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June 6, 2014

Board of Directors  
The Housing Authority of the County of Delaware  
2401 S. Haddix Avenue  
Muncie, IN 47302

We have reviewed the audit report prepared by Barry E. Gaudette, CPA, PC, Independent Public Accountant, for the period January 1, 2013 to December 31, 2013. 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 Housing Authority of the County of Delaware, as of December 31, 2013 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

**HOUSING AUTHORITY OF THE COUNTY OF DELAWARE  
MUNCIE, INDIANA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**HOUSING AUTHORITY OF THE COUNTY OF DELAWARE**  
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**DECEMBER 31, 2013**

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## **INTRODUCTION**

*Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686*

***Independent Auditor's Report***

Board of Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Delaware's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 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. We have applied certain limited procedures to 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Delaware, Indiana's basic financial statements. The combining financial statements and the financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

The combining financial statements, financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, financial data schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 26 2014, on our consideration of Housing Authority of the County of Delaware, Indiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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* in considering Housing Authority of the County of Delaware's internal control over financial reporting and compliance.

*Barry E. Gaudette, CPA, PC*

February 26, 2014

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Unaudited)**

As management of the Housing Authority of the County of Delaware we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the County of Delaware's financial activities for the fiscal year ended December 31, 2013. This discussion and analysis letter of the Housing Authority of the County of Delaware's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Housing Authority's federally funded programs and activities in one place. The Housing Authority reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net position" refers to the difference between assets and liabilities. The Housing Authority's total net position as of December 31, 2013 was \$2,902,768. The net position increased by \$72,840, an increase of 2.6% over the prior fiscal year.

Revenues and contributions for the Housing Authority was \$2,154,916 for the fiscal year ended December 31, 2013. This was an increase of \$363,460 or 20.3% over the prior fiscal year.

Expenses for the Housing Authority were \$2,129,122 for the fiscal year ended December 31, 2013. This was a decrease of \$137,269 or 6.0% from the prior fiscal year.

HUD operating grants were \$1,499,332 for the fiscal year ended December 31, 2013. This was an increase of \$257,341 or 20.8% over the prior fiscal year. There were Capital contributions for the fiscal year of \$188,205 an increase of \$68,201 over the prior fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains this *Management & Discussion 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 Housing Authority's financial statements are presented as fund financial statements because the Authority only has proprietary funds.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Continued)**

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

*Required Financial Statements*

The *Statement of Net Position* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Authority.

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

**FUND STATEMENTS**

The Financial Data Schedule reports the Housing Authority's operations in more detail. The Housing Authority reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Continued)**

**FUND STATEMENTS (Continued)**

*Low Rent Public Housing Program:* Under this program, the Housing Authority rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Authority to lease these units at a rate that is based on 30% of the household income or a flat rent.

*Capital Fund Program:* Under this program, the Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Authority is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

*Section 8 Housing Choice Voucher Program:* Under this program, the Housing Authority administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Authority. The Housing Authority subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Authority to enable the Housing Authority to set the rental rates at 30% to 40% of a participant's income.

**FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,902,768 at the close of the fiscal year ended December 31, 2013 an increase from \$2,829,928 in 2012. The increase in net position of \$72,840 was due to the change in net position for the fiscal year of \$25,794 and a prior period adjustment of \$47,046.

The unrestricted net position was \$634,371 as of December 31, 2013. Since the amount is positive it can be used to meet the Housing Authority's ongoing obligations. The Housing Authority had net position classified as restricted in the amount of \$46,545 that are subject to external restrictions on how they may be used. The restricted asset is from excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Housing Authority is able to report positive a balance in unrestricted net position in the Housing Choice Voucher Program in the amount of \$54,641.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

**CONDENSED STATEMENTS OF NET POSITION  
December 31,**

	2013	2012	Dollar Change	Per Cent Change
Current and other assets	\$ 767,888	\$ 674,040	\$ 93,848	14.0%
Capital assets	2,221,852	2,269,841	(47,989)	(2.2)%
Total Assets	<u>2,989,740</u>	<u>2,943,881</u>	<u>45,859</u>	1.6%
Current liabilities	74,994	82,797	(7,803)	(9.5)%
Noncurrent liabilities	11,978	31,156	(19,178)	(61.6)%
Total Liabilities	<u>86,972</u>	<u>113,953</u>	<u>(26,981)</u>	(23.7)%
Net position:				
Invested in capital assets	2,221,852	2,269,841	(47,989)	(2.2)%
Restricted	46,545	17,710	28,835	162.9%
Unrestricted	634,371	542,377	91,994	17.0%
Total Net position	<u>\$ 2,902,768</u>	<u>\$ 2,829,928</u>	<u>\$ 72,840</u>	2.6%

Total current assets decrease of \$93,848, due in large part, to positive cash flows of \$44,290 used by all programs.

Current liabilities decreased by \$7,803, due in large part, to accrued wages, payroll taxes and compensated absences decreasing by \$9,153 from the prior fiscal year.

The largest portion of the Housing Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Housing Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. Part of the net position amount is restricted for the amount that HUD overfunded the Housing Choice Voucher Program.

