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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, 2007 to September 30, 2008. 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, 2008 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**

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

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

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# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD  
DECATUR, ILLINOIS 62526  
(217) 872-1908

## 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, 2008, 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, 2008 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 27, 2009, 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.

A handwritten signature in cursive script that reads "Pamela J. Simpson". The signature is written in black ink on a light-colored background.

Certified Public Accountant

Decatur, Illinois  
May 27, 2009

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2008**

This section of the Warsaw Housing Authority, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

**FINANCIAL HIGHLIGHTS**

- The term "net assets" refers to the difference between assets and liabilities. The Authority's total net assets as of September 30, 2008 were \$168,622. The net assets decreased by \$11,702, a decrease of 6.5% from the prior year.
- Revenues for the Authority were \$807,660 for the year ended September 30, 2008. This was an increase of \$92,313 or 12.9% over the prior year.
- Expenses for the Authority were \$821,608 for the year ended September 30, 2008. This was an increase of \$121,888 or 17.4% over the prior year.
- HUD operating grants for the Authority was \$662,683 for the year ended September 30, 2008, a decrease of \$20,930 or 3.1% from the prior year. Other government grants for the Authority was \$113,340 for the year ended September 30, 2008.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this *Management Discussion and 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 Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

**Required Financial Statements**

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the 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 Data*. 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) for the year ended September 30, 2008 and is required to be included in the audit reporting package.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$168,622 at the close of the year ended September 30, 2008 down from \$180,324 in fiscal year 2007. The decrease in net assets of \$11,702 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$26,230 decrease in this category, cash and investments decreased \$44,576, receivables increased \$18,216, and prepaid expenses increased \$130.
- Capital assets decreased \$907 because current year depreciation expense exceeded current year capital asset additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities were higher in FY 2007 primarily due to a bank overdraft of \$15,576.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2008**

**FINANCIAL ANALYSIS (CONTINUED)**

The unrestricted net assets were \$82,902 as of September 30, 2008. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for nine months, excluding housing assistance payments. The restricted net assets were \$79,520 as of September 30, 2008. This amount may only be used for Section 8 Voucher housing assistance payments. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS**

|  | <u>FY 2008</u>    | <u>FY 2007</u>    | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|--|-------------------|-------------------|--------------------------|---------------------------|
| Current and other assets                           | \$ 174,313        | \$ 200,543        | \$ (26,230)              | -13.1%                    |
| Capital assets                                     | <u>6,200</u>      | <u>7,107</u>      | <u>(907)</u>             | <u>-12.8%</u>             |
| Total Assets                                       | <u>180,513</u>    | <u>207,650</u>    | <u>(27,137)</u>          | <u>-13.1%</u>             |
| Current liabilities                                | <u>11,891</u>     | <u>27,326</u>     | <u>(15,435)</u>          | <u>-56.5%</u>             |
| Total Liabilities                                  | <u>11,891</u>     | <u>27,326</u>     | <u>(15,435)</u>          | <u>-56.5%</u>             |
| Net Assets   |                   |                   |                          |                           |
| Invested in capital assets,<br>net of related debt | 6,200             | 7,107             | (907)                    | -12.8%                    |
| Restricted   | 79,520            | 121,598           | (42,078)                 | -34.6%                    |
| Unrestricted                                       | <u>82,902</u>     | <u>51,619</u>     | <u>31,283</u>            | <u>60.6%</u>              |
| Total Net Assets                                   | <u>\$ 168,622</u> | <u>\$ 180,324</u> | <u>\$ (11,702)</u>       | <u>-6.5%</u>              |

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.

As can be seen in the table on the following page, total revenues increased \$92,313 due to the reasons noted below.

- HUD operating grants decreased \$20,930 due to a decrease in housing choice voucher program assistance received from HUD.
- Other government grants represent funding from a local government agency for housing assistance and were \$113,340 for FY 2008.
- Other income decreased \$53 or 0.2% from FY 2007.
- Investment income decreased \$44 or 8.0% from FY 2007.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2008**

