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June 20, 2014

Board of Directors  
Housing Authority of the City of Decatur  
214 E. Monroe Street  
Decatur, IN 46733

We have reviewed the audit report prepared by Barry E. Gaudette, CPA, PC, Independent Public Accountant, for the period July 1, 2012 to June 30, 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 City of Decatur, as of June 30, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to Finding 2013-1, on page 35 of the report. This finding addresses the failure to administer the Housing Voucher Program within the budget provided. This condition was also addressed in the prior audit report, for the year ended June 30, 2012.

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 CITY OF DECATUR  
DECATUR, INDIANA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
AND  
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**HOUSING AUTHORITY OF THE CITY OF DECATUR**  
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**JUNE 30, 2013**

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## INTRODUCTION

*Independent Auditor's Report*

To the Board of Commissioners  
Housing Authority of the City of Decatur  
Decatur, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Decatur, Indiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Decatur'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 City of Decatur, Indiana, as of June 30, 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 4-9 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 City of Decatur, Indiana's basic financial statements. 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 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.

*Barry E. Gaudette, CPA, PC*

December 9, 2013

**Housing Authority of the City of Decatur**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2013**  
**(Unaudited)**

As management of the Housing Authority of the City of Decatur we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the City of Decatur's financial activities for the fiscal year ended June 30, 2013. This discussion and analysis letter of the Housing Authority of the City of Decatur'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 Authority's federally funded programs and activities in one place. The 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 Authority's total net position as of June 30, 2013 was \$65,810. The net position increased by \$26,914, an increase of 69.2% over the prior fiscal year.

Revenues and contributions for the Authority were \$662,988 for the fiscal year ended June 30, 2013. This was a decrease of \$32,971 or 4.8% from the prior fiscal year.

Expenses for the Authority were \$636,074 for the fiscal year ended June 30, 2013. This was a decrease of \$58,064 or 8.5% from the prior fiscal year.

HUD operating grants were \$660,205 for the fiscal year ended June 30, 2013. This was a decrease of \$26,636 or 3.9% from 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 Authority's financial statements are presented as fund financial statements because the Authority only has proprietary funds.

#### **Required Financial Statements**

The *Statement of Net Position* includes 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 liquidity and financial flexibility of the Authority.

**Housing Authority of the City of Decatur  
Management's Discussion and Analysis (MD&A)  
June 30, 2013  
(Continued)**

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

*Required Financial Statements (Continued)*

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 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 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 Authority's operations in more detail. The 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.

*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.

**Housing Authority of the City of Decatur**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2013**  
**(Continued)**

**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 \$65,810 at the close of the fiscal year ended June 30, 2013 an increase from \$38,896 in 2012. The increase in net position of \$26,914 was due to the change in net position for the fiscal year.

The unrestricted net position was \$(13,334) as of June 30, 2013. If positive this amount may be used to meet the Authority's ongoing obligations. The restricted assets, if any, are for excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Authority is not able to report positive balances in all categories of net position.

**CONDENSED STATEMENTS OF NET POSITION**

**June 30,**

	2013	2012	Dollar Change	Per Cent Change
Current and other assets	\$ 66,193	\$ 39,160	\$ 27,033	69.1%
Capital assets	2,342	3,270	(928)	(28.4)%
Total Assets	<u>68,535</u>	<u>42,430</u>	<u>26,105</u>	61.6%
Current liabilities	2,725	2,467	258	10.5%
Noncurrent liabilities	0	1,067	(1,067)	(100.0)%
Total Liabilities	<u>2,725</u>	<u>3,534</u>	<u>(809)</u>	(22.9)%
Net position:				
Invested in capital assets	2,342	3,270	(928)	(28.4)%
Restricted	76,802	49,640	27,162	54.8%
Unrestricted	(13,334)	(14,014)	680	4.9%
Total Net Position	<u>\$ 65,810</u>	<u>\$ 38,896</u>	<u>\$ 26,914</u>	69.2%

Total current assets decrease of \$27,033 was due, in large part to a positive cash flow of \$27,005 in operating activities that increased the cash balance.

