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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, 2010 to September 30, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Warsaw Housing Authority, as of September 30, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

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

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

**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, 2011, 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.

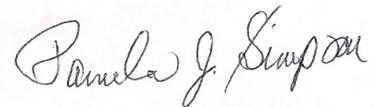
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Warsaw Housing Authority, as of September 30, 2011, 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 March 27, 2012 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.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Warsaw Housing Authority's basic financial statements. The 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 also not a required part of the basic 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 has been subjected to the auditing procedures and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America . In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.



Certified Public Accountant

Decatur, Illinois  
March 27, 2012

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2011**

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, 2011. 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, 2011 were \$168,412. The net assets increased by \$36,401, an increase of 27.6% over the prior year.
- Revenues for the Authority were \$1,082,632 for the year ended September 30, 2011. This was a decrease of \$52,908 or 4.7% from the prior year.
- Expenses for the Authority were \$1,046,231 for the year ended September 30, 2011. This was a decrease of \$113,006 or 9.7% from the prior year.
- HUD operating grants for the Authority was \$769,703 for the year ended September 30, 2011, an increase of \$60,023 or 8.5% over the prior year. Other government grants for the Authority were \$207,917 for the year ended September 30, 2011, a decrease of \$79,215 or 27.6% from the prior year.

**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, 2011**

**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, 2011 and is required to be included in the audit reporting package.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$168,412 at the close of the year ended September 30, 2011 up from \$132,011 in fiscal year 2010. The increase in net assets of \$36,401 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$62,883 increase in this category, cash and investments increased \$53,363, receivables increased \$10,117, and prepaid & other expenses decreased \$597.
- Capital assets increased \$2,594 because current year capital asset additions exceeded current year depreciation expense. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities increased \$29,076 or 19.5% mostly due to a \$30,794 increase in revolving loan fund for Home of Your Own program.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2011**

**FINANCIAL ANALYSIS (CONTINUED)**

The unrestricted net assets were \$88,088 as of September 30, 2011. 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 \$72,683 as of September 30, 2011. 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 2011</u>	<u>FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 339,067	\$ 276,184	\$ 62,883	22.8%
Capital assets	<u>7,641</u>	<u>5,047</u>	<u>2,594</u>	<u>51.4%</u>
Total Assets	<u>346,708</u>	<u>281,231</u>	<u>65,477</u>	<u>23.3%</u>
Current liabilities	<u>178,296</u>	<u>149,220</u>	<u>29,076</u>	<u>19.5%</u>
Total Liabilities	<u>178,296</u>	<u>149,220</u>	<u>29,076</u>	<u>19.5%</u>
Net Assets				
Invested in Capital Assets	7,641	5,047	2,594	51.4%
Restricted	72,683	52,996	19,687	37.1%
Unrestricted	<u>88,088</u>	<u>73,968</u>	<u>14,120</u>	<u>19.1%</u>
Total Net Assets	<u>\$ 168,412</u>	<u>\$ 132,011</u>	<u>\$ 36,401</u>	<u>27.6%</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 \$929 due to the reasons noted below.

- HUD operating grants increased \$60,023 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 \$207,917 for FY 2011, down from \$287,132 in FY 2010.
- Other income decreased \$32,333 due to decrease in pot in HAP and an increase in current year management fees received from a local Housing Authority to manage their Section 8 housing program.
- Investment income decreased \$349 from FY 2010 due to lower interest rates on deposit accounts.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2011**