**FINANCIAL ANALYSIS (CONTINUED)**

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

|  | <u>FY 2008</u>    | <u>FY 2007</u>    | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|--|-------------------|-------------------|--------------------------|---------------------------|
| <b>Revenues</b>  |                   |                   |                          |                           |
| Operating - non-operating -<br>capital contributions:  |                   |                   |                          |                           |
| HUD PHA operating grants                               | 662,683           | 683,613           | (20,930)                 | -3.1%                     |
| Other government grants                                | 113,340           | -                 | 113,340                  | 100.0%                    |
| Other revenue  | 31,129            | 31,182            | (53)                     | -0.2%                     |
| Investment income                                      | 508               | 552               | (44)                     | -8.0%                     |
| Total Revenues   | <u>807,660</u>    | <u>715,347</u>    | <u>92,313</u>            | <u>12.9%</u>              |
| <b>Expenses</b>  |                   |                   |                          |                           |
| Administration   | 91,560            | 89,590            | 1,970                    | 2.2%                      |
| Tenant services  | 368               | -                 | 368                      | 100.0%                    |
| Utilities  | 4,306             | 3,922             | 384                      | 9.8%                      |
| Ordinary maintenance & operation                       | -                 | 4,603             | (4,603)                  | -100.0%                   |
| General expense  | 2,461             | 6,727             | (4,266)                  | -63.4%                    |
| Housing assistance payments                            | 719,759           | 591,416           | 128,343                  | 21.7%                     |
| Depreciation expense                                   | 3,154             | 3,462             | (308)                    | -8.9%                     |
| Total Expenses   | <u>821,608</u>    | <u>699,720</u>    | <u>121,888</u>           | <u>17.4%</u>              |
| Excess (deficiency) before prior<br>period adjustments | (13,948)          | 15,627            | (29,575)                 |                           |
| Prior period adjustments                               | 2,246             | 960               | 1,286                    |                           |
| Change in net assets                                   | <u>(11,702)</u>   | <u>16,587</u>     | <u>(28,289)</u>          |                           |
| Beginning net assets                                   | 180,324           | 163,737           | 16,587                   |                           |
| Ending net assets                                      | <u>\$ 168,622</u> | <u>\$ 180,324</u> | <u>\$ (11,702)</u>       |                           |

Total expenses increased \$121,888 due to the reasons noted below.

- Administration increased \$1,970 or 2.2% from FY 2007 primarily due to an increase in office expenses.
- Utilities increased \$384 or 9.8% from FY 2007.
- Ordinary maintenance and operation decreased \$4,603 from FY 2007.
- General expense decreased \$4,266 from FY 2007 due a decrease in other general expenses.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2008**

**FINANCIAL ANALYSIS (CONTINUED)**

- Housing assistance payments increased \$128,343 or 21.7% mostly due to an increase in housing assistance from other government grants. The Authority also had a 10.2% increase in average housing assistance payment per Section 8 voucher issued.
- The Authority had a \$308 or 8.9% decrease in depreciation which is the write-off of capital assets over their estimated useful life.

The Authority is authorized to assist 175 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease up rate for fiscal year ending September 30, 2008 was 95.4%, down from 100.0% in FY 2007.

**CAPITAL ASSETS**

The Warsaw Housing Authority, Indiana's investment in capital assets net of related debt, as of September 30, 2008 amounts to \$6,200 (net of accumulated depreciation). The investment in capital assets includes equipment.

*Capital Assets* – The total decrease in the Authority's capital assets for the current fiscal year was 12.8% in terms of net book value. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$908, this was made up of depreciation expense of \$3,154 and a change in depreciation method which had an effect on Accumulated Depreciation of \$2,246. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

|                | Beginning | Depreciation | Ending  |
|----------------|-----------|--------------|---------|
| Capital assets | \$7,108   | \$(908)      | \$6,200 |

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Authority is eligible to receive \$609,823 for housing assistance payments for next fiscal year in the Housing Choice Voucher Program. The Authority also has \$79,520 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$309.81 for FY 2008, the Authority will have sufficient funding and reserves to lease 100.0% of its authorized vouchers for next fiscal year. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2009 and adjusted for pro-ration which is currently at 91.2%.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Pamela Kennedy, Executive Director, Warsaw Housing Authority, 827 South Union Street, Suite 230, Warsaw, Indiana 46580.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2008**

**ASSETS**

**CURRENT ASSETS**

|  |              |
|--|--------------|
| Cash                                       | \$ 23,232    |
| Accounts receivable (interfund eliminated) | 81,225       |
| Investments                                | 1,737        |
| Deferred charges                           | <u>1,831</u> |