Current liabilities increased by \$258, in part, due a increase in accrued wages and payroll taxes in the amount of \$691.

Noncurrent liabilities decreased by \$1,067 due to a change in the compensated absences policy this fiscal year.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

**Housing Authority of the City of Decatur  
Management's Discussion and Analysis (MD&A)  
June 30, 2013  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

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.

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
<b>Revenues and contributions</b>				
Operating, non operating, capital contributions:				
HUD operating grants	\$ 660,205	\$ 686,841	\$ (26,636)	(3.9)%
Fraud recovery	958	9,048	(8,090)	(89.5)%
Interest income	0	70	(70)	(100.0)%
Other income	1,825	0	1,825	100.0%
<b>Total Revenues and Contributions</b>	<u>662,988</u>	<u>695,959</u>	<u>(32,971)</u>	<u>(4.8)%</u>
<b>Expenses</b>				
Personnel services	55,805	67,710	(11,905)	(17.6)%
Maintenance	844	597	247	41.4%
Insurance	3,475	2,668	807	30.3%
Other supplies and expenses	23,632	27,027	(3,395)	(12.6)%
Housing Assistance Payments	551,390	595,319	(43,929)	(7.4)%
Depreciation	928	817	111	13.6%
<b>Total Expenses</b>	<u>636,074</u>	<u>694,138</u>	<u>(58,064)</u>	<u>(8.5)%</u>
Change in net position	26,914	1,821	25,093	
Beginning net position	38,896	37,075	1,821	
Ending net position	<u>\$ 65,810</u>	<u>\$ 38,896</u>	<u>\$ 26,914</u>	

*Revenues:*

As can be seen in the above table total revenues and contributions decreased by \$32,971, in part, due to an decrease of \$26,636 in federal grants and the recovery of monies due to fraud in the amount of \$8,090.

*Expenses:*

Total expenses for the fiscal year ending June 30, 2013 were \$636,074 while for the fiscal year ending June 30, 2012 they were \$695,959. This represents a decrease of 4.8% in our operating costs. The expenses decreased, in part, because of salaries decreasing by \$11,905 and Housing Assistance Payments to landlords decreased by \$43,929.

**Housing Authority of the City of Decatur  
Management's Discussion and Analysis (MD&A)  
June 30, 2013  
(Continued)**

**FINANCIAL ANALYSIS (Continued)**

The following represents changes in Federal Assistance received:

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing Operating Section 8 Housing Choice Voucher Program	\$ 660,205	\$ 686,841	\$ (26,636)	(3.9)%

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 decreased due to a decrease in vouchers leased up.

**OPERATIONAL HIGHLIGHTS**

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

	<u>6/30/13</u>	<u>6/30/12</u>
Section 8 Housing Choice Voucher Program	178	178

The Housing Choice Voucher Program had a 93.5% lease-up rate as of June 30, 2013.

**CAPITAL ASSETS**

The Housing Authority of the City of Decatur's investment in capital assets, as of June 30, 2013 amounts to \$2,342 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
June 30,**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>
Furniture, equipment and machinery			
- administration	\$ 28,994	\$ 28,994	\$ 0
	28,994	28,994	0
Accumulated depreciation	(26,652)	(25,724)	(928)
Total	\$ 2,342	\$ 3,270	\$ (928)

Capital assets decreased by \$928, because of depreciation expense.

**Housing Authority of the City of Decatur  
Management's Discussion and Analysis (MD&A)  
June 30, 2013  
(Continued)**

**CAPITAL ASSETS (CONTINUED)**

During the fiscal year ending June 30, 2013, our Capital Fund Program work projects included:

There were no capital expenditures during the current fiscal year.

There are no capital projects planned for the next fiscal year.

**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.

The Housing Authority remains concerned about the future levels of HUD funding due to the state of the federal budget.

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), other than the Cooperative Agreement with the Fort Wayne Housing Authority that begins on January 1, 2014.

