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July 21, 2014

Board of Directors  
Warsaw Housing Authority  
109 W. Catherine Street  
Milford, IN 46542

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2012 to September 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 Warsaw Housing Authority, as of September 30, 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

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

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

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

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### Independent Auditor's Report

Board of Commissioners  
Warsaw Housing Authority  
Warsaw, Indiana

I have audited the accompanying financial statements of the Warsaw Housing Authority, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Warsaw Housing Authority'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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Warsaw Housing Authority'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 Warsaw Housing Authority's internal control. Accordingly, I 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 the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Warsaw Housing Authority, as of September 30, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

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

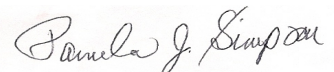
## **Report on Supplemental Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warsaw Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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 financial statements. Further, the financial data schedules shown on pages 32 to 36 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report Issued in Accordance with Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 27, 2014 on my consideration of the Warsaw Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Decatur, Illinois  
March 27, 2014

Certified Public Accountant

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2013**

This section of the Warsaw Housing Authority, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

**FINANCIAL HIGHLIGHTS**

- The term "net position" refers to the difference between assets and liabilities. The Authority's total net position as of September 30, 2013 were \$177,416. The net position increased by \$3,263, an increase of 1.9% over the prior year.
- Revenues for the Authority were \$952,626 for the year ended September 30, 2013. This was a decrease of \$23,092 or 2.4% from the prior year.
- Expenses for the Authority were \$949,260 for the year ended September 30, 2013. This was a decrease of \$20,717 or 2.1% from the prior year.
- HUD operating grants for the Authority was \$700,160 for the year ended September 30, 2013, a decrease of \$6,662 or 0.9% from the prior year. Other government grants for the Authority were \$214,118 for the year ended September 30, 2013, a decrease of \$27,042 or 11.2% over the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

**Required Financial Statements**

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2013**

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

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net 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 Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2013 and is required to be included in the audit reporting package.

**FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$177,416 at the close of the year ended September 30, 2013 up from \$174,153 in fiscal year 2012. The increase in net position of \$3,263 was due to the reasons noted below.

- Current assets include cash, investments, receivables, and prepaid expenses. Of the \$8,181 decrease in this category, cash and investments decreased \$14,773, receivables increased \$6,061, and prepaid and other expenses increased \$531.
- Capital assets decreased \$1,026 because of current year depreciation expense. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities decreased \$131,721 or 17.8% mostly due to the reclassification of the revolving loan fund for Home of Your Own program.

The unrestricted net position was \$97,707 as of September 30, 2013. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for nine months, excluding housing assistance payments. The restricted net position was \$73,587 as of September 30, 2013. This amount may only be used for Section 8 Voucher housing assistance payments. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2013**

**FINANCIAL ANALYSIS (CONTINUED)**

CONDENSED STATEMENTS OF NET ASSETS				
	2013	2012	Net Change	Percent Variances
Cash and other current assets	305,399	313,580	(8,181)	-3%
Capital Assets	6,122	7,148	(1,026)	-14%
<b>Total Assets</b>	<b>311,521</b>	<b>320,728</b>	<b>(9,207)</b>	<b>-3%</b>
Deferred Outflows of Resources	0	0	0	0%
<b>TOTAL</b>	<b>311,521</b>	<b>320,728</b>	<b>(9,207)</b>	<b>-3%</b>
Current Liabilities	15,478	146,575	(131,097)	-89%
Noncurrent Liabilities	101,024	0	101,024	100%
<b>Total Liabilities</b>	<b>116,502</b>	<b>146,575</b>	<b>(30,073)</b>	<b>-21%</b>
Deferred Inflows of Resources	17,603	0	17,603	0%
Net Investment in Capital Assets	6,122	7,148	(1,026)	-14%
Restricted	73,587	71,228	2,359	3%
Unrestricted	97,707	95,777	1,930	2%
<b>Total Net Position</b>	<b>177,416</b>	<b>174,153</b>	<b>3,263</b>	<b>2%</b>
<b>TOTAL</b>	<b>311,521</b>	<b>320,728</b>	<b>(9,207)</b>	<b>-3%</b>

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

As can be seen in the table on the following page, total revenues decreased \$23,092 due to the reasons noted below.

