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July 18, 2017

Board of Commissioners
Housing Authority of the County of Delaware
2401 South Haddix Avenue
Muncie, IN 47302-7547

We have reviewed the audit report prepared by Barry W. Gaudette, CPA, P.C., Independent Public Accountant for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditors' Report, 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, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit 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 COUNTY OF DELAWARE
MUNCIE, INDIANA
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

HOUSING AUTHORITY OF THE COUNTY OF DELAWARE
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INTRODUCTION

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, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Delaware, Indiana 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 an opinion 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 financial position of the business-type activities of the Housing Authority of the County of Delaware, Indiana as of December 31, 2015, 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.

Management has omitted the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the County of Delaware, Indiana's basic financial statements. The accompanying combining financial statements and Financial Data Schedule, are presented for purposes of additional analysis and are 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements.

Other Information (Continued)

The combining financial statements, the Financial Data Schedule, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates 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, the 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14 2017, on our consideration of the 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 the Housing Authority of the County of Delaware, Indiana's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

June 14, 2017

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2015
(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, 2015. 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, 2015 was \$1,940,485. The net position decreased by \$588,985, a decrease of 23.3% from the prior year.

Revenues and contributions for the Housing Authority were \$2,005,113 for the year ended December 31, 2015. This was an increase of \$177,766 or 9.8% over the prior year.

Expenses for the Housing Authority were \$1,549,930 for the year ended December 31, 2015. This was an increase of \$214,943 or 9.8% over the prior year.

HUD operating grants were \$1,549,930 for the year ended December 31, 2015. This was an increase of \$140,390 or 10.0% over the prior year. All of the capital grants were classified as operations.

GASB 68 was implemented this year causing a prior period adjustment in the amount of \$187,855 to account for prior year accrued pension liability and deferrals.

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 Housing Authority only has proprietary funds.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2015
(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 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 Authorities 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, 2015
(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 monthly adjusted income, or 10% of monthly income, or a \$50.00 monthly minimum rent, 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 \$1,940,485 at the close of the year ended December 31, 2015 a decrease from \$2,529,470 in 2014. The decrease in net position of \$588,985 was due to the change in net position and a prior period adjustment.

The unrestricted net position was \$260,605 as of December 31, 2015. This amount may be used to meet the Housing Authority's ongoing obligations. The Housing Authority had a net position classified as restricted in the amount of \$12,839 that are subject to external restrictions on how they may be used. The restricted assets consist of excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Housing Authority is able to report positive balances in all categories of net position.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Continued)**

FINANCIAL ANALYSIS (Continued)

**CONDENSED STATEMENTS OF NET POSITION
December 31,**

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>
Current and other assets	\$ 559,619	\$ 660,530	\$ (100,911)
Capital assets, net	1,667,041	1,961,347	(294,306)
Deferred outflow of resources	94,767	0	94,767
Total Assets	<u>2,321,427</u>	<u>2,621,877</u>	<u>(300,450)</u>
Current liabilities	98,320	91,141	7,179
Noncurrent liabilities	258,222	1,266	256,956
Total Liabilities	<u>356,542</u>	<u>92,407</u>	<u>264,135</u>
Deferred inflow of resources	24,400	0	24,400
Equity:			
Net Investment in capital assets	1,667,041	1,961,347	(294,306)
Restricted net position	12,839	0	12,839
Unrestricted net position	260,605	568,123	(307,518)
Total Equity – net assets/position	<u>\$ 1,940,485</u>	<u>\$ 2,529,470</u>	<u>\$ (588,985)</u>

Total current assets decrease of \$100,911 was due, in large part to a decrease in cash flows of \$108,355.

Current liabilities increased by \$7,179, in large part, due to accounts payable-trade increasing by \$23,969 over the prior year.

The noncurrent liabilities increased by \$256,956, due in large part, to setting the accrued pension liability in the amount of \$258,222.

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.

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, 2015
(Continued)**

FINANCIAL ANALYSIS (Continued)

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

	<u>12/31/15</u>	<u>12/31/14</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant Revenue	\$ 396,894	\$ 389,257	\$ 7,637
Non dwelling rent	16,338	6,880	9,458
Total PHA generated Revenue	<u>413,232</u>	<u>396,137</u>	<u>17,095</u>
HUD operating grants	1,549,930	1,409,540	140,390
Other income	31,355	18,138	13,217
Interest income	872	1,060	(188)
Fraud recovery	9,724	5,698	4,026
(Loss) on sale of capital assets	0	(3,226)	3,226
Total Revenues and Contributions	<u>2,005,113</u>	<u>1,827,347</u>	<u>177,766</u>
Expenses			
Personnel services	590,315	557,619	32,696
Tenant services	2,805	2,110	695
Utilities	156,013	173,349	(17,336)
Maintenance	346,201	193,803	152,398
Protective services	5,954	7,712	(1,738)
Insurance	60,085	56,141	3,944
Other supplies and expenses	117,420	82,030	35,390
Housing Assistance Payments	833,145	832,762	383
Depreciation	294,305	285,774	8,531
Total Expenses	<u>2,406,243</u>	<u>2,191,300</u>	<u>214,943</u>
Change in net position	(401,130)	(363,953)	(37,177)
Prior period adjustments	(187,855)	(9,345)	(178,510)
Beginning equity	2,529,470	2,902,768	(373,298)
Ending equity	<u>\$ 1,940,485</u>	<u>\$ 2,529,470</u>	<u>\$ (588,985)</u>

Revenues:

As can be seen in the above table total revenues and contributions increased by \$177,766, in large part, due to federal grants increasing by \$140,390, because of an increase in Housing Choice Vouchers being issued compared to the prior year and an increase in the subsidy for the Low Rent Program.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Continued)**

FINANCIAL ANALYSIS (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. The Housing Authority classified 100% of the Capital Grants as soft costs for this year. For the year ending December 31, 2015, revenue generated by the Housing Authority accounted for \$396,137 (or 21% 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, 2015 were \$2,406,243 while for the year ending December 31, 2014 they were \$2,191,300. This represents an 9.8% increase in our operating costs. The expenses increased, in large part, because of an increase in extraordinary maintenance costs of \$232,205 versus \$90,743 in the prior year.