Total Current Assets \$ 108,025

**RESTRICTED ASSETS**

|             |            |
|-------------|------------|
| Cash        | \$ 64,722  |
| Investments | <u>966</u> |

Total Restricted Assets \$ 65,688

**CAPITAL ASSETS**

|                                |                |
|--------------------------------|----------------|
| Land, buildings and equipment  | \$ 28,625      |
| Less: Accumulated depreciation | <u>-22,425</u> |

Net Capital Assets \$ 6,200

**OTHER ASSETS**

|       |            |
|-------|------------|
| Other | <u>600</u> |
|-------|------------|

Total Assets \$ 180,513

**LIABILITIES**

**CURRENT LIABILITIES**

|   |              |
|---|--------------|
| Accounts payable (interfund eliminated) | \$ 2,458     |
| Accrued liabilities                     | 3,183        |
| Deferred revenue                        | <u>6,250</u> |

Total Current Liabilities \$ 11,891

**NET ASSETS**

|                            |              |
|----------------------------|--------------|
| Unrestricted               | \$ 82,902    |
| Restricted                 | 79,520       |
| Invested in capital assets | <u>6,200</u> |

Total Net Assets \$ 168,622

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, 2008**

Operating Income

|                            |                       |
|----------------------------|-----------------------|
| HUD grants - operating     | \$ 662,683            |
| Other government grants    | 113,340               |
| Other revenue              | <u>31,129</u>         |
| <br>Total Operating Income | <br>\$ <u>807,152</u> |

Operating Expenses

|                              |                       |
|------------------------------|-----------------------|
| Administration               | \$ 91,560             |
| Tenant services              | 368                   |
| Utilities                    | 4,306                 |
| General expense              | 2,461                 |
| Housing assistance payments  | 719,759               |
| Depreciation expense         | <u>3,154</u>          |
| <br>Total Operating Expenses | <br>\$ <u>821,608</u> |

Net Operating Income (Loss) \$ -14,456

Nonoperating Income (Expense)

|                               |                              |
|-------------------------------|------------------------------|
| Interest income               | <u>508</u>                   |
| <br>Changes in net assets     | <br>\$ -13,948               |
| Net assets, beginning of year | 180,324                      |
| Prior year adjustments        | <u>2,246</u>                 |
| <br>Net assets, end of year   | <br>\$ <u><u>168,622</u></u> |

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Operating Activities

|                                       |                |
|---------------------------------------|----------------|
| Operating grants                      | \$ 662,683     |
| Other revenue                         | 141,631        |
| Housing assistance payments           | -719,759       |
| Payments to employees                 | -48,194        |
| Payments to suppliers and contractors | <u>-65,869</u> |

Net Cash Provided (Used) by Operating Activities \$ -29,508

Investing Activities

|                                  |            |
|----------------------------------|------------|
| Investments (purchased) redeemed | \$ -16     |
| Interest income                  | <u>508</u> |

Net Cash Provided (Used) by Investing Activities \$ 492

Net Change in Cash \$ -29,016

Cash Balance at September 30, 2007 116,970

Cash Balance at September 30, 2008 87,954

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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

|   |                   |
|---|-------------------|
| Net operating income (loss)   | \$ -14,456        |
| Adjustment to Reconcile Operating Income (Loss)<br>to Net Cash Flows from Operating Activities: |                   |
| Depreciation  | 3,154             |
| (Increase) decrease in accounts receivable  | -18,816           |
| (Increase) decrease in deferred charges   | 470               |
| Increase (decrease) in accounts payable   | -1,873            |
| Increase (decrease) in accrued liabilities  | <u>2,013</u>      |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ -29,508</u> |

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. A formal policy has not been adopted, but the practice was followed for financial statement presentation.

(d) Funds -

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

- \* Section 8 Choice Vouchers
- \* Business Activities
- \* Disaster Housing Assistance

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

*Proprietary Fund Types:*

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

(e) Cash and Cash Equivalents -

Though a formal policy has not been adopted, 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.

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net assets and have been eliminated in the basic financial statements.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2008, 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.

(h) Investments -

Investments are stated at cost which approximates market.

(i) 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.

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 |

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) 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.

(l) 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.

(m) 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.

