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May 16, 2016

Board of Commissioners
Fort Wayne Housing Authority
7315 Hanna Street
Fort Wayne, IN 46816

We have reviewed the audit report prepared by Barry E. Gaudette, CPA, Independent Public Accountant, for the period July 1, 2013 to June 30, 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 Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Decatur Housing Authority, as of June 30, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**HOUSING AUTHORITY OF THE CITY OF DECATUR
DECATUR, INDIANA**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

HOUSING AUTHORITY OF THE CITY OF DECATUR
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JUNE 30, 2014

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INTRODUCTION

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Decatur, Indiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Decatur's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 City of Decatur, Indiana, as of June 30, 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, as identified in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Barry E. Gaudette, CPA, PC

October 14, 2014

Housing Authority of the City of Decatur
Management's Discussion and Analysis (MD&A)
June 30, 2014
(Unaudited)

As management of the Housing Authority of the City of Decatur we offer reviewers of this audit report this narrative discussion and analysis of the Housing Authority of the City of Decatur's financial activities for the fiscal year ended June 30, 2014. This discussion and analysis letter of the Housing Authority of the City of Decatur's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

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

FINANCIAL HIGHLIGHTS

The term "net position" refers to the difference between assets and liabilities. The Authority's total net position as of June 30, 2014 was \$23,385. The net position decreased by \$42,425, a decrease of 64.5% from the prior fiscal year.

Revenues and contributions for the Authority were \$593,789 for the fiscal year ended June 30, 2014. This was a decrease of \$69,199 or 10.5% from the prior fiscal year.

Expenses for the Authority were \$636,214 for the fiscal year ended June 30, 2014. This was an increase of \$140 or 0.1% over the prior fiscal year.

HUD operating grants were \$580,139 for the fiscal year ended June 30, 2014. This was a decrease of \$80,066 or 12.2% from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Financial Statements

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

Housing Authority of the City of Decatur
Management's Discussion and Analysis (MD&A)
June 30, 2014
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements (Continued)

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

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

Notes to the Financial Statements

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

Supplemental Information

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

FUND STATEMENTS

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

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

Housing Authority of the City of Decatur
Management's Discussion and Analysis (MD&A)
June 30, 2014
(Continued)

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$23,385 at the close of the fiscal year ended June 30, 2014 a decrease from \$65,810 in 2013. The decrease in net position of \$42,425 was due to the change in net position (i.e. net loss) for the fiscal year.

The unrestricted net position was \$4,895 as of June 30, 2014. If positive this amount may be used to meet the Authority's ongoing obligations. The restricted assets, if any, are for excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position.

CONDENSED STATEMENTS OF NET POSITION
June 30,

	2014	2013	Dollar Change	Per Cent Change
Current and other assets	\$ 23,305	\$ 66,193	\$ (42,888)	(64.8)%
Capital assets	1,414	2,342	(928)	(39.7)%
Total Assets	<u>24,719</u>	<u>68,535</u>	<u>(43,816)</u>	(64.0)%
Current liabilities	<u>1,334</u>	<u>2,725</u>	<u>(1,391)</u>	(51.1)%
Total Liabilities	<u>1,334</u>	<u>2,725</u>	<u>(1,391)</u>	(51.1)%
Net position:				
Net investment in capital assets	1,414	2,342	(928)	(39.7)%
Restricted	17,076	76,802	(59,726)	(77.8)%
Unrestricted	<u>4,895</u>	<u>(13,334)</u>	<u>18,229</u>	136.8%
Total Net Position	<u>\$ 23,385</u>	<u>\$ 65,810</u>	<u>\$ (42,425)</u>	(64.5)%

Total current assets decrease of \$42,888 was due, in large part to a negative cash flow of \$43,324 that decreased the cash balance.

Current liabilities decreased by \$1,391, in part, due a decrease in accrued wages and payroll taxes in the amount of \$1,492.

