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June 2, 2014

Board of Directors
Warsaw Housing Authority
109 W. Catherine Street
Milford, IN 46542

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2006 to September 30, 2007. 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 Warsaw Housing Authority, as of September 30, 2007 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

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2007

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Warsaw Housing Authority
Warsaw, Indiana

I have audited the accompanying financial statements of Warsaw Housing Authority, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Warsaw Housing Authority, as of September 30, 2007 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 20, 2008, on my consideration of the Warsaw Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Warsaw Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Warsaw Housing Authority. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Warsaw Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
May 20, 2008

Certified Public Accountant

Management's Discussion and Analysis

As management of the Housing Authority of the City of Warsaw, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Warsaw, 827 S. Union St., Suite 230, Warsaw, Indiana 46580, (574) 269-7641.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

Future Events (New Business)

There are no future events planned by the Authority during the fiscal year ending September 30, 2008 that will significantly affect the Authority's Net Assets either positively or negatively.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Assets for FYE 2006 was \$178,873 and at FYE 2007 the amount was \$207,650. This represents a net increase of \$28,777.

Cash increased by \$23,593 or 22%. Cash increased because there was an excess of revenues collected over expenditures paid during the current year of \$15,627.

Other Current Assets increased by \$8,643. Most of the increase relates to miscellaneous accounts receivable.

Capital Assets decreased by \$3,462. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$15,196 which related to a cash overdraft in one program.

Noncurrent Liabilities decreased by \$3,006. The decrease relates to escrow accounts at the end of 2007.

The table below illustrates our analysis:

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	132,546	108,950	23,596	22%
Other Current Assets	67,397	58,754	8,643	15%
Capital Assets	7,107	10,569	(3,462)	-33%
Other Assets	600	600	0	0%
Total Assets	207,650	178,873	28,777	16%
Current Liabilities	27,326	12,130	15,196	125%
Noncurrent Liabilities	0	3,006	(3,006)	-100%
Total Liabilities	27,326	15,136	12,190	81%
Net Invested in Capital Assets	7,107	10,569	(3,462)	-33%
Restricted Net Assets	121,598	0	121,598	100%
Unrestricted Net Assets	51,619	153,168	(101,549)	-66%
Total Net Assets	180,324	163,737	16,587	10%

HOUSING AUTHORITY OF THE CITY OF WARSAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2006

Analysis of Entity Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2007 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Housing Choice Vouchers	\$684,501
Business Activities	\$30,846
Total	\$715,347

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>	<u>Percentage Change</u>
HUD Operating Grants	683,613	682,257	1,356	0%
Investment Income	552	377	175	46%
Fraud Recovery	0	279	-279	0%
Other Revenue	31,182	19,061	12,121	64%
Total Revenue	<u>715,347</u>	<u>701,974</u>	<u>13,373</u>	<u>2%</u>

Total revenues for Fiscal Year Ending September 30, 2006 were \$701,974 as compared to the total revenues for Fiscal Year Ending September 30, 2007 \$715,347. Comparatively, Fiscal Year Ending 2007 revenues exceeded Fiscal Year Ending 2006 revenues by \$13,373.

The increased revenues relates to fees and donations from the City and other sources.

HOUSING AUTHORITY OF THE CITY OF WARSAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2006

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending September 30, 2006 were \$639,500 as compared to \$699,720 of total expenditures for Fiscal Year Ending September 30, 2007. Comparatively, Fiscal Year Ending 2005 expenditures exceeded Fiscal Year Ending 2006 expenditures by \$60,220. Changes by major expense category will be presented below.

Administrative expenditures decreased by \$13,834 or 13%. The major cause for this decrease was other operating – administrative costs and a decrease in salaries paid due to changes in staffing.

Utilities decreased by \$54 or 1%. Utility costs related to less expenses paid in fiscal year.

Maintenance expenditures increased by \$1,009 or 28%. The major cause for this increase is attributed to contract costs.

General Expense increased due to classification of other program costs from the administrative category.

Housing Assistance Payments increased by \$70,230 or 14% due to an increase in the average assistance payment made during the year.

