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June 11, 2015

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

We have reviewed the audit report prepared by Barry E. Gaudette, CPA, PC, Independent Public Accountant, for the period January 1, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of The Housing Authority of the County of Delaware, as of December 31, 2014 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2014
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

HOUSING AUTHORITY OF THE COUNTY OF DELAWARE
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DECEMBER 31, 2014

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INTRODUCTION

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Delaware's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Delaware, Indiana's basic financial statements. The combining financial statements and the financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 26 2014, on our consideration of Housing Authority of the County of Delaware, Indiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the County of Delaware's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

February 25, 2015

Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Unaudited)

As management of the Housing Authority of the County of Delaware we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the County of Delaware's financial activities for the fiscal year ended December 31, 2014. This discussion and analysis letter of the Housing Authority of the County of Delaware's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

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

FINANCIAL HIGHLIGHTS

The term "net position" refers to the difference between assets and liabilities. The Housing Authority's total net position as of December 31, 2014 was \$2,529,470. The net position decreased by \$373,298, a decrease of 12.9% from the prior fiscal year.

Revenues and contributions for the Housing Authority was \$1,827,347 for the fiscal year ended December 31, 2014. This was a decrease of \$327,569 or 15.2% from the prior fiscal year.

Expenses for the Housing Authority were \$2,191,300 for the fiscal year ended December 31, 2014. This was an increase of \$62,178 or 2.9% over the prior fiscal year.

HUD operating grants were \$1,409,540 for the fiscal year ended December 31, 2014. This was a decrease of \$89,792 or 6.0% from the prior fiscal year. There were no Capital Fund contributions used as hard costs for the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

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

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

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

Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Continued)

FUND STATEMENTS (Continued)

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

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

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

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,529,470 at the close of the fiscal year ended December 31, 2014 a decrease from \$2,902,768 in 2013. The decrease in net position of \$(373,298) was due to the change in net position for the fiscal year of \$(363,953) and a prior period adjustment of \$(9,345).

The unrestricted net position was \$568,123 as of December 31, 2014. Since the amount is positive it can be used to meet the Housing Authority's ongoing obligations. The Housing Authority had net position classified as restricted was zero for the current fiscal year and would be subject to external restrictions on how they may be used, if there were any. The restricted asset, if any, is from excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Housing Authority is able to report positive a balance in unrestricted net position in the Housing Choice Voucher Program in the amount of \$52,749.

Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Continued)

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION
December 31,

	2014	2013	Dollar Change	Per Cent Change
Current and other assets	\$ 660,530	\$ 767,888	\$ (107,358)	(14.0)%
Capital assets	1,961,347	2,221,852	(260,505)	(11.7)%
Total Assets	<u>2,621,877</u>	<u>2,989,740</u>	<u>(367,863)</u>	(12.3)%
Current liabilities	91,141	74,994	16,147	21.5%
Noncurrent liabilities	1,266	11,978	(10,712)	(89.4)%
Total Liabilities	<u>92,407</u>	<u>86,972</u>	<u>5,435</u>	6.2%
Net position:				
Net investment in capital assets	1,961,347	2,221,852	(260,505)	(11.7)%
Restricted	0	46,545	(46,545)	(100.0)%
Unrestricted	568,123	634,371	(66,248)	(10.4)%
Total Net position	<u>\$ 2,529,470</u>	<u>\$ 2,902,768</u>	<u>\$ (373,298)</u>	(12.9)%

Total current assets decrease of \$107,358, due in large part, to negative cash flows of \$94,922 used by all programs.

Current liabilities increased by \$16,147, due in large part, to accounts payable-trade increasing by \$18,595 over the prior fiscal year in the low rent program.

The noncurrent liabilities decreased by \$10,712, due to the FSS escrow deposits decreasing by the same amount.

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

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

Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Continued)

FINANCIAL ANALYSIS (Continued)

