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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, 2009 to September 30, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Warsaw Housing Authority, as of September 30, 2010 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, 2010

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

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Independent Auditor's Report

Board of Commissioners
Warsaw Housing Authority
Warsaw, Indiana

I have audited the accompanying financial statements of the Warsaw Housing Authority, as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Warsaw Housing Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 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 opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Warsaw Housing Authority, as of September 30, 2010, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 12, 2011 on my consideration of the Warsaw Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 on pages 3 through 7 are not a required part of the basic financial statements but are 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 required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of 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 also not a required part of the basic financial statements of the Warsaw Housing Authority. The 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. The schedule of federal expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all materials respects in relation to the basic financial statements taken as a whole.



Certified Public Accountant

Decatur, Illinois
May 12, 2011

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2010**

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, 2010. 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, 2010 were \$132,011. The net assets decreased by \$23,379, a decrease of 15.0% from the prior year.
- Revenues for the Authority were \$1,135,540 for the year ended September 30, 2010. This was an increase of \$348,127 or 44.2% from the prior year.
- Expenses for the Authority were \$1,159,237 for the year ended September 30, 2010. This was an increase of \$358,592 or 44.7% from the prior year.
- HUD operating grants for the Authority was \$709,680 for the year ended September 30, 2010, an increase of \$16,393 or 2.3% over the prior year. Other government grants for the Authority were \$287,132 for the year ended September 30, 2010.

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, 2010**

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, 2010 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 \$132,011 at the close of the year ended September 30, 2010 down from \$155,390 in fiscal year 2009. The decrease in net assets of \$23,379 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$105,633 increase in this category, cash and investments increased \$107,127, receivables decreased \$1,782 and prepaid and other expenses increased \$288.
- Capital assets increased \$1,173 because current year depreciation expense did not exceed current year capital asset additions. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities increased \$15,277 or 80.2% mostly due to an increase in deferred revenues which is revenue deferred until actually expended.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2010**

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net assets were \$73,968 as of September 30, 2010. 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 \$52,996 as of September 30, 2010. 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 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 276,184	\$ 170,551	\$ 105,633	61.9%
Capital assets	<u>5,047</u>	<u>3,874</u>	<u>1,173</u>	<u>30.3%</u>
Total Assets	<u>281,231</u>	<u>174,425</u>	<u>106,806</u>	<u>61.2%</u>
Current liabilities	34,312	19,035	15,277	80.3%
Noncurrent liabilities	<u>114,908</u>	<u>-</u>	<u>114,908</u>	<u>0.0%</u>
Total Liabilities	<u>149,220</u>	<u>19,035</u>	<u>130,185</u>	<u>683.9%</u>
Net Assets				
Invested in capital assets, net of related debt	5,047	3,874	1,173	30.3%
Restricted	52,996	73,920	(20,924)	-28.3%
Unrestricted	<u>73,968</u>	<u>77,596</u>	<u>(3,628)</u>	<u>-4.7%</u>
Total Net Assets	<u>\$ 132,011</u>	<u>\$ 155,390</u>	<u>\$ (23,379)</u>	<u>-15.0%</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 \$348,127 due to the reasons noted below.

- HUD operating grants increased \$16,393 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 \$287,132 for FY 2010, up from \$66,750 in FY 2009.
- Other income increased \$111,148 mainly due to an increase in subsidy through the county.
- Investment income increased \$204 from FY 2009.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2010**

FINANCIAL ANALYSIS (CONTINUED)