**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 or comments concerning any of the information contained in this report or request for additional information should be directed to:

Janelle L. Young, Executive Director  
Housing Authority of the City of Decatur  
214 East Monroe Street  
Decatur, Indiana 46733

## **FINANCIAL STATEMENTS**

**Housing Authority of the City of Decatur**  
**Statement of Net position**  
**June 30, 2013**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 59,976
Fraud recovery	5,642
Prepaid insurance and other expenses	<u>575</u>
Total Current Assets	<u>66,193</u>

Capital Assets:

Equipment	28,994
Less: accumulated depreciation	<u>(26,652)</u>
Net Capital Assets	<u>2,342</u>

Total Assets	<u><u>\$ 68,535</u></u>
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**LIABILITIES and NET POSITION**

Current Liabilities:

Accounts payable	\$ 70
Accrued expenses	<u>2,655</u>
Total Current Liabilities	<u>2,725</u>

Net Position:

Invested in capital assets	2,342
Restricted net position	76,802
Unrestricted net position	<u>(13,334)</u>
Total Net Position	<u>65,810</u>

Total Liabilities and Net Position	<u><u>\$ 68,535</u></u>
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See notes to financial statements

**Housing Authority of the City of Decatur  
Statement of Revenues, Expenses, And  
Changes in Net Position  
Year Ended June 30, 2013**

<b>OPERATING REVENUES:</b>	
Operating grants	\$ 660,205
Total operating revenues	660,205
 <b>OPERATING EXPENSES:</b>	
Administrative	79,345
Maintenance	844
Insurance	3,475
General expenses	92
Housing assistance payments	551,390
Depreciation	928
Total operating expenses	636,074
Operating income (loss)	24,131
 <b>NON OPERATING REVENUES:</b>	
Fraud recovery	958
Other revenue	1,825
Total non operating revenues	2,783
Change in net position	26,914
Net position, beginning	38,896
Net position, ending	\$ 65,810

See notes to financial statements

**Housing Authority of the City of Decatur  
Statement of Cash Flows  
Year Ended June 30, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from operating grants	\$ 660,275
Cash payments to other suppliers of goods and services	(576,756)
Cash payments to employees for services	<u>(56,514)</u>
Net cash provided by operating activities	<u>27,005</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Fraud recovery	2,264
Other income	425
Compensated absences	<u>1,400</u>
Net cash provided by noncapital financing activities	<u>4,089</u>
 <b>CASH FLOW FROM CAPITAL AND RELATED FINANCING</b>	
Payments for capital acquisitions	<u>0</u>
Net cash (used) by capital and related financing activities	<u>0</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Receipts of interest income	<u>8</u>
Net cash provided by investing activities	<u>8</u>
Net increase (decrease) in cash	31,102
Cash and cash equivalents, beginning	<u>28,874</u>
Cash and cash equivalents, ending	<u><u>\$ 59,976</u></u>

See notes to financial statements

**Housing Authority of the City of Decatur**  
**Statement of Cash Flows (Continued)**  
**Year Ended June 30, 2013**

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

Operating income (loss)	\$	24,131
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		928
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses		2,755
Increase (decrease) in liabilities:		
Accounts payable-HUD		70
Accrued wages/payroll taxes payable		691
Accrued compensated absences		(1,400)
Accrued liabilities-other		(170)
		<hr/>
Net cash provided by operating activities	\$	<u>27,005</u>

See notes to financial statements

**Housing Authority of the City of Decatur**  
**Notes to Financial Statements**  
**June 30, 2013**

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

**1(a) Organization and Reporting Entity**

The Housing Authority of the City of Decatur was established by the City pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein on May 23, 1972. 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 City of Decatur and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, 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 Authorities 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 Housing Authority of the City of Decatur is a separate entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no components units.

**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>
Housing Choice Vouchers	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.

## **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.

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.

## **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.

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

### **Cash and Investments (Continued)**

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).

### **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.

### **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 of Directors and submitted to the Department of Housing and Urban Development for their approval, if required.