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

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

	<u>12/31/13</u>	<u>12/31/12</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
<b>Revenues and contributions</b>				
Operating, non operating, capital contributions:				
Tenant Revenue	\$ 394,227	\$ 388,953	\$ 5,274	1.4%
Non dwelling rent	6,283	12,559	(6,276)	(50.0)%
Total PHA generated Revenue	<u>400,510</u>	<u>401,512</u>	<u>(1,002)</u>	<u>(0.03)%</u>
HUD operating grants	1,499,332	1,241,991	257,341	20.8%
Capital contributions	188,205	120,004	68,201	56.9%
Other income	58,001	16,176	41,825	258.6%
Proceeds from fraud recovery	7,518	8,918	(1,400)	(15.7)%
Gain (loss) on sale of fixed assets	90	200	(110)	(55.0)%
Interest income	<u>1,260</u>	<u>2,655</u>	<u>(1,395)</u>	<u>(52.6)%</u>
<b>Total Revenues and Contributions</b>	<u>2,154,916</u>	<u>1,791,456</u>	<u>363,460</u>	<u>20.3%</u>
<b>Expenses</b>				
Personnel services	580,283	544,763	35,520	6.6%
Tenant services	2,213	2,712	(499)	(18.4)%
Utilities	177,750	154,416	23,334	15.2%
Maintenance	144,419	122,183	22,236	18.2%
Protective services	5,023	2,902	2,121	73.1%
Insurance	53,979	47,098	6,881	14.6%
Other supplies and expenses	93,529	87,014	6,515	7.5%
Housing Assistance Payments	788,624	1,014,934	(226,310)	(22.3)%
Depreciation	<u>283,302</u>	<u>290,369</u>	<u>(7,067)</u>	<u>(2.5)%</u>
<b>Total Expenses</b>	<u>2,129,122</u>	<u>2,266,391</u>	<u>(137,269)</u>	<u>(6.0)%</u>
Change in net position	25,794	(474,935)	500,729	
Prior period adjustments	47,046	70,568	(23,522)	
Beginning net position	<u>2,829,928</u>	<u>3,234,295</u>	<u>(404,367)</u>	
Ending net position	<u>\$ 2,902,768</u>	<u>\$ 2,829,928</u>	<u>\$ 72,840</u>	

*Revenues:*

As can be seen in the above table total revenues and contributions increased by \$363,460, in large part, due to a decrease in Federal grants by \$325,542 due to mostly to the Housing Choice Voucher revenue being \$105,115 more than the prior fiscal year and capital fund grants increasing by \$302,463.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

*Revenues Continued:*

Housing Authority of the County of Delaware's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. For fiscal year ending December 31, 2013, revenue generated by the Housing Authority accounted for \$400,510 (or 19% of total revenue), while HUD contributions accounted for \$1,687,537 (or 78% of total revenue).

*Expenses:*

Total expenses for the fiscal year ending December 31, 2013 were \$2,129,122 while for the fiscal year ending December 31, 2012 they were \$2,266,391. This represents a 6.0% decrease in our operating costs. The expenses decreased, in large part, due to HAP payments to landlords decreasing by \$226,310 this fiscal year and an increase in one administrative staff position.

The following represents changes in Federal Assistance received:

	<u>12/31/13</u>	<u>12/31/12</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing Operating Subsidy	\$ 381,213	\$ 420,700	\$ (39,487)	(9.4)%
Capital Fund Program	432,671	130,208	302,463	232.3%
Section 8 Housing Choice Voucher Program	873,653	768,538	105,115	13.7%
Formula Capital Fund Stimulus Grant	0	15,377	(15,377)	(100.0)%
Total	<u>\$ 1,687,537</u>	<u>\$ 1,334,823</u>	<u>\$ 352,714</u>	26.5%

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing decreased mainly due HUD decreasing the percentage of subsidy funded. The increase in the Capital Fund Program was due to the fact that more work projects had started this fiscal year. The Voucher funding increased due to an increase in the number of vouchers that were leased.

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for the fiscal year ending December 31, 2013 was presented to and approved by the Board of Commissioners. Actual results were in line with the budgeted amounts.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Continued)**

**OPERATIONAL HIGHLIGHTS**

The Housing Authority of the County of Delaware provided the following housing for low-income individuals and families:

	12/31/13	12/31/12
Low Rent Public Housing Program	162	162
Section 8 Housing Choice Voucher Program	256	256

The Low Rent Program had an average units occupied of 160 units. As of December 31, 2013 the Housing Authority had 170 vouchers under lease.

**CAPITAL ASSETS**

The Housing Authority of the County of Delaware's investment in capital assets, as of December 31, 2013 amounts to \$2,221,852 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
December 31,**

	2013	2012	Dollar Change
Land	\$ 26,384	\$ 26,384	\$ 0
Buildings	7,963,643	7,805,907	157,736
Furniture, equipment and machinery			
- Dwellings	235,274	245,293	(10,019)
Furniture, equipment and machinery			
- Administration	332,710	321,207	11,503
Building improvements	1,774,497	1,774,497	0
Construction in progress	359,309	300,234	59,075
	10,691,817	10,473,522	218,295
Accumulated depreciation	(8,469,965)	(8,203,681)	(266,284)
Total	\$ 2,221,852	\$ 2,269,841	\$ (47,989)

Capital assets decreased by \$(47,989), because of capital outlays of \$218,295, depreciation of \$(283,302), and a reduction in accumulated depreciation of \$17,018.

**Housing Authority of the County of Delaware  
Management's Discussion and Analysis (MD&A)  
December 31, 2013  
(Continued)**

**CAPITAL ASSETS (Continued)**

During the fiscal year ending December 31, 2013, our Capital Fund Program work projects included:

The replacement of the telephone system; the purchase of a 23HP 60" Deck and turf loader; a roofing project; remove and installation of gutters; install new tile; install new line for range and water heater; install solid surface countertops in two handicap units.

Capital projects planned for the next few fiscal years include the installation of energy windows in 50 units; computer upgrades and training; paving roads and parking; and site improvements.