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

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating - capital contributions:				
HUD PHA operating grants	709,680	693,287	16,393	2.4%
Other government grants	287,132	66,750	220,382	330.2%
Other revenue	138,173	27,025	111,148	411.3%
Investment income	555	351	204	58.1%
Total Revenues	<u>1,135,540</u>	<u>787,413</u>	<u>348,127</u>	<u>44.2%</u>
Expenses				
Administration	125,433	120,597	4,836	4.0%
General expense	10,857	1,467	9,390	640.1%
Housing assistance payments	1,022,120	676,099	346,021	51.2%
Depreciation expense	827	2,325	(1,498)	-64.4%
Maintenance	-	157	(157)	-100.0%
Total Expenses	<u>1,159,237</u>	<u>800,645</u>	<u>358,592</u>	<u>44.8%</u>
Changes in net assets	(23,697)	(13,232)	(10,465)	
Net assets, beginning of year	155,390	168,622	(13,232)	
Prior period adjustments	<u>318</u>	<u>-</u>	<u>318</u>	
Net assets, end of year	<u>\$ 132,011</u>	<u>\$ 155,390</u>	<u>\$ (23,379)</u>	

Total expenses increased \$358,592 due to the reasons noted below.

- Administration increased \$4,836 or 4.0% primarily due to an increase in administrative wages and benefits charged to Section 8 Vouchers and Business Activities.
- Housing assistance payments increased \$346,021 or 51.1% mostly due to increase 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 a \$1,498 or 64.4% decrease in depreciation which is the write-off of capital assets over their estimated useful life.
- Other expenses increased \$9,233 from FY 2009.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2010**

FINANCIAL ANALYSIS (CONTINUED)

The Authority is authorized to assist 175 households with the Housing Choice Voucher Rental Assistance Program.

CAPITAL ASSETS

The Warsaw Housing Authority, Indiana's investment in capital assets net of related debt, as of September 30, 2010 amounts to \$5,047 (net of accumulated depreciation). The investment in capital assets includes equipment.

Capital Assets – The total increase in the Authority's capital assets for the current fiscal year was 30.2% in terms of net book value. Depreciation charges for the year totaled \$827. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Depreciation	Additions	Ending
Capital assets	\$3,874	\$(827)	\$2,000	\$5,047

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority has \$52,996 available in HAP Reserves to be used for housing assistance payments. 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 2011 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, 2010**

ASSETS

CURRENT ASSETS

Cash	\$ 28,478
Accounts receivable (interfund eliminated)	80,772
Accrued interest	1
Investments	2,804
Deferred charges	<u>2,235</u>

Total Current Assets \$ 114,290

RESTRICTED ASSETS

Cash	<u>\$ 161,894</u>
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Total Restricted Assets \$ 161,894

CAPITAL ASSETS

Land, buildings and equipment	\$ 26,510
Less: Accumulated depreciation	<u>-21,463</u>

Net Capital Assets \$ 5,047

Total Assets \$ 281,231

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 877
Accrued liabilities	10,224
Deferred revenue	<u>23,211</u>

Total Current Liabilities \$ 34,312

NONCURRENT LIABILITIES

Trust and deposit liabilities	<u>\$ 114,908</u>
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Total Noncurrent Liabilities \$ 114,908

NET ASSETS

Unrestricted	\$ 73,968
Restricted	52,996
Invested in capital assets	<u>5,047</u>

Total Net Assets \$ 132,011

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

Operating Income

HUD grants - operating	\$ 709,680
Other government grants	287,132
Other revenue	<u>138,173</u>
Total Operating Income	<u>\$ 1,134,985</u>

Operating Expenses

Administration	\$ 125,433
General expense	10,857
Housing assistance payments	1,022,120
Depreciation expense	<u>827</u>
Total Operating Expenses	<u>\$ 1,159,237</u>
Net Operating Income (Loss)	\$ -24,252

Nonoperating Income (Expense)

Interest income	<u>555</u>
Changes in net assets	\$ -23,697
Net assets, beginning of year	155,390
Prior period adjustments	<u>318</u>
Net assets, end of year	<u><u>\$ 132,011</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

Operating Activities

Operating grants	\$ 995,234
Other revenue	138,173
Housing assistance payments	-1,022,120
Payments to employees	-72,062
Payments to suppliers and contractors	<u>69,347</u>