The table below illustrates our analysis:

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	89,590	103,424	(13,834)	-13%
Utilities	3,922	3,976	(54)	-1%
Maintenance	4,603	3,594	1,009	28%
General Expense	6,727	1,440	5,287	367%
Housing Assistance Payments	591,416	521,186	70,230	14%
Depreciation Expense	3,462	5,880	(2,418)	-41%
Total Expenses	<u><u>\$699,720</u></u>	<u><u>\$639,500</u></u>	<u><u>\$60,220</u></u>	<u><u>9%</u></u>

HOUSING AUTHORITY OF THE CITY OF WARSAW
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2006

Analysis of Capital Asset Activity

Accumulated Depreciation increased by \$3,462. This is the amount of current year depreciation expense.

There were no fixed assets purchased or disposed of during the 2007 fiscal year.

	2007	2006	Net Change	Percent Variance
Furniture, Equipment, & Machinery - Administrative	44,501	44,501	0	0.0%
Total Fixed Assets	44,501	44,501	0	0.0%
Accumulated Depreciation	37,394	33,932	3,462	10.2%
Net Fixed Assets	7,107	10,569	-3,462	-32.8%

Outstanding Debt

The Housing Authority had no outstanding debt during 2007 or 2007.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2007**

ASSETS

CURRENT ASSETS

Cash	\$ 132,546
Accounts receivable (interfund eliminated)	62,409
Investments	2,687
Deferred charges	<u>2,301</u>
Total Current Assets	<u>\$ 199,943</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 44,501
Less: Accumulated depreciation	<u>-37,394</u>
Net Capital Assets	<u>\$ 7,107</u>

OTHER ASSETS

Other	<u>\$ 600</u>
Total Assets	<u>\$ 207,650</u>

LIABILITIES

CURRENT LIABILITIES

Cash overdraft	\$ 15,576
Accounts payable (interfund eliminated)	4,331
Accrued liabilities	1,169
Deferred revenue	<u>6,250</u>
Total Current Liabilities	<u>\$ 27,326</u>

NET ASSETS

Unrestricted	\$ 51,619
Restricted	121,598
Invested in capital assets	<u>7,107</u>
Total Net Assets	<u><u>\$ 180,324</u></u>

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

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

Operating Income

HUD grants - operating	\$ 683,613
Other revenue	<u>31,182</u>
Total Operating Income	<u>\$ 714,795</u>

Operating Expenses

Administration	\$ 89,590
Utilities	3,922
Ordinary maintenance and operation	4,603
General expense	6,727
Housing assistance payments	591,416
Depreciation expense	<u>3,462</u>
Total Operating Expenses	<u>\$ 699,720</u>

Net Operating Income (Loss) \$ 15,075

Nonoperating Income (Expense)

Interest income	<u>\$ 552</u>
Total Nonoperating Income (Expense)	<u>\$ 552</u>

Changes in net assets	\$ 15,627
Net assets, beginning of year	163,737
Prior year adjustments	<u>960</u>
Net assets, end of year	<u><u>\$ 180,324</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

Operating Activities

Operating grants	\$ 683,613
Other revenue	31,182
Housing assistance payments	-591,416
Payments to employees	-56,470
Payments to suppliers and contractors	<u>-58,468</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,441</u>

Investing Activities

Investments (purchased) redeemed	\$ -973
Interest income	<u>552</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -421</u>

Net Change in Cash	\$ 8,020
Cash Balance at September 30, 2006	<u>108,950</u>
Cash Balance at September 30, 2007	\$ 132,546
Cash overdraft	<u>-15,576</u>
Net Cash	<u><u>\$ 116,970</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

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

Net operating income (loss)	\$ 15,075
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	3,462
Adjustment to net assets	960
(Increase) decrease in accounts receivable	-7,023
(Increase) decrease in deferred charges	-1,158
Increase (decrease) in accounts payable	3,714
Increase (decrease) in accrued liabilities	-3,583
Increase (decrease) in other liabilities	<u>-3,006</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,441</u>

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

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Warsaw Housing Authority was established by the City of Warsaw pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the Warsaw Housing Authority and concluded that the city does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the city government. Debt incurred by the Authority is not an obligation of the city; the city does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Warsaw Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Section 8 Choice Vouchers
- * Business Activities

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

Proprietary Fund Types:

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Invested in Capital Assets Net of Related Debt, Restricted Net Assets and Unrestricted Net Assets.