- HUD operating grants decreased \$6,662 due to a \$1,262 decrease in housing assistance received from HUD and a \$5,400 decrease in administrative fees received from HUD.
- Other government grants represent funding from a local government agency for housing assistance and were \$214,118 for FY 2013, down from \$241,160 in FY 2012.
- Other income was consistent in FY 2013.
- Investment income decreased \$229 from FY 2012.



**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2013**

**FINANCIAL ANALYSIS (CONTINUED)**

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

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues</b>				
Operating - non-operating - capital contributions:				
HUD PHA operating grants	700,160	706,822	(6,662)	-0.9%
Other government grants	214,118	241,160	(27,042)	-11.2%
Fraud recovery	12,302	2,336	9,966	426.6%
Other revenue	25,950	25,075	875	3.5%
Investment income	96	325	(229)	-70.5%
Gain (loss) on sale of fixed assets	-	-	-	0.0%
Total Revenues	<u>952,626</u>	<u>975,718</u>	<u>(23,092)</u>	-2.4%
<b>Expenses</b>				
Administration	115,228	117,591	(2,363)	-2.0%
Utilities	2,409	-	2,409	0.0%
Maintenance & operation	555	784	(229)	-29.2%
General expense	6,600	4,224	2,376	56.3%
Housing assistance payments	823,442	846,386	(22,944)	-2.7%
Depreciation expense	1,026	992	34	3.4%
Total Expenses	<u>949,260</u>	<u>969,977</u>	<u>(20,717)</u>	-2.1%
Changes in net position	3,366	5,741	(2,375)	
Net position, beginning of year	174,153	168,412	5,741	
Prior period adjustments	<u>(103)</u>	<u>-</u>	<u>(103)</u>	
Net position, end of year	<u>\$ 177,416</u>	<u>\$ 174,153</u>	<u>\$ 3,263</u>	

Total expenses decreased \$20,717 due to the reasons noted below.

- Administration decreased \$2,363 or 2.0% primarily due to a decrease in travel expenses.
- Housing assistance payments decreased \$22,944 or 2.7% due to a decrease in housing assistance for the Authority's Housing Choice Voucher Program.
- The Authority had a \$34 or 3.4% increase in depreciation which is the write-off of capital assets over their estimated useful life.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
September 30, 2013**

**CAPITAL ASSETS**

The Warsaw Housing Authority, Indiana's net investment in capital assets, as of September 30, 2013 amounts to \$6,122 (net of accumulated depreciation). The investment in capital assets includes equipment.

*Capital Assets* – The total decrease in the Authority's capital assets for the current fiscal year was 14.4% in terms of net book value. Depreciation charges for the year totaled \$1,026. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Ending
Capital assets - equipment and improvements	\$7,148	\$0	\$(1,026)	\$6,122

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Pamela Kennedy, Executive Director, Warsaw Housing Authority, 109 W. Catherine Street, Milford, Indiana 46542.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2013**

**ASSETS**

Cash - operating	\$ 138,835
Cash - restricted	73,587
Accounts receivable (net)	87,928
Accrued interest	4
Investments	2,988
Prepaid expenses	2,057

Capital assets:

Land, land improvements and construction in progress	\$ 0
Other assets, net of depreciation	<u>6,122</u>

Total Capital Assets	<u>\$ 6,122</u>
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Total Assets	<u>\$ 311,521</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

	<u>\$ 0</u>
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**TOTAL**

	<u><u>\$ 311,521</u></u>
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**LIABILITIES**

Accounts payable	\$ 2,161
Other liabilities	7,067
Unearned revenue	6,250

Noncurrent liabilities:

