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June 2, 2014

Board of Directors
Warsaw Housing Authority
109 W. Catherine Street
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We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2008 to September 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Warsaw Housing Authority, as of September 30, 2009 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, 2009

**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, 2009, 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, 2009 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 25, 2010, 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 25, 2010



Certified Public Accountant

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2009**

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, 2009. 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, 2009 were \$155,390. The net assets decreased by \$13,232, a decrease of 7.8% from the prior year.
- Revenues for the Authority were \$787,413 for the year ended September 30, 2009. This was a decrease of \$20,247 or 2.5% from the prior year.
- Expenses for the Authority were \$800,645 for the year ended September 30, 2009. This was a decrease of \$20,963 or 2.6% from the prior year.
- HUD operating grants for the Authority was \$693,287 for the year ended September 30, 2009, an increase of \$30,604 or 4.6% over the prior year. Other government grants for the Authority were \$66,750 for the year ended September 30, 2009.

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, 2009**

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, 2009 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 \$155,390 at the close of the year ended September 30, 2009 down from \$168,622 in fiscal year 2008. The decrease in net assets of \$13,232 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$3,762 decrease in this category, cash and investments decreased \$4,608, receivables increased \$1,330, and prepaid & other expenses decreased \$484.
- Capital assets decreased \$2,326 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 increased \$7,144 or 60.1% mostly due to an increase in accounts payable which is amounts owed to vendors and contractors for services rendered or goods purchased in the current fiscal year, but paid in the following fiscal year.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2009**

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net assets were \$77,596 as of September 30, 2009. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for seven months, excluding housing assistance payments. The restricted net assets were \$73,920 as of September 30, 2009. 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 2009</u>	<u>FY 2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 170,551	\$ 174,313	\$ (3,762)	-2.2%
Capital assets	<u>3,874</u>	<u>6,200</u>	<u>(2,326)</u>	<u>-37.5%</u>
Total Assets	<u>174,425</u>	<u>180,513</u>	<u>(6,088)</u>	<u>-3.4%</u>
Current liabilities	<u>19,035</u>	<u>11,891</u>	<u>7,144</u>	<u>60.1%</u>
Total Liabilities	<u>19,035</u>	<u>11,891</u>	<u>7,144</u>	<u>60.1%</u>
Net Assets				
Invested in capital assets, net of related debt	3,874	6,200	(2,326)	-37.5%
Restricted	73,920	79,520	(5,600)	-7.0%
Unrestricted	<u>77,596</u>	<u>82,902</u>	<u>(5,306)</u>	<u>-6.4%</u>
Total Net Assets	<u>\$ 155,390</u>	<u>\$ 168,622</u>	<u>\$ (13,232)</u>	<u>-7.8%</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 decreased \$20,247 due to the reasons noted below.

- HUD operating grants increased \$30,604 due to an increase in housing choice voucher program assistance received from HUD.
- Other government grants represent funding from a local government agency for housing assistance and were \$66,750 for FY 2009, down from \$113,340 in FY 2008.
- Other income decreased \$4,104 mainly due to a decrease in fraud recoveries.
- Investment income decreased \$157 from FY 2008.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2009**

FINANCIAL ANALYSIS (CONTINUED)

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

	<u>FY 2009</u>	<u>FY 2008</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating - capital contributions:				
HUD PHA operating grants	693,287	662,683	30,604	4.6%
Other government grants	66,750	113,340	(46,590)	-41.1%
Other revenue	27,025	31,129	(4,104)	-13.2%
Investment income	351	508	(157)	-30.9%
Total Revenues	<u>787,413</u>	<u>807,660</u>	<u>(20,247)</u>	<u>-2.5%</u>
Expenses				
Administration	120,597	91,560	29,037	31.7%
Housing assistance payments	676,099	719,759	(43,660)	-6.1%
Depreciation expense	2,325	3,154	(829)	-26.3%
Other expenses	1,624	7,135	(5,511)	-77.2%
Total Expenses	<u>800,645</u>	<u>821,608</u>	<u>(20,963)</u>	<u>-2.6%</u>
Changes in net assets	(13,232)	(13,948)	716	
Net assets, beginning of year	168,622	180,324	(11,702)	
Prior period adjustments	<u>-</u>	<u>2,246</u>	<u>(2,246)</u>	
Net assets, end of year	<u>\$ 155,390</u>	<u>\$ 168,622</u>	<u>\$ (13,232)</u>	

Total expenses decreased \$20,963 due to the reasons noted below.