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one month or less when purchased to be cash equivalents.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2007, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(f) Investments -

Investments are stated at cost which approximates market.

(g) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is one thousand dollars (\$1,000) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Fixed Assets - (continued)

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40	years
Equipment	5	years
Transportation equipment	5	years
Furniture and fixtures	5	years
Leasehold improvements	15	years

(h) Income Tax -

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

(i) Annual Contributions/Subsidies and Other Grants

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

Other grants are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (j) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.
- (k) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

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

- Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.
- Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	\$ 106,022	\$ 107,337
Business Activities	<u>10,948</u>	<u>15,011</u>
Total	<u>\$ 116,970</u>	<u>\$ 122,348</u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk

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

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

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

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

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

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.
- Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Voucher	\$ 961	\$ 961
Business Activities	<u>1,726</u>	<u>1,726</u>
Total	<u>\$ 2,687</u>	<u>\$ 2,687</u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 3 - Compensated Absences

Full time, salaried employees are granted vacation benefits at a rate of 1 day for each full month of employment up to a maximum of 10 working days per year. Sick leave accrues to employees up to 5 days per year.

The estimated portion of the liability for vested sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs, because vacation allowances must be taken during the employment year it was earned.

Note 4 - Accounts Receivable

Accounts receivable consists of the following accounts:

Fraud recovery	\$ 11,957
Allowance for doubtful accounts	-11,957
Other	<u>62,409</u>
Subtotal	\$ 62,409
Interfund	<u>8,781</u>
Total	<u>\$ 71,190</u>

Note 5 - Investments

At September 30, 2007 investments consist of the following:

	<u>Rate</u>	
Savings	1%	\$ <u>2,687</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 1,048
Prepaid computer support	968
Prepaid copier maintenance	<u>285</u>
Total	<u>\$ 2,301</u>

Note 7 - Fixed Assets

Balance as of September 30, 2007	\$ 7,107
Balance as of September 30, 2006	<u>10,569</u>
Net Increase (Decrease)	<u>\$ -3,462</u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

Reconciliation

Current year depreciation expense	\$ -3,462
Net Increase (Decrease)	<u>\$ -3,462</u>

<u>Analysis</u>	<u>10/01/2006 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2007 Balance</u>
Equipment and furniture	\$ 44,501	\$ 0	\$ 0	\$ 44,501
Accumulated depreciation	<u>-33,932</u>	<u>0</u>	<u>3,462</u>	<u>-37,394</u>
Total	<u>\$ 10,569</u>	<u>\$ 0</u>	<u>\$ 3,462</u>	<u>\$ 7,107</u>

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 795
Payroll taxes payable	<u>3,536</u>
Subtotal	\$ 4,331
Interfund	<u>8,781</u>
Total	<u>\$ 13,112</u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued payroll	<u>\$ 1,169</u>
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Note 10- Deferred Revenue

This classification consists of the following:

Other	<u>\$ 6,250</u>
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**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007
(CONTINUED)**

Note 11 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD and is budgeted on a calendar year basis.

Note 12 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 13 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Write off FSS escrow liability not paid out	<u>\$ 960</u>
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Note 14 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

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

Note 15 - Economic Dependency

The Housing Authority received most of its revenue (96%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice Voucher Program*	14.871	IN060	FYE 9/30/07	\$ <u>683,613</u>	\$ <u>683,613</u>	\$ <u>683,613</u>
Total Housing Assistance				\$ <u>683,613</u>	\$ <u>683,613</u>	\$ <u>683,613</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

Note 1: Expenditures to the Housing Choice Voucher Program are reported as equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2007**

ASSETS

	<u>Voucher</u>	<u>Business Activities</u>
CURRENT ASSETS		
Cash	\$ 121,598	\$ 10,948
Accounts receivable	0	71,190
Investments	961	1,726
Deferred charges	<u>1,048</u>	<u>1,253</u>
Total Current Assets	<u>\$ 123,607</u>	<u>\$ 85,117</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 26,760	\$ 17,741
Less: Accumulated depreciation	<u>-23,898</u>	<u>-13,496</u>
Net Capital Assets	<u>\$ 2,862</u>	<u>\$ 4,245</u>
OTHER ASSETS		
Other	<u>\$ 0</u>	<u>\$ 600</u>
Total Assets	<u>\$ 126,469</u>	<u>\$ 89,962</u>