*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.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

| <u>Program</u>      | <u>Book Balance</u> | <u>Bank Balance</u> |
|---------------------|---------------------|---------------------|
| Voucher             | \$ 64,722           | \$ 65,823           |
| Business Activities | <u>23,232</u>       | <u>25,511</u>       |
| Total               | <u>\$ 87,954</u>    | <u>\$ 91,334</u>    |

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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             | \$ 966              | \$ 966              |
| Business Activities | <u>1,737</u>        | <u>1,737</u>        |
| Total               | <u>\$ 2,703</u>     | <u>\$ 2,703</u>     |

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 | \$ 2,838         |
| Other          | <u>78,387</u>    |
| Subtotal       | \$ 81,225        |
| Interfund      | <u>11,484</u>    |
| Total          | <u>\$ 92,709</u> |

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008  
(CONTINUED)**

Note 5 - Investments

At September 30, 2008 investments consist of the following:

|         | <u>Rate</u> |                 |
|---------|-------------|-----------------|
| Savings | 1%          | \$ <u>2,703</u> |

Note 6 - Deferred Charges

This classification includes the following accounts:

|                          |                 |
|--------------------------|-----------------|
| Prepaid insurance        | \$ 1,021        |
| Prepaid computer support | <u>810</u>      |
| Total                    | <u>\$ 1,831</u> |

Note 7 - Fixed Assets

|                                  |                |
|----------------------------------|----------------|
| Balance as of September 30, 2008 | \$ 6,200       |
| Balance as of September 30, 2007 | <u>7,107</u>   |
| Net Increase (Decrease)          | <u>\$ -907</u> |

Reconciliation

|   |                 |
|---|-----------------|
| Prior period - adjustment of accumulated depreciation | \$ 2,247        |
| Current year depreciation expense                     | <u>-3,154</u> * |
| Net Increase (Decrease)                               | <u>\$ -907</u>  |

| <u>Analysis</u>          | <u>10/01/2007<br/>Balance</u> | <u>Additions/<br/>Transfers</u> | <u>Deletions/<br/>Transfers</u> | <u>09/30/2008<br/>Balance</u> |
|--------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Equipment and furniture  | \$ 44,501                     | \$ 0                            | \$ 15,876                       | \$ 28,625                     |
| Accumulated depreciation | <u>-37,394</u>                | <u>-907</u>                     | <u>-15,876</u>                  | <u>-22,425</u>                |
| Total                    | <u>\$ 7,107</u>               | <u>\$ -907</u>                  | <u>\$ 0</u>                     | <u>\$ 6,200</u>               |

\* Current depreciation expense recognized.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008  
(CONTINUED)**

Note 8 - Accounts Payable

This classification includes the following accounts:

|                         |                  |
|-------------------------|------------------|
| Vendors and contractors | \$ 846           |
| Payroll taxes payable   | 343              |
| Accounts payable - HUD  | 30               |
| Other government        | <u>1,239</u>     |
| Subtotal                | \$ 2,458         |
| Interfund               | <u>11,484</u>    |
| Total                   | <u>\$ 13,942</u> |

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

|                              |                 |
|------------------------------|-----------------|
| Accrued payroll              | \$ 2,077        |
| Accrued compensated absences | <u>1,106</u>    |
| Total                        | <u>\$ 3,183</u> |

Note 10 - Deferred Revenue

This classification consists of the following:

|       |                 |
|-------|-----------------|
| Other | <u>\$ 6,250</u> |
|-------|-----------------|

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.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008  
(CONTINUED)**

Note 13 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

|                                    |                 |
|------------------------------------|-----------------|
| Change in accumulated depreciation | \$ <u>2,246</u> |
|------------------------------------|-----------------|

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 (82%) 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, 2008**

| <u>Federal Grantor/Program</u>             | <u>Federal<br/>CFDA Number</u> | <u>Contract<br/>Number</u> | <u>Grant<br/>Period</u> | <u>Program<br/>Amount</u> | <u>Receipts or<br/>Revenue<br/>Recognized</u> | <u>Disbursements/<br/>Expenditures</u> |
|--|--------------------------------|----------------------------|-------------------------|---------------------------|---|--|
| <u>U.S. Department of HUD</u>              |                                |                            |                         |                           |   |  |
| Direct Programs:                           |                                |                            |                         |                           |   |  |
| Housing Choice<br>Voucher Program*         | 14.871                         | IN060                      | FYE<br>09/30/08         | \$ 662,683                | \$ 662,683                                    | \$ 662,683                             |
| <u>Federal Emergency Management Agency</u> |                                |                            |                         |                           |   |  |
| Disaster Housing<br>Assistance             | 97.109                         |                            | FYE<br>09/30/08         | \$ 2,196                  | \$ 2,196                                      | \$ 21,96                               |
| Total Assistance                           |                                |                            |                         | <u>\$ 664,879</u>         | <u>\$ 664,879</u>                             | <u>\$ 664,879</u>                      |

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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.