- Administration increased \$29,037 or 31.7% primarily due to an increase in administrative wages and benefits charged to Section 8 Vouchers and Business Activities.
- Housing assistance payments decreased \$43,660 or 6.1% mostly due to a decrease in housing assistance from other government grants. The Authority also had a 1.3% decrease in average housing assistance payment per Section 8 voucher issued and outstanding.
- The Authority had an \$829 or 26.3% decrease in depreciation which is the write-off of capital assets over their estimated useful life.
- Other expenses decreased \$5,511 from FY 2008.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2009**

FINANCIAL ANALYSIS (CONTINUED)

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, 2009 was 95.9%, up from 95.4% in FY 2008.

CAPITAL ASSETS

The Warsaw Housing Authority, Indiana's investment in capital assets net of related debt, as of September 30, 2009 amounts to \$3,874 (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 37.5% in terms of net book value. Depreciation charges for the year totaled \$2,325. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Depreciation	Rounding	Ending
Capital assets	\$6,200	\$(2,325)	\$(1)	\$3,874

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority is eligible to receive \$623,421 for housing assistance payments for next fiscal year in the Housing Choice Voucher Program. The Authority also has \$73,920 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$305.71 for FY 2009, 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 2010 and adjusted for pro-ration which is currently at 89.8%.

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, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 17,422
Accounts receivable (interfund eliminated)	82,554
Accrued interest	1
Investments	2,738
Deferred charges	<u>1,347</u>
 Total Current Assets	 <u>\$ 104,062</u>

RESTRICTED ASSETS

Cash	<u>\$ 65,889</u>
 Total Restricted Assets	 <u>\$ 65,889</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 24,510
Less: Accumulated depreciation	<u>-20,636</u>
 Net Capital Assets	 <u>\$ 3,874</u>

OTHER ASSETS

Other - deposits	<u>\$ 600</u>
 Total Assets	 <u>\$ 174,425</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 6,937
Accrued liabilities	5,848
Deferred revenue	<u>6,250</u>
 Total Current Liabilities	 <u>\$ 19,035</u>

NET ASSETS

Unrestricted	\$ 77,596
Restricted	73,920
Invested in capital assets	<u>3,874</u>
 Total Net Assets	 <u><u>\$ 155,390</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, 2009**

Operating Income

HUD grants - operating	\$ 693,287
Other government grants	66,750
Other revenue	<u>27,025</u>
 Total Operating Income	 \$ <u>787,062</u>

Operating Expenses

Administration	\$ 120,597
Ordinary maintenance and operation	157
General expense	1,467
Housing assistance payments	676,099
Depreciation expense	<u>2,325</u>
 Total Operating Expenses	 \$ <u>800,645</u>
 Net Operating Income (Loss)	 \$ -13,583

Nonoperating Income (Expense)

Interest income	<u>351</u>
 Changes in net assets	 \$ -13,232
Net assets, beginning of year	<u>168,622</u>
 Net assets, end of year	 <u>\$ 155,390</u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

Operating Activities

Operating grants	\$ 693,287
Other revenue	92,446
Housing assistance payments	-676,099
Payments to employees	-62,847
Payments to suppliers and contractors	<u>-51,746</u>

Net Cash Provided (Used) by Operating Activities \$ -4,959

Investing Activities

Investments (purchased) redeemed	\$ -35
Interest income	<u>351</u>

Net Cash Provided (Used) by Investing Activities \$ 316

Net Change in Cash \$ -4,643

Cash Balance at September 30, 2008 87,954

Cash Balance at September 30, 2009 \$ 83,311

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Net operating income (loss)	\$ -13,583
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	2,325
(Increase) decrease in accounts receivable	-1,329
(Increase) decrease in deferred charges	484
Increase (decrease) in accounts payable	8,116
Increase (decrease) in accrued liabilities	<u>-972</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -4,959</u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

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.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

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, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation 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.

