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May 15, 2013

Board of Directors
Housing Authority of the City of Elkhart
1396 Benham Avenue
Elkhart, IN 46516

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2007 to March 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Elkhart, as of March 31, 2008 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

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

TWELVE MONTHS ENDED MARCH 31, 2008

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

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Elkhart
Elkhart, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Elkhart and the aggregate discretely presented component unit, as of and for the year ended March 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Elkhart and the aggregate discretely presented component unit, as of March 31, 2008 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 15, 2008, on my consideration of the Housing Authority of the City of Elkhart's internal control over financial reporting and my 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 my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 15, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Housing Authority of the City of Elkhart, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Housing Authority of the City of Elkhart. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority of the City of Elkhart. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.



Decatur, Illinois
October 15, 2008

Certified Public Accountant

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year 2008 Year End Audit Report

By: Joan Lau, Director Finance Elkhart Housing Authority.

Housing Authority of the City of Elkhart - MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Elkhart Housing Authority's (the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis will be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 16).

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$154,280 (or 1.49%) during 2008. Since the Authority engages in business-type, counseling, New Construction S/R Section 8, Low Rent Public Housing, Housing Choice Voucher, and Capital Fund program activities. The majority of the decrease is for assets retired. This makes up the majority of the decrease. Our combined Net Assets were as follows:
 - 2008 -\$10,206,339 million
 - 2007 -\$10,360,619 million
 - 2006 -\$10,205,021 million
- The business-type activities revenue decreased by \$82,154 (or .98%) from 2007's \$8,375,794 to 8,293,640 in 2008.
- Unrestricted Investment Income decreased by \$33,128 (or 63.54%).
- The Net Tenant Rental Revenue increased by \$33,730 (or 3.78%) from \$892,788 (2007) to \$926,518 (2008).
- Other Revenue was up (\$11,597) & Fraud Recovery was up (\$1,598).
- Capital Grant revenue decreased by \$382,985 a 63% decrease from \$609,238 to \$226,253.
- The total expenses of all Authority programs increased by \$95,999 (or 1.2%). Total expenses were \$8,281,953 and \$8,377,952 for 2007 and 2008 respectively.

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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USING THIS ANNUAL REPORT

This is a very different presentation of the Authority's previous financial statements. The following graphic outlining these changes is provided for your review:

MD&A

~ Management Discussion
And Analysis ~

Basic Financial Statements

~ Authority-wide Financial Statements (new) – page 16 -19 ~
~ Fund Financial Statement (refocused) – pages 32 -42 ~
~ Notes to Financial Statements (expanded/restructured) – pages 20 -29 ~

Other Required Supplementary Information

~ Required Supplementary Information pages 31 – 52 ~
(Other than MD&A)
(Expanded)

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 16-19) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in a format, where assets minus liabilities equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Fund Financial Statements

The Authority's Funds

Business Type Funds- the Housing Finance Corporation and the Elkhart Community Housing Corporations are sister Not – For – Profit entities to encourage affordable housing for the low income cliental of Elkhart County.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents 672 units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Non-major Funds – In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses:

Business Activities – represents non-HUD resources developed from a variety of activities.

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged in Business-Type Activities, Conventional Housing and Housing Choice Voucher.

TABLE 1

STATEMENT OF NET ASSETS

	2008 (In thousand of dollars)	2007 (In thousands of dollars)
Current and Other Assets	\$ 3,070.7	\$2,432.0
Capital Assets	8,018.4	8,444.1
Total Assets	<u>11,089.1</u>	<u>10,876.1</u>
Other Liabilities	643.1	408.5
Long-Term Liabilities	239.6	107.0
Total Liabilities	<u>882.7</u>	<u>515.5</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	7,890.3	8,444.1
Restricted	871.9	568.5
Unrestricted	1,444.2	1,348.0
Total Net Assets	<u><u>\$10,206.4</u></u>	<u><u>\$10,360.6</u></u>

For more detailed information see page 9 for the Statement of Net Assets.

**ELKHART HOUSING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Major Factors Affecting the Statement of Net Assets

Although current assets were increased by \$510,587, Capital Assets decreased by \$425,747. Primarily these changes are detailed as follows:

Current Assets	
Accounts Receivable from HUD by	\$332,524
Cash increased by	139,794
Accounts Receivable Tenants by	9,014
Allowance for Doubtful decreased by	7,867
Accrued Interest decreased by	(807)
Prepaid Expenses & other asses up by	25,763
Inventories were reduced by	(3,568)
Capital Assets	
Land increased by	\$140,278
Equipment increased by	49,680
Leasehold improvements increased by	122,607
Accumulated Depreciation	(833,400)
Construction in Progress	95,088

The Accumulated depreciation was affected by the depreciation expense of \$896,816 and retiring assets of (\$66,825) and adjustment to basis of \$3,409. Capital Fund Program Grant 506 (501-04) was closed and all physical assets were transferred and capitalized to Low income Public housing. For more detail see "Capital Assets and Debt Administration" below.

Liabilities increased by \$367,214. Short term liabilities increased by \$234,577 with the majority of the increase in deferred revenues. The long term liabilities were mainly caused by a \$128,094 long term note between the 2 sisters non for profit organization which were in the process of building a home for low income families. The remainder is made up of a (\$10,524) decrease in Accrued Compensated Absences – Non Current mainly due to downsizing and a new cap on accrued sick leave. An increase in Noncurrent Liabilities – other of \$15,067 this is from Housing Choice voucher an as yet unresolved delayed payment needing authorization from HUD.

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2
CHANGE OF UNRESTRICTED NET ASSETS**

	Millions of dollars
Unrestricted Net Assets 03/31/07	\$1,348.0
Results of Operations	
Adjustment: with FYE 2008 cash is reserved for Tenant Security Deposits.	0
Adjustment: With FYE 2008 Cash is restricted for H AP Reserve	(382.8)
Depreciation (1)	0
Adjusted Results from Operations	558.1
Prior Year Adjustment	<u>(79.1)</u>
Unrestricted Net Assets 3/31/08	<u><u>\$ 1,444.2</u></u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2008 (Thousands of dollars)	2007 (Thousands of dollars)
Revenues		
Tenant Revenue – Rents and Other	\$1,025.6	987.1
Operating Subsidies and Grants	6,911.9	6,663.7
Capital Grants	226.3	609.2
Investment Income	67.6	66.2
Other Revenues	62.3	49.6
Total Revenue	8,293.7	8,375.8
Expenses		
Administrative	1,518.0	1,502.8
Tenant Services	13.5	7.4
Utilities	359.6	383.0
Maintenance	1,054.7	910.1
Extraordinary Maintenance	0.0	9.6
General	291.2	281.0
Housing Assistance Payments	4,244.2	4,157.2
Depreciation	896.8	1,030.9
Total Expenses	8,378.0	8,282.0
Net Increase	\$ (84.3)	\$ 93.8

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE,
EXPENSES AND CHANGES IN NET ASSETS**

Tenant revenue increased due to a higher percentage of positive income renters thus lowering our negative rent – utility checks. Occupancy for the following years is listed:

2003	88.0%
2004	90.9%
2005	88.3%
2006	91.94%
2007	90.29%
2008	90.10%

Operating Subsidies was increased slightly (4%). Capital grants revenue (line706.1) decreased (63%) or (\$382,985) this decrease is due at time lag major Capital Grants have not yet begun. Investment income has increased by \$1,471 mainly du to higher interest rate by transferring to a new banking institution.