# 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, 2008, which collectively comprise the Warsaw Housing Authority's basic financial statements and have issued my report thereon dated May 27, 2009. 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.

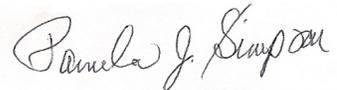
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any 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 27, 2009.

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois  
May 27, 2009

# PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

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## **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, 2008. 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, 2008. 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 27, 2009.

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 27, 2009

  
Certified Public Accountant

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2007 contained no findings.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**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 27, 2009.

**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 27, 2009.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2008**

| <u>Voucher</u>   | <u>Audit<br/>Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting<br/>Account Number</u> |
|--|---------------------------------|--------------|---------------|-----------------------------------|
| (1)  |                                 |              |               |                                   |
| Prepaid support  | 1290                            | \$ 728.70    |               | 1290                              |
| Miscellaneous sundry   | 4190                            |              | \$ 728.70     | 2806.01                           |
| (To set up 4 months of prepaid computer support on Voucher side for Happy Software through 01/31/09) |                                 |              |               |                                   |
| (2)  |                                 |              |               |                                   |
| HUD payable  | 2118.01                         | \$ 1,432.23  |               | 2118.01                           |
| Admin personnel  | 3600                            |              | \$ 1,432.23   | 2806.01                           |
| (To adjust payable to HUD for 3 <sup>rd</sup> quarter 2008 per HUD notice dated 12/24/08)            |                                 |              |               |                                   |
| (3)  |                                 |              |               |                                   |
| Admin salaries   | 4110                            | \$ 994.85    |               | 2806.01                           |
| Accrued compensated absences   | ----                            |              | \$ 994.85     | ----                              |
| (To record leave taken after fiscal year, but accumulated at the end of the year)                    |                                 |              |               |                                   |
| (4)  |                                 |              |               |                                   |
| Depreciation expense   | 4800                            | \$ 1,612.89  |               | 2802.01                           |
| Invested in capital assets   | 2802.01                         |              | \$ 1,612.89   | 2802.01                           |
| (To adjust depreciation expense to actual)   |                                 |              |               |                                   |
| <u>Business Activities</u>   |                                 |              |               |                                   |
| (1)  |                                 |              |               |                                   |
| Depreciation expense   | 4800                            | \$ 633.43    |               | 2802.01                           |
| Invested in capital assets   | 2802.01                         |              | \$ 633.43     | 2802.01                           |
| (To adjust depreciation expense to actual)   |                                 |              |               |                                   |
| (2)  |                                 |              |               |                                   |
| Prepaid support  | 1290                            | \$ 20.24     |               | 1290                              |
| Sundry   | 4190                            |              | \$ 20.24      | 2806.01                           |
| (To set up 4 months of prepaid computer support on Voucher side for Happy Software through 01/31/09) |                                 |              |               |                                   |
| (3)  |                                 |              |               |                                   |
| Admin salaries   | 4110                            | \$ 110.54    |               | 2806.01                           |
| Accrued compensated absences   | ----                            |              | \$ 110.54     | ----                              |
| (To record accrued leave taken after fiscal year, but accumulated at the end of the fiscal year)     |                                 |              |               |                                   |

# **PAMELA J. SIMPSON, C.P.A.**

**433 WEST PERSHING ROAD**

**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, 2008, 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 should review its Internal Control policy and make sure all policies are being followed. It was noted during my examination of records that the Internal Control policy calls for two signatures on all checks, however, some payroll checks had only one signature.

Also the Authority should update policies related to the personnel manual. It was noted that policy does not distinguish when vacation time starts to accrue for year (calendar year or upon employee anniversary date) and that the vacation time for Executive Director accrued differently than other full time employees.

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.

A handwritten signature in black ink that reads "Paula J. Simpson". The signature is written in a cursive style with a small flourish at the end.

Decatur, Illinois  
May 27, 2009

Certified Public Accountant