(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 (included in 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.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) 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, 2009
(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, 2009, 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, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

(l) 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.

(m)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.

(n)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.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

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.

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.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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	\$ 65,889	\$ 67,310
Business Activities	<u>17,422</u>	<u>17,467</u>
Total	<u>\$ 83,311</u>	<u>\$ 84,777</u>

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>
Business Activities	<u>\$ 2,738</u>	<u>\$ 2,738</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.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 4 - Accounts Receivable

Accounts receivable consists of the following accounts:

Fraud recovery (net)	\$ 1,932
Other	<u>80,622</u>
Subtotal	\$ 82,554
Interfund	<u>37,238</u>
Total	<u><u>\$ 119,792</u></u>

Note 5 - Investments

At September 30, 2009 investments consist of the following:

	<u>Rate</u>	
Savings	1%	<u><u>\$ 2,738</u></u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 709
Prepaid computer support	<u>638</u>
Total	<u><u>\$ 1,347</u></u>
Balance as of September 30, 2009	\$ 3,874
Balance as of September 30, 2008	<u>6,200</u>
Net Increase (Decrease)	<u><u>\$ -2,326</u></u>

Reconciliation

Current year depreciation expense	<u>\$ -2,326</u> *
Net Increase (Decrease)	<u><u>\$ -2,326</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	10/01/2008 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	09/30/2009 <u>Balance</u>
Equipment and furniture	\$ 28,625	\$ 0	\$ 4,115	\$ 24,510
Accumulated depreciation	<u>-22,425</u>	<u>-2,326</u> *	<u>4,115</u>	<u>-20,636</u>
Total	<u>\$ 6,200</u>	<u>\$ -2,326</u>	<u>\$ 0</u>	<u>\$ 3,874</u>

* Current depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 5,473
Accounts payable - HUD	225
Other government	<u>1,239</u>
Subtotal	\$ 6,937
Interfund	<u>37,238</u>
Total	<u>\$ 44,175</u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued wages/payroll taxes	<u>\$ 5,848</u>
-----------------------------	-----------------

Note 10 - Deferred Revenue

This classification consists of the following:

Other - unearned revenue	<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.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

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 - 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 14 - Economic Dependency

The Housing Authority received most of its revenue (88%) 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, 2009**

<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 09/30/09	\$ <u>693,287</u>	\$ <u>693,287</u>	\$ <u>693,287</u>
Total Assistance				\$ <u>693,287</u>	\$ <u>693,287</u>	\$ <u>693,287</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

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 Warsaw Housing Authority as of and for the year ended September 30, 2009, and have issued my report thereon dated May 25, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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. I consider deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (2009-01)

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 2009-1 to be a material weakness.

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 such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-01.

I noted certain matters that we reported to management of Warsaw Housing Authority, in a separate letter dated May 25, 2010.

Warsaw Housing Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Warsaw Housing Authority's response and, accordingly, I express no opinion on it.

This reported in intended solely for the information and use 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 25, 2010


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, 2009. 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.

As described in item 2009-2 in the accompanying schedule of findings and questioned costs, Warsaw Housing Authority did not comply with requirements regarding SEMAP submission that are applicable to its Voucher Program. Compliance with such requirements is necessary, in my opinion, for Warsaw Housing Authority to comply with the requirements applicable to that program

In my opinion, except for the noncompliance described in the preceding paragraph, 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, 2009. The results of my auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-02.

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 and to test and report on the internal control over compliance in accordance with OMB circular A-133. Accordingly I do not express an opinion on the effectiveness of Warsaw Housing Authority's internal control over compliance.

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

A *control deficiency* is 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. I consider the deficiencies in internal control over compliance as described in the accompany schedule of findings and questioned costs, I consider items 2009-02 to be significant deficiencies.

A *material weakness* is a significant deficiency or a 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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, I do not consider item 2009-02 to be a material weakness.

Warsaw Housing Authority's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Warsaw Housing Authority's response and accordingly, I express no opinion on it.

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 25, 2010.