The following represents changes in Federal Assistance received:

	<u>12/31/15</u>	<u>12/31/14</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 433,544	\$ 380,013	\$ 53,531
Capital Fund Program	173,606	190,375	(16,769)
Section 8 Housing Choice Voucher Program	942,780	839,152	103,628
Total	<u>\$ 1,549,930</u>	<u>\$ 1,409,540</u>	<u>\$ 140,390</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing increased mainly due the HUD increasing slightly its funding formula amount for the Housing Authority. The increase in the Housing Choice Voucher Program increased due to more units being leased. The decrease in the Capital Fund Program was due to the fact that only one CFP grant was expended this year.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending December 31, 2015 was presented to and approved by the Board of Commissioners. Actual results were in line with the revised budgeted amounts.

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Continued)**

OPERATIONAL HIGHLIGHTS

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

	12/31/15	12/31/14
Low Rent Public Housing Program	162	162
Section 8 Housing Choice Voucher Program	165	165

The Housing Authority had a lease up rate of 98.7% in the Low Rent program for the year. The Voucher program had 165 vouchers under lease (HAP Contract) as of December 31, 2015.

CAPITAL ASSETS

The Housing Authority of the County of Delaware's investment in capital assets, as of December 31, 2015 amounts to \$1,667,041 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
December 31,**

	2015	2014	Dollar Change
Land	\$ 26,384	\$ 26,384	\$ 0
Buildings	8,322,951	8,115,485	207,466
Furniture, equipment and machinery			
- Dwellings	214,252	214,252	0
Furniture, equipment and machinery			
- Administration	353,064	353,064	0
Building improvements	1,774,497	1,774,497	0
Construction in progress	0	207,467	(207,467)
	10,691,148	10,691,149	(1)
Accumulated depreciation	(9,024,107)	(8,729,802)	(294,305)
Total	\$ 1,667,041	\$ 1,961,347	\$ (294,306)

Capital assets decreased by \$(294,306), because of depreciation of \$(294,305) and capital outlays of \$(1).

**Housing Authority of the County of Delaware
Management's Discussion and Analysis (MD&A)
December 31, 2015
(Continued)**

CAPITAL ASSETS (CONTINUED)

During the fiscal year ending December 31, 2015, our Capital Fund Program work projects included the following:

The Housing Authority completed the roof project.

Capital projects planned for the next year include the following:

The planned capital expenditures for the next year will be used for operational purposes and a roofing project.

OMIC 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. Due to inadequate funding of programs, the Housing Authority is engaging in outreach activities within its local community to seek other federal and non-federal sources of income to offset operational expenses and keep the Housing Authority financially and operationally in order to continue to provide safe, sanitary, and decent housing to our residents.

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:

Nome Marienau, Executive Director
Housing Authority of the County of Delaware
2401 South Haddix Avenue
Muncie, Indiana 47302,7547

FINANCIAL STATEMENTS

Housing Authority of the County of Delaware
Statement of Net Position
December 31, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$ 502,426
Accounts receivable-tenants, net	4,735
Investments	5
Prepaid expenses	49,641
Inventories, net	2,812
Total Current Assets	559,619

Capital Assets:

Land	26,384
Buildings	8,322,951
Equipment	567,316
Building improvements	1,774,497
	10,691,148
Less: accumulated depreciation	(9,024,107)
Net Capital Assets	1,667,041

Deferred outflow of resources	94,767
Total Assets	\$ 2,321,427

LIABILITIES and EQUITY

Current Liabilities:

Accounts payable	\$ 43,695
Accrued expenses	10,532
Tenant security deposit liability	42,654
Unearned revenue	1,439
Total Current Liabilities	98,320

Non-Current Liabilities:

Accrued pension liability	258,222
Total Liabilities	356,542

Deferred inflow of resources	24,400
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Equity:

Net investment in capital assets	1,667,041
Restricted net position	12,839
Unrestricted net position	260,605
Total Equity – Net Assets/Position	1,940,485

Total Liabilities and Equity – Net Assets/Position	\$ 2,321,427
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See notes to financial statements

Housing Authority of the County of Delaware
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended December 31, 2015

OPERATING REVENUES:

Dwelling rent	\$	396,894
Non dwelling rent		16,338
Operating grants		1,549,930
Total operating revenues		1,963,162

OPERATING EXPENSES:

Administrative		473,680
Tenant services		2,805
Utilities		156,013
Maintenance		303,640
Protective services		5,954
Insurance		60,085
Other general expenses		18,371
Extraordinary maintenance		232,205
Casualty losses		26,040
Housing assistance payments		833,145
Depreciation		294,305
Total operating expenses		2,406,243

Operating income (loss)		(443,081)
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NONOPERATING REVENUES:

Investment interest income		872
Fraud recovery		9,724
Other income		31,355
Total non operating revenues		41,951

CAPITAL CONTRIBUTIONS

		0
Change in net position		(401,130)
Prior period adjustment		(187,855)
Equity, beginning		2,529,470
Equity, ending	\$	1,940,485

See notes to financial statements

Housing Authority of the County of Delaware
Statement of Cash Flows
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$ 408,815
Cash received from operating grants	1,573,568
Cash payments to other suppliers of goods and services	(1,486,207)
Cash payments to employees for services	<u>(604,531)</u>
Net cash (used) by operating activities	<u>(108,355)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	(1,310)
Fraud recovery	9,724
Other revenue	<u>31,355</u>
Net cash provided by noncapital financing activities	<u>39,769</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING