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

Housing Authority of the City of Decatur
Management's Discussion and Analysis (MD&A)
June 30, 2014
(Continued)

FINANCIAL ANALYSIS (Continued)

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

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

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues and contributions				
Operating, non operating, capital contributions:				
HUD operating grants	\$ 580,139	\$ 660,205	\$ (80,066)	(12.2)%
Fraud recovery	0	958	(958)	(100.0)%
Other income	10,650	1,825	8,825	483.6%
Gain on sale of capital assets	3,000	0	3,000	100.0%
Total Revenues and Contributions	<u>593,789</u>	<u>662,988</u>	<u>(69,199)</u>	(10.5)%
Expenses				
Personnel services	44,348	55,805	(11,457)	(20.6)%
Maintenance	223	844	(621)	(73.6)%
Insurance	1,436	3,475	(2,039)	(58.7)%
Other supplies and expenses	19,143	23,632	(4,489)	(19.0)%
Housing Assistance Payments	570,136	551,390	18,746	3.4%
Depreciation	928	928	0	0.0%
Total Expenses	<u>636,214</u>	<u>636,074</u>	<u>140</u>	0.1%
Change in net position	(42,425)	26,914	(69,339)	
Beginning net position	65,810	38,896	26,914	
Ending net position	<u>\$ 23,385</u>	<u>\$ 65,810</u>	<u>\$ (42,425)</u>	

Revenues:

As can be seen in the above table total revenues and contributions decreased by \$69,199, in large part, due to a decrease of \$80,066 in federal grants. The Housing Authority received funds from Wallick Communities of Ohio to waive certain subordination rights/conditions in notes related to the original financing of Pine Crossing in 1998 from Indiana Housing Finance Authority, now Indiana Housing and Community Development Authority, and the Federal Home Loan Bank of Indianapolis. The Housing Authority used the funds received to pay off in full a note to HUD for monies owed from prior years..

Housing Authority of the City of Decatur
Management's Discussion and Analysis (MD&A)
June 30, 2014
(Continued)

FINANCIAL ANALYSIS (Continued)

Expenses:

Total expenses for the fiscal year ending June 30, 2014 were \$636,214 while for the fiscal year ending June 30, 2013 they were \$636,074. This represents a slight increase of 0.1% in our operating costs. The expenses increased, in part, because of the Housing Assistance Payments to landlords increased by \$18,746.

The following represents changes in Federal Assistance received:

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Section 8 Housing Choice Voucher Program	\$ 580,139	\$ 660,205	\$ (80,066)	(12.2)%

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

OPERATIONAL HIGHLIGHTS

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

	<u>6/30/14</u>	<u>6/30/13</u>
Section 8 Housing Choice Voucher Program	178	178

The Housing Choice Voucher Program had a 90.5% lease-up rate as of June 30, 2014.

CAPITAL ASSETS

The Housing Authority of the City of Decatur's investment in capital assets, as of June 30, 2014 amounts to \$1,414 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
June 30,

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>
Furniture, equipment and machinery			
- Administration	\$ 8,009	\$ 28,994	\$ (20,985)
	8,009	28,994	(20,985)
Accumulated depreciation	(6,595)	(26,652)	20,057
Total	<u>\$ 1,414</u>	<u>\$ 2,342</u>	<u>\$ (928)</u>

**Housing Authority of the City of Decatur
Management's Discussion and Analysis (MD&A)
June 30, 2014
(Continued)**

CAPITAL ASSETS (CONTINUED)

Capital assets decreased by \$928, because of depreciation expense. A jeep was sold in the current fiscal year.

During the fiscal year ending June 30, 2014, our Capital Fund Program work projects included:

There were no capital expenditures during the current fiscal year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes), other than the Cooperative Agreement with the Fort Wayne Housing Authority that began on January 1, 2014.