Earned compensated absences	675
Trust and deposit liabilities	<u>100,349</u>

Total Liabilities	<u>\$ 116,502</u>
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**DEFERRED INFLOWS OF RESOURCES (Note 14)**

	<u>\$ 17,603</u>
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**NET POSITION**

Invested in capital assets	\$ 6,122
Restricted	73,587
Unrestricted	<u>97,707</u>

Total Net Position	<u>\$ 177,416</u>
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**TOTAL**

	<u><u>\$ 311,521</u></u>
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**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Operating Income

HUD grants - operating	\$ 700,160
Other government grants	214,118
Fraud recovery	12,302
Other revenue	<u>25,950</u>

Total Operating Income	<u>\$ 952,530</u>
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Operating Expenses

Administration	\$ 115,228
Utilities	2,409
Maintenance	555
General expense	6,600
Housing assistance payments	823,442
Depreciation expense	<u>1,026</u>

Total Operating Expenses	<u>\$ 949,260</u>
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Net Operating Income (Loss)	\$ 3,270
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Nonoperating Income (Expense)

Interest income	<u>96</u>
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Changes in net position	\$ 3,366
Net position, beginning of year	174,153
Prior period adjustments	<u>-103</u>

Net position, end of year	<u><u>\$ 177,416</u></u>
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**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Operating Activities

Operating grants	\$ 908,977
Other revenue	38,252
Housing assistance payments	-823,442
Payments to employees	-77,397
Payments to suppliers and contractors	<u>-61,257</u>

Net Cash Provided (Used) by Operating Activities	<u>\$ -14,867</u>
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Investing Activities

Investments (purchased) redeemed	\$ -48
Interest income	<u>94</u>

Net Cash Provided (Used) by Investing Activities	<u>\$ 46</u>
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Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ 0</u>
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Net Cash Provided (Used) by Financing Activities	<u>\$ 0</u>
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Net Change in Cash	\$ -14,821
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Cash Balance at September 30, 2012	<u>227,243</u>
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Cash Balance at September 30, 2013	<u><u>\$ 212,422</u></u>
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**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

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

Net operating income (loss)	\$ 3,270
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	1,026
Adjustments to net position	-103
 (Increase) decrease in accounts receivable	 -6,059
(Increase) decrease in prepaid expenses	-531
 Increase (decrease) in accounts payable	 158
Increase (decrease) in other liabilities	-113
Increase (decrease) in unearned revenues	-22,904
Increase (decrease) in trust & deposit liabilities	-7,214
Increase (decrease) in deferred inflows	<u>17,603</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ -14,867</u>

The notes to financial statements are an integral part of this statement.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Warsaw Housing Authority was established by the City of Warsaw pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the Warsaw Housing Authority and concluded that the city does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the city government. Debt incurred by the Authority is not an obligation of the city; the city does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Warsaw Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- \* Section 8 Choice Vouchers
- \* Business Activities

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

*Proprietary Fund Types:*

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Net Investment in Capital Assets, Restricted and Unrestricted.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net assets and have been eliminated in the basic financial statements.



**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Investments -

Investments are stated at cost which approximates market.

(h) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority has no formal policy.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40	years
Equipment	5	years
Transportation equipment	5	years
Furniture and fixtures	5	years
Leasehold improvements	15	years

(i) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

(l) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.

(m) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments*

*Credit Risk* is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

*Concentrations of Credit Risk* is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

*Investment Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	\$ 83,239	\$ 84,074
Business Activities	<u>129,183</u>	<u>129,577</u>
Total	<u>\$ 212,422</u>	<u>\$ 213,651</u>

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

Based on the three levels of risk, all of the Housing Authority's investments are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Business Activities	<u>\$ 2,988</u>	<u>\$ 2,988</u>

Note 3 - Compensated Absences

Full time, salaried employees are granted vacation benefits at a rate of 1 day for each full month of employment up to a maximum of 10 working days per year. Sick leave accrues to employees up to 5 days per year.

The estimated portion of the liability for vested sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs, because vacation allowances must be taken during the employment year it was earned.