Payments for capital acquisitions	<u>1</u>
Net cash provided by capital and related financing activities	<u>1</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments (increased) decreased	218,360
Receipts of interest income	<u>872</u>
Net cash provided by investing activities	<u>219,232</u>

Net increase (decrease) in cash	150,647
Cash and cash equivalents, beginning	<u>351,779</u>
Cash and cash equivalents, ending	<u><u>\$ 502,426</u></u>

See notes to financial statements

**Housing Authority of the County of Delaware
Statement of Cash Flows (Continued)
Year Ended December 31, 2015**

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

Operating income (loss)	\$	(443,081)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		294,305
Allowance for doubtful accounts		3,604
Allowance for obsolete inventory		73
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		(6,757)
Accounts receivable-HUD		23,638
Inventories		(1,458)
Prepaid expenses		12,832
Increase (decrease) in liabilities:		
Accounts payable-trade		23,969
Accrued wages/payroll taxes payable		(14,216)
Deferred inflow of resources		0
Unearned revenue		(1,264)
		(1,264)
Net cash (used) by operating activities	\$	(108,355)

See notes to financial statements

Housing Authority of the County of Delaware
Notes to Financial Statements
December 31, 2015

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the County of Delaware (“HACD” or “Housing Authority”) is an independent municipal entity created by the County of Delaware in 1939 pursuant to Indiana state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the County of Delaware in several respects, the Housing Authority is not a component unit of the County, as defined by the Governmental Accounting Standards Board, since the County is not financially accountable for the operations of the Housing Authority, and has no responsibility to fund its deficits or receive its surpluses. The Housing Authority operates under a Board of Commissioner form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of five members, all County of Delaware residents, appointed by the County Board. The Board appoints an Executive Director who acts as the Secretary of the Housing Authority.

1. Reporting Entity

The Housing Authority’s financial statements include the accounts of all of the Housing Authority’s operations. The Housing Authority maintains its accounting records by program and operates the following programs:

Low Income Public Housing

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Authority receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 162 federal public housing units through this program.

Public Housing Capital Fund

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Authority under the Low Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Authority’s Low Income Public Housing Program.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Reporting Entity (Continued)

Section 8 Housing Choice Vouchers

HUD provides grants to the Housing Authority to subsidize rents paid by low income families and issued vouchers affording them choices in renting from private landlords. The Housing Authority subsidizes the landlord for the differences between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard. This program provided rental assistance to approximately 165 families and individuals this year.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

The Housing Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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 Housing Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Basis of Accounting

If/when, both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

6. 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 Commissioners and submitted to the U.S. Department of Housing and Urban Development for their approval, if required.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts. The cash equivalents are recorded at cost, which approximates market.

8. 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.

9. Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

10. Compensated Absences

Housing Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days according to contract or personnel policies. In the event of termination by retirement or death, an employee is paid for accumulated sick days according to contract or personnel policies.

11. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended December 31, 2015, there were no inter-program receivables and payables due from the Housing Choice Voucher Program to the Low Rent Program, and there was \$173,606 in operating transfers.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Buildings and Equipment

Buildings and equipment are recorded at historical 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. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

11. Buildings and Equipment (Continued)

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.

12. Income Taxes

The Housing Authority is a quasi-governmental entity. The Housing Authority is not subject to Federal or State income taxes.

13. 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.

14. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows or resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Housing Authority has an item that qualifies for reporting in these categories. This item represents the amount that has been advanced to the Housing Authority for Federal operating grants in the Housing Choice Voucher Program for future use.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Unearned Revenue

The Housing Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

16. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

17. Net Position

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 the Housing Authority 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.

18. Subsequent Events

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

NOTE B: CASH AND CASH EQUIVALENTS

Indiana Code 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.

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

Cash – operations	\$	502,426
Certificates of deposit		<u>5</u>
Total	\$	<u><u>502,431</u></u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of December 31, 2015:

Bank deposits (checking accounts and a certificates of deposit)	\$	502,331
Petty cash		<u>100</u>
Total	\$	<u><u>502,431</u></u>

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, HACD's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. At year end, HACD had \$184,259 in bank deposits (checking accounts) that were uninsured and uncollateralized. HACD 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, HACD 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 C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Balance 12/31/14</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/15</u>
Low Rent Program				
Land	\$ 26,384	\$ 0	\$ 0	\$ 26,384
Buildings	8,115,485	207,466	0	8,322,951
Furniture, equipment & machinery - dwellings	214,252	0	0	214,252
Furniture, equipment & machinery - administration	335,344	0	0	335,344
Building improvements	1,774,497	0	0	1,774,497
Construction in progress	207,467	0	(207,467)	0
	<u>10,673,429</u>	<u>\$ 207,466</u>	<u>\$ (207,467)</u>	<u>10,673,428</u>
Less accumulated depreciation	<u>(8,712,082)</u>	<u>\$ (294,305)</u>	<u>\$ 0</u>	<u>(9,006,387)</u>
Total	<u>\$ 1,961,347</u>			<u>\$ 1,667,041</u>
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	<u>\$ 17,720</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>17,720</u>
	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>\$ 1,667,041</u>

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

Business-type activities:	
Low Rent Program	<u>\$ 294,305</u>

NOTE D: NON-CURRENT LIABILITIES

As of December 31, 2015, the non-current liabilities are comprised of the following:

Accrued compensated absences- noncurrent portion	<u>\$ 0</u>
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The following is a summary of changes in non-current liabilities for the year ended December 31, 2015:

	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/15</u>	<u>Amounts Due within One Year</u>
Long-term debt, compensated absences	\$ 1,266	\$ 0	\$ (1,266)	\$ 0	\$ 0

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NOTE E: RETIREMENT PLAN

Description of Pension Plan

The Public Employees Retirement Fund (PERF) is a cost-sharing, multiple-employer defined benefit plan based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10, 2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) aspects to the PERF Plan. The first is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). Currently, the PERF ASA Only Plan is available only to employees of the State. As of July 1, 2016, employees for political subdivisions may be eligible to participate. Details of the PERF Hybrid Plan is described below.