REQUEST FOR INFORMATION

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

Maynard J. Scales, Managing Agent
Housing Authority of the City of Decatur
7315 Hanna Street
Fort Wayne, Indiana 46816

FINANCIAL STATEMENTS

Housing Authority of the City of Decatur
Statement of Net Position
June 30, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 16,652
Receivables, net	4,425
Prepaid insurance and other expenses	2,228
Total Current Assets	<u>23,305</u>

Capital Assets:

Equipment	8,009
Less: accumulated depreciation	<u>(6,595)</u>
Net Capital Assets	<u>1,414</u>

Total Assets	<u><u>\$ 24,719</u></u>
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 171
Accrued expenses	1,163
Total Current Liabilities	<u>1,334</u>

Net Position:

Net investment in capital assets	1,414
Restricted net position	17,076
Unrestricted net position	4,895
Total Net Position	<u>23,385</u>

Total Liabilities and Net Position	<u><u>\$ 24,719</u></u>
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See notes to financial statements

Housing Authority of the City of Decatur
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended June 30, 2014

OPERATING REVENUES:

Operating grants	\$ 580,139
	<hr/>
Total operating revenues	580,139
	<hr/>

OPERATING EXPENSES:

Administrative	63,243
Maintenance	223
Insurance	1,436
General expenses	248
Housing assistance payments	570,136
Depreciation	928
	<hr/>
Total operating expenses	636,214
	<hr/>

Operating income (loss)	(56,075)
	<hr/>

NON OPERATING REVENUES:

Gain on sale of capital assets	3,000
Other revenue	10,650
	<hr/>

Total non operating revenues	13,650
	<hr/>

Change in net position	(42,425)
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Net position, beginning	65,810
	<hr/>

Net position, ending	\$ 23,385
	<hr/> <hr/>

See notes to financial statements

Housing Authority of the City of Decatur
Statement of Cash Flows
Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating grants	\$ 580,155
Cash payments to other suppliers of goods and services	(592,506)
Cash payments to employees for services	<u>(45,840)</u>

Net cash (used) by operating activities	<u>(58,191)</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Fraud recovery	5,642
Other income	<u>6,225</u>

Net cash provided by noncapital financing activities	<u>11,867</u>
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CASH FLOW FROM CAPITAL AND RELATED FINANCING

Gain on sale of capital assets	<u>3,000</u>
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Net cash provided by capital and related financing activities	<u>3,000</u>
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Net increase (decrease) in cash	(43,324)
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Cash and cash equivalents, beginning	<u>59,976</u>
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Cash and cash equivalents, ending	<u><u>\$ 16,652</u></u>
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**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (56,075)
Adjustments to reconcile operating (loss) to net cash provided (used)	
By operating activities:	
Depreciation	928
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Prepaid expenses	(1,653)
Increase (decrease) in liabilities:	
Accounts payable-trade	85
Accounts payable-HUD	16
Accrued wages/payroll taxes payable	<u>(1,492)</u>

Net cash (used) by operating activities	<u><u>\$ (58,191)</u></u>
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See notes to financial statements

Housing Authority of the City of Decatur
Notes to Financial Statements
June 30, 2014

NOTE 1: Summary of Significant Accounting Policies

1(a) Organization and Reporting Entity

The Housing Authority of the City of Decatur was established by the City pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein on May 23, 1972. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

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

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

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

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

1(b) Basis of Presentation

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

1(b) Basis of Presentation (Continued)

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

Program	Brief Description
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

1(c) Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

Basis of Accounting

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

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

1(d) Assets, Liability, and Equity

Cash and Investments

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

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

Cash and Investments (Continued)

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

Receivables

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

Insurance

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

Budgets and Budgetary Accounting

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

Estimates and Assumptions

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

Capital Assets

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

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

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

Equipment and furniture	5 - 10 years
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1(d) Assets, Liabilities, and Equity (Continued)

Compensated Absences

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

Equity Classifications

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

- a) Net investment in capital assets – Consists of capital assets including restricted capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Authority had no related debt.
- b) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.
- c) Restricted net position – Consists of net position of the Housing Choice Voucher program that are restricted for payments by HUD over the Housing Assistance Payments made to landlords.