Note 4 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - other government	\$ 2,751
Accounts receivable - miscellaneous	76,780
Fraud recovery	21,916
Allowance for doubtful - fraud	<u>-13,519</u>
Subtotal	\$ 87,928
Interfund	<u>17,488</u>
Total	<u>\$ 105,416</u>

**WARSAW HOUSING AUTHORITY**  
**WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2013**  
**(CONTINUED)**

Note 6 - Investments

At September 30, 2013 investments consist of the following:

	<u>Rate</u>	
Certificate of deposit	0.40%	\$ <u>2,988</u>

Note 7 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 854
Prepaid computer support	644
Other	<u>559</u>
Total	\$ <u>2,057</u>

Note 8 - Capital Assets

Balance as of September 30, 2013	\$ 6,122
Balance as of September 30, 2012	<u>7,148</u>
Net Increase (Decrease)	<u>\$ -1,026</u>

Reconciliation

Current year depreciation expense	\$ <u>-1,026</u> *
Net Increase (Decrease)	<u>\$ -1,026</u>

<u>Analysis</u>	<u>10/01/2012</u> <u>Balance</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>09/30/2013</u> <u>Balance</u>
Building improvements	\$ 5,665	\$ 0	\$ 0	\$ 5,665
Equipment and furniture	<u>23,565</u>	<u>0</u>	<u>0</u>	<u>23,565</u>
Subtotal	\$ 29,230	\$ 0	\$ 0	\$ 29,230
Accumulated depreciation	<u>-22,082</u>	<u>0</u>	<u>1,026</u> *	<u>-23,108</u>
Total	<u>\$ 7,148</u>	<u>\$ 0</u>	<u>\$ 1,026</u>	<u>\$ 6,122</u>

\* Current depreciation expense recognized.

**WARSAW HOUSING AUTHORITY**  
**WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2013**  
**(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 2,021
Accounts payable - HUD interest	<u>140</u>
Subtotal	\$ 2,161
Interfund	<u>17,488</u>
Total	<u>\$ 19,649</u>

Note 10 - Other Liabilities

Other liabilities consists of the following:

<u>Current Portion:</u>	
Wage/payroll taxes payable	\$ 4,303
Earned compensated absences	2,701
Utilities payable	<u>63</u>
Total Current Portion	\$ 7,067
<u>Noncurrent Portion:</u>	
Earned compensated absences	<u>675</u>
Total	<u>\$ 7,742</u>

Note 11 - Trust and Deposit Liabilities

This classification consists of the following:

HOYO revolving loans	<u>\$ 100,349</u>
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Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of September 30, 2013:

	10/01/2012			09/30/2013
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Earned compensated absences	\$ 0	\$ 675	\$ 0	\$ 675
HOYO revolving loans	<u>107,563</u>	<u>0</u>	<u>7,214</u>	<u>100,349</u>
Total	<u>\$ 107,563</u>	<u>\$ 675</u>	<u>\$ 7,214</u>	<u>\$ 101,024</u>

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 13 - Unearned Revenue

This classification consists of the following:

City admin fees	\$ <u>6,250</u>
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Note 14 - Deferred Inflows of Resources

HUD admin fees	\$ 2,005
IHCDA deposit	<u>15,598</u>

Total	\$ <u>17,603</u>
-------	------------------

Note 15 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD and is budgeted on a calendar year basis.

Note 16 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 17 - Prior Period Adjustments

Prior period adjustments posted directly to net position are detailed below:

Prior year interest due to HUD	\$ <u>-103</u>
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Note 18 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage in the current or past three years.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 19 - Economic Dependency

The Housing Authority received most of its revenue (74%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 26 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	<u>\$ 73,587</u>
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## **SUPPLEMENTAL DATA**

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice Voucher Program*	14.871	IN060	FYE 09/30/13	\$ <u>700,160</u>	\$ <u>700,160</u>	\$ <u>700,160</u>

\*Denotes major program.