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

The Housing Authority is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Authority is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Authority remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes).

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Robert Hammett, Executive Director  
2401 South Haddix Avenue  
Muncie, Indiana 47302-7547

## **FINANCIAL STATEMENTS**

**Housing Authority of the County of Delaware**  
**Statement of Net Position**  
**December 31, 2013**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 446,901
Receivables, net	29,018
Investments	229,689
Prepaid expenses and other assets	60,943
Inventories, net	<u>1,337</u>
Total Current Assets	<u>767,888</u>

Capital Assets:

Land	26,384
Buildings	7,963,643
Equipment	567,984
Site improvements	1,774,497
Construction in progress	<u>359,309</u>
	10,691,817
Less: accumulated depreciation	<u>(8,469,965)</u>
Net Capital Assets	<u>2,221,852</u>
Total Assets	<u>\$ 2,989,740</u>

**LIABILITIES and NET POSITION**

Current Liabilities:

Accounts payable	\$ 4,385
Tenant security deposits	41,904
Accrued expenses	25,998
Deferred revenues	<u>2,707</u>
Total Current Liabilities	74,994

Noncurrent Liabilities:

FSS escrow	<u>11,978</u>
Total Liabilities	<u>86,972</u>

Net Position:

Invested in capital assets	2,221,852
Restricted net position	46,545
Unrestricted net position	<u>634,371</u>
Total Net Position	<u>2,902,768</u>

Total Liabilities and Net Position	<u>\$ 2,989,740</u>
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See notes to financial statements

**Housing Authority of the County of Delaware**  
**Statement of Revenues, Expenses, And**  
**Changes in Net Position**  
**Year Ended December 31, 2013**

<b>OPERATING REVENUES:</b>	
Dwelling rent	\$ 394,227
Non dwelling rent	6,283
Operating grants	<u>1,499,332</u>
Total operating revenues	<u>1,899,842</u>
<b>OPERATING EXPENSES:</b>	
Administrative	467,070
Tenant services	2,213
Utilities	177,750
Maintenance	290,376
Protective services	5,023
Insurance	53,979
General expenses	13,621
Extraordinary maintenance	24,305
Casualty losses	22,859
Housing assistance payments	788,624
Depreciation	<u>283,302</u>
Total operating expenses	<u>2,129,122</u>
Operating income (loss)	<u>(229,280)</u>
<b>NONOPERATING REVENUES:</b>	
Investment interest income	1,260
Proceeds from fraud recovery	7,518
Other income	58,001
Gain on sale of fixed assets	<u>90</u>
Total non operating revenues	<u>66,869</u>
Income (loss) before contributions	(162,411)
<b>CAPITAL CONTRIBUTIONS</b>	<u>188,205</u>
Change in net position	25,794
Prior period adjustments	47,046
Net position, beginning	<u>2,829,928</u>
Net position, ending	<u><u>\$ 2,902,768</u></u>

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Statement of Cash Flows**  
**Year Ended December 31, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from dwelling and non dwelling rents	\$ 401,828
Cash received from operating grants	1,481,659
Cash payments to other suppliers of goods and services	(1,315,950)
Cash payments to employees for services	<u>(592,271)</u>
Net cash (used) by operating activities	<u>(24,734)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Prior period adjustment	47,046
Fraud recovery	7,518
Tenant security deposits	936
Other revenue	<u>58,001</u>
Net cash provided by noncapital financing activities	<u>113,501</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING</b>	
Gain on sale of fixed assets	90
Capital grants	188,205
Payments for capital acquisitions	<u>(235,313)</u>
Net cash (used) by capital and related financing activities	<u>(47,018)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investments (increased)	1,281
Receipts of interest income	<u>1,260</u>
Net cash provided by investing activities	<u>2,541</u>
Net increase (decrease) in cash	44,290
Cash and cash equivalents, beginning	<u>402,611</u>
Cash and cash equivalents, ending	<u><u>\$ 446,901</u></u>

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2013**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (229,280)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	283,302
Bad debt allowance	241
Allowance for obsolete inventory	3
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	1,992
Accounts receivable-HUD	(17,683)
Notes receivable	(915)
Prepaid expenses	(34,409)
Inventories	(70)
Increase (decrease) in liabilities:	
Accounts payable-vendors	(798)
Accounts payable-HUD	8
Other current liabilities	(14,511)
Noncurrent liabilities	(2,093)
Accrued wage/payroll taxes payable	6,997
Accrued compensated absences	(18,983)
Deferred revenues	1,465
	1,465
Net cash (used) by operating activities	\$ (24,734)

See notes to financial statements

**Housing Authority of the County of Delaware**  
**Notes to Financial Statements**  
**December 31, 2013**

**NOTE 1: Summary of Significant Accounting Policies**

The Housing Authority of the County of Delaware (the Housing Authority) is a component unit of the County of Delaware, an Indiana County. The Housing Authority is a Public Housing Agency created by the County of Delaware in 1939, consisting of a seven member board appointed by the County Commissioner's and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Authority complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Authority the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Authority has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Authority's financial reporting entity comprises the following:

Primary Government:	Housing Authority
---------------------	-------------------

In determining the financial reporting entity, the Housing Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Authority appointed a voting majority of the units' board; the Housing Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting these criteria.

**1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Authority's programs as an enterprise fund.

## **1(b) Basis of Presentation (Continued)**

Following is a description of the Housing Authority's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent Program	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers Program	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Family Self-Sufficiency	The Housing Authority coordinates and provides a family self-sufficiency program for Section 8 families in Delaware County, Indiana. Funding for this program is Provided under the Section 8 ACC.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liability, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board and submitted to the Department of Housing and Urban Development for their approval, if required.