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

	<u>12/31/14</u>	<u>12/31/13</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues and contributions				
Operating, non operating, capital contributions:				
Tenant revenue	\$ 389,257	\$ 394,227	\$ (4,970)	(1.3)%
Non dwelling rent	6,880	6,283	597	9.5%
Total PHA generated revenue	396,137	400,510	(4,373)	(1.1)%
HUD operating grants	1,409,540	1,499,332	(89,792)	(6.0)%
Capital contributions	0	188,205	(188,205)	(100.0)%
Other income	18,138	58,001	(39,863)	(68.7)%
Proceeds from fraud recovery	5,698	7,518	(1,820)	(24.2)%
Gain (loss) on sale of fixed assets	(3,226)	90	(3,316)	(368.4)%
Interest income	1,060	1,260	(200)	15.9%
Total Revenues and Contributions	<u>1,827,347</u>	<u>2,154,916</u>	<u>(327,569)</u>	<u>(15.2)%</u>
Expenses				
Personnel services	557,619	580,283	(22,664)	(3.9)%
Tenant services	2,110	2,213	(103)	(4.7)%
Utilities	173,349	177,750	(4,401)	(2.5)%
Maintenance	193,803	144,419	49,384	34.2%
Protective services	7,712	5,023	2,689	53.5%
Insurance	56,141	53,979	2,162	4.0%
Other supplies and expenses	82,030	93,529	(11,499)	(12.3)%
Housing Assistance Payments	832,762	788,624	44,138	5.6%
Depreciation	285,774	283,302	2,472	0.9%
Total Expenses	<u>2,191,300</u>	<u>2,129,122</u>	<u>62,178</u>	<u>2.9%</u>
Change in net position	(363,953)	25,794	(389,747)	
Prior period adjustments	(9,345)	47,046	(56,391)	
Beginning net position	2,902,768	2,829,928	72,840	
Ending net position	<u>\$ 2,529,470</u>	<u>\$ 2,902,768</u>	<u>\$ (373,298)</u>	

Revenues:

As can be seen in the above table total revenues and contributions decreased by \$327,569, in large part, due to a decrease in Federal grants by \$277,997 due to mostly to the Capital Fund Program revenue being \$242,296 less than the prior fiscal year.

Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Continued)

FINANCIAL ANALYSIS (Continued)

Revenues Continued:

Housing Authority of the County of Delaware's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. For fiscal year ending December 31, 2014, revenue generated by the Housing Authority accounted for \$396,137 (or 22% of total revenue), while HUD contributions accounted for \$1,409,540 (or 77% of total revenue).

Expenses:

Total expenses for the fiscal year ending December 31, 2014 were \$2,191,300 while for the fiscal year ending December 31, 2013 they were \$2,129,122. This represents a 2.9% increase in our operating costs. The expenses increased, in large part, due to HAP payments to landlords increasing by \$44,138 this fiscal year and extraordinary maintenance costs of \$90,743 vs \$24,305 in the prior fiscal year.

The following represents changes in Federal Assistance received:

	<u>12/31/14</u>	<u>12/31/13</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing Operating				
Subsidy	\$ 380,013	\$ 381,213	\$ (1,200)	(0.3)%
Capital Fund Program	190,375	432,671	(242,296)	(56.0)%
Section 8 Housing Choice				
Voucher Program	839,152	873,653	(34,501)	(3.9)%
Total	<u>\$ 1,409,540</u>	<u>\$ 1,687,537</u>	<u>\$ (277,997)</u>	<u>(16.5)%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing decreased mainly due HUD decreasing the percentage of subsidy funded. The decrease in the Capital Fund Program was due to the fact that only one CFP grant was expended this fiscal year. The Voucher funding decreased due to a decrease in the number of vouchers that were leased.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending December 31, 2014 was presented to and approved by the Board of Commissioners. Actual results were in line with the budgeted amounts.

Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Continued)

OPERATIONAL HIGHLIGHTS

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

	<u>12/31/14</u>	<u>12/31/13</u>
Low Rent Public Housing Program	162	162
Section 8 Housing Choice Voucher Program	256	256

The Low Rent Program had one vacant unit as of December 31, 2014. The Housing Authority had 179 vouchers under lease as of December 31, 2014.

CAPITAL ASSETS

The Housing Authority of the County of Delaware's investment in capital assets, as of December 31, 2014 amounts to \$1,961,347 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
December 31,

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>
Land	\$ 26,384	\$ 26,384	\$ 0
Buildings	8,115,485	7,963,643	151,842
Furniture, equipment and machinery			
- dwellings	214,252	235,274	(21,022)
Furniture, equipment and machinery			
- administration	353,064	332,710	20,354
Building improvements	1,774,497	1,774,497	0
Construction in progress	207,467	359,309	(151,842)
	<u>10,691,149</u>	<u>10,691,817</u>	<u>(668)</u>
Accumulated depreciation	(8,729,802)	(8,469,965)	(259,837)
Total	<u>\$ 1,961,347</u>	<u>\$ 2,221,852</u>	<u>\$ (260,505)</u>

Capital assets decreased by \$(260,505), because of capital outlays of \$29,844, depreciation of \$(285,774), the disposal of \$(30,512), and a reduction in accumulated depreciation of \$25,937.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2014
(Continued)**

CAPITAL ASSETS (Continued)

During the fiscal year ending December 31, 2014, our Capital Fund Program work projects included:

The replacement of a computer system and the purchase of a 2013 Silver Escape Ford truck;

Capital project funding for the next fiscal year will be used for operational purposes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