### **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 \$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:

Equipment and furniture

5 - 10 years

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

### **Compensated Absences**

The Housing Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **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. The Housing Authority had no related debt.
- 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.

## **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.

### **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**

The Authority, organized as a non-profit corporation subsidized by the Federal government 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>
Housing Choice Vouchers	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 are either insured or secured with acceptable collateral.

## **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**

#### **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 June 30, 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.

### 3(a) Cash (Continued)

#### Deposits (Continued)

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	\$ 53,491	\$ 53,491	\$ 0	\$ 0	\$ 49,798
Certificate of deposits	10,178	10,178	0	0	10,178
	<u>\$ 63,669</u>	<u>\$ 63,669</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,976</u>

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

Carrying amount of deposits	\$ 49,798
Certificate of deposit	10,178
Total	<u>\$ 59,976</u>
Cash and investments:	
Enterprise activities	\$ 63,669
Enterprise activities – outstanding checks	(3,693)
Total	<u>\$ 59,976</u>

### 3(b) Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance 06/30/12	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/13
<b>Housing Choice Voucher Program</b>				
Furniture, equipment & machinery - administration	\$ 28,994	\$ 0	\$ 0	\$ 28,994
Less accumulated depreciation	(25,724)	\$ (928)	\$ 0	(26,652)
Total	<u>\$ 3,270</u>			<u>\$ 2,342</u>

### 3(c) Prepaid Expenses and other expenses

Deferred charges detail at June 30, 2013, is as follows:

Prepaid insurance	\$	213
Prepaid expenses		362
	\$	<u>575</u>

### 3(d) Accrued Expenses

Accrued expense detail at June 30, 2013, is as follows:

Accrued wage/payroll taxes payable	\$	2,655
Accrued compensated absences-current portion		0
	\$	<u>2,655</u>

### 3(e) Non-current Liabilities

As of June 30, 2013, the non-current liabilities are comprised of the following:

Accrued compensated absences- Noncurrent portion	\$	<u>0</u>
---	----	----------

The following is a summary of changes in non-current liabilities for the year ended June 30, 2013:

	<u>Balance 06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/13</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 1,067	\$ 0	\$ (1,067)	\$ 0	\$ 0

### NOTE 4: Other Notes

#### 4(a) Employee Retirement Plans

The Housing Authority does not have a pension plan.

#### 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. The Housing Authority manages these various risks of loss as follows:

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) Contingencies**

##### **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**

The Housing Authority board approved on October 21, 2013 a Cooperative Agreement with the Housing Authority of the City of Fort Wayne, Indiana to administer the Section 8 Housing Choice Voucher Program in the jurisdiction of the Housing Authority of the City of Decatur, Indiana. This agreement is for two years, at which time the parties shall have the option to have the Fort Wayne Housing Authority absorb the Housing Authority of the City of Decatur vouchers, to extend the current agreement for another like term, or to terminate the agreement. This Cooperative Agreement will begin on January 1, 2014.

**SUPPLEMENTARY INFORMATION**

**Housing Authority of the City of Decatur  
Schedule of Expenditures of Federal Awards  
And Notes to the Schedule of Federal Awards  
Year Ended June 30, 2013**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Low Income Public Housing Major – Direct Program</u>		
2013	Housing Choice Vouchers	14.871	\$ 660,205
	Total		<u>\$ 660,205</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 June 30, 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.

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

731 South Garfield Avenue  
Traverse City, Michigan 49686  
Work (231) 946-8930  
Cell (231) 409-7526  
Fax (231) 946-1377

To the Board of Commissioners  
Housing Authority of the City of Decatur

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Decatur (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 June 30, 2013, and have issued our report thereon dated December 9, 2013. 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 December 9, 2013, 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*