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 25, 2010


Certified Public Accountant

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2008 contained no findings.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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? X yes _____ 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? X yes _____ 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? X yes _____ 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 was one audit finding discussed with Pamela Kennedy, Executive Director, during the course of the audit and at an exit conference held May 25, 2010.

Finding 2009-1: Housing Choice Voucher - Negative Equity

Condition and Criteria: HUD provides the Housing Authority with subsidy for administrative fees, and Housing Assistance Payments. At the end of the fiscal year the administrative equity of the Housing Authority was a deficit balance of \$44,113. Under HUD requirement each Housing Authority is to administer the program within the budget (subsidy) provided. When the administrative expenses exceed available funds, restricted HAP equity is used. This use of restricted funds is not allowed.

Effect: The Housing Authority is using restricted funds for unallowed purposes.

Cause: The Housing Authority is not monitoring expenditures.

Auditor's Recommendation: The Housing Authority must monitor funds available and operate within the budgetary constraints.

Auditee's Response: The most recent audit confirms that WHA has an admin reserve deficit and is not in compliance with HUD standards. WHA must submit a response to this audit finding and create a formal corrective plan with the objective of eliminating the deficit.

The following options for action will be considered and enacted by the Board of Commissioners monthly with the goal of improving our admin reserve deficit and bringing it to a surplus.

1. Admin funding received from HUD will no longer be transferred to the HP (Business Activity) account in whole. The controller will track the Voucher program's share of expenses and transfer money to cover the expenses weekly.
2. The controller has reviewed all expenses paid during the fiscal year, reallocated expenses based on the units leased on both the Section 8 and County Voucher programs and is currently in the process of investigating the impact to our admin reserve.
3. We will transfer funds from HOW to WHA which will both aid in the improvement of the admin reserve but also bring down the intercompany balance that HOW owes WHA.
4. Investigate having funds from Win A House to pay some of the expenses for the Upson House as well as other allowed expenses per the Indiana Gaming Commission. These expenses that would have normally come from HOW's general fund will instead go to WHA.
5. We are also currently evaluating wages that are charged to all of the programs for both WHA and HOW to ensure those have been allocated correctly and will use that information for future budgeting and financial management.
6. Request the Board to consider forfeiting their stipend, which in total will save the agency approximately \$1,000 in a year.
7. We will contribute amounts received from Fraud Recovery (Section 8 Violation Paybacks) to the improvement of the admin reserve.

The Executive Director and Controller will continue to update the Board on a monthly basis on the progress of this corrective plan.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS (CONTINUED)

Section III - Federal Awards Findings

There was one audit finding discussed with Pamela Kennedy, Executive Director, during the course of the audit and at an exit conference held May 25, 2010.

Finding 2009-02: SEMAP Submission

Condition and Criteria: HUD requires that all housing authorities operating a Section 8 voucher program to submit certain data electronically under the Section 8 Management Assessment Program (SEMAP). This submission is required annually. The SEMAP submission is the system by which HUD measures an agencies performance in key areas. The Housing Authority failed to complete the submission as required.

Effect: The Housing Authority did not complete all of the HUD mandated reporting requirements timely.

Cause: The Housing Authority's current management did not submit the report within the required 60 days after fiscal year end.

Auditor's Recommendation: The Housing Authority should review 24CFR Part 985 requirements (Section 8 Management Assessment Program) to determine that this reporting requirement is met in the future. All quality control samples required in 24CFR Part 985 should be completed and adequately documented as a basis for future SEMAP submission.

Auditee's Response: The Housing Authority will establish a tracking and monitoring system to ensure the timely submission of the SEMAP certification within 60 days of the fiscal year end.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2009**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued wages	2135.01	\$ 3,702.13		2135.01
Admin wages	4110		\$ 114.54	2806.01
Accounts receivable - VO	1129.01		1,434.49	1129.01
Accounts receivable - HOW	1129.09		2,153.10	1129.09
(To adjust accrued wages for program to actual per schedule and remove amounts placed as interfund)				
(2)				
Accrued compensated absence	2135.10	\$ 110.54		2135.10
Admin wages	4110		\$ 110.54	2806.01
(To reverse prior year audit adjusting journal entry paid out during year)				
<u>Voucher</u>				
(1)				
Accrued wages	2135.01		\$ 1,495.88	2135.01
Admin wages	4110	\$ 61.39		2806.01
Accounts payable - BA	2119.01	1,434.49		2119.01
(To adjust accrued wages for program to actual per schedule and remove amounts place as interfund)				
(2)				
Accrued compensated absences	2135.10	\$ 994.85		2135.10
Admin salaries	4110		\$ 994.85	2806.01
(To reverse prior year audit adjusting journal entry)				
(3)				
Cash	1111	\$ 339.00		1111
Accounts payable	2111		\$ 339.00	2111
(To correct entries for checks #14287 and #14311 not written until 10/1/09 for September HAP payable)				