Most expenses increased due to inflation and rising gas prices, except for depreciation. Depreciation decreased due to large amounts of assets had attained their useful life and therefore no more depreciation will be booked. Utilities were lower due to conservation projects installed in the prior years and a milder winter. Maintenance costs are up due to contract labor being expended to prepare the recently vacated units faster for occupancy.

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$8,018,403 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) \$425,747 from the end of last year.

TABLE 4

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	Business-type Activities	
	2008	2006
Land and land rights	\$ 1,065,519	\$ 925,241
Buildings	15,709,985	15,709,985
Equipment – Administrative	677,188	
Equipment - Dwelling	211,847	836,355
Leasehold Improvements	9,259,156	9,136,549
Accumulated Depreciation	(19,000,380)	(18,166,980)
Construction In Progress	95,088	
Total	\$8,018,403	\$8,444,150

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 27 of the notes.

**TABLE 5
CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Beginning Balance	\$ 8,444,150
Additions	379,890
Construction In Progress new	
Construction in Progress	95,088
Retirements	(500)
Fixed Asset Basis	(3,409)
Depreciation	(896,816)
	\$8,018,403
Ending Balance	\$8,018,403

This year's major additions are:

Business – Type Activities

Capital Improvements Programs (modernization (Modernization completed on variety of the Authority's Public Housing complexes	\$ 465,463
Equipment Purchases	\$ 9,518

Debt Outstanding

As of year-end, the Authority had no outstanding debts and the not-for-profit corporation had the following interfund notes receivables (payables):

Housing Finance Corporation	\$ 128,094
Elkhart Community Housing Corp.	-128,094
Net	\$ 0

**ELKHART HOUSING AUTHORITY
ELKHART, INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Rising fuel cost.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Joan Lau, Director of Finance of the Housing Authority of the City of Elkhart, at (574) 295-8392. Specific requests may be submitted to Joan Lau, Director of Finance, Housing Authority of the City of Elkhart, 1396 Benham Ave, Elkhart, IN 46516.

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

**STATEMENT OF NET ASSETS
TWELVE MONTHS ENDED MARCH 31, 2008**

	<u>Proprietary Funds</u>	<u>Component Unit</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,406,737	\$ 0
Accounts receivable (interfund eliminated)	449,707	0
Accrued interest receivable	9,199	3,489
Inventory	58,112	0
Deferred charges	<u>74,271</u>	<u>0</u>
Total Current Assets	<u>\$ 1,998,026</u>	<u>\$ 3,489</u>
RESTRICTED ASSETS		
Cash	<u>\$ 644,538</u>	<u>\$ 296,509</u>
NONCURRENT ASSETS		
Notes receivable	<u>\$ 0</u>	<u>\$ 128,094</u>
CAPITAL ASSETS		
Land, buildings and equipment	\$ 26,783,417	\$ 235,366
Less: Accumulated depreciation	<u>-19,000,380</u>	<u>0</u>
Total Capital Assets	<u>\$ 7,783,037</u>	<u>\$ 235,366</u>
Total Assets	<u>\$ 10,425,601</u>	<u>\$ 663,458</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable (interfund eliminated)	\$ 338,665	\$ 0
Accrued liabilities	92,192	0
Deferred revenue	<u>212,244</u>	<u>0</u>
Total Current Liabilities	<u>\$ 643,101</u>	<u>\$ 0</u>
NONCURRENT LIABILITIES		
Accrued compensated absences	\$ 42,385	\$ 0
Loan payable	0	128,094
FSS escrow	<u>69,140</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 111,525</u>	<u>\$ 128,094</u>
<u>NET ASSETS</u>		
Invested in capital assets	\$ 7,783,037	\$ 107,272
Restricted	575,398	296,509
Unrestricted	<u>1,312,540</u>	<u>131,583</u>
Total Net Assets	<u>\$ 9,670,975</u>	<u>\$ 535,364</u>

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

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Income</u>	Proprietary Funds	Component Unit
Tenant rental revenue	\$ 926,518	\$ 0
Tenant revenue - other	<u>99,097</u>	<u>0</u>
Total Rental Income	\$ 1,025,615	\$ 0
HUD grants - operating	6,911,889	0
Fraud recovery	25,700	0
Other revenue	37,060	0
Gain/loss on sale of fixed assets	<u>-500</u>	<u>0</u>
Total Operating Income	<u>\$ 7,999,764</u>	<u>\$ 0</u>
 <u>Operating Expenses</u>		
Administration	\$ 1,517,985	\$ 16
Tenant services	13,469	0
Utilities	359,606	0
Ordinary maintenance and operation	1,054,660	0
General expense	291,159	0
Housing assistance payments	4,244,241	0
Depreciation	<u>896,816</u>	<u>0</u>
Total Operating Expenses	<u>\$ 8,377,936</u>	<u>\$ 16</u>
Net Operating Income (Loss)	\$ -378,172	\$ -16
 <u>Nonoperating Income (Expense)</u>		
Interest income	51,523	16,100
 <u>Capital Contributions</u>		
Capital funds grant	<u>226,253</u>	<u>0</u>
Changes in net assets	\$ -100,396	\$ 16,084
Net assets, beginning of year	9,846,141	514,478
Short period income (Note 6)	0	4,802
Prior period adjustments	<u>-74,770</u>	<u>0</u>
Net assets, end of year	<u>\$ 9,670,975</u>	<u>\$ 535,364</u>

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

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Activities</u>	Proprietary Funds	Component Unit
Operating grants	\$ 6,572,662	\$ 0
Tenant revenue	1,016,837	0
Other revenue	62,260	0
Housing assistance payments	-4,244,241	0
Payments to employees	-1,340,393	0
Payments to suppliers and contractors	<u>-1,756,155</u>	<u>-127,686</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 310,970</u>	<u>\$ -127,686</u>
 <u>Investing Activities</u>		
Interest income	<u>\$ 52,330</u>	<u>\$ 16,100</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 52,330</u>	<u>\$ 16,100</u>
 <u>Capital and Related Financing Activities</u>		
HUD grants - capital	\$ 226,253	\$ 0
Additions (deletions) to fixed assets	-235,703	-235,366
Installment of loan	<u>0</u>	<u>128,094</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -9,450</u>	<u>\$ -107,272</u>
Net Change in Cash	\$ 353,850	\$ -218,858
Cash Balance at March 31, 2007	<u>1,697,425</u>	<u>515,367</u>
Cash Balance at March 31, 2008	<u>\$ 2,051,275</u>	<u>\$ 296,509</u>

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

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Proprietary Funds</u>	<u>Component Unit</u>
Net operating income (loss)	\$ -378,172	\$ -16
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	896,816	0
Adjustments to net assets	-74,770	0
(Increase) decrease in accounts receivable	-148,896	424
(Increase) decrease in deferred charges	-26,071	0
(Increase) decrease in inventories	3,568	0
(Increase) decrease in loans receivable	0	-128,094
Increase (decrease) in accounts payable	-182,897	0
Increase (decrease) in accrued liabilities	-2,788	0
Increase (decrease) in deferred revenues	209,113	0
Increase (decrease) in other liabilities	<u>15,067</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 310,970</u>	<u>\$ -127,686</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

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

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Elkhart and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the Elkhart does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Elkhart is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements.