**FINANCIAL ANALYSIS (CONTINUED)**

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

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues</b>				
Operating - non-operating - capital contributions:				
HUD PHA operating grants	769,703	709,680	60,023	8.5%
Other government grants	207,917	287,132	(79,215)	-27.6%
Other revenue	105,840	138,173	(32,333)	-23.4%
Fraud recovery	2,246	-	2,246	100.0%
Investment income	206	555	(349)	-62.9%
Gain (loss) on sale of fixed assets	(3,280)	-	(3,280)	-100.0%
Total Revenues	<u>1,082,632</u>	<u>1,135,540</u>	<u>(52,908)</u>	<u>-4.7%</u>
<b>Expenses</b>				
Administration	125,844	125,433	411	0.3%
Ordinary maintenance & operation	1,112	-	1,112	100.0%
Housing assistance payments	909,011	1,022,120	(113,109)	-11.1%
Depreciation expense	530	827	(297)	-35.9%
Other expenses	9,734	10,857	(1,123)	-10.3%
Total Expenses	<u>1,046,231</u>	<u>1,159,237</u>	<u>(113,006)</u>	<u>-9.7%</u>
Changes in net assets	36,401	(23,697)	60,098	
Net assets, beginning of year	132,011	155,390	(23,379)	
Prior period adjustments	<u>-</u>	<u>318</u>	<u>(318)</u>	
Net assets, end of year	\$ <u>168,412</u>	\$ <u>132,011</u>	\$ <u>36,401</u>	

Total expenses decreased \$61,027 due to the reasons noted below.

- Administration increased \$411 or primarily due to an increase in office expenses of \$2,285 or 12.6%.
- Housing assistance payments decreased \$113,109 or 1.1% mostly due to a decrease in housing assistance from other government grants.
- The Authority had a \$297 or 35.9% decrease in depreciation which is the write-off of capital assets over their estimated useful life.
- Other expenses decreased \$1,123 from FY 2010.

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, 2011 was 94.9%, up from 94.7% in FY 2010.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2011**

**CAPITAL ASSETS**

The Warsaw Housing Authority, Indiana's investment in capital assets net of related debt, as of September 30, 2011 amounts to \$7,641 (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 51.4% in terms of net book value. Actual expenditures to purchase capital assets from revenues were \$6,404 for the year. Depreciation charges for the year totaled \$530. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Disposals	Ending
Capital assets	\$5,047	\$6,404	\$(530)	\$(3,280)	\$7,641

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

The Authority is eligible to receive \$481,425 for housing assistance payments for the months of October 2011 through June 2012 in the Housing Choice Voucher Program. The Authority also has \$72,683 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$336.10 for FY 2011, the Authority will have sufficient funding and reserves to lease 100.0% of its authorized vouchers from October 2011 through June 2012. HUD has not established funding levels for the remaining three months of next fiscal year. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2012 and adjusted for pro-ratio which is currently at 85.219%.

**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, 109 W. Catherine Street, Milford, Indiana 46542.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 170,985
Accounts receivable (interfund eliminated)	90,889
Accrued interest	1
Investments	2,871
Deferred charges	<u>1,638</u>

Total Current Assets \$ 266,384

**RESTRICTED ASSETS**

Cash	<u>\$ 72,683</u>
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Total Restricted Assets \$ 72,683

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 28,731
Less: Accumulated depreciation	<u>-21,090</u>

Net Capital Assets \$ 7,641

Total Assets \$ 346,708

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 5,751
Accrued liabilities	7,548
Deferred revenue	<u>19,295</u>

Total Current Liabilities \$ 32,594

**NONCURRENT LIABILITIES**

Trust and deposit liabilities	<u>\$ 145,702</u>
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Total Noncurrent Liabilities \$ 145,702

**NET ASSETS**

Unrestricted	\$ 88,088
Restricted	72,683
Invested in capital assets	<u>7,641</u>

Total Net Assets \$ 168,412

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS  
AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

Operating Income

HUD grants - operating	\$ 769,703
Other government grants	207,917
Fraud recovery	2,246
Other revenue	105,840
Gain/loss on sale of capital assets	<u>-3,280</u>
 Total Operating Income	 <u>\$ 1,082,426</u>

Operating Expenses

Administration	\$ 125,844
Maintenance	1,112
General expense	9,734
Housing assistance payments	909,011
Depreciation expense	<u>530</u>
 Total Operating Expenses	 <u>\$ 1,046,231</u>
 Net Operating Income (Loss)	 <u>\$ 36,195</u>

Nonoperating Income (Expense)