Membership

PERF Members are officers and employees of units of State and local governments in Indiana (referred to a political subdivisions), including counties, cities, towns, townships, libraries, and school corporations. The political subdivisions become participants by ordinance or resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid Plan. The ordinance or resolution is filed with and approved by INPRS. In order to be a member, employees hired after June 30, 1982, except employees of a participating school corporation, must occupy positions normally requiring performance of service of more than 1,000 hours during a year. Effective July 1, 2008, members who have at least one (1) year of service in both PERF and TRF have the option of choosing from which of these funds they would like to retire. As of June 30, 2015, there were 1,166 participating political subdivisions in addition to the State.

NOTE E: RETIREMENT PLAN (CONTINUED)

Contributions

The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During fiscal year 2015, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.03 percent was required from employers during the period of July 1 – December, 31, 2014, and an average contribution rate of 11.19 percent was required for the period of January 1 – June 30, 2015. For the ASA Only Plan, the State was also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10, 3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for fiscal year 2015 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan. The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective 7/1/2014 the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

PERF Hybrid Plan Description

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings amount (ASA) that supplements the defined benefit at retirement.

Retirement Benefits – Defined Benefit Pension:

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension in

NOTE E: RETIREMENT PLAN (CONTINUED)

PERF Hybrid Plan Description (Continued)

Retirement Benefits – Defined Benefit Pension (Continued):

order to withdraw the annuity savings account. A non-vested member who terminates employment may withdraw his/her annuity savings account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service. A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation. A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above. A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent. The monthly pension benefits for members in pay status may be increased periodically as cost survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service. Retirement Benefits – Annuity Savings Account Members are required to participate in an Annuity Savings Account (ASA). The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision. Investments in the members' annuity savings accounts are individually directed and controlled by plan participants who direct the investment of their account balance among the following eight (8) investment options, with varying degrees of risk and return potential. Guaranteed Fund – This fund's objective is to provide stability of principal and a competitive interest rate. The interest rate is set by the INPRS Board of Trustees each year and is guaranteed for the fiscal year. Market risk is assumed by the Fund, Large Cap Equity Index Fund – This fund's objective is to seek investment growth/capital appreciation through passive investment in the stocks of the 500 largest U.S. companies. Market risk is assumed by the member. Small/Mid Cap Equity Fund – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of small – and mid-sized U.S. companies. Market risk is assumed by the member. International

NOTE E: RETIREMENT PLAN (CONTINUED)

PERF Hybrid Plan Description (Continued)

Retirement Benefits – Defined Benefit Pension (Continued):

Equity Fund – This fund’s objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of non-U.S. companies in both developed and emerging markets. Market risk is assumed by the member. Fixed Income Fund – This fund’s objective is to seek total return, consisting of income and capital appreciation. Market risk is assumed by the member. Inflation-Linked Fixed Income Fund – This fund’s objective is to provide investors inflation protection and income consistent with investment in inflation-indexed securities. Principal and interest payments are adjusted in response to changes in inflation. Market risk is assumed by the member. Target Date Funds – The Funds are designed to seek an appropriate amount of total return, commensurate with risk, given the specific time horizon of each Fund. The Target Date Funds provide participants with a one-step shop for investing. Participants simply choose the Fund most appropriate for them based on the year in which they plan to withdraw their money (usually their retirement year). Once a participant selects the appropriate Fund, the underlying asset allocation automatically adjusts over time. Market risk is assumed by the member. Money Market Fund – This fund’s objective is to provide a market rate of return consistent with the preservation of capital through a shorter maturity, high quality portfolio. Market risk is assumed by the member. Members may make changes to their investment directions daily and investments are reported at fair market value of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an “ad hoc” basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2015; however, eligible members received a one-time check (a.k.a. 13th check) in September 2014. The amount of the one-time check ranged from \$150 to \$450, depending upon a member’s years of service, and was for a member who retired or was disabled on or before December 1, 2013, and who was entitled to receive a monthly benefit on July 1, 2014. Disability and Survivor Benefits the PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers’ compensation benefits, or receiving employer-provided benefits.

Basis of Accounting

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations.

Net Pension Liability

At June 30, 2015, the Authority reported a liability of \$258,222. The proportionate share of the liability as of June 30, 2014 was \$222,904, which was not required to be reported in the previous year.

NOTE E: RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

The actuarial assumptions and methods used in the June 30, 2015 valuation of the Public Employees' Retirement Fund were adopted by the INPRS Board in April 2015. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2010 through June 30, 2014, and were first used in the June 30, 2015 valuation. The INPRS Board adopted a funding policy in April 2014, and updated the policy in October 2015 to address over funded plans. Changes in Actuarial Assumptions the inflation assumption changed from 3.00% to 2.25% per year. The future salary increase assumptions changed from an age-based table ranging from 3.25% to 4.50% to an age-based table ranging from 2.50% to 4.25%. The mortality assumption changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report. The retirement assumption was updated based on recent experience. Additionally, for active employees who are eligible for early retirement (reduced benefit), 33% are assumed to commence benefits immediately and 67% are assumed to commence benefits at unreduced retirement eligibility. 100% of active employees were assumed to commence benefits immediately upon early retirement eligibility in the prior year. The termination assumption was updated based on recent experience. For members earning less than \$20,000, the tables were updated from a select and ultimate table to just an ultimate table as there is little correlation with service. For members earning more than \$20,000, the tables were updated from using a 5-year select period to a 10-year select period to correspond with the vesting schedule. The disability assumption was updated based on recent experience. The ASA Annuitization assumption was updated from 50% of members assumed to annuities their ASA balance to 60% of members assumed to annuitize their ASA balance prior to January 1, 2017. Changes in Actuarial Methods there were no method changes for the June 30, 2015 valuation.

