroll taxes payable	13,961	(1,426)	0	12,535
Deferred revenues	(1,922)	0	28,294	26,372
Net cash provided (used) by operating activities	\$ (86,568)	\$ 299,122	\$ 28,294	\$ 240,848

**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, 2011**

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>		
2011	Low Rent Public Housing	14.850	\$ 403,307
	<u>Low Income Public Housing Major – Direct Program</u>		
2011	Housing Choice Vouchers	14.871	1,341,286
	<u>Public and Indian Housing Nonmajor – Direct Program</u>		
2011	Capital Fund Program	14.872	39,445
	<u>Public and Indian Housing Nonmajor – Direct Program</u>		
2011	Formula Capital Fund Stimulus Grant	14.885	<u>13,637</u>
	Total		<u><u>\$ 1,797,675</u></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, 2011

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
	ASSETS			
	Current assets:			
111	Cash-unrestricted	\$ 209,170	\$ 58,213	\$ 2
113	Cash-other restricted	0	352,332	0
114	Cash-tenant security deposit	39,818	0	0
100	Total cash	<u>248,988</u>	<u>410,545</u>	<u>2</u>
	Receivables:			
122	A/R-HUD	0	17,058	0
126	A/R-tenants-dwelling rents	2,973	0	0
126.1	Allowance for doubtful accounts	(149)	0	0
120	Total receivables, net	<u>2,824</u>	<u>17,058</u>	<u>0</u>
	Other Current Assets:			
131	Investments-unrestricted	215,284	0	0
132	Investments-restricted	2,578	7,632	0
142	Prepaid expenses	19,986	0	0
143	Inventories	1,402	0	0
143.1	Allowance for obsolete inventories	(70)	0	0
144	Interprogram-due from	32,444	665	0
	Total other current assets	<u>271,624</u>	<u>8,297</u>	<u>0</u>
150	Total current assets	<u>523,436</u>	<u>435,900</u>	<u>2</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	26,384	0	0
162	Buildings	7,805,907	0	0
163	Furn, equip & mach-dwelling	231,112	0	0
164	Furn, equip & mach-administration	282,185	17,720	0
165	Site improvements	1,774,497	0	0
166	Accumulated depreciation	(7,920,073)	(17,720)	0
167	Construction in progress	192,364	0	0
160	Total fixed assets, net	<u>2,392,376</u>	<u>0</u>	<u>0</u>
180	Total non-current assets	<u>2,392,376</u>	<u>0</u>	<u>0</u>
190	Total Assets	<u>\$ 2,915,812</u>	<u>\$ 435,900</u>	<u>\$ 2</u>

Resident Opportunity and Supportive Services	Totals
\$ 28,294	\$ 295,679
0	352,332
0	39,818
<u>28,294</u>	<u>687,829</u>
0	17,058
0	2,973
0	(149)
<u>0</u>	<u>19,882</u>
0	215,284
0	10,210
0	19,986
0	1,402
0	(70)
0	33,109
<u>0</u>	<u>279,921</u>
<u>28,294</u>	<u>987,632</u>
0	26,384
0	7,805,907
0	231,112
0	299,905
0	1,774,497
0	(7,937,793)
0	192,364
<u>0</u>	<u>2,392,376</u>
<u>0</u>	<u>2,392,376</u>
<u>\$ 28,294</u>	<u>\$ 3,380,008</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2011

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
	LIABILITIES and NET ASSETS			
	Liabilities:			
	Current liabilities:			
312	Accounts payable<=90 days	\$ 4,436	\$ 0	\$ 0
321	Accrued wage/payroll taxes payable	13,961	3,027	0
341	Tenant security deposits	39,818	0	0
342	Deferred revenues	1,453	0	2
345	Other current liabilities	10,942	461	0
347	Inter program due to	665	32,444	0
310	Total current liabilities	<u>71,275</u>	<u>35,932</u>	<u>2</u>
	Noncurrent liabilities:			
353	Non-current liabilities-other	<u>2,578</u>	<u>7,632</u>	<u>0</u>
300	Total liabilities	<u>73,853</u>	<u>43,564</u>	<u>2</u>
	Net assets:			
508.1	Invested in capital assets	2,392,376	0	0
511.1	Restricted net assets	0	352,332	
512.1	Unrestricted net assets	449,583	40,004	0
513	Total net assets	<u>2,841,959</u>	<u>392,336</u>	<u>0</u>
600	Total Liabilities and Net Assets	<u>\$ 2,915,812</u>	<u>\$ 435,900</u>	<u>\$ 2</u>

Resident Opportunity and Supportive Services	Totals
\$ 0	\$ 4,436
0	16,988
0	39,818
28,294	29,749
0	11,403
0	33,109
<u>28,294</u>	<u>135,503</u>
0	10,210
<u>28,294</u>	<u>145,713</u>
0	2,392,376
0	352,332
0	489,587
<u>0</u>	<u>3,234,295</u>
<u>\$ 28,294</u>	<u>\$ 3,380,008</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2011