REQUEST FOR INFORMATION

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

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

FINANCIAL STATEMENTS

Housing Authority of the County of Delaware
Statement of Net Position
December 31, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 351,779
Receivables, net	25,220
Investments	219,631
Prepaid expenses and other assets	62,473
Inventories, net	1,427
Total Current Assets	<u>660,530</u>

Capital Assets:

Land	26,384
Buildings	8,115,485
Equipment	567,316
Site improvements	1,774,497
Construction in progress	207,467
	<u>10,691,149</u>
Less: accumulated depreciation	<u>(8,729,802)</u>
Net Capital Assets	<u>1,961,347</u>

Total Assets \$ 2,621,877

LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 19,726
Tenant security deposits	43,964
Accrued expenses	24,748
Unearned revenue	2,703
Total Current Liabilities	<u>91,141</u>

Noncurrent Liabilities:

FSS escrow	<u>1,266</u>
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Total Liabilities 92,407

Net Position:

Net investment in capital assets	1,961,347
Unrestricted net position	568,123
Total Net Position	<u>2,529,470</u>

Total Liabilities and Net Position \$ 2,621,877

See notes to financial statements

**Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended December 31, 2014**

OPERATING REVENUES:

Dwelling rent	\$ 389,257
Non dwelling rent	6,880
Operating grants	<u>1,409,540</u>

Total operating revenues	<u>1,805,677</u>
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OPERATING EXPENSES:

Administrative	454,014
Tenant services	2,110
Utilities	173,349
Maintenance	275,494
Protective services	7,712
Insurance	56,141
General expenses	13,201
Extraordinary maintenance	90,743
Housing assistance payments	832,762
Depreciation	<u>285,774</u>

Total operating expenses	<u>2,191,300</u>
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Operating income (loss)	<u>(385,623)</u>
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NONOPERATING REVENUES:

Investment interest income	1,060
Proceeds from fraud recovery	5,698
Other income	18,138
Loss on sale of fixed assets	<u>(3,226)</u>

Total non operating revenues	<u>21,670</u>
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Change in net position	(363,953)
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Prior period adjustments	(9,345)
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Net position, beginning	<u>2,902,768</u>
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Net position, ending	<u><u>\$ 2,529,470</u></u>
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See notes to financial statements

Housing Authority of the County of Delaware
Statement of Cash Flows
Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$ 398,044
Cash received from operating grants	1,411,427
Cash payments to other suppliers of goods and services	(1,334,186)
Cash payments to employees for services	<u>(558,879)</u>

Net cash (used) by operating activities	<u>(83,584)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Prior period adjustment	(9,345)
Fraud recovery	5,698
Tenant security deposits	2,060
FSS escrow	(10,712)
Other revenue	<u>18,138</u>

Net cash provided by noncapital financing activities	<u>5,839</u>
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CASH FLOW FROM CAPITAL AND RELATED FINANCING

Loss on sale of fixed assets	(3,226)
Payments for capital acquisitions	<u>(25,269)</u>

Net cash (used) by capital and related financing activities	<u>(28,495)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Investments (increased) decreased	10,058
Receipts of interest income	<u>1,260</u>

Net cash provided by investing activities	<u>11,318</u>
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Net increase (decrease) in cash	(94,922)
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Cash and cash equivalents, beginning	<u>446,901</u>
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Cash and cash equivalents, ending	<u><u>\$ 351,979</u></u>
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See notes to financial statements

Housing Authority of the County of Delaware
Statement of Cash Flows (Continued)
Year Ended December 31, 2014

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

Operating income (loss)	\$ (385,623)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	285,774
Bad debt allowance	(112)
Allowance for obsolete inventory	5
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(1,028)
Accounts receivable-HUD	1,887
Notes receivable	3,051
Prepaid expenses	(1,530)
Inventories	(95)
Increase (decrease) in liabilities:	
Accounts payable-vendors	18,595
Accounts payable-HUD	(28)
Other current liabilities	(3,226)
Accrued wage/payroll taxes payable	(1,250)
Unearned revenue	(4)
	<hr/>
Net cash (used) by operating activities	<u><u>\$ (83,584)</u></u>

See notes to financial statements

Housing Authority of the County of Delaware
Notes to Financial Statements
December 31, 2014

Note 1: Nature of Business and Significant Accounting Policies

Organization and Reporting Entity - Housing Authority of the County of Delaware (DHA or the “Housing Authority”). The Housing Authority is a Public Housing Agency created by the County of Delaware in 1939, consisting of a five-member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract, for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development (HUD) and other federal agencies.

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

A summary of the Housing Authority’s significant programs and activities is provided below:

Low Rent Public Housing Program

The Low Rent Public Housing Program is designed to provide subsidized affordable housing to low-income residents at reduced rental rates. The Housing Authority receives federal annual contributions from HUD to administer the program and cover some of the costs of operating and maintaining the public housing units.