LIABILITIES

CURRENT LIABILITIES		
Cash overdraft	\$ 15,576	\$ 0
Accounts payable	8,781	4,331
Accrued liabilities	0	1,169
Deferred revenue	<u>0</u>	<u>6,250</u>
Total Current Liabilities	<u>\$ 24,357</u>	<u>\$ 11,750</u>

NET ASSETS

Invested in capital assets	\$ 2,862	\$ 4,245
Restricted	121,598	0
Unrestricted	<u>-22,348</u>	<u>73,967</u>
Total Net Assets	<u><u>\$ 102,112</u></u>	<u><u>\$ 78,212</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Operating Income</u>	<u>Voucher</u>	<u>Business Activities</u>
HUD grants - operating	\$ 683,613	\$ 0
Other revenue	<u>396</u>	<u>30,786</u>
Total Operating Income	<u>\$ 684,009</u>	<u>\$ 30,786</u>
 <u>Operating Expenses</u>		
Administration	\$ 63,988	\$ 25,602
Utilities	3,922	0
Ordinary maintenance and operation	4,603	0
General expense	6,727	0
Housing assistance payments	590,449	967
Depreciation expense	<u>2,364</u>	<u>1,098</u>
Total Operating Expenses	<u>\$ 672,053</u>	<u>\$ 27,667</u>
Net Operating Income (Loss)	<u>\$ 11,956</u>	<u>\$ 3,119</u>
 <u>Nonoperating Income (Expense)</u>		
Interest income	<u>\$ 492</u>	<u>\$ 60</u>
Total Nonoperating Income (Expense)	<u>\$ 492</u>	<u>\$ 60</u>
Changes in Net Assets	<u><u>\$ 12,448</u></u>	<u><u>\$ 3,179</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Invested in Capital Assets</u>	<u>Voucher</u>	<u>Business Activities</u>
Balance at September 30, 2006	\$ 5,226	\$ 5,343
Current year net income (loss)	<u>-2,364</u>	<u>-1,098</u>
Balance at September 30, 2007	\$ <u>2,862</u>	\$ <u>4,245</u>
 <u>Restricted</u>		
Balance at September 30, 2006	\$ 0	\$ 0
Current year net income (loss)	12,242	0
Transfer	<u>109,356</u>	<u>0</u>
Balance at September 30, 2007	\$ <u>121,598</u>	\$ <u>0</u>
 <u>Unrestricted</u>		
Balance at September 30, 2006	\$ 83,478	\$ 69,690
Current year net income (loss)	2,570	4,277
Prior year adjustments	960	0
Transfer	<u>-109,356</u>	<u>0</u>
Balance at September 30, 2007	\$ <u>-22,348</u>	\$ <u>73,967</u>
Total Net Assets	<u>\$ 102,112</u>	<u>\$ 78,212</u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Operating Income</u>	<u>Voucher</u>	<u>Business Activities</u>
Operating grants	\$ 683,613	\$ 0
Other revenue	396	30,786
Housing assistance payments	-590,449	-967
Payments to employees	-32,598	-23,872
Payments to suppliers and contractors	<u>-48,540</u>	<u>-9,928</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,422</u>	<u>\$ -3,981</u>
 <u>Investing Activities</u>		
Investments (purchased) redeemed	\$ -961	\$ -12
Interest income	<u>492</u>	<u>60</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -469</u>	<u>\$ 48</u>
Net Change in Cash	\$ 11,953	\$ -3,933
Cash Balance at September 30, 2006	<u>94,069</u>	<u>14,881</u>
Cash Balance at September 30, 2007	<u><u>\$ 106,022</u></u>	<u><u>\$ 10,948</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED SEPTEMBER 30, 2007**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Voucher</u>	<u>Business Activities</u>
Net operating income (loss)	\$ 11,956	\$ 3,119
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	2,364	1,098
Adjustment to net assets	960	0
(Increase) decrease in accounts receivable	0	-7,023
(Increase) decrease in deferred charges	-363	-795
Increase (decrease) in accounts payable	511	3,203
Increase (decrease) in accrued liabilities	0	-3,583
Increase (decrease) in other liabilities	<u>-3,006</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 12,422</u>	<u>\$ -3,981</u>