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
	Revenues:			
70300	Net tenant rental revenue	\$ 374,568	\$ 0	\$ 0
70400	Tenant revenue-other	9,665	0	0
70500	Total tenant revenue	384,233	0	0
70600	HUD PHA operating grants	403,307	1,341,286	4,263
70610	Capital grants	0	0	9,374
71100	Investment income-unrestricted	1,610	8	0
71400	Fraud recovery	0	7,562	0
71500	Other income	4,516	6,125	0
71600	Gain or loss on the sale of fixed assets	(6,514)	0	0
72000	Investment income-restricted	0	21	0
70000	Total revenue	787,152	1,355,002	13,637
	Expenses			
	Administrative:			
91100	Salaries	195,523	59,188	0
91200	Auditing fees	5,500	3,000	0
91500	Employee benefit contributions	66,234	25,359	0
91600	Office expenses	23,511	1,024	0
91700	Legal expense	1,020	470	0
91800	Travel	0	2,120	0
91900	Other	52,374	7,724	4,263
91000	Total operating-administrative	344,162	98,885	4,263
	Tenant services:			
91100	Salaries	50,576	0	0
92320	Employee benefit contributions	6,885	0	0
92400	Other	2,851	0	0
92500	Total tenant services	60,312	0	0
	Utilities:			
93100	Water	42,062	0	0
93200	Electricity	9,079	0	0
93300	Gas	64,476	0	0
93600	Sewer	44,383	0	0
93000	Total utilities	160,000	0	0
	Ordinary maintenance and operation:			
94100	Labor	115,443	0	0
94200	Materials and other	57,124	0	0
94300	Contracts	46,186	0	0
94500	Employee benefit contributions	39,224	0	0
94000	Total maintenance	257,977	0	0

Capital Fund Program	Resident Opportunity and Supportive Services	Totals
\$ 0	\$ 0	\$ 374,568
0	0	9,665
0	0	384,233
530	0	1,749,386
38,915	0	48,289
0	0	1,618
0	0	7,562
0	0	10,641
0	0	(6,514)
0	0	21
39,445	0	2,195,236
0	0	254,711
0	0	8,500
0	0	91,593
0	0	24,535
0	0	1,490
0	0	2,120
530	0	64,891
530	0	447,840
0	0	50,576
0	0	6,885
0	0	2,851
0	0	60,312
0	0	42,062
0	0	9,079
0	0	64,476
0	0	44,383
0	0	160,000
0	0	115,443
0	0	57,124
0	0	46,186
0	0	39,224
0	0	257,977

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2011

FDS Line Item No.	Low Rent Program	Housing Choice Voucher Program	Stimulus Grant
Expenses (continued):			
Protective services:			
95100	Labor	3,567	0
95200	Other contract costs	5,293	0
95500	Employee benefit contributions	273	0
95000	Total protective services	9,133	0
Insurance:			
96110	Property insurance	30,420	0
96120	Liability insurance	4,249	0
96130	Workmen's compensation	4,733	0
96140	All other insurance	11,858	0
96100	Total insurance premiums	51,260	0
General expenses:			
96200	Other	3,533	809
96400	Bad debt – tenant rents	4,249	0
96000	Total other general expenses	7,782	809
96900	Total operating expenses	890,626	99,694
97000	Excess revenue over operating expenses	(103,474)	1,255,308
Other expenses:			
97100	Extraordinary maintenance	5,600	0
97300	Housing assistance payments	0	921,358
07350	HAP portability-in	0	3,513
97400	Depreciation expense	314,562	0
	Total other expenses	320,162	924,871
90000	Total expenses	1,210,788	1,024,565
10000	Excess (deficiency) of revenue over (under) expenses	(423,636)	330,437
11030	Beginning Net Assets	3,147,552	61,899
11040	Prior period adjustments	70,947	0
	Ending Net Assets	\$ 2,794,863	\$ 392,336
11190	Unit months available	1,935	3,072
11210	Unit months leased	1,919	2,234

Capital Fund Program	Resident Opportunity and Supportive Services	Totals
0	0	3,567
0	0	5,293
0	0	273
0	0	9,133
0	0	30,420
0	0	4,249
0	0	4,733
0	0	11,858
0	0	51,260
0	0	4,342
0	0	4,249
0	0	8,591
530	0	995,113
38,915	0	1,200,123
0	0	5,600
0	0	921,358
0	0	3,513
1,193	0	315,755
1,193	0	1,246,226
1,723	0	2,241,339
37,722	0	(46,103)
0	0	3,209,451
9,374	0	70,947
\$ 47,096	\$ 0	\$ 3,234,295

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 Commissioners
Housing Authority of the County of Delaware
Muncie, Indiana

I have audited the 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, 2011, which comprise the Housing Authority's basic financial statements and have issued my report thereon dated March 25, 2012. 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 entity, and federal awarding agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Barry E. Gandette, CPA, PC

March 25, 2012

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

**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

I have audited the compliance of the Housing Authority of the County of Delaware's, 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 its major federal program for the year ended December 31, 2011. 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 requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

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 entity 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

March 25, 2012

**Housing Authority of the County of Delaware
Status of Prior Audit Findings
December 31, 2011**

There no prior year audit findings.

**Housing Authority of the County of Delaware
Schedule of Findings and Questioned Costs
December 31, 2011**

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.