Section 8 Housing Choice Vouchers

The Section 8 Housing Choice Voucher Program administered by the Housing Authority provides rent subsidies from HUD that are used by very low income families, the elderly, and the disabled to afford them decent, safe, and sanitary housing in the private market.

Capital Fund Program

The Capital Fund Program provides funds to modernize public housing developments.

Family Self-Sufficiency

The Housing Authority coordinates and provides a family self-sufficiency program for section 8 families in Delaware County, Indiana. Funding for this program is provided under the Section 8 ACC.

Note 1: Nature of Business and Significant Accounting Policies (Continued)

Basis of Accounting – The basic financial statements of DHA have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, DHA follows GASB guidance as applicable to proprietary funds.

The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A summary of accounting policies follows:

Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less.

Net Position – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement impacted the format and reporting of the balance sheet. DHA implemented GASB Statement No. 63 during the year.

Net positions are comprised of three categories (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Housing Authority's positive value of unrestricted net position in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Housing Authority's policy is to first apply restricted resources. Each component of net position is reported separately on the statement of net position.

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of DHA and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

Note 1: Nature of Business and Significant Accounting Policies (Continued)

Use of 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 period. Actual results could differ from those estimates.

Accounting Changes – Effective January 1, 2012, DHA implemented the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure.

Effective January 1, 2012, DHA implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position. This statement impacts the format and reporting of the balance sheet.

Subsequent Events – The financial statements and related disclosures include evaluation of events through and including, February 25, 2015, which is the date the financial statements were available to be issued.

Tenant Accounts Receivable and Allowance for Bad Debts – Tenant accounts receivable are stated at net rent amounts. Tenant accounts generally are collectible as long as the tenant is occupying the unit; thus, no allowance for bad debts has been established by management. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit and after procedures have been followed to recover outstanding amounts, is charged as a reduction of rental revenue. There was a bad debt expense of \$4,548 for the year ended December 31, 2014.

Interprogram Activity – During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting interprogram receivables and payables as well as offsetting interprogram transfers are eliminated for financial statement presentation. For the year ended December 31, 2014, there were no interprogram receivables and payables and \$190,375 of transfers were eliminated.

Budgets and Budgetary Accounting – The Housing Commission adopts a formal operating budget each year for its operating programs and on a project-length basis for its capital expenditures, which are approved by the board of commissioners and submitted to the U.S. Department of Housing and Urban Development for their approval, if required.

Note 1: Nature of Business and Significant Accounting Policies (Continued)

Property and Equipment – Property and equipment are recorded at cost. Costs in excess of \$1,500 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

Land and land improvements include approximately \$26,384 of capitalized land that is not subject to depreciation.

Note 2 - Deposits and Investments

Indiana Compiled Laws authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Indiana. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Indiana or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Indiana.

DHA has designated one bank and one credit union for the deposit of its funds. DHA's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations	\$ 351,779
Investments	<u>219,631</u>
Total	<u>\$ 571,410</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of December 31, 2014:

Bank deposits (checking and certificates of deposits accounts)	\$ 571,310
Petty cash	<u>100</u>
Total	<u>\$ 571,410</u>

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, DHA's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. At year end, DHA had \$80,458 of credit union deposits (certificates of deposits) that were uninsured and uncollateralized. DHA believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, DHA evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 – Schedule of Changes in Capital Assets**3(d) Capital Assets**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/13	Additions/ Transfers	Retirements/ Transfers	Balance 12/31/14
Low Rent Program				
Land	\$ 26,384	\$ 0	\$ 0	\$ 26,384
Buildings	7,963,643	151,842	0	8,115,485
Furniture, equipment & machinery - dwellings	235,274	0	(21,022)	214,252
Furniture, equipment & machinery - administration	314,990	29,844	(9,490)	335,344
Building improvements	1,774,497	0	0	1,774,497
Construction in progress	359,309	0	(151,842)	207,467
	<u>10,674,097</u>	<u>\$ 181,686</u>	<u>\$ (182,354)</u>	<u>10,673,429</u>
Less accumulated Depreciation	<u>(8,452,245)</u>	<u>\$ (285,774)</u>	<u>\$ 25,937</u>	<u>(8,712,082)</u>
Total	<u>\$ 2,221,852</u>			<u>\$ 1,961,347</u>
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$ 17,720	<u>\$ 0</u>	<u>\$ 0</u>	\$ 17,720
Less accumulated Depreciation	<u>(17,720)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(17,720)</u>
Total	<u>\$ 0</u>			<u>\$ 0</u>
Combined Totals				<u>\$ 1,961,347</u>

3(d) Capital Assets (Continued)

