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July 21, 2014

Board of Directors
Lafayette Housing Authority
P.O. Box 6687
100 Executive Drive, Suite J
Lafayette, IN 47903

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2008 to March 31, 2009. 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 Lafayette Housing Authority, as of March 31, 2009 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 LAFAYETTE
LAFAYETTE, INDIANA**

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

TWELVE MONTHS ENDED MARCH 31, 2009

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, 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 Lafayette
Lafayette, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Lafayette, as of and for the year ended March 31, 2009, 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 Lafayette, as of March 31, 2009 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 November 25, 2009, on my consideration of the Housing Authority of the City of Lafayette'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 10, 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 Lafayette, 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 Lafayette. 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 Lafayette. 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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
November 25, 2009

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

Management's Discussion and Analysis

As management of the Housing Authority of the City of Lafayette, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Lafayette, 100 Executive Drive, Suite J, Lafayette, Indiana 47903. (765) 771-1300.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.
- Comparison of budget vs. actual – reports the Authority's actual operating revenues and expenses versus the budgeted amounts.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net assets, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the modified accrual basis of accounting.

Modified accrual accounting is a hybrid of the cash and accrual basis.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

Over time, significant changes in the Authorities net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of Lafayette and West Lafayette:

Section 8 Housing Choice Vouchers (Section 8 Vouchers)

HUD has contracted with the Housing Authority support for 1099 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to Landlords for Low Income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

Section 8 Homeownership Vouchers

A subset of the Housing Choice Voucher program in which a qualified Section 8 participant uses the subsidy provided by the Lafayette Housing Authority to purchase a home instead of renting. This program is conducted in partnership with Lafayette Neighborhood Housing Services.

Family Self-Sufficiency Vouchers

The Family Self-Sufficiency program began in January, 1987, known then as Project Self-Sufficiency. Family Self-Sufficiency is a HUD regulated supportive services program in which participants receive a housing voucher and work with a caseworker from Family Services, Inc. to overcome barriers that the family is facing which is preventing them from becoming economically self-sufficient. Barriers include such things as education, job searching, childcare and more.

In August, 1999, the Lafayette Housing Authority applied for the first Family Self-Sufficiency Program Coordinator grant from HUD for the purpose of paying the salary and benefits of the Program Coordinator via a contract with Family Services, Inc. The grant was approved and the housing authority has received the grant each year since.

The program has been winding down this past year. As of March 31, 2009, only one participant had an active escrow account.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

Life Skill Vouchers

The Life Skills program which began in June 2004 is much like the Family Self-Sufficiency program except that it is not a HUD program, but is conducted by Family Services Inc. and the Lafayette Housing Authority provides vouchers for up to 40 Section 8 qualified participating households.

Tenant Based Rental Assistance Vouchers (TBRA)

The Tenant Based Rental Assistance program began January, 2006. Participants on the TBRA program receive rental assistance in the same manner as the Section 8 Housing Choice Voucher Program, however, the funding is provided with HUD's HOME funds by contract with the Housing Consortium and administered by the City of Lafayette. These funds provide the assistance to households for the first year on the program and then the household is transferred to the Section 8 Housing Choice Voucher program in a seamless manner. This allows the housing authority to assist an additional 10 households from the waiting list.

Security Deposit Micro-loan Program

Through a Venture Grant from United Way in 2005 of \$5,000.00, the Lafayette Housing Authority provides a micro-loan to eligible households that are coming onto the program for the first time. To qualify for the micro-loan, the household must be elderly, disabled, or working. The participant is charged a small fee instead of interest. This fee helps to grow the account to provide future loans and helps to offset any losses due to default on the repayment agreement. As of March 31, 2009, the Lafayette Housing Authority has provided 106 loans. In the fiscal year twenty-three new loans were granted in the amount of \$4,985.00 generating \$575.00 in fees. Also we received \$3,547.00 in repayment of loans.

Conduct Community Development Inspections for City of Lafayette

Through a contract with the City of Lafayette approved in August, 1998, the Lafayette Housing Authority conducts inspections of homes that received city-funded rehabilitation loans. Inspections are required annually for the life of the loan. As these loans expire, the number of inspections required will decrease until which time all loans are complete.