The Housing Authority has a component unit consisting of two non-profit sister corporations. The first is known as Housing Finance Corporation. The purpose for which the Corporation is formed is to carry out or assist in carrying out low-income housing projects, including assistance by borrowing and lending funds, with an emphasis on low-income housing projects formed or financed in compliance with Section 8 of the United States Housing Act of 1937 and the regulations promulgated thereunder. During 2008 Housing Finance Corporation changed its fiscal year of operations to match the current fiscal year of the Housing Authority. The change resulted in going from a December 31 year end to a March 31 year end, resulting in three months of operations labeled as short period income.

The second non-profit corporation, Elkhart Community Housing Corporation was formed to provide affordable decent, and safe housing to low and moderate income people within the city of Elkhart and Elkhart County.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(b) Method of Accounting -

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

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

(c) Financial Statement Presentation

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

(d) Funds -

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

- * Low Rent Public Housing
- * Housing Choice Vouchers
- * New Construction
- * Housing Counseling
- * Capital Fund Program
- * Component Unit (Housing Finance Corporation and Elkhart Community Housing Corp)
- * Disaster Housing Assistance Grant

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of 6 months or less when purchased to be cash equivalents.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2008, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(g) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(h) Investments -

Investments are stated at cost which approximates market.

(I) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If the initial cost of a piece of equipment and/or other personal property is five hundred dollars (\$500) or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

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

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

Buildings	10-50	years
Equipment	5-15	years
Transportation equipment	5-15	years
Furniture and fixtures	5-15	years
Leasehold improvements	10-50	years

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

(l) The Housing Authority adopts a budget annually. The budgets is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.

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

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

Custodial Credit Risk

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

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

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 697,350	\$ 769,119
Voucher	1,353,535	1,428,339
Disaster Housing Assistance Grant	<u>390</u>	<u>390</u>
Total	\$ 2,051,275	\$ 2,197,848
Component Unit	<u>296,509</u>	<u>296,509</u>
Combined Total	<u>\$ 2,347,784</u>	<u>\$ 2,494,357</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)**

Note 3 - Compensated Absences

Sick Leave

Employees may be paid for leave taken due to illness. Sick leave is accumulated at the rate of 3.69 hours per pay period. Any employee having more than eight hundred (800) hours accumulated sick leave forfeits accumulated pay for any hours over eight hundred (800) hours. An employee may take hours in excess of eight hundred (800) hours for illness at the discretion of the Executive Director.

Employees who voluntarily terminate employment shall be paid a lump sum for fifty percent (50%) of any accumulated sick leave up to four hundred (400) hours pay for eight hundred (800) or more hour's accumulated sick leave.

However, if the separation is the result of retirement at or after age of 62 and the employee has five (5) or more years of continuous service prior to retirement, the employee shall be paid one hundred percent (100%) of the accumulated sick leave up to four hundred (400) hours pay for eight hundred (800) or more hours accumulated sick leave.

Annual Leave

Annual leave with pay shall be earned by all full time employees at the following rates:

Beginning the first pay date following employment, the employees shall earn 3.08 hours of annual leave time per pay period. The employee shall continue to earn annual leave at this rate through the end of the fifth year of continuous service.

After five (5) full years of continuous employment and beginning on the first pay date of the sixth year of continuous employment, the employee shall earn 4.62 hours of annual leave time per pay period.

After ten (10) years of continuous service and beginning in the first month of the eleventh year of employment, the employee shall earn 6.15 hours of annual leave time per pay period.

After fifteen (15) years of continuous service and beginning in the first month of the sixteenth year of employment, the employee shall earn 16.67 hours of annual leave time for each month of employment.

Employees may accrued time up to twenty-five (25) working days (200) hours. Hours accrued in excess of 200 shall not be posted and shall not be paid. It will be at the discretion of the Department Director/Executive Director to waive the loss of excess hours accrued over 200 when an employee is not able to take any annual time off at the time the excess hours are accrued.

ELKHART, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate. The plan requires the Housing Authority to contribute 12.5% of the employees base salary each month. The Housing Authority's contribution for each employee are vested after 5 years. Housing Authority contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. For the fiscal year ended March 31, 2008, actual contributions by the Housing Authority were \$158,248.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable	\$ 34,661
Accounts receivable - HUD	366,479
Accounts receivable - other	<u>48,567</u>
Subtotal	\$ 449,707
Interfund	<u>580,664</u>
Total	<u>\$ 1,030,371</u>

Note 6 - Loan Receivable/Loan Payable

The Housing Finance Corporation agreed to loan the Elkhart Community Housing Corporation up to \$200,000 for the construction of two homes. The balance of the interfund loan receivable/payable at March 31, 2008 was as follows:

Note payable	\$ -128,094
Note receivable	<u>128,094</u>
Net	<u>\$ 0</u>

The note does not bear interest and does not state a due date.

Note 7 - Deferred Charges

This classification includes the following:

Prepaid insurance	\$ 32,775
Other	<u>41,496</u>
Total	<u>\$ 74,271</u>

ELKHART, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)

<u>Note 8 - Fixed Assets</u>	<u>Proprietary Funds</u>	<u>Component Unit</u>
Balance as of March 31, 2008	\$ 7,783,037	\$ 235,366
Balance as of March 31, 2007	<u>8,444,150</u>	<u>0</u>
Net Increase (Decrease)	<u>\$ -661,113</u>	<u>\$ 235,366</u>

Reconciliation

Replacement of nonexpendable equipment	\$ 9,515	\$ 0
Property betterments and additions	230,097	235,366
Current year depreciation expense	-896,816	* 0
Restatement of beginning balances: Fixed asset basis	-3,409	0
Dispositions	<u>-500</u>	<u>0</u>
Net Increase (Decrease)	<u>\$ -661,113</u>	<u>\$ 235,366</u>

<u>Proprietary Funds Analysis</u>	<u>04/01/07 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>03/31/08 Balance</u>
Land	\$ 925,241	\$ 0	\$ 0	\$ 925,241
Buildings	15,709,985	0	0	15,709,985
Equipment and furniture	839,355	325,008	275,328	889,035
Leasehold improvements	9,136,549	699,293	576,686	9,259,156
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 26,611,130	\$ 1,024,301	\$ 852,014	\$ 26,783,417
Accumulated depreciation	<u>-18,166,980</u>	<u>66,825</u>	<u>900,225*</u>	<u>-19,000,380</u>
Net Assets	<u>\$ 8,444,150</u>	<u>\$ 1,091,126</u>	<u>\$ 1,752,239</u>	<u>\$ 7,783,037</u>

* Includes depreciation expense of \$896,816.