December 9, 2013

**Housing Authority of the City of Decatur  
Financial Data Schedule  
Year Ended June 30, 2013**

FDS Line Item No.		Housing Choice Vouchers <u>14,871</u>
	<b>ASSETS</b>	
	Current assets:	
113	Cash-restricted	\$ 59,976
100	Total cash	<u>59,976</u>
	Receivables:	
128	Fraud recovery	<u>5,642</u>
120	Total receivables, net	<u>5,642</u>
	Other Current Assets:	
142	Prepaid expenses	<u>575</u>
150	Total current assets	<u>66,193</u>
	Noncurrent Assets:	
	Fixed Assets:	
164	Furniture, equipment & machinery-administration	28,994
166	Accumulated depreciation	<u>(26,652)</u>
160	Total fixed assets, net	<u>2,342</u>
180	Total non-current assets	<u>2,342</u>
190	Total Assets	<u>\$ 68,535</u>

**Housing Authority of the City of Decatur**  
**Financial Data Schedule**  
(Continued)  
**Year Ended June 30, 2013**

FDS Line Item No.		Housing Choice Vouchers 14.871
<hr/>		
	<b>LIABILITIES and NET POSITION</b>	
	Current liabilities:	
321	Accrued wage/payroll taxes payable	\$ 2,655
331	Accounts payable-HUD PHA programs	<u>70</u>
	Total current liabilities	<u>2,725</u>
300	Total liabilities	<u>2,725</u>
	Net position:	
508.1	Invested in capital assets	2,342
511.1	Restricted net position	76,802
512.1	Unrestricted net position	<u>(13,334)</u>
513	Total net position	<u>65,810</u>
600	Total Liabilities and Net Position	<u>\$ 68,535</u>

**Housing Authority of the City of Decatur**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended June 30, 2013**

FDS Line Item No.		Housing Choice Vouchers 14.871
	<b>Revenues:</b>	
70600	HUD PHA operating grants	\$ 660,205
71400	Fraud recovery	958
71500	Other revenue	425
70000	Total revenue	<u>661,588</u>
	<b>Expenses</b>	
	Administrative:	
91100	Administrative salaries	47,506
91200	Auditing fees	3,903
91500	Employee benefit contributions	8,299
91600	Office expenses	11,920
91800	Travel	1,200
91900	Other	6,517
91000	Total operating-administrative	<u>79,345</u>
	Ordinary maintenance & operation:	
94200	Materials and other	472
94300	Contracts	372
94000	Total maintenance	<u>844</u>
	Insurance:	
96120	Liability insurance	1,985
96130	Workmen's compensation	656
96140	All other insurance	834
96100	Total insurance premiums	<u>3,475</u>
	General Expenses:	
96200	Other general expenses	92
96210	Compensated absences	(1,400)
96000	Total other general expenses	<u>(1,308)</u>
96900	Total operating expenses	<u>82,356</u>
97000	Excess of operating revenue over operating expenses	<u>579,232</u>
	Other Expenses:	
97300	Housing assistance payments	551,390
97400	Depreciation expense	928
	Total other expenses	<u>552,318</u>
90000	Total expenses	<u>634,674</u>

**Housing Authority of the City of Decatur**  
**Financial Data Schedule**  
**(Continued)**  
**Year Ended June 30, 2013**

<u>FDS Line Item No.</u>		<u>Housing Choice Vouchers 14.871</u>
10000	Excess(deficiency) of revenue over(under) expenses	26,914
11030	Beginning equity	38,896
	Ending equity	<u>\$ 65,810</u>
11190	Unit months available	2,136
11210	Number of Unit months leased	1,996

**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***

To the Board of Commissioners  
Housing Authority of the City of Decatur  
Decatur, 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 City of Decatur, Indiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Decatur, Indiana's basic financial statements, and have issued our report thereon dated December 9, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Decatur, 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 City of Decatur, Indiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Decatur, 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 City of Decatur, 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. Gaudette, CPA, PC*

December 9, 2013

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

To the Board of Commissioners  
Housing Authority of the City of Decatur  
Decatur, Indiana

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

We have audited the Housing Authority of the City of Decatur, 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 City of Decatur, Indiana's major federal programs for the year ended June 30, 2013. The Housing Authority of the City of Decatur, 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 the Housing Authority of the City of Decatur, Indiana's major federal program 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 City of Decatur, 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 City of Decatur, Indiana's compliance.