Interest income	<u>206</u>
 Changes in net assets	 \$ 36,401
Net assets, beginning of year	<u>132,011</u>
 Net assets, end of year	 <u><u>\$ 168,412</u></u>

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

Operating Activities

Operating grants	\$ 969,011
Other revenue	104,806
Housing assistance payments	-909,011
Payments to employees	-79,420
Payments to suppliers and contractors	<u>-29,105</u>

Net Cash Provided (Used) by Operating Activities \$ 56,281

Investing Activities

Investments (purchased) redeemed	\$ -67
Interest income	<u>206</u>

Net Cash Provided (Used) by Investing Activities \$ 139

Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -3,124</u>
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Net Cash Provided (Used) by Financing Activities \$ -3,124

Net Change in Cash \$ 53,296

Cash Balance at September 30, 2010 190,372

Cash Balance at September 30, 2011 \$ 243,668

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Net operating income (loss)	\$ 36,195
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	530
(Increase) decrease in accounts receivable	-10,117
(Increase) decrease in deferred charges	597
Increase (decrease) in accounts payable	4,874
Increase (decrease) in accrued liabilities	-2,676
Increase (decrease) in deferred revenues	-3,916
Increase (decrease) in other liabilities	<u>30,794</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 56,281</u>

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2011**

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, 2011  
(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, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Investments -

Investments are stated at cost which approximates market.

(h) 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, 2011  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) 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."

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

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

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2011  
(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, 2011  
(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	\$ 76,644	\$ 77,720
Business Activities	<u>167,024</u>	<u>167,286</u>
Total	<u>\$ 243,668</u>	<u>\$ 245,006</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>\$ 2,871</u>	<u>\$ 2,871</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, 2011  
(CONTINUED)**

Note 4 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - other government	\$ 13,791
Accounts receivable - miscellaneous	74,361
Fraud recovery	11,134
Allowance for doubtful - fraud	<u>-8,397</u>
Total	<u>\$ 90,889</u>

Note 5 - Investments

At September 30, 2011 investments consist of the following:

	<u>Rate</u>	
Savings	1%	<u>\$ 2,871</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 385
Prepaid computer support	938
Other	<u>315</u>
Total	<u>\$ 1,638</u>
Balance as of September 30, 2011	\$ 7,641
Balance as of September 30, 2010	<u>5,047</u>
Net Increase (Decrease)	<u>\$ 2,594</u>

Reconciliation

Additions	\$ 3,124
Current year depreciation expense	<u>-530</u> *
Net Increase (Decrease)	<u>\$ 2,594</u>

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2011  
(CONTINUED)**

Note 7 - Fixed Assets (Continued)

<u>Analysis</u>	10/01/2010 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	09/30/2011 <u>Balance</u>
Building	\$ 0	\$ 5,665	\$ 0	\$ 5,665
Equipment and furniture	<u>26,510</u>	<u>739</u>	<u>4,183</u>	<u>23,066</u>
Subtotal	\$ 26,510	\$ 6,404	\$ 4,183	\$ 28,731
Accumulated depreciation	<u>21,463</u>	<u>-530</u> *	<u>-903</u>	<u>-21,090</u>
Total	<u>\$ 5,047</u>	<u>\$ 5,874</u>	<u>\$ 3,280</u>	<u>\$ 7,641</u>

\* Current depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 1,742
Accounts payable - HUD	<u>4,009</u>
Total	<u>\$ 5,751</u>

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Accrued wage/payroll taxes	\$ 5,000
Accrued compensated absences	<u>2,548</u>
Total	<u>\$ 7,548</u>

Note 10 - Deferred Revenue

This classification consists of the following:

Other	<u>\$ 19,295</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, 2011  
(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 (71%) 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, 2011**

<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 09/30/11	\$ 769,703	\$ 769,703	\$ 769,703
Total Assistance				<u>\$ 769,703</u>	<u>\$ 769,703</u>	<u>\$ 769,703</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, 2011, and have issued my report thereon dated March 27, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered 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.