Housing Authority of the City of Warsaw (IN060)

Warsaw, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	14,871 Housing Choice Vouchers	1 Business Activities	97,109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$17,422		\$17,422		\$17,422
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$65,889			\$65,889		\$65,889
114 Cash - Tenant Security Deposits						
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$65,889	\$17,422	\$0	\$83,311	\$0	\$83,311
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous		\$80,622		\$80,622		\$80,622
126 Accounts Receivable - Tenants						
126.1 Allowance for Doubtful Accounts - Tenants	\$0	\$0	\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery	\$10,329			\$10,329		\$10,329
128.1 Allowance for Doubtful Accounts - Fraud	-\$8,397			-\$8,397		-\$8,397
129 Accrued Interest Receivable		\$1		\$1		\$1
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,932	\$80,623	\$0	\$82,555	\$0	\$82,555
131 Investments - Unrestricted		\$2,738		\$2,738		\$2,738
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$1,283	\$664		\$1,947		\$1,947
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From		\$35,999	\$1,239	\$37,238	-\$37,238	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$69,104	\$137,446	\$1,239	\$207,789	-\$37,238	\$170,551
161 Land						
162 Buildings						
163 Furniture, Equipment & Machinery - Dwellings						
164 Furniture, Equipment & Machinery - Administration	\$17,674	\$6,836		\$24,510		\$24,510
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$17,212	-\$3,424		-\$20,636		-\$20,636
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$462	\$3,412	\$0	\$3,874	\$0	\$3,874
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$462	\$3,412	\$0	\$3,874	\$0	\$3,874
190 Total Assets	\$69,566	\$140,858	\$1,239	\$211,663	-\$37,238	\$174,425

Housing Authority of the City of Warsaw (IN060)

Warsaw, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	14,871 Housing Choice Vouchers	1 Business Activities	97,109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$339	\$5,134		\$5,473		\$5,473
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$1,495	\$4,353		\$5,848		\$5,848
322 Accrued Compensated Absences - Current Portion						
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs	\$225			\$225		\$225
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government			\$1,239	\$1,239		\$1,239
341 Tenant Security Deposits						
342 Deferred Revenues		\$6,250		\$6,250		\$6,250
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other						
347 Inter Program - Due To	\$37,238			\$37,238	-\$37,238	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$39,297	\$15,737	\$1,239	\$56,273	-\$37,238	\$19,035
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current						
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$39,297	\$15,737	\$1,239	\$56,273	-\$37,238	\$19,035
508.1 Invested In Capital Assets, Net of Related Debt	\$462	\$3,412		\$3,874		\$3,874
509.2 Fund Balance Reserved						
511.2 Unreserved, Designated Fund Balance						
511.1 Restricted Net Assets	\$73,920			\$73,920		\$73,920
512.1 Unrestricted Net Assets	-\$44,113	\$121,709	\$0	\$77,596		\$77,596
512.2 Unreserved, Undesignated Fund Balance						
513 Total Equity/Net Assets	\$30,269	\$125,121	\$0	\$155,390	\$0	\$155,390
600 Total Liabilities and Equity/Net Assets	\$69,566	\$140,858	\$1,239	\$211,663	-\$37,238	\$174,425

Housing Authority of the City of Warsaw (IN060)