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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
Warsaw Housing Authority
Warsaw, Indiana

I have audited the financial statements of the governmental activities of Warsaw Housing Authority as of and for the year ended September 30, 2007, which collectively comprise the Warsaw Housing Authority's basic financial statements and have issued my report thereon dated May 20, 2008. 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 Warsaw 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 Warsaw Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Warsaw Housing Authority's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Warsaw Housing Authority's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Compliance and Other Matters

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

I noted certain matters that we reported to management of Warsaw Housing Authority, in a separate letter dated May 20, 2008.

This reported in intended solely for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
May 20, 2008

Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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
Warsaw Housing Authority
Warsaw, Indiana

Compliance

I have audited the compliance of Warsaw Housing Authority with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Warsaw Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Warsaw Housing Authority's management. My responsibility is to express an opinion on Warsaw 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 Warsaw 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 Warsaw Housing Authority's compliance with those requirements.

In my opinion, Warsaw Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Warsaw 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 Warsaw Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Warsaw Housing Authority's internal control over compliance.

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

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Warsaw Housing Authority in a separate letter dated May 20, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
May 20, 2008

Certified Public Accountant

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2006 contained no findings.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section I - Summary of Auditor's Results

Low Risk Auditee _____ yes X no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified that are not
considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X no

* Significant deficiency (ies) identified that are not
considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of Circular A-133? _____ yes X no

Major Programs: (Threshold \$300,000) CFDA Number(s)

Housing Choice Voucher Program 14.871

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statements Findings

There were no audit findings discussed with Pamela Kennedy, Executive Director, during the course of the audit or at an exit conference held May 20, 2008.

Section III - Federal Awards Findings

There were no audit findings discussed with Pamela Kennedy, Executive Director, during the course of the audit or at an exit conference held May 20, 2008.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2007**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Administrative salaries	4110	\$ 32,597.70		2810
Legal expense	4130	2.75		2810
Travel/training	4150	476.01		2810
Mileage	4150.1	1,021.89		2810
Accounting	4170	4,206.00		2810
Audit fees	4170.1	3,815.00		2810
Rent expense	4180	5,400.00		2810
Sundry admin. expense	4190	1,624.43		2810
Computer support	4194	2,674.63		2810
Copier maintenance	4195	1,094.09		2810
Dues	4200	258.25		2810
Insurance	4210	2,447.41		2810
Internet expense	4212	162.50		2810
Nan McKay services	4214	567.00		2810
Office supplies	4215	2,756.41		2810
Office maintenance	4217	150.00		2810
Postage	4220	1,301.28		2810
Postage meter rental	4225	577.50		2810
Recording fees	4226	55.00		2810
Section 8 lead clearance	4227	75.00		2810
Subscriptions	4230	132.00		2810
Telephone	4235	3,496.90		2810
Utilities	4240	3,912.90		2810
Employee benefits - FICA	4540	3,351.56		2810
Employee health insurance	4545	7,713.16		2810
Annual cont - admin fee	3010		\$ 80,379.84	2810
Accounts payable - HP	2115	510.47		2115
(To correct income/expenses for Voucher and HP per statement of revenues and expenses)				
(2)				
Fraud recovery	1122	\$ 3,494.83		1122
Deferred revenue - fraud	2240		\$ 3,494.83	2240
(To adjust to actual per repayment sheets)				
(3)				
FSS escrow	2182	\$ 960.38		2182
Unreserved - administrative	2810		\$ 960.38	2810
(To write off FSS escrow liability - no valid participants)				
(4)				
Prepaid insurance	----	\$ 1,048.10		----
Insurance expense	4210		\$ 1,048.10	2810
(To adjust prepaid insurance to actual)				