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Estimates and Assumptions**

The Housing Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net position, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 - 40 years
Building improvements	7 - 20 years
Site improvements	5 - 20 years
Equipment and furnishings	5 - 15 years

### **Compensated Absences**

The Housing Authority's policy does not allow employees to accumulate unused vacation leave. Sick leave is allowed to be accumulated up to 45 days but is not paid upon termination. Sick pay will be paid only upon illness while in the employ of the Housing Authority.

### **Deferred Revenue**

Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Equity Classifications**

Equity is classified as net position and displayed in three components:

- a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.
- c) Restricted net position – Consists of net position of the Housing Choice Voucher program that are restricted for payments by HUD over the Housing Assistance Payments made to landlords. The Low Rent Program pays all of the administrative costs for the Housing Choice Voucher program and gets reimbursed from the Housing Choice Voucher program each month.

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the government’s enterprise fund are charges to tenants for rents, non dwelling rents, and operating grants from HUD. Operating expenses for the operating fund include the cost of administrative, tenant services, utilities, ordinary maintenance and operation, general, casualty losses, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Position, all interfund transfers between individual programs, if any, have been eliminated.

### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Authority’s policy is to fund pension costs as they accrue.

### **Income Taxes**

As a component unit of an Indiana County, the Housing Authority is exempt from federal and state income taxes. The Housing Authority has no unrelated business income.

**NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Authority and its component units, if any, are subject to various Federal, state, and local laws and contractual regulations. An analysis of the Housing Authority’s compliance with significant laws and regulations and demonstration of its stewardship over Housing Authority resources follows.

**2(a) Program Accounting Requirements**

The Housing Authority complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Authority are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD
Housing Choice Voucher Program	U.S. Department of HUD

**2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Authority must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Authority are limited by state law to the following:

- a) Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b) Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**2(c) Revenue Restrictions**

The Housing Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended December 31, 2013, the Housing Authority complied, in all material respects, with these revenue restrictions.

**NOTE 3: Detail Notes on Transactions Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### 3(a) Cash and Investments

#### Deposits

The Housing Authority's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Authority based upon how its deposits were insured or secured with collateral at December 31, 2013.

The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Housing Authority (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Authority's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 347,114	\$ 250,000	\$ 0	\$ 97,115	\$ 335,033
Certificate of deposits	111,768	32,289	0	79,478	111,768
	<u>\$ 458,882</u>	<u>\$ 282,289</u>	<u>\$ 0</u>	<u>\$ 176,593</u>	<u>\$ 446,801</u>

#### Investments

The Housing Authority's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Authority (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2013. The categories of credit risk are defined as follows:

Category 1 – Insured or registered with securities held by the Housing Authority or its agent in the Housing Authority's name.

Category 2 – Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Authority's name.

Category 3 – Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Authority's name.

### 3(a) Cash and Investments (Continued)

#### Investments (Continued)

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Money market account	\$ 11,978	\$ 0	\$ 0	\$ 11,978	\$ 11,978
Certificate of deposits	217,711	0	0	217,711	217,711
	<u>\$ 229,689</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 229,689</u>	<u>\$ 229,689</u>

A reconciliation of cash as shown on the combined statement of net position is as follows:

Cash on hand	\$ 100
Carrying amount of deposits	446,801
Investments	229,689
Total	<u>\$ 676,590</u>

Cash and investments:	
Enterprise activities	\$ 688,679
Enterprise activities – deposits in transit	0
Enterprise activities – checks written in excess of deposits	(12,089)
Total	<u>\$ 676,590</u>

### 3(b) Receivables

Receivables detail at December 31, 2013, is as follows:

Accounts receivable-HUD	\$ 25,525
Accounts receivable-tenants	884
Allowance for doubtful accounts	(442)
Notes receivable	3,051
	<u>\$ 29,018</u>

### 3(c) Prepaid Expenses

Prepaid detail at December 31, 2013, is as follows:

Prepaid insurance	\$ 56,340
Other deferred expenses	4,603
	<u>\$ 60,943</u>

### 3(d) Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Balance 12/31/12</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/13</u>
<b>Low Rent Program</b>				
Land	\$ 26,384	\$ 0	\$ 0	\$ 26,384
Buildings	7,805,907	157,736	0	7,963,643
Furniture, equipment & machinery - dwellings	245,293	0	(10,019)	235,274
Furniture, equipment & machinery - administration	303,487	11,503	0	314,990
Building improvements	1,774,497	0	0	1,774,497
Construction in progress	300,234	59,075	0	359,309
	<u>10,455,802</u>	<u>\$ 228,314</u>	<u>\$ (10,019)</u>	<u>10,674,097</u>
Less accumulated depreciation	<u>(8,185,961)</u>	<u>\$ (283,302)</u>	<u>\$ 17,018</u>	<u>(8,452,245)</u>
Total	<u>\$ 2,269,841</u>			<u>\$ 2,221,852</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equipment & machinery - administration	\$ 17,720	<u>                    </u>	<u>\$ 0</u>	\$ 17,720
Less accumulated depreciation	<u>(17,720)</u>	<u>                    </u>	<u>\$ 0</u>	<u>(17,720)</u>
Total	<u>\$ 0</u>			<u>\$ 0</u>
<b>Combined Totals</b>				<u>\$ 2,221,852</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	<u>\$ 283,302</u>

### 3(e) Accounts Payable

Payable detail at December 31, 2013, is as follows:

Accounts payable-vendors	\$ 1,131
Accounts payable-HUD	28
Other current liabilities	3,226
	<u>\$ 4,385</u>

### 3(f) Accrued Expenses

Accrued expense detail at December 31, 2013, is as follows:

Accrued wage/payroll taxes payable	<u>\$ 25,998</u>
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### 3(g) Deferred revenues

Tenant prepaid rent-low rent program	<u>\$ 2,707</u>
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### 3(h) Inter program Transactions and Balance

#### *Operating Transfers*

There was an operating transfer from the capital fund program to the low rent program during the fiscal year ended December 31, 2013 in the amount of \$244,466.