**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 Commissioners  
Warsaw Housing Authority  
Milford, Indiana

I 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 Warsaw Housing Authority, which comprise the statement of net position as of September 30, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Warsaw Housing Authority's basic financial statements and have issued my report thereon dated March 27, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Warsaw Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Warsaw Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Warsaw Housing Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Warsaw Housing Authority'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

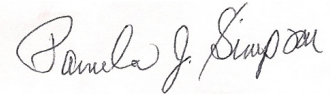
As part of obtaining reasonable assurance about whether the Warsaw Housing Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Warsaw Housing Authority in a separate letter dated March 27, 2014.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Warsaw Housing Authority'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 Warsaw Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Decatur, Illinois  
March 27, 2014

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant



**Independent Auditor's Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Commissioners  
Warsaw Housing Authority  
Milford, Indiana

**Report on Compliance for Each Major Program**

I have audited the Warsaw Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of the Warsaw Housing Authority's major federal programs for the year ended September 30, 2013. The Warsaw Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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**

My responsibility is to express an opinion on compliance for each of the Warsaw Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Warsaw Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major program. However, my audit does not provide a legal determination of the Warsaw Housing Authority's compliance.

**Opinion on Each Major Program**

In my opinion, the Warsaw Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

## **Other Matters**

The results of my auditing procedures disclosed no material instances of noncompliance which are to be reported in accordance with *OMB Circular A-133*.

I noted certain matters that I reported to the management of the Warsaw Housing Authority in a separate letter dated March 27, 2014.

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

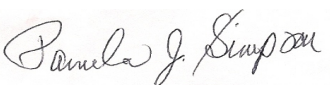
Management of the Warsaw Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Warsaw Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the Warsaw Housing Authority's internal control over compliance.

*A deficiency in 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 and correct, noncompliance with a type of compliance requirements 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above. 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 my testing of internal control over compliance and the results of my testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Decatur, Illinois  
March 27, 2014

  
Certified Public Accountant

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2012 contained no findings.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**Section I -Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report:

Unqualified

\* Material weakness(es) identified? \_\_\_\_\_ yes X no  
\* Significant deficiency (ies) identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes X no

*Federal Awards*

Internal control over major programs:

\* Material weakness(es) identified? \_\_\_\_\_ yes X no  
\* Significant deficiency (ies) identified? \_\_\_\_\_ yes X none reported

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

Unqualified

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

**Identification of major programs:**

CFDA Number(s)

Name of Federal Program or Cluster

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?

X yes \_\_\_\_\_ no



**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with Pamela Kennedy, Executive Director, during the course of the audit and at an exit conference held March 27, 2014.

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

There were no federal award audit findings discussed with Pamela Kennedy, Executive Director, during the course of the audit and at an exit conference held March 27, 2014.

**WARSAW HOUSING AUTHORITY  
WARSAW, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2013**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued wages/salaries	2135.01	\$ 470.77		2135.01
Admin salaries	4110		\$ 470.77	2806.01
(To adjust the amount of hours accrued at year end per PHA records)				
(2)				
Allowance for doubtful - fraud	1129.02		\$ 344.15	1129.02
Fraud recovery	1129.01		1,015.85	1129.01
Fraud recovery - HAP	3606	\$ 680.00		2806.03
Fraud recovery - admin	3606	680.00		2806.01
(To correct fraud recovery and allowance for doubtful accounts on books)				
(3)				
Prepaid insurance	1211	\$ 90.40		1211
Other insurance	4510.40	11.44		2806.01
Vendors and contractors	2111		\$ 101.84	2111
(To record dishonesty bond payment; for subsequently received billing)				
<u>Business Activities</u>				
(1)				
Accrued wages/salaries	2135.01	\$ 398.47		2135.01
Admin salaries	4110		\$ 398.47	2806.01
(To correct accrued wages per the books)				
(2)				
Prepaid insurance	1211	\$ 141.40		1211
Other insurance	4510.40	17.89		2806.01
Vendors and contractors	2111		\$ 159.29	2111
(To record dishonesty bond payment; for subsequently received billing)				