### ***Basis for Qualified Opinion on the Housing Choice Voucher Program***

As described in the accompanying schedule of findings and questioned costs, the Housing Authority of the City of Decatur, Indiana did not comply with requirements regarding the Housing Authority of the City of Decatur, Indiana and associated finding number 2013-1 matched to the type of compliance requirement for CFDA 14.871 Housing Choice Voucher Program for Cash Management regarding the Administrative Fee Subsidy being less than the operating expenditures. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Decatur, Indiana to comply with the requirements applicable to that program.

### ***Qualified Opinion on the Housing Choice Voucher Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Housing Authority of the City of Decatur, Indiana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Housing Choice Voucher Program for the year ended June 30, 2013.

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

Management of the Housing Authority of the City of Decatur, 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 City of Decatur, 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 City of Decatur, Indiana's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2013-1 to be a significant deficiency.

## Report on Internal Control Over Compliance (Continued)

The Housing Authority of the City of Decatur, Indiana's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Decatur, Indiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Gaudette, CPA, PC*

December 9, 2013

**Housing Authority of the City of Decatur**  
**Status of Prior Audit Findings**  
**June 30, 2013**

There was one Federal Award Finding in the prior fiscal year as follows:

**Finding 2012-1: Housing Choice Voucher Program Administrative Fee Equity**

*Condition and Criteria:* HUD provides the Housing Authority with Administrative Fee Subsidy to cover administrative/operating expenditures of the Housing Choice Voucher Program. At the end of the year, the Administrative Equity of the Housing Authority showed a deficit balance.

*Effect:* The Housing Authority is operating the program with funds "borrowed" from the Restricted HAP Equity or other programs.

*Status:* The Housing Authority has begun to reduce operating expenses to resolve this finding, but as of June 30, 2013 there was a deficit of \$(13,334) in the Administrative Equity. Therefore, this finding **has not been cleared**.

**Housing Authority of the City of Decatur**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2013**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

- Material weaknesses(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are Not considered to be material weaknesses?   X   Yes \_\_\_\_\_ No

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster	Opinion
14.871	Housing Choice Voucher Program	Qualified

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**Housing Authority of the City of Decatur**  
**Schedule of Findings and Questioned Costs**  
**(Continued)**  
**June 30, 2013**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

There were no findings.

**SECTION III – FEDERAL AWARDS FINDINGS**

**Finding 2013-1: Housing Voucher Program Administrative Fee Equity**

*Condition and Criteria:* HUD provides the Housing Authority with Administrative Fee Subsidy to cover administrative/operating expenditures of the Housing Voucher Program. At the end of the year, the Administrative Equity of the Housing Authority showed a deficit balance of \$(13,334). Under HUD requirements, each housing authority is to administer the program within the budget (subsidy) provided.

*Effect:* The Housing Authority is operating the program with funds “borrowed” from the Restricted HAP Equity or other programs.

*Cause:* The Housing Authority has failed to monitor expenses to ensure that the program was run efficiently and within the budget provided by HUD. The Housing Authority is not properly managing cash flows.

*Auditor's Recommendation:* The Administration and the Board of the Housing Authority must continue to monitor agency expenditures. The allocation of shared expenses should be closely scrutinized to assure that only necessary and reasonable expenditures are being approved. In 2013/2014, the administrative fee subsidy will be paid based on unit months leased, therefore, the PHA should also make every effort to continue to increase its units leased to the maximum, thus increasing administrative fees earned.

*Grantee Response:* We were aware of the shortage and recommendation from the prior audit. We have continued to reduce expenses during the current fiscal year by eliminating the part-time employee and the local electric company is using a “good cents” program that hopefully will generate several thousand dollars each year for the Housing Authority. Also, as of January 1, 2014, the Housing Authority has entered into a Cooperative Agreement with the Fort Wayne Housing Authority. It is expected that this agreement will save enough money to eliminate the deficit.