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July 18, 2014

Board of Directors
St. Joseph County Housing Authority
c/o Housing Assistance Office, Inc.
2410 Grape Road, Suite 2
Mishawaka, IN 46544

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period October 1, 2008 to September 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the St. Joseph County Housing Authority, as of September 30, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

**1138 LINCOLNWAY EAST
SOUTH BEND, INDIANA 46634**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

AND

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2009

CPAs / ADVISORS



THE ST. JOSEPH COUNTY HOUSING AUTHORITY

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REPORT OF INDEPENDENT AUDITORS

The Board of Commissioners
The St. Joseph County Housing Authority
South Bend, Indiana

We have audited the accompanying statements of financial position of The St. Joseph County Housing Authority ("SJCHA") as of September 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of SJCHA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SJCHA as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2010 on our consideration of SJCHA'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 for the year ended September 30, 2009. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

REPORT OF INDEPENDENT AUDITORS
(Continued)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2009, 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic September 30, 2009 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on page 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Blue & Co., LLC

February 18, 2010

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash	\$ 97,270	\$ 74,035
Accounts Receivable	-0-	2,751
Due from Housing Assistance Office, Inc.	<u>3,395</u>	<u>-0-</u>
	<u>\$ 100,665</u>	<u>\$ 76,786</u>

LIABILITIES AND NET ASSETS

Liabilities		
Due to U.S. Department of Housing and Urban Development	\$ 1,649	\$ 83
Due to Housing Assistance Office, Inc.	<u>-0-</u>	<u>22,492</u>
Total liabilities	1,649	22,575
Unrestricted net assets	<u>99,016</u>	<u>54,211</u>
	<u>\$ 100,665</u>	<u>\$ 76,786</u>

See accompanying notes to financial statements.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Revenue		
Housing assistance contracts	\$ 1,012,477	\$ 996,945
Expenses		
Housing assistance payments	865,185	899,398
Subcontract fees	90,163	106,319
Other administrative expenses	<u>12,324</u>	<u>12,143</u>
Total expenses	<u>967,672</u>	<u>1,017,860</u>
Change in net assets	44,805	(20,915)
Unrestricted net assets, beginning of year	<u>54,211</u>	<u>75,126</u>
Unrestricted net assets, end of year	<u>\$ 99,016</u>	<u>\$ 54,211</u>

See accompanying notes to financial statements.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating activities		
Change in net assets	\$ 44,805	\$ (20,915)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Accounts receivable	2,751	(2,751)
Due from Housing Assistance Office, Inc.	(3,395)	70,719
Due to U.S. Department of Housing and Urban Development	1,566	83
Due to Housing Assistance Office, Inc.	<u>(22,492)</u>	<u>22,492</u>
Net cash flows from operating activities	23,235	69,628
 Cash, beginning of year	 <u>74,035</u>	 <u>4,407</u>
 Cash, end of year	 <u>\$ 97,270</u>	 <u>\$ 74,035</u>

See accompanying notes to financial statements.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

1. NATURE OF ACTIVITIES

The St. Joseph County Housing Authority ("SJCHA") was formed by the St. Joseph County Commissioners as a quasi governmental agency to provide housing assistance. The housing assistance was to be provided as a part of a comprehensive and coordinated program of housing, child care, transportation, personal and career counseling, adult basic education, job training and job placement to motivated "very-low-income" single parents who are residents of St. Joseph County, Indiana. The housing assistance was to be funded, directly or indirectly, by the U.S. Department of Housing and Urban Development ("HUD").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SJCHA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of SJCHA are not subject to donor-imposed stipulation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Housing Assistance Contracts

HUD pays SJCHA annual awards for various housing programs. These awards are primarily for housing assistance paid to renters and an administrative fee earned based on HUD approved dollar amounts per unit. This revenue is recognized on a monthly basis as it is earned.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2009 AND 2008

Subcontract

SJCHA subcontracts with Housing Assistance Office, Inc. ("HAO") to administer the housing units. The Executive Director of HAO is the Director of the SJCHA appointed by the St. Joseph County Board of Commissioners. SJCHA currently does not have any employees and uses HAO employees for all administrative functions under its contracts. HAO administers 100% of the revenue earned by SJCHA except for the 2% administration fee maintained for SJCHA.

Subsequent Events

SJCHA evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 18, 2010, which is the date the financial statements were available to be issued.

3. FUNDING CONCENTRATION

The SJCHA is funded by contracts awarded directly by HUD. The majority of the agreements contain provisions that permit the arrangements to be terminated or the funds provided to be reduced if HUD does not appropriate an adequate amount of funds to maintain the current funding levels.