<u>Component Unit Analysis</u>	<u>04/01/07 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>03/31/08 Balance</u>
Land	\$ 0	\$ 140,278	\$ 0	\$ 140,278
Construction in progress	<u>0</u>	<u>95,088</u>	<u>0</u>	<u>95,088</u>
Net Assets	<u>\$ 0</u>	<u>\$ 235,366</u>	<u>\$ 0</u>	<u>\$ 235,366</u>

HOUSING AUTHORITY OF THE CITY OF ELKHART

ELKHART, INDIANA

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)**

Note 9 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 83,605
Tenants security deposits	83,172
Payroll taxes payable	11,182
Accounts payable - HUD	99,851
Accounts payable - other	<u>60,855</u>
Subtotal	\$ 338,665
Interfund	<u>580,664</u>
Total	<u>\$ 919,329</u>

Note 10 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

<u>Current Portion:</u>	
Accrued compensated absences	\$ 72,346
Accrued wages	<u>19,846</u>
Total Current Portion	\$ 92,192
<u>Noncurrent Portion:</u>	
Accrued compensated absences	<u>42,385</u>
Total	<u>\$ 134,577</u>

ELKHART, INDIANA

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)**

Note 12 - Trust and Deposit Liabilities

This classification consists of the following:

FSS escrow accounts	\$ <u>69,140</u>
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Note 13 - Deferred Revenue

This classification consists of the following:

Tenants prepaid rent	\$ 2,301
Other	<u>209,943</u>
Total	<u>\$ 212,244</u>

Note 14 - Administrative Fee

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

Note 15 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 16 - Contingencies

Federal Grants

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

ELKHART, INDIANA

NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2008
(CONTINUED)

Note 17 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

	Proprietary Funds	Component Unit
Adjustment of fixed asset basis	\$ 4,294	\$ 0
Adjustment of Interfund	<u>-79,064</u>	<u>0</u>
Subtotal	\$ -74,770	\$ 0
Short period income (Note 6)	<u>0</u>	<u>4,802</u>
Total	<u>\$ -74,770</u>	<u>\$ 4,802</u>

Note 18 - Risk Management

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

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

Note 19 - Economic Dependency

The Housing Authority received most of its revenue (86%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

ELKHART, INDIANA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>					
Direct Programs:					
Public and Indian Housing*	14.850a	FYE 03/31/08	\$ <u>1,691,886</u>	\$ <u>1,691,886</u>	\$ <u>1,691,886</u>
Lower Income Housing Assistance Program - New Construction*	14.182	FYE 03/31/08	\$ <u>1,235,961</u>	\$ <u>1,235,961</u>	\$ <u>1,235,961</u>
Housing Choice Voucher Program*	14.871	FYE 03/31/08	\$ <u>3,567,402</u>	\$ <u>3,567,402</u>	\$ <u>3,567,402</u>
Public Housing - Capital Fund*	14.872	FYE 03/31/08	\$ <u>3,199,435</u>	\$ <u>596,419</u>	\$ <u>596,419</u>
Housing Counseling Assistance	14.169	FYE 03/31/08	\$ <u>33,062</u>	\$ <u>33,062</u>	\$ <u>33,062</u>
Disaster Housing Assistance Grant	97.109	FYE 03/31/08	\$ <u>13,412</u>	\$ <u>13,412</u>	\$ <u>13,412</u>
Total Housing Assistance			\$ <u>9,741,158</u>	\$ <u>7,138,142</u>	\$ <u>7,138,142</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED MARCH 31, 2008**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

Note 2: Housing Authority of the City of Elkhart did not award any federal awards to any sub-recipients in the current fiscal year.

ELKHART, INDIANA
STATEMENT OF NET ASSETS
AS OF MARCH 31, 2008

<u>ASSETS</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
CURRENT ASSETS			
Cash	\$ 697,350	\$ 0	\$ 708,997
Accounts receivable	669,479	73,192	0
Accrued interest receivable	1,298	0	7,901
Inventory	58,112	0	0
Deferred charges	<u>74,271</u>	<u>0</u>	<u>0</u>
Total Current Assets	<u>\$ 1,500,510</u>	<u>\$ 73,192</u>	<u>\$ 716,898</u>
RESTRICTED ASSETS			
Cash	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 644,538</u>
CAPITAL ASSETS			
Land, buildings and equipment	\$ 25,956,332	\$ 720,223	\$ 103,905
Less: Accumulated depreciation	<u>-18,883,508</u>	<u>-57,148</u>	<u>-58,995</u>
Net Capital Assets	<u>\$ 7,072,824</u>	<u>\$ 663,075</u>	<u>\$ 44,910</u>
Total Assets	<u>\$ 8,573,334</u>	<u>\$ 736,267</u>	<u>\$ 1,406,346</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 164,159	\$ 73,192	\$ 515,561
Accrued liabilities	78,814	0	12,250
Deferred revenue	<u>2,301</u>	<u>0</u>	<u>209,553</u>
Total Current Liabilities	<u>\$ 245,274</u>	<u>\$ 73,192</u>	<u>\$ 737,364</u>
NONCURRENT LIABILITIES			
Accrued compensated absences	\$ 35,281	\$ 0	\$ 7,054
FSS escrow	<u>0</u>	<u>0</u>	<u>69,140</u>
Total Noncurrent Liabilities	<u>\$ 35,281</u>	<u>\$ 0</u>	<u>\$ 76,194</u>
<u>NET ASSETS</u>			
Invested in capital assets	\$ 7,072,824	\$ 663,075	\$ 44,910
Restricted	0	0	575,398
Unrestricted	<u>1,219,955</u>	<u>0</u>	<u>-27,520</u>
Total Net Assets	<u>\$ 8,292,779</u>	<u>\$ 663,075</u>	<u>\$ 592,788</u>

ELKHART, INDIANA

STATEMENT OF NET ASSETS
AS OF MARCH 31, 2008

<u>ASSETS</u>	<u>Housing Counseling</u>	<u>New Construction</u>	<u>Disaster Housing Asst. Grant</u>
CURRENT ASSETS			
Cash	\$ 0	\$ 0	\$ 390
Accounts receivable	8,683	269,114	9,903
Accrued interest receivable	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Assets	<u>\$ 8,683</u>	<u>\$ 269,114</u>	<u>\$ 10,293</u>
RESTRICTED ASSETS			
Cash	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NONCURRENT ASSETS			
Notes receivable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
CAPITAL ASSETS			
Land, building and equipment	\$ 2,957	\$ 0	\$ 0
Less: Accumulated Depreciation	<u>-729</u>	<u>0</u>	<u>0</u>
Total Capital Assets	<u>\$ 2,228</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Assets	<u>\$ 10,911</u>	<u>\$ 269,114</u>	<u>\$ 10,293</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 6,878	\$ 159,539	\$ 0
Accrued liabilities	0	1,128	0
Deferred revenue	<u>0</u>	<u>0</u>	<u>390</u>
Total Current Liabilities	<u>\$ 6,878</u>	<u>\$ 160,667</u>	<u>\$ 390</u>
NONCURRENT LIABILITIES			
Accrued compensated liabilities	\$ 0	\$ 50	\$ 0
Loan payable	<u>0</u>	<u>0</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 0</u>	<u>\$ 50</u>	<u>\$ 0</u>
<u>NET ASSETS</u>			
Invested in capital assets	\$ 2,228	\$ 0	\$ 0
Restricted	0	0	0
Unrestricted	<u>1,805</u>	<u>108,397</u>	<u>9,903</u>
Total Net Assets	<u>\$ 4,033</u>	<u>\$ 108,397</u>	<u>\$ 9,903</u>