Redevelopment Inspections

The City of Lafayette's Redevelopment Department entered into a contract with the Lafayette Housing Authority on September 10, 2003 to conduct inspections for replacement units for persons being displaced by the City of Lafayette.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

Future Events (New Business)

Bridgeway Apartments

Effective June 1, 2008, the Lafayette Housing Authority received 106 tenant protection vouchers for assisted households that were living in the Section 8 project based apartment complex known as Bridgeway Apartments. HUD withdrew the ACC for those units and offered vouchers to the LHA to continue to assist the households that were living at the property on the day of the action. All assisted households were offered the opportunity to receive a voucher and to seek housing elsewhere. All eligible households, except for two that chose to wait to receive their vouchers, sought and found alternative housing for which the LHA provided assistance.

As a result of the additional vouchers, the LHA ultimately added a .66 FTE to its staff.

The PUC of the protected vouchers has generally far exceeded the average PUC of the regular vouchers which has put a drain on the Authority's funding and has, as a result, reduced the overall number of households that the LHA has been able to assist. The LHA has been required to dip into its NRA in order to cover the costs of the households we are assisting as a result. On average we have lost 24 vouchers.

There are no future events planned by the Authority during the fiscal year ending March 31, 2010 that will significantly affect the Authority's Net Assets either positively or negatively.

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Assets for FYE 2009 was \$1,300,295 and at FYE 2008 the amount was \$1,660,302. This represents a net decrease of \$360,007.

Cash decreased by \$469,683 or 29%. Cash decreased do to greater utilization of Net Restricted Account for Housing Assistance Program Payments.

Other Current Assets increased by \$93,110. The Authority initiated the recognition of Accounts Receivables relating to Fraud Recovery on an accrual accounting basis.

Capital Assets increased by \$16,566 or 37%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased \$7,481 or 14%. The major cause of this was a decrease in accounts payable liability.

Long Term Liabilities decreased by \$14,505 or 70%. The Authority decreased its long-term liabilities relating to Family Self-Sufficiency Escrow.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

The table below illustrates our analysis:

	<u>2009</u>	<u>2009</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	1,134,533	1,604,216	(469,683)	-29%
Other Current Assets	104,459	11,349	93,110	820%
Capital Assets	61,303	44,737	16,566	37%
Total Assets	1,300,295	1,660,302	(360,007)	-22%
Current Liabilities	46,017	53,498	(7,481)	-14%
Long Term Liabilities	6,311	20,816	(14,505)	-70%
Total Liabilities	52,328	74,314	(21,986)	-30%
Net Invested in Capital Assets	61,303	44,737	16,566	37%
Restricted Net Assets	476,641	822,362	(345,721)	-42%
Unrestricted Net Assets	710,023	718,889	(8,866)	-1%
Total Net Assets	1,247,967	1,585,988	(338,021)	-21%

Analysis of Entity Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2009 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Section 8 Housing Vouchers	\$5,652.862
Other Government Grants	5,569

Total revenues for Fiscal Year Ending March 31, 2009 were \$5,658,431 as compared to the total revenues for Fiscal Year Ending March 31, 2008 of \$5,763,951. Comparatively, revenues were reduced revenues by \$105,520 from Fiscal Year Ending 2008 to Fiscal Year Ending 2009.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>Percentage Change</u>
HUD Operating Grants	5,538,433	5,670,922	(132,489)	-2%
Investment Income	13,418	25,650	(12,232)	-48%
Fraud Recovery	74,600	20,586	54,014	262%
Other Revenue	18,380	15,053	3,327	22%
Gain/Loss on Sale of Fixed Assets	(96)	6,090	(6,186)	-102%
Investment Income	13,696	25,650	(11,954)	-47%
Total Revenue	<u>5,658,431</u>	<u>5,763,951</u>	<u>(105,520)</u>	<u>-2%</u>

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending March 31, 2009 were \$5,975,590 as compared to \$5,406,237 of total expenditures for Fiscal Year Ending March 31, 2008. Comparatively, Fiscal Year Ending 2009 expenditures exceeded Fiscal Year Ending 2008 expenditures by \$569,353. Changes by major expense category will be presented below.

Administrative expenditures increased by \$15,119 or 3%. The major cause for this increase is the Authority added personal in operations.

Tenant Services expenditures decreased by \$11,364 or 29%. This was due to the reduction in benefits.

Ordinary Maintenance and Operation expenditures increased by \$188 or 2% which is not significant.

General Expense increased \$30,128 or 627%. Several sub-categories contributed to this reduction especially Compensated Absences.