Net Cash Provided (Used) by Operating Activities \$ 108,572

Investing Activities

Investments (purchased) redeemed	\$ -66
Interest income	<u>555</u>

Net Cash Provided (Used) by Investing Activities \$ 489

Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -2,000</u>
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Net Cash Provided (Used) by Financing Activities \$ -2,000

Net Change in Cash \$ 107,061

Cash Balance at September 30, 2009 83,311

Cash Balance at September 30, 2010 \$ 190,372

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

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

Net operating income (loss)	\$ -24,252
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	827
Adjustment to net assets	318
 (Increase) decrease in accounts receivable	 1,782
(Increase) decrease in deferred charges	-288
 Increase (decrease) in accounts payable	 -646
Increase (decrease) in accrued liabilities	-1,038
Increase (decrease) in deferred revenues	16,961
Increase (decrease) in other liabilities	<u>114,908</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 108,572</u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

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, 2010
(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

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, 2010
(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, 2010, 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, 2010
(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, 2010
(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 \$250,000 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, 2010
(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	\$ 46,986	\$ 48,874
Business Activities	<u>143,386</u>	<u>148,665</u>
Total	<u>\$ 190,372</u>	<u>\$ 197,539</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>\$ 2,804</u>	<u>\$ 2,804</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, 2010
(CONTINUED)**

Note 4 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD	\$ 1,353
Accounts receivable - miscellaneous	76,065
Fraud recovery (net)	<u>3,354</u>
Subtotal	\$ 80,772
Interfund	<u>37,407</u>
Total	<u><u>\$ 118,179</u></u>

Note 5 - Investments

At September 30, 2010 investments consist of the following:

	<u>Rate</u>	
Savings	1%	\$ <u>2,804</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 741
Prepaid computer support	894
Other	<u>600</u>
Total	<u><u>\$ 2,235</u></u>
Balance as of September 30, 2010	\$ 5,047
Balance as of September 30, 2009	<u>3,874</u>
Net Increase (Decrease)	<u><u>\$ 1,173</u></u>

Reconciliation

Additions	\$ 2,000
Current year depreciation expense	<u>-827</u> *
Net Increase (Decrease)	<u><u>\$ 1,173</u></u>

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	10/01/2009 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	09/30/2010 <u>Balance</u>
Equipment and furniture	\$ 24,510	\$ 2,000	\$ 0	\$ 26,510
Accumulated depreciation	<u>-20,636</u>	<u>0</u>	<u>827</u>	* <u>-21,463</u>
Total	<u>\$ 3,874</u>	<u>\$ 2,000</u>	<u>\$ 827</u>	<u>\$ 5,047</u>

* Current depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 877
Interfund	<u>37,407</u>
Total	<u>\$ 38,284</u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued wage/payroll taxes	\$ 6,641
Accrued compensated absences	<u>3,583</u>
Total	<u>\$ 10,224</u>

Note 10 - Deferred Revenue

This classification consists of the following:

Other	<u>\$ 23,211</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, 2010
(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 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Final settlement of DHAP grant	\$ <u>318</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 (62%) 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, 2010**

<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 09/30/10	\$ <u>709,680</u>	\$ <u>709,680</u>	\$ <u>709,680</u>
Total Assistance				\$ <u>709,680</u>	\$ <u>709,680</u>	\$ <u>709,680</u>

*Denotes major program.



**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, 2010, and have issued my report thereon dated May 12, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered 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 Warsaw Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Warsaw Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warsaw Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Warsaw Housing Authority in a separate letter dated May 12, 2011.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Housing and Urban Development 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 12, 2011



**Report on Compliance With Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Board of Commissioners
Warsaw Housing Authority
Warsaw, Indiana

Compliance

I have audited Warsaw Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Warsaw Housing Authority's major federal programs for the year ended September 30, 2010. 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. 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 requirement 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of my auditing procedures disclosed 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 items (2010-1).

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Warsaw Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, Housing and Urban Development, 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 12, 2011



Certified Public Accountant

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2009 contained two findings.

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. This finding continues.

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 completed the submission for 2010 in a timely manner. This finding is considered closed.