## Housing Authority of the City of Warsaw (IN060)

Milford, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$9,652	\$129,183	\$138,835	\$138,835
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$73,587		\$73,587	\$73,587
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$83,239	\$129,183	\$212,422	\$212,422
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government		\$2,751	\$2,751	\$2,751
125 Accounts Receivable - Miscellaneous		\$76,780	\$76,780	\$76,780
126 Accounts Receivable - Tenants				
126.1 Allowance for Doubtful Accounts - Tenants				
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery	\$21,916		\$21,916	\$21,916
128.1 Allowance for Doubtful Accounts - Fraud	-\$13,519		-\$13,519	-\$13,519
129 Accrued Interest Receivable		\$4	\$4	\$4
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,397	\$79,535	\$87,932	\$87,932
131 Investments - Unrestricted		\$2,988	\$2,988	\$2,988
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$1,267	\$790	\$2,057	\$2,057
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From		\$17,488	\$17,488	\$17,488
145 Assets Held for Sale				
150 Total Current Assets	\$92,903	\$229,984	\$322,887	\$322,887
161 Land				
162 Buildings		\$5,665	\$5,665	\$5,665
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$19,550	\$4,015	\$23,565	\$23,565
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$18,795	-\$4,313	-\$23,108	-\$23,108
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$755	\$5,367	\$6,122	\$6,122
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$755	\$5,367	\$6,122	\$6,122
190 Total Assets	\$93,658	\$235,351	\$329,009	\$329,009

## Housing Authority of the City of Warsaw (IN060)

Milford, IN

## Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$102	\$1,919	\$2,021	\$2,021
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$2,142	\$2,161	\$4,303	\$4,303
322 Accrued Compensated Absences - Current Portion	\$1,827	\$874	\$2,701	\$2,701
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs	\$140		\$140	\$140
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government				
341 Tenant Security Deposits				
342 Deferred Revenues	\$2,005	\$21,848	\$23,853	\$23,853
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other		\$63	\$63	\$63
347 Inter Program - Due To	\$17,488		\$17,488	\$17,488
348 Loan Liability - Current				
310 Total Current Liabilities	\$23,704	\$26,865	\$50,569	\$50,569
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other		\$100,349	\$100,349	\$100,349
354 Accrued Compensated Absences - Non Current	\$457	\$218	\$675	\$675
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$457	\$100,567	\$101,024	\$101,024
300 Total Liabilities	\$24,161	\$127,432	\$151,593	\$151,593
508.1 Invested In Capital Assets, Net of Related Debt	\$755	\$5,367	\$6,122	\$6,122
511.1 Restricted Net Assets	\$73,587		\$73,587	\$73,587
512.1 Unrestricted Net Assets	-\$4,845	\$102,552	\$97,707	\$97,707
513 Total Equity/Net Assets	\$69,497	\$107,919	\$177,416	\$177,416
600 Total Liabilities and Equity/Net Assets	\$93,658	\$235,351	\$329,009	\$329,009