Housing Assistance Payments increased by \$527,775 or 11% due mostly to the addition of the 106 Bridgeway Apartments units, a project-based Section Eight contract.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2009**

The table below illustrates our analysis:

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	609,424	594,305	15,119	3%
Tenant Services	27,591	38,955	(11,364)	-29%
Utilities	6,253	6,417	(164)	-3%
Ordinary Maintenance and Operation	8,272	8,084	188	2%
General Expense	34,932	4,804	30,128	627%
Housing Assistance Payments	5,263,183	4,735,408	527,775	11%
Depreciation Expense	25,935	18,264	7,671	42%
Total Expenses	<u>5,975,590</u>	<u>5,406,237</u>	<u>569,353</u>	<u>11%</u>

ANALYSIS OF CAPITAL ASSET ACTIVITY

Furniture, Equipment & Machinery – Administration increased by a net amount \$12,863 or 6%. The following is a list of the assets purchased under this category during the fiscal year ending March 31, 2009:

Elite Software Upgrade	\$28,699
Computer Systems	2,208
Copier System	9,799
Furniture	2,467
Security System	1,930
Disposed Assets	(30,677)

Accumulated Depreciation decreased by \$3,703. This is the amount of current year depreciation expense.

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>Percentage Change</u>
Furniture, Equipment, & Machinery - Administrative	211,383	198,520	12,863	6.5%
Leasehold Improvements	0	0	0	0.0%
Total Fixed Assets	<u>211,383</u>	<u>198,520</u>	<u>12,863</u>	<u>6.5%</u>
Accumulated Depreciation	150,080	153,783	-3,703	-2.4%
Net Fixed Assets	<u>61,303</u>	<u>44,737</u>	<u>16,566</u>	<u>37.0%</u>

Outstanding Debt

The Lafayette Housing Authority had no debt during 2008 or 2009.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF MARCH 31, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 661,718
Accounts receivable	95,447
Accrued interest receivable	5,178
Deferred charges	<u>3,834</u>
 Total Current Assets	 <u>\$ 766,177</u>

RESTRICTED ASSETS

Cash	<u>\$ 472,815</u>
 Total Restricted Assets	 <u>\$ 472,815</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 211,383
Less: Accumulated depreciation	<u>-150,080</u>
 Net Capital Assets	 <u>\$ 61,303</u>
 Total Assets	 <u>\$ 1,300,295</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 6,063
Accrued liabilities	34,954
Deferred revenues	<u>5,000</u>
 Total Current Liabilities	 <u>\$ 46,017</u>

NONCURRENT LIABILITIES

Accrued liabilities	\$ 4,568
FSS escrow	<u>1,743</u>
 Total Noncurrent Liabilities	 <u>\$ 6,311</u>

NET ASSETS

Invested in capital assets	\$ 61,303
Restricted	476,641
Unrestricted	<u>710,023</u>
 Total Net Assets	 <u>\$ 1,247,967</u>

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

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

Operating Income

HUD grants - operating	\$ 5,538,433
Fraud recovery	74,600
Other revenue	18,380
Gain/loss on sale of fixed assets	<u>-96</u>
 Total Operating Income	 <u>\$ 5,631,317</u>

Operating Expenses

Administrative expense	\$ 609,424
Tenant services	27,591
Utilities	6,253
Ordinary maintenance and operation	8,272
General expense	34,932
Housing assistance payments	5,263,183
Depreciation expense	<u>25,935</u>
 Total Operating Expenses	 <u>\$ 5,975,590</u>
 Net Operating Income (Loss)	 <u>\$ -344,273</u>

Nonoperating Income (Expense)

Interest income	<u>27,114</u>
 Changes in net assets	 \$ -317,159
Net assets, beginning of year	1,585,988
Prior period adjustments	<u>-20,862</u>
 Net assets, end of year	 <u>\$ 1,247,967</u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

Operating Activities

Operating grants	\$ 5,495,350
Other revenue	92,884
Housing assistance payments	-5,263,183
Payments to employees	-390,014
Payments to suppliers and contractors	<u>-385,429</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -450,392</u>

Investing Activities

Interest income	<u>\$ 23,210</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 23,210</u>

Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -42,501</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -42,501</u>

Net Change in Cash	\$ -469,683
Cash Balance at March 31, 2008	<u>1,604,216</u>
Cash Balance at March 31, 2009	<u><u>\$ 1,134,533</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

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

Net operating income (loss)	\$ -344,273
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	25,935
Adjustments to net assets	-20,862
(Increase) decrease in accounts receivable	-85,372
(Increase) decrease in other assets	-3,834
Increase (decrease) in accounts payable	-8,677
Increase (decrease) in accrued liabilities	440
Increase (decrease) in other liabilities	<u>-13,749</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -450,392</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Lafayette was established by the City of Lafayette 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.