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

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Income</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Tenant rental revenue	\$ 926,518	\$ 0	\$ 0
Tenant revenue - other	<u>99,097</u>	<u>0</u>	<u>0</u>
Total Rental Revenue	\$ 1,025,615	\$ 0	\$ 0
HUD grants - operating	1,691,886	370,166	3,567,402
Fraud recovery	0	0	25,700
Other revenue	23,459	0	7,702
Gain/loss on sale of fixed assets	<u>-500</u>	<u>0</u>	<u>0</u>
Total Operating Income	<u>\$ 2,740,460</u>	<u>\$ 370,166</u>	<u>\$ 3,600,804</u>
 <u>Operating Expenses</u>			
Administration	\$ 918,478	\$ 180,754	\$ 365,342
Tenant services	13,469	0	0
Utilities	359,606	0	0
Ordinary maintenance and operation	953,737	88,648	10,556
General expense	250,263	0	39,443
Housing assistance payments	0	0	3,062,147
Depreciation	<u>847,254</u>	<u>41,353</u>	<u>7,480</u>
Total Operating Expenses	<u>\$ 3,342,807</u>	<u>\$ 310,755</u>	<u>\$ 3,484,968</u>
Net Operating Income (Loss)	<u>\$ -602,347</u>	<u>\$ 59,411</u>	<u>\$ 115,836</u>
 <u>Nonoperating Income (Expense)</u>			
Interest income	\$ 16,883	\$ 0	\$ 32,516
Transfers in/out	<u>100,764</u>	<u>-100,764</u>	<u>0</u>
Total Nonoperating Income (Expense)	<u>\$ 117,647</u>	<u>\$ -100,764</u>	<u>\$ 32,516</u>
 <u>Capital Contributions</u>			
HUD grants - capital	<u>\$ 0</u>	<u>\$ 226,253</u>	<u>\$ 0</u>
Changes in Net Assets	<u><u>\$ -484,700</u></u>	<u><u>\$ 184,900</u></u>	<u><u>\$ 148,352</u></u>

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

**STATEMENT OF REVENUE AND EXPENDITURES
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Income</u>	<u>Housing Counseling</u>	<u>New Construction</u>	<u>Disaster Housing Asst. Grant</u>
HUD grants - operating	\$ 33,062	\$ 1,235,961	\$ 13,412
Other revenue	<u>0</u>	<u>3,613</u>	<u>2,736</u>
Total Operating Income	<u>\$ 33,062</u>	<u>\$ 1,239,124</u>	<u>\$ 16,148</u>
 <u>Operating Expenses</u>			
Administration	\$ 28,300	\$ 25,111	\$ 0
Ordinary maintenance and operation	0	1,719	0
General expense	0	1,453	0
Housing assistance payments	0	1,175,849	6,245
Depreciation expense	<u>729</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>\$ 29,029</u>	<u>\$ 1,204,132</u>	<u>\$ 6,245</u>
Net Operating Income (Loss)	<u>\$ 4,033</u>	<u>\$ 34,992</u>	<u>\$ 9,903</u>
 <u>Nonoperating Income (Expense)</u>			
Interest income	<u>\$ 0</u>	<u>\$ 2,124</u>	<u>\$ 0</u>
Total Nonoperating Income (Expense)	<u>\$ 0</u>	<u>\$ 2,124</u>	<u>\$ 0</u>
Changes in Net Assets	<u>\$ 4,033</u>	<u>\$ 37,116</u>	<u>\$ 9,903</u>

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

**STATEMENT OF CHANGES IN NET ASSETS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Invested in Capital Assets</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Balance at March 31, 2007	\$ 7,386,847	\$ 1,007,313	\$ 49,990
Current year net income (loss)	-847,455	184,900	-5,080
Transfer	529,138	-529,138	0
Prior year adjustments	<u>4,294</u>	<u>0</u>	<u>0</u>
Balance at March 31, 2008	<u>\$ 7,072,824</u>	<u>\$ 663,075</u>	<u>\$ 44,910</u>
 <u>Restricted</u>			
Balance at March 31, 2007	\$ 0	\$ 0	\$ 54,073
Current year net income (loss)	0	0	138,531
Transfer	<u>0</u>	<u>0</u>	<u>382,794</u>
Balance at March 31, 2008	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 575,398</u>
 <u>Unrestricted Net Assets</u>			
Balance at March 31, 2007	\$ 894,632	\$ 0	\$ 340,373
Current year net income (loss)	362,755	0	14,901
Transfer	0	0	-382,794
Prior year adjustments	<u>-37,432</u>	<u>0</u>	<u>0</u>
Balance at March 31, 2008	<u>\$ 1,219,955</u>	<u>\$ 0</u>	<u>\$ -27,520</u>
Total Net Assets	<u>\$ 8,292,779</u>	<u>\$ 663,075</u>	<u>\$ 592,788</u>

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

**STATEMENT OF CHANGES IN NET ASSETS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Invested in Capital Assets</u>	<u>Housing Counseling</u>	<u>New Construction</u>	<u>Disaster Housing Asst. Grant</u>
Balance at March 31, 2007	\$ 0	\$ 0	\$ 0
Current year net income (loss)	<u>2,228</u>	<u>0</u>	<u>0</u>
Balance at March 31, 2008	<u>\$ 2,228</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Unrestricted Net Assets</u>			
Balance at March 31, 2007	\$ 0	\$ 112,913	\$ 0
Current year net income (loss)	1,805	37,116	9,903
Prior year adjustments	<u>0</u>	<u>-41,632</u>	<u>0</u>
Balance at March 31, 2008	<u>\$ 1,805</u>	<u>\$ 108,397</u>	<u>\$ 9,903</u>
Total Net Assets	<u><u>\$ 4,033</u></u>	<u><u>\$ 108,397</u></u>	<u><u>\$ 9,903</u></u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Operating grants	\$ 1,547,183	\$ 315,509	\$ 3,568,402
Tenant revenue	1,016,837	0	0
Other revenue	22,959	0	33,402
Housing assistance payments	0	0	-3,062,147
Payments to employees	-1,081,891	0	-232,670
Payments to suppliers/contractors	<u>-1,414,178</u>	<u>-214,745</u>	<u>-188,490</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 90,910</u>	<u>\$ 100,764</u>	<u>\$ 118,497</u>
 <u>Investing Activities</u>			
Interest income	<u>\$ 19,910</u>	<u>\$ 0</u>	<u>\$ 29,872</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 19,910</u>	<u>\$ 0</u>	<u>\$ 29,872</u>
 <u>Capital and Related Financing Activities</u>			
HUD grants - capital	\$ 0	\$ 226,253	\$ 0
(Additions) deletions of fixed assets	-4,093	-226,253	-2,400
Transfers in/out	<u>100,764</u>	<u>-100,764</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 96,671</u>	<u>\$ -100,764</u>	<u>\$ -2,400</u>
Net Change in Cash	\$ 207,491	\$ 0	\$ 145,969
Cash Balance at March 31, 2007	<u>489,859</u>	<u>0</u>	<u>1,207,566</u>
Cash Balance at March 31, 2008	<u><u>\$ 697,350</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,353,535</u></u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2008**