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue				
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$700,160		\$700,160	\$700,160
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants		\$214,118	\$214,118	\$214,118
71100 Investment Income - Unrestricted	\$26	\$70	\$96	\$96
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$12,302		\$12,302	\$12,302
71500 Other Revenue		\$25,950	\$25,950	\$25,950
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$712,488	\$240,138	\$952,626	\$952,626
91100 Administrative Salaries	\$49,106	\$22,837	\$71,943	\$71,943
91200 Auditing Fees	\$2,365	\$1,450	\$3,815	\$3,815
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$41	\$25	\$66	\$66
91500 Employee Benefit contributions - Administrative	\$5,608	\$5,036	\$10,644	\$10,644
91600 Office Expenses	\$8,096	\$3,414	\$11,510	\$11,510
91700 Legal Expense		\$20	\$20	\$20
91800 Travel	\$1,761	\$1,444	\$3,205	\$3,205
91810 Allocated Overhead				
91900 Other	\$9,979	\$4,046	\$14,025	\$14,025
91000 Total Operating - Administrative	\$76,956	\$38,272	\$115,228	\$115,228
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
93100 Water				
93200 Electricity				
93300 Gas				
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense	\$1,494	\$915	\$2,409	\$2,409
93000 Total Utilities	\$1,494	\$915	\$2,409	\$2,409
94100 Ordinary Maintenance and Operations - Labor				
94200 Ordinary Maintenance and Operations - Materials and Other	\$344		\$344	\$344
94300 Ordinary Maintenance and Operations Contracts		\$211	\$211	\$211
94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$344	\$211	\$555	\$555
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance				
96120 Liability Insurance				
96130 Workmen's Compensation	\$249	\$140	\$389	\$389
96140 All Other Insurance	\$508	\$321	\$829	\$829
96100 Total insurance Premiums	\$757	\$461	\$1,218	\$1,218
96200 Other General Expenses	\$2	\$1	\$3	\$3
96210 Compensated Absences	\$3,639	\$1,740	\$5,379	\$5,379
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$3,641	\$1,741	\$5,382	\$5,382
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$83,192	\$41,600	\$124,792	\$124,792
97000 Excess of Operating Revenue over Operating Expenses	\$629,296	\$198,538	\$827,834	\$827,834

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
97100 Extraordinary Maintenance				
97200 Casually Losses - Non-capitalized				
97300 Housing Assistance Payments	\$632,269	\$191,173	\$823,442	\$823,442
97350 HAP Portability-In				
97400 Depreciation Expense	\$375	\$651	\$1,026	\$1,026
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$715,836	\$233,424	\$949,260	\$949,260
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$3,348	\$6,714	\$3,366	\$3,366
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$72,948	\$101,205	\$174,153	\$174,153
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$103		-\$103	-\$103
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity	-\$4,090		-\$4,090	-\$4,090
11180 Housing Assistance Payments Equity	\$73,587		\$73,587	\$73,587
11190 Unit Months Available	2100	660	2760	2760
11210 Number of Unit Months Leased	2001	597	2598	2598
11270 Excess Cash				
11610 Land Purchases				
11620 Building Purchases				
11630 Furniture & Equipment - Dwelling Purchases				
11640 Furniture & Equipment - Administrative Purchases				
11650 Leasehold Improvements Purchases				
11660 Infrastructure Purchases				
13510 CFFP Debt Service Payments				
13901 Replacement Housing Factor Funds				

Board of Commissioners  
Warsaw Housing Authority  
Warsaw, Indiana

In planning and performing my audit of the financial statements of Warsaw Housing Authority as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warsaw Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Warsaw Housing Authority's internal control.

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

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

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

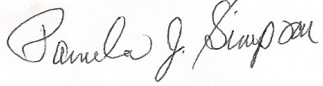
1. The PHA needs to adopt a formal, written policy for capitalization of depreciable assets. Currently, the PHA is capitalizing some assets and maintains a depreciation schedule, however, there has never been a formal, written policy adopted that details the dollar threshold or useful lives to be used when capitalizing an asset.
2. While reviewing the Housing Authority's participants' files, I noted that : (1) the PHA should always obtain a written justification for a rent increase request from landlords, (2) documentation for interim recertifications for increases related to social security income increases should be retained in all files even if the increase relates to published cost of living increases, (3) EIV's should be printed (not just viewed) and placed in the file before the 50058 is final and (4) verification of full time student status for children older than 18 should be obtained for highschool students as well as college students in order to allow the full time student deduction.



3. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
4. 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 \$4,845. Under HUD requirements, each housing authority is to administer the program within the budget (subsidy) provided and use of HAP equity for administrative costs is prohibited. I observed that this deficit was a temporary position at year end, but the Housing Authority is reminded of HUD requirements.

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

Decatur, Illinois  
March 27, 2014



Certified Public Accountant