As of April 1, 2009 the Housing Authority of the City of Lafayette absorbed the annual contributions contract of the Housing Authority of the City of West Lafayette. As a result of the absorption, the Housing Authority obtained all assets of the Housing Authority of the City of West Lafayette as well as the responsibility for all liabilities and contract obligations.

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 Lafayette and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the 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 Lafayette is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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 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. This is not a formal policy, but has consistently been the practice followed.

(d) Funds -

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

- * Section 8 Choice Vouchers
- * 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. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

(e) Cash and Cash Equivalents -

Although no formal policy has been adopted, 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 1 month or less when purchased to be cash equivalents.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies (Continued)

(f) 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 one thousand five hundred dollars (\$1,500) 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) Nonexpendable equipment, and
- 2) property betterments and additions

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:

Equipment	3-10	years
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(g) Income Tax -

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

(h) Annual Contributions/Subsidies and Other Grants -

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	\$ 1,132,970	\$ 1,155,160
Disaster Housing Assistance Grant	<u>1,563</u>	<u>1,563</u>
Total	<u>\$ 1,134,533</u>	<u>\$ 1,156,723</u>

Note 3 - Compensated Absences

Vacation Leave

The Housing Authority allows regular full-time employees to earn vacation time. The method of earning is seniority based, rewarding those for long-term service. The following is a table of the vacation amounts:

<u>Service Requirements</u>	<u>Annual Hours Earned</u>	<u>Maximum Buy-Out Allowed After Carry-Over</u>
0-4 years	75 hours	0 hours
5-9 years	112.5 hours	37.5 hours
10-14 years	150 hours	75 hours
15 or more years	187.50 hours	75 hours

Vacation time will be allotted on a calendar basis. During the first year of employment, vacation time will be earned at the rate of 6.25 hours per month. Newly hired employees will not be eligible for vacation until successful completion of the probationary period.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 3 - Compensated Absences

Sick Leave

Sick leave is a benefit provided to regular full-time employees of the Housing Authority to protect against loss of income during periods of illness/injury. Sick leave begins the date of hire and will be provided after six months of probation at the rate shown below. Employees are not allowed to use sick time until successful completion of their probationary period.

<u>New Employee 1st Year Sick Leave Based on Hire Month</u>	<u>Sick Leave</u>
January and February	45 hours
March and April	37.5 hours
May and June	30 hours
July and August	22.5 hours
September and October	15 hours
November and December	7.5 hours

Note 4 - Defined Contribution Plan

All eligible employees of the Authority are required to participate and be enrolled in the Indiana Public Employees Retirement Fund (PERF). The terms, conditions, benefits, eligibility requirements and contributions rates for PERF are defined by statute and/or the fund. The Lafayette Housing Authority contributes 5% of eligible salaries and the employee contribute 3% of eligible salaries.

The Authority is required to maintain and update a listing for all positions eligible for PERF coverage.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Security deposit note receivable	\$ 3,889
Accounts receivable - HUD	49,618
Accounts receivable - other	<u>41,940</u>
Subtotal	\$ 95,447
Interfund	<u>5,569</u>
Total	<u>\$ 101,016</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 6 - Deferred Charges

This classification includes the following:

Other deferred charges	\$ <u>3,834</u>
------------------------	-----------------

Note 7 - Fixed Assets

Balance as of March 31, 2009	\$ 61,303
Balance as of March 31, 2008	<u>44,737</u>
Net Increase (Decrease)	<u>\$ 16,566</u>

Reconciliation

Additions	\$ 45,104
Dispositions	-96
Adjustment to basis	-2,507
Current year depreciation expense	<u>-25,935</u> *
Net Increase (Decrease)	<u>\$ 16,566</u>

<u>Analysis</u>	<u>04/01/2008 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>03/31/09 Balance</u>
Equipment	\$ <u>198,520</u>	\$ <u>43,540</u>	\$ <u>30,677</u>	\$ <u>211,383</u>
Total Assets	\$ 198,520	\$ 43,540	\$ 30,677	\$ 211,383
Accumulated depreciation	<u>-153,783</u>	<u>30,581</u>	<u>26,878</u>	<u>-150,080</u>
Total Net Assets	<u>\$ 44,737</u>	<u>\$ 74,121</u>	<u>\$ 57,555</u>	<u>\$ 61,303</u>

* Current year depreciation expense recognized.