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

Business-type activities:	
Low Rent Program	<u>\$ 285,774</u>

3(i) Non-current Liabilities

As of March 31, 2014, the non-current liabilities are comprised of the following:

FSS escrow - Noncurrent portion	<u>\$ 1,206</u>
---------------------------------	-----------------

The following is a summary of changes in non-current liabilities for the year ended March 31, 2014:

	<u>Balance 12/31/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/14</u>	<u>Amounts Due within One Year</u>
FSS escrow	<u>\$ 11,978</u>	<u>\$ 0</u>	<u>\$ (10,772)</u>	<u>\$ 1,206</u>	<u>\$ 0</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

The Housing Authority provides retirement to all permanent employees in a multiple-employer public employee retirement fund (PERF). Employees are required to contribute 3% mandatory and up to 2.25% voluntarily. The employer's contribution to the Plan was 7.25% mandatory for the year ended December 31, 2014. Benefits are not fully vested until the employee has been in the Plan for ten years. If an employee leaves before fully vested, they receive their contributions to the Plan plus income earned. An employee who has been in the Plan over ten years receives both the employees and employers contributions plus income earned. The total employer's contribution paid into the Plan during 2014 was \$33,928. Covered wages in 2014 totaled \$315,613.

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

4(b) Risk Management

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

4(c) Commitments and Contingencies

Commitments – Construction

At December 31, 2014, the Housing Authority had the following pending construction projects in progress:

	LOCCS Authorized	LOCCS Disbursed
2012 CFP	\$ 180,020	\$ 180,020
2013 CFP	173,606	0
2014 CFP	180,740	0

The audited costs for the 2012 CFP agree with the costs of \$180,020.

Contingencies

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

4(d) Prior Period Adjustment

A prior period adjustment was made in the Low Rent Program in the amount of \$(9,345) to correct prior year CFP grant assets of \$9,344.79.

SUPPLEMENTARY INFORMATION

Housing Authority of the County of Delaware
Combining Statement of Net position by Program
December 31, 2014

	Low Rent Program	Housing Choice Voucher Program	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 319,213	\$ 32,566	\$ 351,779
Receivables, net	1,582	23,638	25,220
Investments	218,365	1,266	219,631
Prepaid expenses and other assets	62,473	0	62,473
Inventories, net	1,427	0	1,427
	<hr/>	<hr/>	<hr/>
Total current assets	603,060	57,470	660,530
	<hr/>	<hr/>	<hr/>
Capital assets:			
Land	26,384	0	26,384
Buildings	8,115,485	0	8,115,485
Equipment	549,596	17,720	567,316
Building improvements	1,774,497	0	1,774,497
Construction in progress	207,467	0	207,467
	<hr/>	<hr/>	<hr/>
	10,673,429	17,720	10,691,149
Less accumulated depreciation	<hr/> (8,712,082)	<hr/> (17,720)	<hr/> (8,729,802)
	<hr/>	<hr/>	<hr/>
Net capital assets	1,961,347	0	1,961,347
	<hr/>	<hr/>	<hr/>
Total Assets	<u><u>\$ 2,564,407</u></u>	<u><u>\$ 57,470</u></u>	<u><u>\$ 2,621,877</u></u>

Housing Authority of the County of Delaware
Combining Statement of Net Position by Program
(Continued)
December 31, 2014

	Low Rent Program	Housing Choice Voucher Program	Totals
LIABILITIES and NET POSITION			
Current liabilities:			
Accounts payable	\$ 19,726	\$ 0	\$ 19,726
Tenant security deposits	43,964	0	43,964
Accrued expenses	21,293	3,455	24,748
Unearned revenue	2,703	0	2,703
	<hr/>	<hr/>	<hr/>
Total current liabilities	87,686	3,455	91,141
Noncurrent liabilities:			
FSS escrow	0	1,266	1,266
	<hr/>	<hr/>	<hr/>
Total liabilities	87,686	4,721	92,407
	<hr/>	<hr/>	<hr/>
Net position:			
Net investment in capital assets	1,961,347	0	1,961,347
Unrestricted net position	515,374	52,749	568,123
	<hr/>	<hr/>	<hr/>
Total net position	2,476,721	52,749	2,529,470
	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Position	<u>\$ 2,564,407</u>	<u>\$ 57,470</u>	<u>\$ 2,621,877</u>

Housing Authority of the County of Delaware
Combining Statement of Revenues, Expenses, and
Changes in Net Position by Program
Year Ended December 31, 2014