Actuarial assumptions except as noted below, actuarial assumptions used for funding purposes are the same as those used for accounting and financial reporting. Economic Assumptions Interest Rate/Investment Return: Funding 6.75 percent (net of administrative and investment expense) Accounting & Financial Reporting 6.75 percent (net of investment expenses) Cost of Living Increases: 1.00 percent per year in retirement.

Schedules of Changes in Net Position Liability

Schedules of Changes in Net Position Liability and Net Position Liability Plan Amendments in 2015, there were no changes to the Plan that impacted the pension benefits during the fiscal year. In 2014, HB 1075 impacted the Public Employees' Retirement Fund, the Teachers' Retirement Fund Pre-1996 Account, and the Teachers' Retirement Fund 1996 Account by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2015 the rate is 4.5%. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider. Assumption Changes an experience study was performed in April of 2015 resulting in an update to several assumptions. These assumption changes included a change in the mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, ASA annuitization assumptions (PERF & TRF only), dependent assumptions, future salary increase assumptions, inflation assumptions and COLA assumptions. For further details refer to the Actuarial Section of the CAFR, Schedule of Contributions Methods and Assumptions Used in Calculating Actuarially Determined Contributions the following

NOTE E: RETIREMENT PLAN (CONTINUED)

Schedules of Changes in Net Position Liability (Continued)

actuarial methods and assumptions were used to determine the Actuarially Determined Contribution Rates. Description PERF TRG Pre-1996 Account TRF 1996 Account 1977 Fund JRS EG&C Plan PARF LEDB Plan Valuation Date June 30, 2013 Actuarial Cost Method (Funding) Entry Age Normal (Level Percent of Payroll) Traditional Unit Credit Actuarial Method for Unfunded Liability Level Dollar Actuarial Amortization Period for Unfunded Liability 30 Years, Closed Remaining Amortization Period in Years (Weighted) 1 27 26 26 27 25 25 27 18 Asset Valuation Method 4-year smoothing of gains and losses on the Market Value of assets subject to a 20% corridor Investment Rate of Return (Funding) 6.75%, net of administrative and investment expense, including inflation Cost of Living Increases 1.0%, 1.0%, 2.25%, 4.0%, 1.00% N/A 3.00% Future Salary Increases, including Inflation 3.25% - 4.5%, 3.0% - 12.5%, 3.25%, 4.0%, 3.25%, 4.0%, 3.0% Inflation 3.0% Trends Contributions in fiscal year 2013 are higher than in fiscal year 2014 & 2015 for certain pension trust funds due to 2012 HB 1376, which appropriated monies for the following pension trust funds: Teachers' Retirement Fund Pre-1996 Account - \$206,796 thousand, Judges' Retirement Fund - \$90,187 thousand, State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan - \$14,619 thousand, and the Prosecuting Attorneys' Retirement Fund - \$17,363 thousand.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the Board, and contributions net required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

1%		1%
Decrease	Discount Rate	Increase
(5.75%)	(6.75%)	(7.75%)
\$428,903	\$298,630	\$190,353

NOTE E: RETIREMENT PLAN (CONTINUED)

Pension Expense

For the year ended December 31, 2015, the Housing Authority recognized pension expense of \$57,375, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources-Debit	Deferred Inflows of Resources-Credit
Differences between actual and expected experience	\$6,690	\$551
Net difference between projected and actual investment earnings on pension plan investments	\$65,682	\$16,803
Change of assumptions	\$13,176	\$0
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$9,219	\$7,046
Total	\$94,767	\$24,400

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the NPL in the following years:

Amortization of net deferred Outflows/(inflows) of resources - Debit/(Credit)	
2016	\$25,751
2017	\$17,309
2018	\$19,360
2019	\$ 7,947
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0
2015	\$0
Thereafter	\$0
Total	\$70,367

The information presented above has not been audited.

NOTE F: COMMITMENTS – CONSTRUCTION

At December 31, 2015, the Housing Authority had the following pending construction projects in progress:

	LOCCS Authorized	LOCCS Disbursed
2013 CFP	\$ 173,606	\$ 173,606
2014 CFP	180,740	0
2015 CFP	178,368	0

The Actual Modernization Cost Certificate for the 2013 CFP was signed by the Executive Director and sent to HUD for their approval. HUD approved for audit the cost certificate. The audited costs for the 2013 CFP agree with the costs shown on the Form HUD-53001.

NOTE G: 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.

NOTE H: PRIOR PERIOD ADJUSTMENT

The Housing Authority adopted GASB 68 for the year ended December 31, 2015, and to set up the deferred outflow of resources, deferred inflow of resources, and accrued pension liability a prior period adjustment in the amount of \$187,855 had to be setup.