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Section I -Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

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

* Significant deficiency (ies) identified? _____ yes X_____ none reported

Noncompliance material to financial statements noted? _____ yes X_____ no

Federal Awards

Internal control over major programs:

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

* Significant deficiency (ies) identified? 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 OMB Circular A-133? X_____ yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X_____ no

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Pamela Kennedy, Executive Director, during the course of the audit and at an exit conference held May 12, 2011.

Section III - Federal Award Findings and Questioned Costs

There was one federal award audit finding discussed with Pamela Kennedy, Executive Director, during the course of the audit and at an exit conference held May 12, 2011.

Finding 2010-1: 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 \$41,612. 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 did not monitor expenditures adequately in prior periods, however, cash management did improve in 2010.

Auditor's Recommendation: The Housing Authority must monitor funds available and operate within the budgetary constraints in order to improve the financial position of the HCV program.

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

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. There will be a transfer/donation from HOW (an affiliated agency) in 2011.

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

**WARSAW HOUSING AUTHORITY
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued comp absence expense	----	\$ 247.69		2806.01
Accrued absence liability	2135.10		\$ 247.69	2135.10
(To adjust accrued liability for error in number of hours earned)				
 <u>Business Activities</u>				
(1)				
Accrued comp absence expense	----	\$ 106.50		2806.01
Accrued absence liability	2135.10		\$ 106.50	2135.10
(To adjust accrued liability for error in number of hours earned)				

Entity Wide Balance Sheet Summary

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$28,478	\$28,478		\$28,478
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$46,986	\$114,908	\$161,894		\$161,894
114 Cash - Tenant Security Deposits					
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$46,986	\$143,386	\$190,372	\$0	\$190,372
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$1,353		\$1,353		\$1,353
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous		\$76,065	\$76,065		\$76,065
126 Accounts Receivable - Tenants					
126.1 Allowance for Doubtful Accounts - Tenants					
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery	\$11,751		\$11,751		\$11,751
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	\$4,707	\$76,066	\$80,773	\$0	\$80,773
131 Investments - Unrestricted		\$2,804	\$2,804		\$2,804
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$1,424	\$811	\$2,235		\$2,235
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From		\$37,407	\$37,407	-\$37,407	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$53,117	\$260,474	\$313,591	-\$37,407	\$276,184
161 Land					
162 Buildings					
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$18,674	\$7,836	\$26,510		\$26,510
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$17,791	-\$3,672	-\$21,463		-\$21,463
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$883	\$4,164	\$5,047	\$0	\$5,047
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	\$883	\$4,164	\$5,047	\$0	\$5,047
190 Total Assets	\$54,000	\$264,638	\$318,638	-\$37,407	\$281,231

Entity Wide Balance Sheet Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days		\$877	\$877		\$877
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$1,818	\$4,823	\$6,641		\$6,641
322 Accrued Compensated Absences - Current Portion	\$2,508	\$1,075	\$3,583		\$3,583
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits					
342 Deferred Revenues		\$23,211	\$23,211		\$23,211
343 Current Portion of Long-term Debt - Capital Projects/Mortgage					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To	\$37,407		\$37,407	-\$37,407	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$41,733	\$29,986	\$71,719	-\$37,407	\$34,312
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		\$114,908	\$114,908		\$114,908
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	\$114,908	\$114,908	\$0	\$114,908
300 Total Liabilities	\$41,733	\$144,894	\$186,627	-\$37,407	\$149,220
508.1 Invested In Capital Assets, Net of Related Debt	\$883	\$4,164	\$5,047		\$5,047
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets	\$52,996		\$52,996		\$52,996
512.1 Unrestricted Net Assets	-\$41,612	\$115,580	\$73,968		\$73,968
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$12,267	\$119,744	\$132,011	\$0	\$132,011
600 Total Liabilities and Equity/Net Assets	\$54,000	\$264,638	\$318,638	-\$37,407	\$281,231