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
OPERATING REVENUES:				
Dwelling rent	\$ 389,257	\$ 0	\$ 0	\$ 389,257
Non dwelling rent	6,880	0	0	6,880
Operating grants	380,013	839,152	190,375	1,409,540
Total operating revenues	<u>776,150</u>	<u>839,152</u>	<u>190,375</u>	<u>1,805,677</u>
OPERATING EXPENSES:				
Administrative	378,429	75,585	0	454,014
Tenant services	2,110	0	0	2,110
Utilities	173,349	0	0	173,349
Maintenance	275,494	0	0	275,494
Protective services	7,712	0	0	7,712
Insurance	56,141	0	0	56,141
General expenses	12,688	513	0	13,201
Extraordinary maintenance	90,743	0	0	90,743
Housing assistance payments	0	832,762	0	832,762
Depreciation	285,774	0	0	285,774
Total operating expenses	<u>1,282,440</u>	<u>908,860</u>	<u>0</u>	<u>2,191,300</u>
Operating income (loss)	<u>(506,290)</u>	<u>(69,708)</u>	<u>190,375</u>	<u>(385,623)</u>
NONOPERATING REVENUES :				
Investment interest income	1,026	34	0	1,060
Proceeds from fraud recovery	0	5,698	0	5,698
Other income	2,599	15,539	0	18,138
Gain on sale of fixed assets	(3,226)	0	0	(3,226)
Transfers in (out)	190,375	0	(190,375)	0
Total non operating revenues	<u>190,774</u>	<u>21,271</u>	<u>(190,375)</u>	<u>21,670</u>
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in net position	(315,516)	(48,437)	0	(363,953)
Prior period adjustments	(9,345)	0	0	(9,345)
Net position, beginning	<u>2,801,582</u>	<u>101,186</u>	<u>0</u>	<u>2,902,768</u>
Net position, ending	<u>\$ 2,476,721</u>	<u>\$ 52,749</u>	<u>\$ 0</u>	<u>\$ 2,529,470</u>

Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
Year Ended December 31, 2014

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from dwelling and non dwelling rents	\$ 398,044	\$ 0	\$ 0	\$ 398,044
Cash received from operating grants	389,358	831,694	190,375	1,411,427
Cash payments to other suppliers of goods and services	(494,879)	(839,307)	0	(1,334,186)
Cash payments to employees for services	(489,732)	(69,137)	0	(558,879)
Net cash provided (used) by operating activities	<u>(197,209)</u>	<u>(76,750)</u>	<u>190,375</u>	<u>(83,584)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Inter program due from (to)	6,273	(6,273)	0	0
Prior period adjustment	(9,345)	0	0	(9,345)
Fraud recovery	0	5,698	0	5,698
Tenant security deposits	2,060	0	0	2,060
FSS escrow	0	(10,712)	0	(10,712)
Other revenue	2,599	15,539	0	18,138
Transfers in (out)	190,375	0	(190,375)	0
Net cash provided (used) by noncapital financing activities	<u>191,962</u>	<u>4,252</u>	<u>(190,375)</u>	<u>5,839</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loss on sale of fixed assets	(3,226)	0	0	(3,226)
Payments for capital acquisitions	(25,269)	0	0	(25,269)
Net cash (used) by capital and related financing activities	<u>(28,495)</u>	<u>0</u>	<u>0</u>	<u>(28,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investments (increased) decreased	(654)	10,712	0	10,058
Receipts of interest	1,026	34	0	1,260
Net cash provided by investing activities	<u>372</u>	<u>10,746</u>	<u>0</u>	<u>11,318</u>
Net increase (decrease) in cash	(33,370)	(61,752)	0	(94,922)
Cash and cash equivalents, beginning	<u>352,583</u>	<u>94,318</u>	<u>0</u>	<u>446,901</u>
Cash and cash equivalents, ending	<u><u>\$ 319,213</u></u>	<u><u>\$ 32,566</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 351,979</u></u>

Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
(Continued)
Year Ended December 31, 2014

	Low Rent Program	Housing Choice Voucher Program	Capital Fund Program	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (506,290)	\$ (69,708)	\$ 190,375	\$ (385,623)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation	285,774	0	0	285,774
Bad debt allowance	(112)	0	0	(112)
Allowance for obsolete inventory	5	0	0	5
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable-tenants	(1,028)	0	0	(1,028)
Accounts receivable-HUD	9,345	(7,458)	0	1,887
Notes receivable	3,051	0	0	3,051
Prepaid expenses	(1,530)	0	0	(1,530)
Inventories	(95)	0	0	(95)
Increase (decrease) in liabilities:				
Accounts payable-vendors	18,595	0	0	18,595
Accounts payable-HUD	0	(28)	0	(28)
Other current liabilities	(3,226)	0	0	(3,226)
Accrued wage/payroll taxes payable	(1,694)	444	0	(1,250)
Unearned revenue	(4)	0	0	(4)
Net cash provided (used) by operating activities	<u>\$ (197,209)</u>	<u>\$ (76,750)</u>	<u>\$ 190,375</u>	<u>\$ (83,584)</u>