SUPPLEMENTARY INFORMATION

**Housing Authority of the County of Delaware
Combining Statement of Net Position by Program
December 31, 2015**

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 432,283	\$ 70,143	\$ 502,426
Accounts receivable-tenants, net	4,735	0	4,735
Investments-unrestricted	5	0	5
Prepaid expenses	49,641	0	49,641
Inventories, net	2,812	0	2,812
Total current assets	<u>489,476</u>	<u>70,143</u>	<u>559,619</u>
Noncurrent assets:			
Capital assets:			
Land	26,384	0	26,384
Buildings	8,322,951	0	8,322,951
Equipment	549,596	17,720	567,316
Building improvements	1,774,497	0	1,774,497
	<u>10,673,428</u>	<u>17,720</u>	<u>10,691,148</u>
Less accumulated depreciation	<u>(9,006,387)</u>	<u>(17,720)</u>	<u>(9,024,107)</u>
Net capital assets	<u>1,667,041</u>	<u>0</u>	<u>1,667,041</u>
Deferred outflow of resources	<u>80,173</u>	<u>14,594</u>	<u>94,767</u>
Total Assets	<u>\$ 2,236,690</u>	<u>\$ 84,737</u>	<u>\$ 2,321,427</u>

Housing Authority of the County of Delaware
Combining Statement of Net Position by Program
(Continued)
December 31, 2015

	<u>Low Rent Program 14.850</u>	<u>Housing Choice Vouchers 14.871</u>	<u>Totals</u>
LIABILITIES and EQUITY			
Current liabilities:			
Accounts payable	\$ 43,695	\$ 0	\$ 43,695
Accrued expenses	42,654	0	42,654
Tenant security deposit liability	8,946	1,586	10,532
Unearned revenue	1,439	0	1,439
Total current liabilities	<u>96,734</u>	<u>1,586</u>	<u>98,320</u>
Non-current liabilities:			
Accrued pension liability	<u>218,456</u>	<u>39,766</u>	<u>258,222</u>
Total liabilities	<u>315,190</u>	<u>41,352</u>	<u>356,542</u>
Deferred inflow of resources	<u>20,642</u>	<u>3,758</u>	<u>24,400</u>
Equity:			
Net investment in capital assets	1,667,041	0	1,667,041
Restricted net position	0	12,839	12,839
Unrestricted net position	233,817	26,788	260,605
Total equity – net assets/position	<u>1,900,858</u>	<u>39,627</u>	<u>1,940,485</u>
Total Liabilities and Equity – Net Assets/Position	<u>\$ 2,236,690</u>	<u>\$ 84,737</u>	<u>\$ 2,321,427</u>

Housing Authority of the County of Delaware
Combining Statement of Revenues, Expenses, and
Changes in Net Position by Program
Year Ended December 31, 2015

	Low Rent Program	Housing Choice Vouchers	Capital Fund Program
OPERATING REVENUES:			
Dwelling rent	\$ 396,894	\$ 0	\$ 0
Non dwelling rent	16,338	0	0
Operating grants	433,544	942,780	173,606
Total operating revenues	<u>846,776</u>	<u>942,780</u>	<u>173,606</u>
OPERATING EXPENSES:			
Administrative	362,555	111,125	0
Tenant services	2,805	0	0
Utilities	156,013	0	0
Maintenance	303,640	0	0
Protective services	5,954	0	0
Insurance	60,085	0	0
General expenses	17,869	502	0
Extraordinary maintenance	232,205	0	0
Casualty losses	26,040	0	0
Housing assistance payments	0	833,145	0
Depreciation	294,305	0	0
Total operating expenses	<u>1,461,471</u>	<u>944,772</u>	<u>0</u>
Operating income (loss)	<u>(614,695)</u>	<u>(1,992)</u>	<u>173,606</u>
NONOPERATING REVENUES:			
Investment interest income	866	6	0
Fraud recovery	0	9,724	0
Other income	23,285	8,070	0
Transfers in (out)	173,606	0	(173,606)
Total non operating revenues	<u>197,757</u>	<u>17,800</u>	<u>(173,606)</u>
Change in net position	(416,938)	15,808	0
Prior period adjustment	(158,925)	(28,930)	0
Equity, beginning	<u>2,476,721</u>	<u>52,749</u>	<u>0</u>
Equity, ending	<u>\$ 1,900,858</u>	<u>\$ 39,627</u>	<u>\$ 0</u>

Totals

\$ 396,894
16,338
1,549,930
1,963,162

473,680
2,805
156,013
303,640
5,954
60,085
18,371
232,205
26,040
833,145
294,305

2,406,243

(443,081)

`872
9,724
31,355
0

41,951

(401,130)

(187,855)

2,529,470

\$ 1,940,485

Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
Year Ended December 31, 2015

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from dwelling and non dwelling rents	\$ 408,815	\$ 0	\$ 0
Cash received from operating grants	433,544	966,418	173,606
Cash payments to other suppliers of goods and services	(639,322)	(846,885)	0
Cash payments to employees for services	(504,775)	(99,756)	0
Net cash provided (used) by operating activities	<u>(301,738)</u>	<u>19,777</u>	<u>173,606</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Fraud recovery	0	9,724	0
Tenant security deposits	(1,310)	0	0
Other revenue	23,285	8,070	0
Transfers in (out)	173,606	0	(173,606)
Net cash provided (used) by noncapital financing activities	<u>195,581</u>	<u>17,794</u>	<u>(173,606)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments for capital acquisitions	1	0	0
Net cash provided by capital and related financing activities	<u>1</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments (increased) decreased	218,360	0	0
Receipts of interest income	866	6	0
Net cash provided by investing activities	<u>219,226</u>	<u>6</u>	<u>0</u>
Net increase (decrease) in cash	113,070	37,577	0
Cash and cash equivalents, beginning	<u>319,213</u>	<u>32,566</u>	<u>0</u>
Cash and cash equivalents, ending	<u>\$ 432,283</u>	<u>\$ 70,143</u>	<u>\$ 0</u>

Totals

\$ 408,815
1,573,568

(1,486,207)
(604,531)

(018,355)

9,724
(1,310)
31,355
0

39,769

1

1

218,360
872
219,232

150,647

351,779

\$ 502,426

Housing Authority of the County of Delaware
Combining Statement of Cash Flows by Program
(Continued)
Year Ended December 31, 2015