#### *Interprogram Receivable/Payable*

<u>Due From</u>	<u>Due to</u>	<u>Amount</u>
Housing Choice Voucher Program	Low Rent Program	<u>\$ 6,273</u>

### 3(i) Non-current Liabilities

As of March 31, 2013, the non-current liabilities are comprised of the following:

FSS escrow - Noncurrent portion	<u>\$ 11,978</u>
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The following is a summary of changes in non-current liabilities for the year ended March 31, 2013:

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/13</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 17,085	\$ 0	\$ (17,085)	\$ 0	\$ 0
FSS escrow	14,071	0	(2,093)	11,978	0
	<u>\$ 31,156</u>	<u>\$ 0</u>	<u>\$ (19,178)</u>	<u>\$ 11,978</u>	<u>\$ 0</u>

## NOTE 4: Other Notes

### 4(a) Employee Retirement Plans

The Housing Authority provides retirement to all permanent employees in a multiple-employer public employee retirement fund (PERF). Employees are required to contribute 3% mandatory and up to 2.25% voluntarily. The employer's contribution to the Plan was 7.25% mandatory for the year ended December 31, 2013. Benefits are not fully vested until the employee has been in the Plan for ten years. If an employee leaves before fully vested, they receive their contributions to the Plan plus income earned. An employee who has been in the Plan over ten years receives both the employees and employers contributions plus income earned. The total employer's contribution paid into the Plan during 2013 was \$27,100. Covered wages in 2012 totaled \$421,243.

PERF issues a stand alone financial report which may be obtained by writing to the Public Employees' Retirement Fund, Harrison Building Suite 800, Indianapolis, IN 46204 or by calling 1-317-233-4162.

### 4(b) Risk Management

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

### 4(c) Commitments and Contingencies

#### Commitments – Construction

At December 31, 2013, the Housing Authority had the following pending construction projects in progress:

	<b>LOCCS Authorized</b>	<b>LOCCS Disbursed</b>
2009 CFP	\$ 219,780	\$ 219,780
2010 CFP	235,189	224,834
2011 CFP	195,413	0
2012 CFP	180,020	0
2013 CFP	173,606	0

The Actual Modernization Cost Certificate for the 2009 CFP grant will be filed during the next fiscal year.

#### Contingencies

The Housing Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

**4(d) Subsequent Events**

Management has evaluated subsequent events through February 26, 2014, the date the financial statements were issued.

**4(e) Prior Period Adjustments**

The prior year soft costs were corrected in the amount of \$47,046 in the Capital Fund Program.

**SUPPLEMENTARY INFORMATION**

**Housing Authority of the County of Delaware**  
**Combining Statement of Net position by Program**  
**December 31, 2013**

	Low Rent Program	Housing Choice Voucher Program	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 352,583	\$ 94,318	\$ 446,901
Receivables, net	12,838	16,180	29,018
Investments	217,711	11,978	229,689
Prepaid expenses and other assets	60,943	0	60,943
Inventories, net	1,337	0	1,337
Due from other programs	6,273	0	6,273
	<u>651,685</u>	<u>122,476</u>	<u>774,161</u>
Total current assets			
Capital assets:			
Land	26,384	0	26,384
Buildings	7,963,643	0	7,963,643
Equipment	550,264	17,720	567,984
Site improvements	1,774,497	0	1,774,497
Construction in progress	359,309	0	359,309
	<u>10,674,097</u>	<u>17,720</u>	<u>10,691,817</u>
Less accumulated depreciation	<u>(8,452,245)</u>	<u>(17,720)</u>	<u>(8,469,965)</u>
	<u>2,221,852</u>	<u>0</u>	<u>2,221,852</u>
Net capital assets			
	<u>2,221,852</u>	<u>0</u>	<u>2,221,852</u>
Total Assets	<u>\$ 2,873,537</u>	<u>\$ 122,476</u>	<u>\$ 2,996,013</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Net Position by Program**  
**(Continued)**  
**December 31, 2013**

	Low Rent Program	Housing Choice Voucher Program	Totals
<b>LIABILITIES and NET POSITION</b>			
Current liabilities:			
Accounts payable	\$ 4,357	\$ 28	\$ 4,385
Tenant security deposits	41,904	0	41,904
Accrued expenses	22,987	3,011	25,998
Deferred revenues	2,707	0	2,707
Due to other programs	0	6,273	6,273
Total current liabilities	71,955	9,312	81,267
Noncurrent liabilities:			
FSS escrow	0	11,978	11,978
Total liabilities	71,955	21,290	93,245
Net position:			
Invested in capital assets	2,221,852	0	2,221,852
Restricted net position	0	46,545	46,545
Unrestricted net position	579,730	54,641	634,371
Total net position	2,801,582	101,186	2,902,768
Total Liabilities and Net Position	\$ 2,873,537	\$ 122,476	\$ 2,996,013