**Housing Authority of the County of Delaware
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended December 31, 2014**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
2014	Public and Indian Housing Major – Direct Program Low Rent Public Housing	14.850	\$ 380,013
2014	Low Income Public Housing Major – Direct Program Housing Choice Vouchers	14.871	839,152
2014	Public and Indian Housing Nonmajor – Direct Program Capital Fund Program	14.872	190,375
	Total		<u>\$ 1,409,540</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Basis of Accounting - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended December 31, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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

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

Independent Accountant's Report on Applying Agree-Upon Procedure

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

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

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

We were engaged to perform an audit of the financial statements of the Authority as of and for the year ended December 31, 2014, and have issued our report thereon dated February 25, 2015. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule dated February 25, 2015, was expressed in relation to the basic financial statements of the Authority taken as a whole.

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

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

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

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

Barry E. Gaudette, CPA, PC

February 25, 2015

Housing Authority of the County of Delaware
Financial Data Schedule
Year Ended December 31, 2014

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Totals
	ASSETS			
	Current assets:			
111	Cash-unrestricted	\$ 275,249	\$ 32,566	\$ 307,815
114	Cash-tenant security deposit	43,964	0	43,964
100	Total cash	<u>319,213</u>	<u>32,566</u>	<u>351,779</u>
	Receivables:			
122	A/R-HUD	0	23,638	23,638
126	A/R-tenants-dwelling rents	1,912	0	1,912
126.1	Allowance for doubtful accounts	(330)	0	(330)
120	Total receivables, net	<u>1,582</u>	<u>23,638</u>	<u>25,220</u>
	Other Current Assets:			
131	Investments-unrestricted	218,365	0	218,365
132	Investments-restricted	0	1,266	1,266
142	Prepaid expenses	62,473	0	62,473
143	Inventories	1,502	0	1,502
143.1	Allowance for obsolete inventories	(75)	0	(75)
	Total other current assets	<u>282,265</u>	<u>1,266</u>	<u>283,531</u>
150	Total current assets	<u>603,060</u>	<u>57,470</u>	<u>660,530</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	26,384	0	26,384
162	Buildings	8,115,485	0	8,115,485
163	Furn, equip & mach-dwelling	214,252	0	214,252
164	Furn, equip & mach-administration	335,344	17,720	353,064
165	Building improvements	1,774,497	0	1,774,497
166	Accumulated depreciation	(8,712,082)	(17,720)	(8,729,802)
167	Construction in progress	207,467	0	207,467
160	Total fixed assets, net	<u>1,961,347</u>	<u>0</u>	<u>1,961,347</u>
180	Total non-current assets	<u>1,961,347</u>	<u>0</u>	<u>1,961,347</u>
190	Total Assets	<u>\$ 2,564,407</u>	<u>\$ 57,470</u>	<u>\$ 2,621,877</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2014

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Totals
	LIABILITIES and NET POSITION			
	Liabilities:			
	Current liabilities:			
312	Accounts payable<=90 days	\$ 19,726	\$ 0	\$ 19,726
321	Accrued wage/payroll taxes payable	21,293	3,455	24,748
341	Tenant security deposits	43,964	0	43,964
342	Unearned revenue	2,703	0	2,703
310	Total current liabilities	<u>87,686</u>	<u>3,455</u>	<u>91,141</u>
	Noncurrent liabilities:			
353	Non-current liabilities-other	<u>0</u>	<u>1,266</u>	<u>1,266</u>
350	Total noncurrent liabilities	<u>0</u>	<u>1,266</u>	<u>1,266</u>
300	Total liabilities	<u>87,686</u>	<u>4,721</u>	<u>92,407</u>
	Net position:			
508.4	Net investment in capital assets	1,961,347	0	1,961,347
512.4	Unrestricted net position	<u>515,374</u>	<u>52,749</u>	<u>568,123</u>
513	Total net position	<u>2,476,721</u>	<u>52,749</u>	<u>2,529,470</u>
600	Total Liabilities and Net Position	<u>\$ 2,564,407</u>	<u>\$ 57,470</u>	<u>\$ 2,621,877</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2014