	Low Rent Program <u>14.850</u>	Housing Choice Vouchers <u>14.871</u>	Capital Fund Program <u>14.872</u>
RECONCILIATION OF OPERATING			
INCOME (LOSS) TO NET CASH			
PROVIDED BY OPERATING			
ACTIVITIES:			
Operating income (loss)	\$ (614,695)	\$ (1,992)	\$ 173,606
Adjustments to reconcile operating (loss) to			
net cash provided (used) by operating			
activities:			
Depreciation	294,305	0	0
Allowance for doubtful accounts	3,604	0	0
Allowance for obsolete accounts	73	0	0
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable-tenants	(6,757)	0	0
Accounts receivable-HUD	0	23,638	0
Inventories	(1,458)	0	0
Prepaid expenses	12,832	0	0
Increase (decrease) in liabilities:			
Accounts payable-trade	23,969	0	0
Accrued wages/payroll taxes payable	(12,347)	(1,869)	0
Deferred inflow of resources	0	0	0
Unearned revenue	<u>(1,264)</u>	<u>0</u>	<u>0</u>
Net cash provided (used) by operating			
activities	<u>\$ (301,738)</u>	<u>\$ 19,777</u>	<u>\$ 173,606</u>

Low Rent
Program
14.850

\$ (443,081)

294,305
3,604
73

(6,757)
23,638
12,832
(1,458)

23,969
(14,216)
0
(1,264)

\$ (108,355)

**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, 2015**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor	Type	Federal CFDA #	Expenditures
<u>U.S. Department of HUD</u>			
Public and Indian Housing:			
Public Housing Program	A –Major	14.850	\$ 433,544
Public Housing Capital Fund	B –Nonmajor	14.872	173,606
Section 8 Housing Choice Vouchers	A – Major	14.871	942,780
			<hr/>
Total Federal Financial Awards			\$ 1,549,930
			<hr/> <hr/>
Threshold for Type A/Type B Program			\$ 750,000
			<hr/> <hr/>

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, 2015. 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 the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 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 assets, 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 County of Delaware

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the County of Delaware (the "Housing Authority") and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Administrative Requirements reporting package. The Housing Authority is responsible for the accuracy and completeness of the electronic submission. This agreed -upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 procedure 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 the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the audit requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, for the Housing Authority as of and for the year ended December 31, 2015, and have issued our reports thereon dated 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 supplementary information dated 2015, was expressed in relation to the financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Uniform Administrative Requirements, which includes the auditor's report, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

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

Attachment to Independent Accountant’s Report on Applying Agreed-Upon Procedure

UFRS Rule Information	Hard Copy Documents	Findings
Balance Sheet, Revenue and and Expense and Cash Flow Data	Financial Data Templates (i.e. Supplemental Schedules)	Agrees
Footnotes	Footnotes to Audited Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports	Auditor’s Reports on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e. Supplementary Data)	Auditor’s Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative	Schedule of Findings and Questioned Costs	Agrees
General Information	Schedule of Findings and Questioned Costs And Federal Awards Data	Agrees

Barry E. Gaudette, CPA, PC

June 14, 2017

Housing Authority of the County of Delaware
Financial Data Schedule
Year Ended December 31, 2015

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Totals
	ASSETS			
	Current assets:			
111	Cash-unrestricted	389,629	\$ 22,977	\$ 412,606
113	Cash-other restricted	0	47,166	47,166
114	Cash-tenant security deposits	42,654	0	42,654
100	Total cash	<u>432,283</u>	<u>70,143</u>	<u>502,426</u>
	Receivables:			
126	A/R-tenants-dwelling rents	8,669	0	8,669
126.1	Allowance for doubtful accounts	<u>(3,934)</u>	<u>0</u>	<u>(3,934)</u>
120	Total receivables, net	<u>4,735</u>	<u>0</u>	<u>4,735</u>
131	Investments-unrestricted	<u>5</u>	<u>0</u>	<u>5</u>
	Other Current Assets:			
142	Prepaid expenses	49,641	0	49,641
143	Inventories	2,960	0	2,960
143.1	Allowance for obsolete inventories	<u>(148)</u>	<u>0</u>	<u>(148)</u>
	Total other current assets	<u>52,453</u>	<u>0</u>	<u>52,453</u>
150	Total current assets	<u>489,476</u>	<u>70,143</u>	<u>559,619</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	26,384	0	26,384
162	Buildings	8,322,951	0	8,322,951
163	Furn, equip & mach-dwell	214,252	0	214,252
164	Furn, equip & mach-admin	335,344	17,720	353,064
165	Building improvements	1,774,497	0	1,774,497
166	Accumulated depreciation	<u>(9,006,387)</u>	<u>(17,720)</u>	<u>(9,024,107)</u>
160	Total fixed assets, net	<u>1,667,041</u>	<u>0</u>	<u>1,667,041</u>
180	Total non-current assets	<u>1,667,041</u>	<u>0</u>	<u>1,667,041</u>
200	Deferred outflow of resources	<u>80,173</u>	<u>14,594</u>	<u>94,767</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 2,236,690</u>	<u>\$ 84,737</u>	<u>\$ 2,321,427</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2015

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Totals
	LIABILITIES and EQUITY			
	Current liabilities:			
312	Accounts payable	\$ 43,695	\$ 0	\$ 43,695
321	Accrued wage/payroll taxes Payable	8,946	1,586	10,532
341	Tenant security deposits	42,654	0	42,654
342	Unearned revenue	1,439	0	1,439
	Total current liabilities	<u>96,734</u>	<u>1,586</u>	<u>98,320</u>
	Non-current liabilities:			
357	Accrued pension liability	218,456	39,766	258,222
350	Total noncurrent liabilities	<u>218,456</u>	<u>39,766</u>	<u>258,222</u>
300	Total liabilities	<u>315,190</u>	<u>41,352</u>	<u>356,542</u>
400	Deferred inflow of resources	<u>20,642</u>	<u>3,758</u>	<u>24,400</u>
	Equity:			
508.4	Net investment in capital assets	1,667,041	0	1,667,041
511.4	Restricted net position	0	12,839	12,839
512.4	Unrestricted net position	<u>233,817</u>	<u>26,788</u>	<u>260,605</u>
513	Total equity-net assets/ position	<u>1,900,858</u>	<u>39,627</u>	<u>1,940,485</u>
600	Total Liabilities, Deferred Inflows of Resources and and Equity – Net Assets/ Position	<u>\$ 2,236,690</u>	<u>\$ 84,737</u>	<u>\$ 2,321,427</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2015