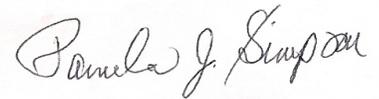
## Compliance and Other Matters

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 March 27, 2012.

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.

Decatur, Illinois  
March 27, 2012

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant



**Independent Auditor's 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, 2011. 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, 2011. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

## 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.

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  
March 27, 2012



Certified Public Accountant

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2010 contained one finding.

**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. The PHA now has a positive admin fee balance. This finding is considered closed.

WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

**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? \_\_\_\_\_ yes X no
- \* Significant deficiency (ies) identified? \_\_\_\_\_ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes X 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 March 27, 2012.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award audit finding discussed with Pamela Kennedy, Executive Director, during the course of the audit and at an exit conference held March 27, 2012.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2011**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued comp absence expense	----	\$ 2,727.30		2806.01
Admin salary	4110		\$ 2,727.30	2806.01
(To record amount earned for compensated absence expense)				
 <u>Business Activities</u>				
(1)				
Accrued comp absence expense	----	\$ 1,108.67		2806.01
Admin salary	4110		\$ 1,108.67	2806.01
(To record amount earned for compensated absence expense)				

Housing Authority of the City of Warsaw (IN060)  
Milford, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$3,961	\$167,024	\$170,985		\$170,985
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$72,683		\$72,683		\$72,683
114 Cash - Tenant Security Deposits					
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$76,644	\$167,024	\$243,668	\$0	\$243,668
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government		\$13,791	\$13,791		\$13,791
125 Accounts Receivable - Miscellaneous		\$74,361	\$74,361		\$74,361
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	\$11,134		\$11,134		\$11,134
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	\$2,737	\$88,153	\$90,890	\$0	\$90,890
131 Investments - Unrestricted		\$2,871	\$2,871		\$2,871
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$1,482	\$156	\$1,638		\$1,638
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$80,863	\$258,204	\$339,067	\$0	\$339,067
161 Land					
162 Buildings		\$5,665	\$5,665		\$5,665
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$19,236	\$3,830	\$23,066		\$23,066
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$18,066	-\$3,024	-\$21,090		-\$21,090
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,170	\$6,471	\$7,641	\$0	\$7,641
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	\$1,170	\$6,471	\$7,641	\$0	\$7,641
190 Total Assets	\$82,033	\$264,675	\$346,708	\$0	\$346,708

Housing Authority of the City of Warsaw (IN060)  
Milford, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days		\$1,742	\$1,742		\$1,742
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$1,224	\$3,776	\$5,000		\$5,000
322 Accrued Compensated Absences - Current Portion	\$1,827	\$721	\$2,548		\$2,548
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs	\$4,009		\$4,009		\$4,009
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits					
342 Deferred Revenues		\$19,295	\$19,295		\$19,295
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		\$145,702	\$145,702		\$145,702
346 Accrued Liabilities - Other					
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$7,060	\$171,236	\$178,296	\$0	\$178,296
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
300 Total Liabilities	\$7,060	\$171,236	\$178,296	\$0	\$178,296
508.1 Invested In Capital Assets, Net of Related Debt	\$1,170	\$6,471	\$7,641		\$7,641
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets	\$72,683		\$72,683		\$72,683
512.1 Unrestricted Net Assets	\$1,120	\$86,968	\$88,088		\$88,088
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$74,973	\$93,439	\$168,412	\$0	\$168,412
600 Total Liabilities and Equity/Net Assets	\$82,033	\$264,675	\$346,708	\$0	\$346,708

Housing Authority of the City of Warsaw (IN060)