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2007**

<u>Voucher</u> (Continued)	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(5)				
Accounts payable - BA	2115	\$ 1,127.87		2115
Travel/training	4150		\$ 10.45	2810
Accounting	4170		350.00	2810
Sundry admin. expense	4190		81.22	2810
Insurance	4210		202.00	2810
Internet expense	4212		25.00	2810
Office supplies	4215		137.24	2810
Telephone	4235		25.95	2810
Utilities	4240		296.01	2810
(To reverse prior year vendor payable)				
(6)				
Accounting	4170	\$ 350.00		2810
Telephone	4235	139.45		2810
Utilities	4240	305.35		2810
Accounts payable - BA	2115		\$ 794.80	2115
(To record unrecorded liabilities for vendor payable for FY'07)				
<u>Business Activities</u>				
(1)				
Annual cont - admin fee	3010	\$ 80,379.84		2810
Administrative salaries	4110		\$ 32,597.70	2810
Legal expense	4130		2.75	2810
Travel/training	4150		476.01	2810
Mileage	4150.1		1,021.89	2810
Accounting	4170		4,206.00	2810
Audit fees	4170.1		3,815.00	2810
Rent expense	4180		5,400.00	2810
Sundry admin. expense	4190		1,624.43	2810
Computer support	4194		2,674.63	2810
Copier maintenance	4195		1,094.09	2810
Dues	4200		258.25	2810
Insurance	4210		2,447.41	2810
Internet expense	4212		162.50	2810
Nan McKay services	4214		567.00	2810
Office supplies	4215		2,756.41	2810
Office maintenance	4217		1,301.28	2810
Postage	4220		150.00	2810
Postage meter rental	4225		577.50	2810
Recording fees	4226		55.00	2810
Section 8 lead clearance	4227		75.00	2810
Subscriptions	4230		132.00	2810
Telephone	4235		3,496.90	2810
Utilities	4240		3,912.90	2810
Employee benefits - FICA	4540		3,351.56	2810
Employee health insurance	4542		7,713.16	2810
Accounts payable - HP	2115		510.47	2115
(To correct income/expense for Voucher and HP per statement of revenues and expenses)				

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2007**

<u>Business Activities</u> (cont'd)	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(2)				
Accrued wages	2135	\$ 567.47		2135
Administrative salaries - HP	4112		\$ 567.47	2810
(To write prior year accrued backoff book)				
(3)				
Accounts payable - vendors	2111	\$ 1,127.87		2111
Accounts receivable - Voucher	1128		\$ 1,127.87	1128
(To reverse prior year vendor payable)				
(4)				
Administrative salaries - HP	4112	\$ 1,169.20		2810
Accrued wages	2135		\$ 1,169.20	2135
(To accrue wages for FY'07 year end)				
(5)				
Accounts receivable - Voucher	1128	\$ 794.80		1128
Accounts payable - vendors	2111		\$ 794.80	2111
(To record unrecorded liabilities for vendor payable for FY'07)				

PHA: IN060 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$10,948	\$0	\$10,948
113	Cash - Other Restricted	\$0	\$121,598	\$121,598
100	Total Cash	\$10,948	\$121,598	\$132,546
125	Accounts Receivable - Miscellaneous	\$62,409	\$0	\$62,409
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$62,409	\$0	\$62,409
131	Investments - Unrestricted	\$1,726	\$961	\$2,687
142	Prepaid Expenses and Other Assets	\$1,253	\$1,048	\$2,301
144	Interprogram Due From	\$8,781	\$0	\$8,781
150	Total Current Assets	\$85,117	\$123,607	\$208,724
164	Furniture, Equipment & Machinery - Administration	\$17,741	\$26,760	\$44,501
165	Leasehold Improvements	\$0	\$0	\$0
166	Accumulated Depreciation	\$-13,496	\$-23,898	\$-37,394
160	Total Fixed Assets, Net of Accumulated Depreciation	\$4,245	\$2,862	\$7,107
174	Other Assets	\$600	\$0	\$600
180	Total Non-Current Assets	\$4,845	\$2,862	\$7,707
190	Total Assets	\$89,962	\$126,469	\$216,431