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
Revenues				
70300	Net tenant rental revenue	\$ 396,894	\$ 0	\$ 0
70400	Tenant revenue-other	16,338	0	0
70500	Total tenant revenue	413,232	0	0
70600	HUD PHA operating grants	433,544	942,780	173,606
71100	Investment income-unrestricted	866	6	0
71400	Fraud recovery	0	9,724	0
71600	Gain on sale of capital assets	23,285	8,070	0
70000	Total revenue	870,927	960,580	173,606
Expenses				
Administrative:				
91100	Administrative salaries	231,160	66,813	0
91200	Auditing fees	8,540	0	0
91400	Advertising and marketing	1,716	0	0
91500	Employee benefit contributions	71,624	31,074	0
91600	Office expenses	17,564	24	0
91700	Legal expense	1,880	1,140	0
91800	Travel	89	0	0
91900	Other	29,982	12,074	0
91000	Total operating-administrative	362,555	111,125	0
Tenant services:				
92400	Tenant services-other	2,805	0	0
92500	Total tenant services	2,805	0	0
Utilities:				
93100	Water	39,253	0	0
93200	Electricity	11,060	0	0
93300	Gas	53,572	0	0
93600	Sewer	52,128	0	0
93000	Total utilities	156,013	0	0
Ordinary maintenance and operations:				
94100	Labor	136,365	0	0
94200	Materials and other	60,970	0	0
94300	Contracts	53,026	0	0
94500	Employee benefit contributions	53,279	0	0
94000	Total maintenance	303,640	0	0

Totals

\$	396,894
	<u>16,338</u>
	413,232
	1,549,930
	872
	9,724
	<u>31,355</u>
	<u>2,005,113</u>

297,973
8,540
1,716
102,698
17,588
3,020
89
<u>42,056</u>
<u>473,680</u>

<u>2,805</u>
<u>2,805</u>

39,253
11,060
53,572
<u>52,128</u>
<u>156,013</u>

136,365
60,970
53,026
<u>53,279</u>
<u>303,640</u>

Housing Authority of the County of Delaware
Financial Data Schedule
(Continued)
Year Ended December 31, 2015

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
	Expenses (continued)			
	Protective services:			
95200	Other contract services	5,954	0	0
95000	Total protective services	<u>5,954</u>	<u>0</u>	<u>0</u>
	Insurance:			
96110	Property insurance	36,072	0	0
96130	Workmen's compensation	8,814	0	0
96140	All other insurance	15,199	0	0
96100	Total insurance premiums	<u>60,085</u>	<u>0</u>	<u>0</u>
	Other general expenses:			
96200	Other	8,140	502	0
96300	Payments in lieu of taxes	9,729	0	0
96000	Total other general expenses	<u>17,869</u>	<u>502</u>	<u>0</u>
96900	Total operating expenses	<u>908,921</u>	<u>111,627</u>	<u>0</u>
97000	Excess revenue over operating expenses	<u>(37,994)</u>	<u>848,953</u>	<u>173,606</u>
	Other Expenses:			
97100	Extraordinary maintenance	232,205	0	0
97200	Casualty losses	26,040	0	0
97300	Housing assistance payments	0	826,846	0
07350	HAP portability-in	0	6,299	0
97400	Depreciation expense	294,305	0	0
	Total other expense	<u>552,550</u>	<u>833,145</u>	<u>0</u>
90000	Total expenses	<u>1,461,471</u>	<u>944,772</u>	<u>0</u>
	Other Financing Sources (Uses):			
10010	Operating transfers in	173,606	0	0
10020	Operating transfers out	0	0	(173,606)
10100	Total other financing sources (uses)	<u>173,606</u>	<u>0</u>	<u>(173,606)</u>
10000	Excess(deficiency) of revenue over(under) expenses	(416,938)	15,808	0
11030	Beginning equity	2,476,721	52,749	0
11040	Prior period adjustment	(158,925)	(28,930)	0
	Ending equity	<u>\$ 1,900,858</u>	<u>\$ 39,627</u>	<u>\$ 0</u>
11190	Unit months available	1,944	2,166	
11210	Unit months leased	1,918	2,049	

<u>Totals</u>
<u>5,954</u>
<u>5,954</u>
36,072
8,814
<u>15,199</u>
<u>60,085</u>
8,642
<u>9,729</u>
<u>18,371</u>
<u>1,020,548</u>
<u>984,565</u>
232,205
26,040
826,846
6,299
<u>294,305</u>
<u>1,385,695</u>
<u>2,406,243</u>
173,606
<u>(173,606)</u>
<u>0</u>
(401,130)
2,529,470
<u>(187,855)</u>
<u>\$ 1,940,485</u>

**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 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, 2015, and 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 June 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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

June 14, 2017

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the 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 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 are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 each 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 each of its major federal programs for the year ended December 31, 2015.

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 the Uniform Guidance, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barry E. Gaudette, CPA, PC

June 14, 2017

**Housing Authority of the County of Delaware
Status of Prior Audit Findings
December 31, 2015**

There were no prior year findings.

**Housing Authority of the County of Delaware
Schedule of Findings and Questioned Costs
December 31, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Audit Requirements for Federal Awards* (Uniform Guidance)? No

Identification of major programs;

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

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.