Entity Wide Revenue and Expense Summary

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue					
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$709,680		\$709,680		\$709,680
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		\$287,132	\$287,132		\$287,132
71100 Investment Income - Unrestricted	\$161	\$132	\$293		\$293
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery	\$2,287		\$2,287		\$2,287
71500 Other Revenue	\$110,886	\$25,000	\$135,886		\$135,886
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted	\$262		\$262		\$262
70000 Total Revenue	\$823,276	\$312,264	\$1,135,540	\$0	\$1,135,540
91100 Administrative Salaries	\$51,252	\$21,603	\$72,855		\$72,855
91200 Auditing Fees	\$2,241	\$1,374	\$3,615		\$3,615
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$100	\$32	\$132		\$132
91500 Employee Benefit contributions - Administrative	\$9,450	\$3,444	\$12,894		\$12,894
91600 Office Expenses	\$13,342	\$4,840	\$18,182		\$18,182
91700 Legal Expense					
91800 Travel	\$432	\$2,255	\$2,687		\$2,687
91810 Allocated Overhead					
91900 Other	\$11,584	\$3,484	\$15,068		\$15,068
91000 Total Operating - Administrative	\$88,401	\$37,032	\$125,433	\$0	\$125,433
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
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

Entity Wide Revenue and Expense Summary

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor					
94200 Ordinary Maintenance and Operations - Materials and Other					
94300 Ordinary Maintenance and Operations Contracts					
94500 Employee Benefit Contributions - Ordinary Maintenance					
94000 Total Maintenance	\$0	\$0	\$0	\$0	\$0
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
96110 Property Insurance					
96120 Liability Insurance	\$435	\$17	\$452		\$452
96130 Workmen's Compensation	\$362	\$119	\$481		\$481
96140 All Other Insurance	\$21	\$7	\$28		\$28
96100 Total insurance Premiums	\$818	\$143	\$961	\$0	\$961
96200 Other General Expenses	\$226	\$6,087	\$6,313		\$6,313
96210 Compensated Absences	\$2,508	\$1,075	\$3,583		\$3,583
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	\$2,734	\$7,162	\$9,896	\$0	\$9,896
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
96900 Total Operating Expenses	\$91,953	\$44,337	\$136,290	\$0	\$136,290
97000 Excess of Operating Revenue over Operating Expenses	\$731,323	\$267,927	\$999,250	\$0	\$999,250
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments	\$647,126	\$272,056	\$919,182		\$919,182
97350 HAP Portability-In	\$102,938		\$102,938		\$102,938
97400 Depreciation Expense	\$579	\$248	\$827		\$827
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$842,596	\$316,641	\$1,159,237	\$0	\$1,159,237

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
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	\$1,000		\$1,000	-\$1,000	\$0
10094 Transfers between Project and Program - Out		-\$1,000	-\$1,000	\$1,000	\$0
10100 Total Other financing Sources (Uses)	\$1,000	-\$1,000	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$18,320	-\$5,377	-\$23,697	\$0	-\$23,697
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$30,269	\$125,121	\$155,390		\$155,390
11040 Prior Period Adjustments, Equity Transfers and Correction of	\$318		\$318		\$318
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	-\$40,729		-\$40,729		-\$40,729
11180 Housing Assistance Payments Equity	\$52,996		\$52,996		\$52,996
11190 Unit Months Available	2100	660	2760		2760
11210 Number of Unit Months Leased	1989	566	2555		2555
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					

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, 2010, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warsaw Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Warsaw Housing Authority's internal control.

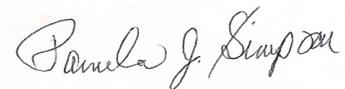
The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures.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

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

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

1. The Housing Authority's policy on frequency of deposits should be renewed and updated to reflect the actual practice (i.e. deposited daily if over \$500 collected).
2. SEMAP documentation for Quality Control tests of files should be expanded to document specific tests such as the selection from waiting list, rent reasonableness comparisons completed, documentation of third party verifications of income and a list of HQS inspection with reinspections.

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 12, 2011