Reconciliation of Operating Income (Loss) to Net Cash

<u>Provided (Used) by Operating Activities</u>	<u>Low Rent</u>	<u>Capital Funds</u>	<u>Voucher</u>
Net operating income (loss)	\$ -602,347	\$ 59,411	\$ 115,836
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Depreciation	847,254	41,353	7,480
Adjustments to net assets	-33,138	0	0
(Increase) decrease in accounts receivable	-100,682	-54,657	1,000
(Increase) decrease in deferred charges	-26,071	0	0
(Increase) decrease in inventories	3,568	0	0
Increase (decrease) in accounts payable	9,456	54,657	-232,773
Increase (decrease) in accrued liabilities	-7,078	0	3,112
Increase (decrease) in deferred revenues	-52	0	208,775
Increase (decrease) in other liabilities	<u>0</u>	<u>0</u>	<u>15,067</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 90,910</u>	<u>\$ 100,764</u>	<u>\$ 118,497</u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Operating Activities</u>	Housing Counseling	New Construction	Disaster Housing Asst. Grant
Operating grants	\$ 38,799	\$ 1,089,357	\$ 13,412
Other revenue	0	3,163	2,736
Housing assistance payments	0	-1,175,849	-6,245
Payments to employees	-15,641	-10,191	0
Payments to suppliers/contractors	<u>-20,201</u>	<u>91,396</u>	<u>-9,513</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,957</u>	<u>\$ -2,124</u>	<u>\$ 390</u>
 <u>Investing Activities</u>			
Interest income	<u>\$ 0</u>	<u>\$ 2,124</u>	<u>\$ 0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 0</u>	<u>\$ 2,124</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>			
(Additions) deletions of fixed assets	\$ -2,957	\$ 0	\$ 0
Installment of loan	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -2,957</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Cash	\$ 0	\$ 0	\$ 390
Cash Balance at December 31, 2006	0	0	0
Cash Balance at March 31, 2007	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance at March 31, 2008	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 390</u></u>

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

**STATEMENT OF CASH FLOWS
TWELVE MONTHS ENDED MARCH 31, 2008**

<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	<u>Housing Counseling</u>	<u>New Construction</u>	<u>Disaster Housing Asst. Grant</u>
Net operating income (loss)	\$ 4,033	\$ 34,992	\$ 9,903
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Adjustments to net assets	0	-41,632	0
Depreciation	729	0	0
(Increase) decrease in accounts receivable	5,737	10,033	-9,903
Increase (decrease) in accounts payable	-7,542	-6,695	0
Increase (decrease) in deferred revenues	0	0	390
Increase (decrease) in other liabilities	<u>0</u>	<u>1,178</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,957</u>	<u>\$ -2,124</u>	<u>\$ 390</u>

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners
Housing Authority of the City of Elkhart
Elkhart, Indiana

I have audited the financial statements of the governmental activities and the aggregate discretely presented component unit of Housing Authority of the City of Elkhart as of and for the year ended March 31, 2008, which collectively comprise the Housing Authority of the City of Elkhart's basic financial statements and have issued my report thereon dated October 15, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority of the City of Elkhart, in a separate letter dated October 15, 2008.

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



Decatur, Illinois
October 15, 2008

Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Housing Authority of the City of Elkhart
Elkhart, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Elkhart with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. Housing Authority of the City of Elkhart's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Elkhart's management. My responsibility is to express an opinion on Housing Authority of the City of Elkhart's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Elkhart's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Housing Authority of the City of Elkhart's compliance with those requirements.

In my opinion, Housing Authority of the City of Elkhart complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Housing Authority of the City of Elkhart is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority of the City of Elkhart's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Elkhart's internal control over compliance.

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

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Elkhart in a separate letter dated October 15, 2008.

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



Certified Public Accountant

Decatur, Illinois
October 15, 2008

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2007 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED MARCH 31, 2008**

Section I - Summary of Auditor's Results

Low Risk Auditee yes no

Financial Statements

Type of auditor's report: Unqualified

- * Material weakness(es) identified? yes no
- * Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? yes no
- * Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

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

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

Major Programs: (Threshold \$300,000) CFDA Number(s)

Public and Indian Housing	14.850a
Lower-Income Housing Assistance Program -New Construction	14.182
Housing Choice Voucher Program	14.871
Public Housing - Capital Funds	14.872

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

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Kim Sindle, Executive Director during the course of the audit or at an exit conference held October 15, 2008.