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Post Employment Benefits

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

Income Taxes

The Authority, organized as a non-profit corporation subsidized by the Federal government is exempt from federal and state income taxes. The Housing Authority has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

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

2(a) Program Accounting Requirements

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

Program	Required By
Housing Choice Vouchers	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

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

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

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

NOTE 3: Detail Notes on Transactions Classes/Accounts

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

3(a) Cash**Deposits**

The Housing Authority's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Authority based upon how its deposits were insured or secured with collateral at June 30, 2014.

The categories of credit risk are defined as follows:

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

3(a) Cash (Continued)

Deposits (Continued)

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

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

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 29,361	\$ 29,361	\$ 0	\$ 0	\$ 16,652

3(b) Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 06/30/13	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/14
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$ 28,994	\$ 0	\$ (20,985)	\$ 8,009
Less accumulated Depreciation	(26,652)	\$ (928)	\$ 0	(20,985)
Total	\$ 2,342			\$ 1,414

NOTE 4: Other Notes

4(a) Employee Retirement Plans

The Housing Authority as of January 1, 2014, approved that the Executive Director be permitted to participate in a Section 457(b) Non-Qualified Deferred Compensation Governmental Plan with an employee contribution of 1% and a contribution from the Housing Authority of 3% with the Lincoln Financial Group.

4(b) Risk Management

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Authority manages these various risks of loss as follows:

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Contingencies

Contingencies

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

4(d) Subsequent Events

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

The Housing Authority has vouchers leased in the three towns outside of Decatur. There is the possibility that HUD may rule that the Housing Authority may have to relinquish jurisdiction to the State of Indiana. This could impact the Housing Authority (a) by the transitioning (Port) vouchers will cause loss of admin fee income during the transition, (b) extra work involved in releasing vouchers within the Decatur Housing Authority jurisdiction without compensation, and (c) possible subcontract with the state to continue to administer vouchers but with a reduced admin fee.

SUPPLEMENTARY INFORMATION

**Housing Authority of the City of Decatur
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended June 30, 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>		
	<u>Low Income Public Housing Major – Direct Program</u>		
2014	Housing Choice Vouchers	14.871	<u>\$ 580,139</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Basis of Accounting - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Authority under programs of the federal government for the year ended June 30, 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.

Independent Accountant's Report on Applying Agree-Upon Procedure

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

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

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

We were engaged to perform an audit of the financial statements of the Authority as of and for the year ended June 30, 2014, and have issued our report thereon dated October 14, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule dated October 14, 2014, was expressed in relation to the basic financial statements of the Authority taken as a whole.

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

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

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

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

Barry E. Gaudette, CPA, PC

October 14, 2014

Housing Authority of the City of Decatur
Financial Data Schedule
Year Ended June 30, 2014

FDS Line Item No.		Housing Choice Vouchers 14,871
	ASSETS	
	Current assets:	
113	Cash-restricted	\$ 16,652
100	Total cash	<u>16,652</u>
	Receivables:	
125	Accounts receivable-miscellaneous	4,425
128	Fraud recovery	5,022
128.1	Allowance for doubtful accounts-fraud	<u>(5,022)</u>
120	Total receivables, net	<u>4,425</u>
	Other Current Assets:	
142	Prepaid expenses and other assets	<u>2,228</u>
150	Total current assets	<u>23,305</u>
	Noncurrent Assets:	
	Fixed Assets:	
164	Furniture, equipment & machinery-administration	8,009
166	Accumulated depreciation	<u>(6,595)</u>
160	Total fixed assets, net	<u>1,414</u>
180	Total non-current assets	<u>1,414</u>
190	Total Assets	<u>\$ 24,719</u>

Housing Authority of the City of Decatur
Financial Data Schedule
(Continued)
Year Ended June 30, 2014