Warsaw, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	14.871 Housing Choice Vouchers	1 Business Activities	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue						
70400 Tenant Revenue - Other						
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$693,287			\$693,287		\$693,287
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants		\$66,750		\$66,750		\$66,750
71100 Investment Income - Unrestricted		\$91		\$91		\$91
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery	\$27			\$27		\$27
71500 Other Revenue	\$1,998	\$25,000		\$26,998		\$26,998
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted	\$260			\$260		\$260
70000 Total Revenue	\$695,572	\$91,841	\$0	\$787,413	\$0	\$787,413
91100 Administrative Salaries	\$53,908	\$7,833		\$61,741		\$61,741
91200 Auditing Fees	\$3,254	\$362		\$3,616		\$3,616
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$188	\$21		\$209		\$209
91500 Employee Benefit contributions - Administrative	\$10,942	\$1,480		\$12,422		\$12,422
91600 Office Expenses	\$19,099	\$2,023		\$21,122		\$21,122
91700 Legal Expense						
91800 Travel	\$3,537	\$913		\$4,450		\$4,450
91810 Allocated Overhead						
91900 Other	\$15,488	\$1,549		\$17,037		\$17,037
91000 Total Operating - Administrative	\$106,416	\$14,181	\$0	\$120,597	\$0	\$120,597
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other						
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0

Housing Authority of the City of Warsaw (IN060)

Warsaw, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	14.871 Housing Choice Vouchers	1 Business Activities	97.109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
93100 Water						
93200 Electricity						
93300 Gas						
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$0	\$0	\$0	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor						
94200 Ordinary Maintenance and Operations - Materials and Other	\$142	\$15		\$157		\$157
94300 Ordinary Maintenance and Operations Contracts						
94500 Employee Benefit Contributions - Ordinary Maintenance						
94000 Total Maintenance	\$142	\$15	\$0	\$157	\$0	\$157
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance						
96120 Liability Insurance	\$488	\$50		\$538		\$538
96130 Workmen's Compensation	\$402	\$40		\$442		\$442
96140 All Other Insurance	\$224	\$100		\$324		\$324
96100 Total insurance Premiums	\$1,114	\$190	\$0	\$1,304	\$0	\$1,304
96200 Other General Expenses	\$163			\$163		\$163
96210 Compensated Absences						
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents						
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$163	\$0	\$0	\$163	\$0	\$163
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$107,835	\$14,386	\$0	\$122,221	\$0	\$122,221
97000 Excess of Operating Revenue over Operating Expenses	\$587,737	\$77,455	\$0	\$665,192	\$0	\$665,192

Housing Authority of the City of Warsaw (IN060)

Warsaw, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	14,871 Housing Choice Vouchers	1 Business Activities	97,109 Disaster Housing Assistance Grant	Subtotal	ELIM	Total
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments	\$615,697	\$60,402		\$676,099		\$676,099
97350 HAP Portability-In						
97400 Depreciation Expense	\$1,751	\$574		\$2,325		\$2,325
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$725,283	\$75,362	\$0	\$800,645	\$0	\$800,645
10010 Operating Transfer In						
10020 Operating transfer Out						
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$29,711	\$16,479	\$0	-\$13,232	\$0	-\$13,232
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$59,980	\$108,642	\$0	\$168,622		\$168,622
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$0		\$0		\$0
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity	-\$43,651			-\$43,651		-\$43,651
11180 Housing Assistance Payments Equity	\$73,920			\$73,920		\$73,920
11190 Unit Months Available	2100	252		2352		2352
11210 Number of Unit Months Leased	2014	137		2151		2151
11270 Excess Cash						
11610 Land Purchases						
11620 Building Purchases						
11630 Furniture & Equipment - Dwelling Purchases						
11640 Furniture & Equipment - Administrative Purchases						
11650 Leasehold Improvements Purchases						
11660 Infrastructure Purchases						
13510 CFFP Debt Service Payments						
13901 Replacement Housing Factor Funds						

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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, 2009, 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. During my review of the PHA it was noted that the PHA was writing checks out of order. At September 30, 2009 PHA had recorded some checks as written that were not, and one check that was recorded was for only a portion of the total check actually written. If PHA has amounts that are due but not paid they should be recorded as payables.
2. While reviewing the PHA's financials it came to my attention that the PHA had not recorded any accrued compensated absences and the liability on the book was from prior year.

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.



Certified Public Accountant

Decatur, Illinois
May 25, 2010