**Housing Authority of the County of Delaware  
Combining Statement of Revenues, Expenses, and  
Changes in Net Position by Program  
Year Ended December 31, 2013**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>OPERATING REVENUES:</b>				
Dwelling rent	\$ 394,227	\$ 0	\$ 0	\$ 394,227
Non dwelling rent	6,283	0	0	6,283
Operating grants	381,213	873,653	244,466	1,499,332
Total operating revenues	<u>781,723</u>	<u>873,653</u>	<u>244,466</u>	<u>1,899,842</u>
<b>OPERATING EXPENSES:</b>				
Administrative	386,268	80,802	0	467,070
Tenant services	2,213	0	0	2,213
Utilities	177,750	0	0	177,750
Maintenance	290,376	0	0	290,376
Protective services	5,023	0	0	5,023
Insurance	53,979	0	0	53,979
General expenses	12,942	679	0	13,621
Extraordinary maintenance	24,305	0	0	24,305
Casualty losses	22,859	0	0	22,859
Housing assistance payments	0	788,624	0	788,624
Depreciation	283,302	0	0	283,302
Total operating expenses	<u>1,259,017</u>	<u>870,105</u>	<u>0</u>	<u>2,129,122</u>
Operating income (loss)	<u>(477,294)</u>	<u>3,548</u>	<u>244,466</u>	<u>(229,280)</u>
<b>NONOPERATING REVENUES :</b>				
Investment interest income	1,254	6	0	1,260
Proceeds from fraud recovery	0	7,518	0	7,518
Other income	44,839	13,162	0	58,001
Gain on sale of fixed assets	90	0	0	90
Transfers in (out)	244,466	0	(244,466)	0
Total non operating revenues	<u>290,649</u>	<u>20,686</u>	<u>(244,466)</u>	<u>66,869</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>0</u>	<u>0</u>	<u>188,205</u>	<u>188,205</u>
Change in net position	(186,645)	24,234	188,205	25,794
Prior period adjustments	0	0	47,046	47,046
Net position, beginning	<u>2,752,976</u>	<u>76,952</u>	<u>0</u>	<u>2,829,928</u>
Net position, ending	<u>\$ 2,566,331</u>	<u>\$ 101,186</u>	<u>\$ 235,251</u>	<u>\$ 2,902,768</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Cash Flows by Program**  
**Year Ended December 31, 2013**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from dwelling and non dwelling rents	\$ 401,828	\$ 0	\$ 0	\$ 401,828
Cash received from operating grants	371,927	865,266	244,466	1,481,659
Cash payments to other suppliers of goods and services	(514,030)	(801,920)	0	(1,315,950)
Cash payments to employees for services	(522,512)	(69,759)	0	(592,271)
Net cash provided (used) by operating activities	<u>(262,787)</u>	<u>(6,413)</u>	<u>244,466</u>	<u>(24,734)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Inter program due from (to)	10,772	(10,772)	0	0
Prior period adjustment	47,046	0	0	47,046
Fraud recovery	0	7,518	0	7,518
Tenant security deposits	936	0	0	936
Other revenue	44,839	13,162	0	58,001
Transfers in (out)	244,466	0	(244,466)	0
Net cash provided (used) by noncapital financing activities	<u>348,059</u>	<u>9,908</u>	<u>(244,466)</u>	<u>113,501</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Gain on sale of fixed assets	90	0	0	90
Capital grants	188,205	0	0	188,205
Payments for capital acquisitions	(235,313)	0	0	(235,313)
Net cash (used) by capital and related financing activities	<u>(47,018)</u>	<u>0</u>	<u>0</u>	<u>(47,018)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investments (increased) decreased	2,542	(1,261)	0	1,281
Receipts of interest	1,254	6	0	1,260
Net cash provided (used) by investing activities	<u>3,796</u>	<u>(1,255)</u>	<u>0</u>	<u>2,541</u>
Net increase (decrease) in cash	42,050	2,240	0	44,290
Cash and cash equivalents, beginning	310,533	92,078	0	402,611
Cash and cash equivalents, ending	<u>\$ 352,583</u>	<u>\$ 94,318</u>	<u>\$ 0</u>	<u>\$ 446,901</u>

**Housing Authority of the County of Delaware**  
**Combining Statement of Cash Flows by Program**  
(Continued)  
**Year Ended December 31, 2013**

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (477,294)	\$ 3,548	\$ 244,466	\$ (229,280)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation	283,302	0	0	283,302
Bad debt allowance	241	0	0	241
Allowance for obsolete inventory	3	0	0	3
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable-tenants	1,992	0	0	1,992
Accounts receivable-HUD	(9,286)	(8,397)	0	(17,683)
Notes receivable	(915)	0	0	(915)
Prepaid expenses	(34,409)	0	0	(34,409)
Inventories	(70)	0	0	(70)
Increase (decrease) in liabilities:				
Accounts payable-vendors	(798)	0	0	(798)
Accounts payable-HUD	0	8	0	8
Other current liabilities	(14,511)	0	0	(14,511)
Noncurrent liabilities	(3,354)	1,261	0	(2,093)
Accrued wage/payroll taxes payable	6,676	321	0	6,997
Accrued compensated absences	(15,829)	(3,154)	0	(18,983)
Deferred revenues	1,465	0	0	1,465
Net cash provided (used) by operating activities	\$ (262,787)	\$ (6,413)	\$ 244,466	\$ (24,734)

**Housing Authority of the County of Delaware  
Schedule of Expenditures of Federal Awards  
And Notes to the Schedule of Federal Awards  
Year Ended December 31, 2013**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
2013	Public and Indian Housing Nonmajor – Direct Program <u>Low Rent Public Housing</u>	14.850	\$ 381,213
2013	Low Income Public Housing Major – Direct Program <u>Housing Choice Vouchers</u>	14.871	873,653
2013	Public and Indian Housing Nonmajor – Direct Program <u>Capital Fund Program</u>	14.872	<u>432,671</u>
	Total		<u>\$ 1,687,537</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**Basis of Accounting** - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended December 31, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows, if applicable, of the Housing Authority.

*Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686*

### **Independent Accountant's Report on Applying Agree-Upon Procedure**

To the Board of Commissioners  
Housing Authority of the County of Delaware

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the County of Delaware (the "Authority") and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

We were engaged to perform an audit of the financial statements of the Authority as of and for the year ended December 31, 2013, and have issued our report thereon dated February 26, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule dated February 26, 2014, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the financial statement package and the FDS, which includes the auditor's report, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit report. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely, for the information and use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

**Independent Accountant’s Report on Applying Agreed-Upon Procedure  
Page Two**

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Business Sheet, Revenue and Expense	Financial Data Schedule, all CFDAs	X	
2	Footnotes	Footnotes to audited basic financial Statements	X	
3	Type of opinion on FDS	Auditor’s supplemental Report on FDS	X	
4	Basic financial statements and auditor’s reports require to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

*Barry E. Gaudette, CPA, PC*

February 26, 2014

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**Year Ended December 31, 2013**

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Totals
	<b>ASSETS</b>			
	Current assets:			
111	Cash-unrestricted	\$ 310,679	\$ 47,773	\$ 358,452
113	Cash-other restricted	0	46,545	46,545
114	Cash-tenant security deposit	41,904	0	41,904
100	Total cash	<u>352,583</u>	<u>94,318</u>	<u>446,901</u>
	Receivables:			
122	A/R-HUD	9,345	16,180	25,525
126	A/R-tenants-dwelling rents	884	0	884
126.1	Allowance for doubtful accounts	(442)	0	(442)
127	Notes receivable	3,051	0	3,051
120	Total receivables, net	<u>12,838</u>	<u>16,180</u>	<u>29,018</u>
	Other Current Assets:			
131	Investments-unrestricted	217,711	0	217,711
132	Investments-restricted	0	11,978	11,978
142	Prepaid expenses	60,943	0	60,943
143	Inventories	1,407	0	1,407
143.1	Allowance for obsolete inventories	(70)	0	(70)
144	Interprogram-due from	6,273	0	6,273
	Total other current assets	<u>286,264</u>	<u>11,978</u>	<u>298,242</u>
150	Total current assets	<u>651,685</u>	<u>122,476</u>	<u>774,161</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	26,384	0	26,384
162	Buildings	7,963,643	0	7,963,643
163	Furn, equip & mach-dwelling	235,274	0	235,274
164	Furn, equip & mach-administration	314,990	17,720	332,710
165	Building improvements	1,774,497	0	1,774,497
166	Accumulated depreciation	(8,452,245)	(17,720)	(8,469,965)
167	Construction in progress	359,309	0	359,309
160	Total fixed assets, net	<u>2,221,852</u>	<u>0</u>	<u>2,221,852</u>
180	Total non-current assets	<u>2,221,852</u>	<u>0</u>	<u>2,221,852</u>
190	Total Assets	<u>\$ 2,873,537</u>	<u>\$ 122,476</u>	<u>\$ 2,996,013</u>

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2013**

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Totals
	<b>LIABILITIES and NET POSITION</b>			
	Liabilities:			
	Current liabilities:			
312	Accounts payable<=90 days	\$ 1,131	\$ 0	\$ 1,131
321	Accrued wage/payroll taxes payable	22,987	3,011	25,998
331	Accounts payable-HUD	0	28	28
341	Tenant security deposits	41,904	0	41,904
342	Deferred revenues	2,707	0	2,707
345	Other current liabilities	3,226	0	3,226
347	Inter program due to	0	6,273	6,273
310	Total current liabilities	<u>71,955</u>	<u>9,312</u>	<u>81,267</u>
	Noncurrent liabilities:			
353	Non-current liabilities-other	0	11,978	11,978
350	Total noncurrent liabilities	<u>0</u>	<u>11,978</u>	<u>11,978</u>
300	Total liabilities	<u>71,955</u>	<u>21,290</u>	<u>93,245</u>
	Net position:			
508.1	Invested in capital assets	2,221,852	0	2,221,852
511.1	Restricted net position	0	46,545	46,545
512.1	Unrestricted net position	579,730	54,641	634,371
513	Total net position	<u>2,801,582</u>	<u>101,186</u>	<u>2,902,768</u>
600	Total Liabilities and Net Position	<u>\$ 2,873,537</u>	<u>\$ 122,476</u>	<u>\$ 2,996,013</u>