Milford, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	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	\$769,703		\$769,703		\$769,703
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		\$207,917	\$207,917		\$207,917
71100 Investment Income - Unrestricted	\$46	\$104	\$150		\$150
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery	\$2,246		\$2,246		\$2,246
71500 Other Revenue	\$56,155	\$49,685	\$105,840		\$105,840
71600 Gain or Loss on Sale of Capital Assets		-\$3,280	-\$3,280		-\$3,280
72000 Investment Income - Restricted	\$56		\$56		\$56
70000 Total Revenue	\$828,206	\$254,426	\$1,082,632	\$0	\$1,082,632
91100 Administrative Salaries	\$45,969	\$28,580	\$74,549		\$74,549
91200 Auditing Fees	\$2,314	\$1,301	\$3,615		\$3,615
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$100		\$100		\$100
91500 Employee Benefit contributions - Administrative	\$6,266	\$1,718	\$7,984		\$7,984
91600 Office Expenses	\$13,841	\$6,626	\$20,467		\$20,467
91700 Legal Expense					
91800 Travel	\$1,300	\$837	\$2,137		\$2,137
91810 Allocated Overhead					
91900 Other	\$13,481	\$3,511	\$16,992		\$16,992
91000 Total Operating - Administrative	\$83,271	\$42,573	\$125,844	\$0	\$125,844
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

Housing Authority of the City of Warsaw (IN060)

Milford, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	14.871 Housing Choice Vouchers	1 Business Activities	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
94100 Ordinary Maintenance and Operations - Labor					
94200 Ordinary Maintenance and Operations - Materials and Other	\$56	\$264	\$320		\$320
94300 Ordinary Maintenance and Operations Contracts	\$198	\$594	\$792		\$792
94500 Employee Benefit Contributions - Ordinary Maintenance					
94000 Total Maintenance	\$254	\$858	\$1,112	\$0	\$1,112
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	\$311	\$133	\$444		\$444
96130 Workmen's Compensation	\$543	\$163	\$706		\$706
96140 All Other Insurance					
96100 Total insurance Premiums	\$854	\$296	\$1,150	\$0	\$1,150
96200 Other General Expenses	\$46	\$4,702	\$4,748		\$4,748
96210 Compensated Absences	\$2,727	\$1,109	\$3,836		\$3,836
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	\$2,773	\$5,811	\$8,584	\$0	\$8,584
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	\$87,152	\$49,538	\$136,690	\$0	\$136,690
97000 Excess of Operating Revenue over Operating Expenses	\$741,054	\$204,888	\$945,942	\$0	\$945,942

Housing Authority of the City of Warsaw (IN060)

Milford, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2011

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments	\$669,518	\$188,534	\$858,052		\$858,052
97350 HAP Portability-In	\$50,959		\$50,959		\$50,959
97400 Depreciation Expense	\$275	\$255	\$530		\$530
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$807,904	\$238,327	\$1,046,231	\$0	\$1,046,231
10010 Operating Transfer In	\$42,404		\$42,404	-\$42,404	\$0
10020 Operating transfer Out		-\$42,404	-\$42,404	\$42,404	\$0
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)	\$42,404	-\$42,404	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$62,706	-\$26,305	\$36,401	\$0	\$36,401
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$12,267	\$119,744	\$132,011		\$132,011
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors					
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	\$2,290		\$2,290		\$2,290
11180 Housing Assistance Payments Equity	\$72,683		\$72,683		\$72,683
11190 Unit Months Available	2100	660	2760		2760
11210 Number of Unit Months Leased	1992	379	2371		2371
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 OFFP 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, 2011, 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. While reviewing the agency's SEMAP certification, the Housing could not provide complete, written documentation to substantiate that specific testing had been completed. The documentation 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.
2. The PHA needs to adopt a formal policy for capitalization of depreciable assets. Currently, the PHA is capitalizing some purchases and has a depreciation schedule, however, there has never been a formal policy adopted that guides what the dollar threshold or useful live should be when setting up the schedule.
3. The management of the PHA needs a method to track billings (for fees and other expenditures) to Goshen Housing Authority. Current billings were minimal, however, the continued bill needs a method of tracking.

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

A handwritten signature in black ink that reads "Pamela J. Simpson". The signature is written in a cursive style with a large initial "P" and a long, sweeping tail on the "n".

Certified Public Accountant

Decatur, Illinois  
March 27, 2012