FDS Line Item No.		Housing Choice Vouchers 14,871
	LIABILITIES and NET POSITION	
	Current liabilities:	
312	Accounts payable < 90 days	\$ 85
321	Accrued wage/payroll taxes payable	1,163
331	Accounts payable-HUD PHA programs	<u>86</u>
310	Total current liabilities	<u>1,334</u>
300	Total liabilities	<u>1,334</u>
	Net position:	
508.4	Net investment in capital assets	1,414
511.4	Restricted net position	17,076
512.4	Unrestricted net position	<u>4,895</u>
513	Total net position	<u>23,385</u>
600	Total Liabilities and Net Position	<u><u>\$ 24,719</u></u>

Housing Authority of the City of Decatur
Financial Data Schedule
(Continued)
Year Ended June 30, 2014

FDS Line Item No.		Housing Choice Vouchers 14,871
	Revenues:	
70600	HUD PHA operating grants	\$ 580,139
71500	Other revenue	10,650
71600	Gain on sale of capital assets	3,000
70000	Total revenue	<u>593,789</u>
	Expenses	
	Administrative:	
91100	Administrative salaries	36,124
91200	Auditing fees	3,600
91300	Management fee	3,660
91500	Employee benefit contributions	8,224
91600	Office expenses	6,478
91700	Legal expense	116
91800	Travel	150
91900	Other	4,891
91000	Total operating-administrative	<u>63,243</u>
	Ordinary maintenance & operation:	
94200	Materials and other	38
94300	Contracts	185
94000	Total maintenance	<u>223</u>
	Insurance:	
96120	Liability insurance	845
96130	Workmen's compensation	255
96140	All other insurance	336
96100	Total insurance premiums	<u>1,436</u>
	General Expenses:	
96200	Other general expenses	248
96000	Total other general expenses	<u>248</u>
96900	Total operating expenses	<u>65,150</u>
97000	Excess of operating revenue over operating expenses	<u>528,639</u>
	Other Expenses:	
97300	Housing assistance payments	570,136
97400	Depreciation expense	928
	Total other expenses	<u>571,064</u>
90000	Total expenses	<u>636,214</u>

Housing Authority of the City of Decatur
Financial Data Schedule
(Continued)
Year Ended June 30, 2014

FDS Line Item No.		Housing Choice Vouchers 14.871
10000	Excess(deficiency) of revenue over(under) expenses	(42,425)
11030	Beginning equity	65,810
	Ending equity	<u>\$ 23,385</u>
11190	Unit months available	2,136
11210	Number of Unit months leased	1,990

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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Decatur, Indiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Decatur, Indiana's basic financial statements, and have issued our report thereon dated October 14, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Barry E. Gaudette, CPA, PC

October 14, 2014

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Decatur, Indiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Decatur, Indiana's major federal programs for the year ended June 30, 2014. The Housing Authority of the City of Decatur, Indiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Decatur, Indiana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

October 14, 2014

Housing Authority of the City of Decatur
Status of Prior Audit Findings
June 30, 2014

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

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

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

Status: The Housing Authority has been reducing operating expenses to resolve this finding, and as of June 30, 2014 there was a positive balance of \$4,895 in the Administrative Equity. Therefore, this finding **has been cleared**.

**Housing Authority of the City of Decatur
Schedule of Findings and Questioned Costs
June 30, 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? _____ Yes X No

**Housing Authority of the City of Decatur
Schedule of Findings and Questioned Costs
(Continued)
June 30, 2014**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings.

SECTION III – FEDERAL AWARDS FINDINGS

There were no findings.

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

October 14, 2014

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

We have audited the financial statements of the business-type activities of the Housing Authority of the City of Decatur for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, 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 October 14, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Housing Authority of the City of Decatur 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 June 30, 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 of the City of Decatur'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 October 14, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

This information is intended solely for the use of the Board of Commissioners and management of the Housing Authority of the City of Decatur and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Barry E. Gaudette, CPA