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2013**

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
	<b>Revenues:</b>			
70300	Net tenant rental revenue	\$ 394,227	\$ 0	\$ 0
70400	Tenant revenue-other	6,283	0	0
70500	Total tenant revenue	400,510	0	0
70600	HUD PHA operating grants	381,213	873,653	244,466
70610	Capital grants	0	0	188,205
71100	Investment income-unrestricted	1,254	6	0
71400	Fraud recovery	0	7,518	0
71500	Other income	44,839	13,162	0
71600	Gain or loss on the sale of fixed assets	90	0	0
70000	Total revenue	827,906	894,339	432,671
	<b>Expenses</b>			
	Administrative:			
91100	Salaries	237,688	48,658	0
91200	Auditing fees	6,660	2,000	0
91400	Advertising and marketing	0	1,000	0
91500	Employee benefit contributions	82,550	18,266	0
91600	Office expenses	18,151	129	0
91700	Legal expense	540	820	0
91800	Travel	178	1,692	0
91900	Other	40,501	8,237	0
91000	Total operating-administrative	386,268	80,802	0
	Tenant services:			
92400	Other	2,213	0	0
92500	Total tenant services	2,213	0	0
	Utilities:			
93100	Water	41,254	0	0
93200	Electricity	10,187	0	0
93300	Gas	62,472	0	0
93600	Sewer	63,837	0	0
93000	Total utilities	177,750	0	0
	Ordinary maintenance and operation:			
94100	Labor	148,073	0	0
94200	Materials and other	51,055	0	0
94300	Contracts	46,200	0	0
94500	Employee benefit contributions	45,048	0	0
94000	Total maintenance	290,376	0	0

<u>Totals</u>	
\$	394,227
	<u>6,283</u>
	400,510
	1,499,332
	188,205
	1,260
	7,518
	58,001
	<u>90</u>
	<u>2,154,916</u>

	286,346
	8,660
	1,000
	100,816
	18,280
	1,360
	1,870
	<u>48,738</u>
	<u>467,070</u>

	<u>2,213</u>
	<u>2,213</u>

	41,254
	10,187
	62,472
	<u>63,837</u>
	<u>177,750</u>

	148,073
	51,055
	46,200
	<u>45,048</u>
	<u>290,376</u>

**Housing Authority of the County of Delaware**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended December 31, 2013**

FDS Line Item No.	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
<b>Expenses (continued):</b>			
Protective services:			
95200	5,023	0	0
95000	<u>5,023</u>	<u>0</u>	<u>0</u>
Insurance:			
96110	33,881	0	0
96130	4,660	0	0
96140	15,438	0	0
96100	<u>53,979</u>	<u>0</u>	<u>0</u>
Other general expenses:			
96200	9,839	679	0
96400	3,103	0	0
96000	<u>12,942</u>	<u>679</u>	<u>0</u>
96900	<u>928,551</u>	<u>81,481</u>	<u>0</u>
97000	<u>(100,645)</u>	<u>812,858</u>	<u>432,671</u>
Other expenses:			
97100	24,305	0	0
97200	22,859	0	0
97300	0	785,225	0
07350	0	3,399	0
97400	283,302	0	0
	<u>330,466</u>	<u>788,624</u>	<u>0</u>
90000	<u>1,259,017</u>	<u>870,105</u>	<u>0</u>
10010	244,466	0	0
10020	0	0	(244,466)
	<u>244,466</u>	<u>0</u>	<u>(244,466)</u>
10000	<u>(186,645)</u>	<u>24,234</u>	<u>188,205</u>
11030	2,752,976	76,952	0
11040	<u>0</u>	<u>0</u>	<u>47,046</u>
	<u>\$ 2,566,331</u>	<u>\$ 101,186</u>	<u>\$ 235,251</u>
11190	1,920	3,072	
11210	1,914	2,132	

Totals

5,023

5,023

33,881

4,660

15,438

53,979

10,518

3,103

13,621

1,010,032

1,144,884

24,305

22,859

785,225

3,399

283,302

1,119,090

2,129,122

244,466

(244,466)

0

25,794

2,829,928

47,046

\$ 2,902,768

Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686

**Independent Auditor's 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 Housing Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Delaware, Indiana's basic financial statements, and have issued our report thereon dated February 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the County of Delaware, Indiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the County of Delaware, Indiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Delaware, Indiana's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the County of Delaware, Indiana's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barry E. Gadette, CPA, PC*

February 26, 2014

Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686

**Independent Auditor's Report On Compliance For Each Major Program  
And On Internal Control Over Compliance Required By OMB Circular A-133**

Board of Housing Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the County of Delaware, Indiana'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 the Housing Authority of the County of Delaware, Indiana's major federal programs for the year ended December 31, 2013. The Housing Authority of the County of Delaware, Indiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the County of Delaware, Indiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 the Housing Authority of the County of Delaware, Indiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Housing Authority of the County of Delaware, Indiana's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Housing Authority of the County of Delaware, Indiana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

Management of the Housing Authority of the County of Delaware, Indiana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the County of Delaware, Indiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, we do not express an opinion on the effectiveness of Housing Authority of the County of Delaware, Indiana'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Barry E. Gandette, CPA, PC*

February 26, 2014

**Housing Authority of the County of Delaware  
Status of Prior Audit Findings  
December 31, 2013**

There no prior year audit findings.

**Housing Authority of the County of Delaware  
Schedule of Findings and Questioned Costs  
December 31, 2013**

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	none reported
Noncompliance material to financial statements noted?	no

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	none reported
Type of auditors' 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 <i>OMB Circular A-133</i> ?	no

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
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

**Section II - Findings Related to the Financial Statements**

There were no findings which are required to be reported under *Government Auditing Standards*.

**Section III - Findings and Questioned Costs for Federal Awards**

There were no findings or questioned costs.

*Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686*

Board of Housing Commissioners  
Housing Authority of the County of Delaware  
Muncie, Indiana

We have audited the financial statements of the Housing Authority of the County of Delaware, Indiana for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 26, 2014. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Housing Authority of the County of Delaware, Indiana are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Housing Authority's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 26, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Housing Authority of the County of Delaware and is not intended to be, and should not be, used by anyone other than the Housing Authority Board.

*Barry E. Gaudette, CPA, PC*

February 26, 2014