Section II - Federal Award Findings

There were no federal award audit findings discussed with Kim Sindle, Executive Director during the course of the audit or at an exit conference held October 15, 2008.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2008**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
TAR - active	261-1122.10	\$ 454.10		1122.10
TAR - active	262-1122.10	676.35		1122.10
TAR - active	263-1122.10	585.33		1122.10
TAR - active	264-1122.10	531.92		1122.10
TAR - active	267-1122.10	83.00		1122.10
Allow. for doubtful acct.	263-1122.22	251.14		1122.22
Allow. for doubtful acct.	267-1122.22	167.00		1122.22
Collection losses	263-4570		\$ 251.14	2806
Collection losses	267-4570		167.00	2806
Dwelling rental	261-3110		454.10	2806
Dwelling rental	262-3110		676.35	2806
Dwelling rental	263-3110		585.33	2806
Dwelling rental	264-3110		531.92	2806
Dwelling rental	267-3110		83.00	2806
(To adjust accounts to actual per analysis of tenant ledger)				
(2)				
Investment income	110-3430	\$ 5,558.61		2806
Accrued interest receivable	110-1145		\$ 5,558.61	1145
(To adjust accrued interest receivable to actual)				
(3)				
Contract cost	261-4430	\$ 395.00		2806
Contract cost	262-4430	5,850.00		2806
Contract cost	263-4430	1,580.00		2806
Contract cost	264-4430	1,435.00		2806
Contract cost	267-4430	1,185.00		2806
Vendor payable	261-2111		\$ 395.00	2111
Vendor payable	262-2111		5,850.00	2111
Vendor payable	263-2111		1,580.00	2111
Vendor payable	264-2111		1,435.00	2111
Vendor payable	267-2111		1,185.00	2111
(To accrue unrecorded liability at year end)				
(4)				
HUD PHA grants/LIPH	261-3401.04	\$ 101.00		2806
HUD PHA grants/LIPH	262-3401.04	1.00		2806
HUD PHA grants/LIPH	263-3401.04	1.00		2806
HUD PHA grants/LIPH	264-3401.04	1.00		2806
HUD PHA grants/LIPH	267-3401.04	13,087.00		2806
A/R - HUD other projects	261-1135.30		\$ 101.00	1135.30
A/R - HUD other projects	262-1135.30		1.00	1135.30
A/R - HUD other projects	263-1135.30		1.00	1135.30
A/R - HUD other projects	264-1135.30		1.00	1135.30
A/R - HUD other projects	267-1135.30		13,087.00	1135.30
(To adjust HUD receivables to 04/09/08 deposits)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2008**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(5)				
Accrued comp. abs.	261-2135.10	\$ 2,873.70		2135.10
Accrued comp. abs.	261-2135.20	2,234.55		2135.20
Accrued comp. abs.	110-2135.20		\$ 317.89	2135.20
Accrued abs. expense	261-4120		5,108.25	2806
Accrued abs. expense	200-4120	317.89		2806
(To correct accrued absence liability)				
(6)				
Accumulated depreciation	110-1400.50	\$ 3,237.25		1400.50
Accumulated depreciation	261-1400.50		\$.01	1400.50
Depreciation expense	261-4800	44.66		2806
Depreciation expense	262-4800	102.34		2806
Depreciation expense	263-4800	143.38		2806
Depreciation expense	264-4800	897.33		2806
Depreciation expense	110-4800		131.09	2806
Undesignated fund balance	110-2806		3,106.16	2806
Undesignated fund balance	261-2806		44.65	2806
Undesignated fund balance	262-2806		102.34	2806
Undesignated fund balance	263-2806		143.38	2806
Undesignated fund balance	264-2806		897.33	2806
(To adjust expense to schedule at year end)				
<u>Capital Funds</u>				
(1)				
A/R - HUD	507-1135.30	\$ 13,800.00		1135.30
Operating grants	507-3401.04		\$ 13,800.00	2806
(To adjust to actual per analysis of draws)				
<u>Voucher</u>				
(1)				
Accrued interest receivable	800-1145	\$ 2,829.83		1145
Interest income	800-3610.10		\$ 2,829.83	2806
(To adjust accrued interest to actual)				
(2)				
Interfund - A/P	820-2119.10	\$ 2,822.00		2119.10
Miscellaneous - sundry	820-4190.90		\$ 2,822.00	2806
(To record prior year audit adjustment)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2008**

<u>New Construction</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Undesignated fund balance	800-2806	\$ 9,017.60		2806
A/R - intra company	800-1129.20		\$ 9,017.60	1129.20
(To adjust interfund)				
 <u>Component Unit</u>				
(1)				
Miscellaneous - sundry	201-4190.90	\$ 3.00		2806
Cash	201-1111.10		\$ 3.00	1111.10
(Bank service fee not recorded in November 2007)				
(2)				
Restricted fund balance	2806	\$ 2,183.90		2806
Interest income	3610.10		\$ 2,183.90	2806
(To correct journal entry #109318)				

PHA: IN026 FYED: 03/31/2008

Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Disaster Housing Assistance Grant	Total
111	Cash - Unrestricted	\$0	\$0	\$614,178	\$708,997	\$0	\$0	\$300	\$1,323,565
113	Cash - Other Restricted	\$0	\$0	\$0	\$644,538	\$0	\$296,509	\$0	\$941,047
114	Cash - Tenant Security Deposits	\$0	\$0	\$83,172	\$0	\$0	\$0	\$0	\$83,172
100	Total Cash	\$0	\$0	\$697,350	\$1,353,535	\$0	\$296,509	\$300	\$2,347,784
122	Accounts Receivable - HUD Other Projects	\$8,683	\$138,901	\$144,703	\$0	\$73,192	\$0	\$0	\$365,479
125	Accounts Receivable - Miscellaneous	\$0	\$48,473	\$94	\$0	\$0	\$0	\$0	\$48,567
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$37,644	\$0	\$0	\$0	\$0	\$37,644
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$-2,983	\$0	\$0	\$0	\$0	\$-2,983
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$1,208	\$7,901	\$0	\$3,489	\$0	\$12,685
120	Total Receivables, net of allowances for doubtful accounts	\$8,683	\$188,374	\$180,756	\$7,901	\$73,192	\$3,489	\$0	\$462,305
142	Prepaid Expenses and Other Assets	\$0	\$0	\$74,271	\$0	\$0	\$0	\$0	\$74,271
143	Inventories	\$0	\$0	\$59,204	\$0	\$0	\$0	\$0	\$59,204
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$-1,092	\$0	\$0	\$0	\$0	\$-1,092
144	Interprogram Due From	\$0	\$80,740	\$490,021	\$0	\$0	\$0	\$8,903	\$589,664
150	Total Current Assets	\$8,683	\$269,114	\$1,500,510	\$1,361,436	\$73,192	\$299,998	\$10,293	\$3,523,226
151	Land	\$0	\$0	\$883,645	\$41,596	\$0	\$140,278	\$0	\$1,065,519
162	Buildings	\$0	\$0	\$15,709,985	\$0	\$0	\$0	\$0	\$15,709,985
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$211,847	\$0	\$0	\$0	\$0	\$211,847
164	Furniture, Equipment & Machinery - Administration	\$2,957	\$0	\$611,922	\$62,309	\$0	\$0	\$0	\$677,188
165	Leasehold Improvements	\$0	\$0	\$8,838,933	\$0	\$720,223	\$0	\$0	\$9,559,156
166	Accumulated Depreciation	\$-729	\$0	\$-18,883,508	\$-58,595	\$-57,148	\$0	\$0	\$-19,000,360
167	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$86,088	\$0	\$86,088
160	Total Fixed Assets, Net of Accumulated Depreciation	\$2,228	\$0	\$7,072,824	\$44,910	\$663,075	\$235,366	\$0	\$8,018,403
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$0	\$0	\$0	\$0	\$128,094	\$0	\$128,094
180	Total Non-Current Assets	\$2,228	\$0	\$7,072,824	\$44,910	\$663,075	\$363,460	\$0	\$8,146,497
190	Total Assets	\$10,911	\$269,114	\$8,573,334	\$1,406,346	\$736,267	\$663,458	\$10,293	\$11,669,723