PHA: IN060 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
311	Bank Overdraft	\$0	\$15,576	\$15,576
312	Accounts Payable <= 90 Days	\$795	\$0	\$795
321	Accrued Wage/Payroll Taxes Payable	\$4,705	\$0	\$4,705
342	Deferred Revenues	\$6,250	\$0	\$6,250
347	Interprogram Due To	\$0	\$8,781	\$8,781
310	Total Current Liabilities	\$11,750	\$24,357	\$36,107
350	Total Noncurrent Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$11,750	\$24,357	\$36,107
508	Total Contributed Capital	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$4,245	\$2,862	\$7,107
511	Total Reserved Fund Balance	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$121,598	\$121,598
512.1	Unrestricted Net Assets	\$73,967	\$-22,348	\$51,619
513	Total Equity/Net Assets	\$78,212	\$102,112	\$180,324
600	Total Liabilities and Equity/Net Assets	\$89,962	\$126,469	\$216,431

PHA: IN060 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
705	Total Tenant Revenue	\$0	\$0	\$0
706	HUD PHA Operating Grants	\$0	\$683,613	\$683,613
711	Investment Income - Unrestricted	\$60	\$492	\$552
715	Other Revenue	\$30,786	\$396	\$31,182
700	Total Revenue	\$30,846	\$684,501	\$715,347

PHA: IN060 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
911	Administrative Salaries	\$23,825	\$32,598	\$56,423
912	Auditing Fees	\$0	\$3,815	\$3,815
915	Employee Benefit Contributions - Administrative	\$1,777	\$11,065	\$12,842
916	Other Operating - Administrative	\$0	\$16,510	\$16,510
938	Other Utilities Expense	\$0	\$3,922	\$3,922
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$150	\$150
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$4,453	\$4,453
961	Insurance Premiums	\$0	\$1,197	\$1,197
962	Other General Expenses	\$0	\$5,530	\$5,530
969	Total Operating Expenses	\$25,602	\$79,240	\$104,842
970	Excess Operating Revenue over Operating Expenses	\$5,244	\$605,261	\$610,505
973	Housing Assistance Payments	\$967	\$590,449	\$591,416
974	Depreciation Expense	\$1,098	\$2,364	\$3,462
900	Total Expenses	\$27,667	\$672,053	\$699,720
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$3,179	\$12,448	\$15,627

PHA: IN060 FYED: 09/30/2007

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0
1103	Beginning Equity	\$75,033	\$88,704	\$163,737
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$960	\$960
1120	Unit Months Available	0	2,100	2,100
1121	Number of Unit Months Leased	0	2,100	2,100
1117	Administrative Fee Equity	\$0	\$-19,486	\$-19,486
1118	Housing Assistance Payments Equity	\$0	\$121,598	\$121,598

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DECATUR, ILLINOIS 62526

(217) 872-1908

Board of Commissioners
Warsaw Housing Authority
Warsaw, Indiana

In planning and performing my audit of the financial statements of Warsaw Housing Authority as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warsaw Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Warsaw Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

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

In addition to the current informal policies being used, other policies you may want to consider would address: (a) approval of journal entries (hard copies should be initialed) (b) documentation of approval of payroll (payroll registers should be initialed) (c) credit card use (full explanation of the purpose of travel, meals and meetings attached to supporting invoices) (d) personal use of agency assets (such as automobile, cell phone, etc). A written manual will aid in the training of new staff and assure management of consistency in policy application.

2. The Housing Authority's system of internal controls should be reviewed to determine that the procedures are current and provide the controls intended. As a result of not updating procedures currently being used, several accounts in the general ledger did not reconcile to the subsidiary ledgers or other back up documentation maintained. While the individual differences noted may have been immaterial at the end of the fiscal year, the staff could not readily supply documentation or complete explanations of what caused all of the variances. Year end audit adjustments were posted to correct variances that could be readily identified

The Executive Director or Board of Commissioners must assign the final responsibility to over see the complete accounting function to the outside fee accountant or a member of management and to determine that all accounting and bookkeeping functions are being performed regularly and accurately.

In the current fiscal year the following errors were noted and corrected:

- A. Fraud recovery receivables
 - B. Prepaid insurance vs. insurance expense
 - C. Interfund accounts \
2. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999 for each financial institution holding Housing funds. During my review of current depositories, I noted that some financial institutions had not yet provided a depository agreement. I also recommend that the Authority execute new depository agreements with all future new depositories and for any that have undergone ownership or name changes.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois
May 20, 2008

Certified Public Accountant