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
	Revenues:			
70300	Net tenant rental revenue	\$ 389,257	\$ 0	\$ 0
70400	Tenant revenue-other	6,880	0	0
70500	Total tenant revenue	396,137	0	0
70600	HUD PHA operating grants	380,013	839,152	190,375
70610	Capital grants	0	0	0
71100	Investment income-unrestricted	1,026	34	0
71400	Fraud recovery	0	5,698	0
71500	Other income	2,599	15,539	0
71600	Gain or loss on the sale of fixed assets	(3,226)	0	0
70000	Total revenue	776,549	860,423	190,375
	Expenses			
	Administrative:			
91100	Salaries	237,185	51,942	0
91200	Auditing fees	8,540	0	0
91400	Advertising and marketing	145	0	0
91500	Employee benefit contributions	78,419	17,639	0
91600	Office expenses	15,068	230	0
91700	Legal expense	1,090	410	0
91800	Travel	0	178	0
91900	Other	37,982	5,186	0
91000	Total operating-administrative	378,429	75,585	0
	Tenant services:			
92400	Other	2,110	0	0
92500	Total tenant services	2,110	0	0
	Utilities:			
93100	Water	37,919	0	0
93200	Electricity	10,556	0	0
93300	Gas	70,874	0	0
93600	Sewer	54,000	0	0
93000	Total utilities	173,349	0	0
	Ordinary maintenance and operation:			
94100	Labor	129,052	0	0
94200	Materials and other	55,034	0	0
94300	Contracts	48,026	0	0
94500	Employee benefit contributions	43,382	0	0
94000	Total maintenance	275,494	0	0

Totals	
\$	389,257
	6,880
	396,137
	1,409,540
	0
	1,060
	5,698
	18,138
	(3,226)
	1,827,347

289,127
8,540
145
96,058
15,298
1,500
178
43,168
454,014

2,110
2,110

37,919
10,556
70,874
54,000
173,349

129,052
55,034
48,026
43,382
275,494

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2014

FDS Line Item No.		Low Rent Program	Housing Choice Voucher Program	Capital Fund Program
	Expenses (continued):			
	Protective services:			
95200	Other contract costs	7,712	0	0
95000	Total protective services	7,712	0	0
	Insurance:			
96110	Property insurance	34,724	0	0
96130	Workmen's compensation	6,905	0	0
96140	All other insurance	14,512	0	0
96100	Total insurance premiums	56,141	0	0
	Other general expenses:			
96200	Other	8,140	513	0
96400	Bad debt – tenant rents	4,548	0	0
96000	Total other general expenses	12,688	513	0
96900	Total operating expenses	905,923	76,098	0
97000	Excess revenue over operating expenses	(129,374)	784,325	190,375
	Other expenses:			
97100	Extraordinary maintenance	90,743	0	0
97300	Housing assistance payments	0	832,762	0
97400	Depreciation expense	285,774	0	0
	Total other expenses	376,517	832,762	0
90000	Total expenses	1,282,440	908,860	0
10010	Operating transfers in	190,375	0	0
10020	Operating transfers out	0	0	(190,375)
	Total operating transfers in (out)	190,375	0	(190,375)
10000	Excess (deficiency) of revenue over (under) expenses	(315,516)	(48,437)	0
11030	Beginning Net position	2,801,582	101,186	0
11040	Prior period adjustments	(9,345)	0	0
	Ending Net position	\$ 2,476,721	\$ 52,749	\$ 0
11190	Unit months available	1,940	2,144	
11210	Unit months leased	1,926	2,183	

Totals
7,712
7,712
34,724
6,905
14,512
56,141
8,653
4,548
13,201
982,021
845,326
90,743
832,762
285,774
1,209,279
2,191,300
190,375
(190,375)
0
(363,953)
2,902,768
(9,345)
\$ 2,529,470

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

**Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An
Audit Of Financial Statements Performed In Accordance
With Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the County of Delaware, Indiana, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Delaware, Indiana's basic financial statements, and have issued our report thereon dated February 25, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Barry E. Gaudette, CPA, PC

February 25, 2015

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Delaware, Indiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the County of Delaware, Indiana's major federal programs for the year ended December 31, 2014. The Housing Authority of the County of Delaware, Indiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Delaware, Indiana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Housing Authority of the County of Delaware, Indiana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the County of Delaware, Indiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the County of Delaware, Indiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Barry E. Gandette, CPA, PC

February 25, 2015

**Housing Authority of the County of Delaware
Status of Prior Audit Findings
December 31, 2014**

There were no prior year audit findings.

Housing Authority of the County of Delaware
Schedule of Findings and Questioned Costs
December 31, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? no

Significant deficiency(ies) identified that are not considered to be
material weakness(es)? none reported

Noncompliance material to financial statements noted? no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? no

Significant deficiency(ies) identified that are not considered to be
material weakness(es)? none reported

Type of auditors' report issued on compliance for major programs: unqualified

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

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.850	Low Rent Public Housing
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? Yes

Section II - Findings Related to the Financial Statements

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

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

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

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

We have audited the financial statements of the Housing Authority of the County of Delaware, Indiana for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 25, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Housing Authority of the County of Delaware, Indiana are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 25, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Barry E. Gaudette, CPA, PC

February 25, 2015