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312	Accounts Payable <= 90 Days	\$160	\$6	\$68,630	\$1,007	\$13,800	\$0	\$0	\$83,605
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$31,028	\$0	\$0	\$0	\$0	\$31,028
322	Accrued Compensated Absences - Current Portion	\$0	\$1,128	\$58,968	\$12,250	\$0	\$0	\$0	\$72,346
331	Accounts Payable - HUD PHA Programs	\$0	\$99,851	\$0	\$0	\$0	\$0	\$0	\$99,851
341	Tenant Security Deposits	\$0	\$0	\$83,172	\$0	\$0	\$0	\$0	\$83,172
342	Deferred Revenues	\$0	\$0	\$2,301	\$209,563	\$0	\$0	\$390	\$212,244
346	Accrued Liabilities - Other	\$0	\$59,680	\$1,175	\$0	\$0	\$0	\$0	\$60,855
347	Interprogram Due To	\$6,718	\$0	\$0	\$514,554	\$50,392	\$0	\$0	\$580,664
310	Total Current Liabilities	\$6,878	\$160,667	\$245,274	\$737,364	\$73,192	\$0	\$390	\$1,223,765
354	Accrued Compensated Absences - Non Current	\$0	\$50	\$35,281	\$7,054	\$0	\$0	\$0	\$42,385
355	Loan Liability - Non Current	\$0	\$0	\$0	\$0	\$0	\$128,094	\$0	\$128,094
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$69,140	\$0	\$0	\$0	\$69,140
350	Total Noncurrent Liabilities	\$0	\$50	\$35,281	\$76,194	\$0	\$128,094	\$0	\$239,619
300	Total Liabilities	\$6,878	\$160,717	\$280,555	\$813,558	\$73,192	\$128,094	\$390	\$1,463,384
506	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
506.1	Invested in Capital Assets, Net of Related Debt	\$2,228	\$0	\$7,072,824	\$44,910	\$663,075	\$107,272	\$0	\$7,890,309
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$575,398	\$0	\$296,509	\$0	\$871,907
512.1	Unrestricted Net Assets	\$1,805	\$108,397	\$1,219,955	\$-27,520	\$0	\$131,863	\$9,003	\$1,444,123
513	Total Equity/Net Assets	\$4,033	\$108,397	\$8,292,779	\$592,788	\$663,075	\$535,364	\$9,003	\$10,206,339
500	Total Liabilities and Equity/Net Assets	\$10,911	\$269,114	\$8,573,334	\$1,406,346	\$736,267	\$663,458	\$10,293	\$11,669,723

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Line Item No.	Account Description	Housing Counseling Assistance Program	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Disaster Housing Assistance Grant	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$926,518	\$0	\$0	\$0	\$0	\$926,518
704	Tenant Revenue - Other	\$0	\$0	\$99,097	\$0	\$0	\$0	\$0	\$99,097
705	Total Tenant Revenue	\$0	\$0	\$1,025,615	\$0	\$0	\$0	\$0	\$1,025,615
706	HUD PHA Operating Grants	\$33,062	\$1,235,961	\$1,691,886	\$3,567,402	\$370,166	\$0	\$13,412	\$6,911,889
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$226,253	\$0	\$0	\$226,253
711	Investment Income - Unrestricted	\$0	\$2,124	\$16,853	\$0	\$0	\$0	\$0	\$19,007
714	Fraud Recovery	\$0	\$0	\$0	\$25,700	\$0	\$0	\$0	\$25,700
715	Other Revenue	\$0	\$3,163	\$23,459	\$7,702	\$0	\$0	\$2,736	\$37,060
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$-500	\$0	\$0	\$0	\$0	\$-500
720	Investment Income - Restricted	\$0	\$0	\$0	\$32,516	\$0	\$16,100	\$0	\$48,616
700	Total Revenue	\$33,062	\$1,241,248	\$2,757,343	\$3,633,320	\$596,419	\$16,100	\$16,148	\$8,293,640

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Line Item No.	Account Description	Housing Counseling Assistance Program	WIC S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Units	Disaster Housing Assistance Grant	Total
911	Administrative Salaries	\$15,641	\$11,168	\$550,570	\$232,442	\$0	\$0	\$0	\$899,821
912	Auditing Fees	\$0	\$1,484	\$10,760	\$3,816	\$0	\$0	\$0	\$16,060
914	Compensated Absences	\$0	\$191	\$9,608	\$3,254	\$0	\$0	\$0	\$13,053
915	Employee Benefit Contributions - Administrative	\$0	\$4,910	\$255,446	\$94,263	\$78,760	\$0	\$0	\$433,379
916	Other Operating - Administrative	\$12,659	\$7,358	\$92,094	\$31,567	\$101,994	\$16	\$0	\$245,688
924	Tenant Services - Other	\$0	\$0	\$13,469	\$0	\$0	\$0	\$0	\$13,469
931	Water	\$0	\$0	\$65,280	\$0	\$0	\$0	\$0	\$65,280
932	Electricity	\$0	\$0	\$126,103	\$0	\$0	\$0	\$0	\$126,103
933	Gas	\$0	\$0	\$168,223	\$0	\$0	\$0	\$0	\$168,223
941	Ordinary Maintenance and Operations - Labor	\$0	\$10	\$516,280	\$86	\$0	\$0	\$0	\$516,376
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$424	\$124,819	\$1,746	\$88,648	\$0	\$0	\$215,637
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$1,285	\$189,878	\$8,724	\$0	\$0	\$0	\$199,897
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$122,760	\$0	\$0	\$0	\$0	\$122,760
961	Insurance Premiums	\$0	\$1,453	\$193,456	\$19,443	\$0	\$0	\$0	\$214,352
962	Other General Expenses	\$0	\$0	\$34,332	\$20,000	\$0	\$0	\$0	\$54,332
964	Bad Debt - Tenant Rents	\$0	\$0	\$22,445	\$0	\$0	\$0	\$0	\$22,445
969	Total Operating Expenses	\$28,300	\$28,283	\$2,495,553	\$415,341	\$269,402	\$16	\$0	\$3,236,895
970	Excess Operating Revenue over Operating Expenses	\$4,762	\$1,212,965	\$261,790	\$3,217,979	\$327,017	\$16,084	\$16,148	\$5,056,745
973	Housing Assistance Payments	\$0	\$1,175,849	\$0	\$3,062,147	\$0	\$0	\$6,245	\$4,244,241
974	Depreciation Expense	\$729	\$0	\$847,254	\$7,480	\$41,353	\$0	\$0	\$896,816
990	Total Expenses	\$29,029	\$1,284,132	\$3,342,807	\$3,484,968	\$310,755	\$16	\$6,245	\$8,377,952
1001	Operating Transfers In	\$0	\$0	\$100,764	\$0	\$0	\$0	\$0	\$100,764
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$-100,764	\$0	\$0	\$-100,764
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$100,764	\$0	\$-100,764	\$0	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$4,033	\$37,116	\$-484,700	\$148,362	\$184,900	\$16,084	\$9,903	\$-84,312

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1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$0	\$112,913	\$8,281,479	\$444,436	\$1,007,313	\$514,478	\$0	\$10,360,619
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$-41,532	\$496,000	\$0	\$-529,138	\$4,802	\$0	\$-69,968
1120	Unit Months Available	0	1,341	8,064	7,594	0	0	8	17,007
1121	Number of Unit Months Leased	0	1,341	7,336	7,594	0	0	8	16,279
1117	Administrative Fee Equity	\$0	\$0	\$0	\$17,390	\$0	\$0	\$0	\$17,390
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$575,398	\$0	\$0	\$0	\$575,398

Report Generated: 11/12/2008 04:27:46
Date Submission Created: 09/09/2008

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