**ADDITIONAL REPORTS AND INFORMATION
REQUIRED UNDER SINGLE AUDIT ACT**



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**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**

The Board of Commissioners
The St. Joseph County Housing Authority
South Bend, Indiana

We have audited the financial statements of The St. Joseph County Housing Authority ("SJCHA") as of and for the year ended September 30, 2009, and have issued our report thereon dated February 18, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SJCHA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SJCHA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SJCHA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SJCHA's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Commissioners, management, the federal awarding agency and pass-through entities and the State of Indiana and is not intended to be and should not be used by anyone other than these specified parties.

Blue & Co., LLC

February 18, 2010



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Commissioners
The St. Joseph County Housing Authority
South Bend, Indiana

Compliance

We have audited the compliance of The St. Joseph County Housing Authority ("SJCHA") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. SJCHA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of SJCHA's management. Our responsibility is to express an opinion on SJCHA's compliance based on our audit.

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 SJCHA'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. Our audit does not provide a legal determination on SJCHA's compliance with those requirements.

In our opinion, SJCHA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

The management of SJCHA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered SJCHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 SJCHA's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Commissioners, management, the federal awarding agencies and pass-through entities and the State of Indiana and is not intended to be and should not be used by anyone other than these specified parties.

Blue & Co., LLC

February 18, 2010

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no
Reportable conditions identified that are not
considered to be material weaknesses? _____ yes X none reported
Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes X no
Reportable conditions identified that are not
considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required
to be reported in accordance with Section 510(a)
of OMB Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

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

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

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2009 (Continued)

Section II - Financial Statement Findings

There were no findings that are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs that are required to be reported in accordance with OMB Circular A-133.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2009

There were no audit findings and questioned costs reported in the prior year.

SUPPLEMENTARY INFORMATION

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Section 8 Housing Choice Vouchers	14.871	<u>\$ 967,672</u>

Note 1 – Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of The St. Joseph County Housing Authority for the year ended September 30, 2009 and is presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 – Subrecipients

Of the federal expenditures presented in the schedule, The St. Joseph County Housing Authority provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Section 8 Housing Choice Vouchers	14.871	
Housing Assistance Office, Inc.		\$ 963,348
Other housing authorities		<u>1,403</u>
		<u>\$ 964,751</u>

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2009

The St. Joseph County Housing Authority (SJCHA) was established in 1976. Its Mission Statement reads: "To provide decent, safe, affordable housing to very low income families in St. Joseph County and to be an advocate for support programs that enhance the quality of life of those we serve."

The SJCHA is under contract with the Housing Assistance Office, Inc. (HAO) to administer the 224 Section 8 Housing Choice Vouchers the SJCHA has been awarded by the U.S. Department of Housing and Urban Development (HUD). Three (3) members of the HAO staff, with oversight by the HAO Director, administer the Voucher Program, which includes such tasks as maintaining a waiting list, in-office initial and annual interviews, third party verification, initial and annual on-site inspections, lease-ups, and financial and accounting oversight. The SJCHA's performance is checked monthly using a statistical report to measure current budget usage and future projections.

The St. Joseph Housing Authority's Board of Commissioners governs the SJCHA. This seven-member board, consisting of local residents representing outlying communities and low-income families in our jurisdiction, is appointed by the St. Joseph County Council. The policies followed by staff members are outlined in the SJCHA's Administrative Plan. This plan was created by using regulations put forth by HUD. The SJCHA Administrative Plan is updated whenever new rules or directives are received by HUD or when the Commissioners make a policy change.

The SJCHA Board of Commissioners meets quarterly unless action on an item needs to be taken before a regular meeting. Then a special meeting is called.

The Section 8 Waiting List is open for applications the first Wednesday of every month. The applicants are required to update whenever they have a change in household size, income, or address, but no more than every 6 months, or their name is removed from the Waiting List. This process keeps an active and updated list. Although it varies month to month, there has been an average of 393 applicants on the waiting list, which is substantially more than the previous year, reflecting the state of the economy.

A monthly statistical report keeps the staff aware at all times how successful the Section 8 program is being run and, therefore, allows for any needed adjustments to maintain full usage of the current funds available.

HUD increased our Housing Assistance Payment (HAP) funding in May so that we were able to increase our lease-up rate, which by then was 79.9%. By offering new vouchers to applicants on our waiting list, we brought our lease-up rate back to 90.2% by September 30, 2009. We anticipate that will continue to increase unless our funding is decreased.