Note 8 - Accounts Payable

This classification includes the following accounts:

Payroll withholding	\$ <u>6,063</u>
Subtotal	\$ 6,063
Interfund	<u>5,569</u>
Total	<u>\$ 11,632</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 8 - Accrued Liabilities

Accrued liabilities at March 31, 2009 consists of the following:

Current Portion:

Accrued compensated absences	\$ 26,792
Accrued wages	<u>8,162</u>
Total Current Portion	\$ 34,954

Noncurrent Portion:

Accrued compensated absences	<u>4,568</u>
Total	<u><u>\$ 39,522</u></u>

Note 9 - Accrued Liabilities

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.

Note 10 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2009:

	04/01/2008			03/31/2009
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absences	\$ 5,324	\$ 0	\$ 756	\$ 4,568
FSS escrow	<u>15,492</u>	<u>0</u>	<u>13,749</u>	<u>1,743</u>
Total	<u><u>\$ 20,816</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 14,505</u></u>	<u><u>\$ 6,311</u></u>

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Other - grant revenue deferred	<u><u>\$ 5,000</u></u>
--------------------------------	------------------------

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 12 - Contingencies

Federal Grants

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

Note 13 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment to admin fees	\$ -21,024
Adjustment to basis	-107
Adjustment to cash equivalents	<u>269</u>
	<u>\$ -20,862</u>

Note 14 - Risk Management

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

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

Note 15 - Economic Dependency

The Housing Authority received most of its revenue (98%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

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

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE TWELVE MONTHS ENDED MARCH 31, 2009**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice - Voucher Program*	14.871	C-2031	FYE 03/31/09	\$ 5,532,864	\$ 5,532,864	\$ 5,532,864
Disaster Assistance Housing Grant	97.109	C-2031	FYE 3/31/09	\$ 5,569	\$ 5,569	\$ 5,569
Total Housing Assistance				<u>\$ 5,538,433</u>	<u>\$ 5,538,433</u>	<u>\$ 5,538,433</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED MARCH 31, 2009**

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.

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 Lafayette
Lafayette, Indiana

I have audited the financial statements of the governmental activities of Housing Authority of the City of Lafayette as of and for the year ended March 31, 2009, which collectively comprise the Housing Authority of the City of Lafayette's basic financial statements and have issued my report thereon dated November 25, 2009. 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 Lafayette'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 Lafayette's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Lafayette'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 Lafayette'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 Lafayette's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Lafayette'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 Lafayette'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 Lafayette'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 Lafayette, in a separate letter dated November 25, 2009

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
November 25, 2009



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 Lafayette
Lafayette, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Lafayette 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, 2009. Housing Authority of the City of Lafayette'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 Lafayette's management. My responsibility is to express an opinion on Housing Authority of the City of Lafayette'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 Lafayette'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 Lafayette's compliance with those requirements.

In my opinion, Housing Authority of the City of Lafayette 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, 2009. The results of my auditing procedures disclosed instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Housing Authority of the City of Lafayette 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 Lafayette'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 Lafayette'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.

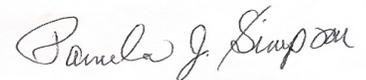
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 Lafayette in a separate letter dated November 25, 2009

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.

Decatur, Illinois
November 25, 2009



Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2008 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2009**

Section I - Summary of Auditor's Results

Low Risk Auditee X _____ yes _____ no

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X _____ no

* Significant deficiency (ies) identified that are not
considered to be material weaknesses? _____ yes X _____ none reported

Noncompliance material to financial statements noted _____ yes X _____ no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X _____ no

* Significant deficiency (ies) identified that are not
considered to be material weaknesses? _____ yes X _____ none reported

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

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

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

Housing Choice Voucher Program 14.871

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

FINDINGS, RECOMMENDATIONS AND REPLIES

Section II - Financial Statement Findings

There were no audit findings discussed with Ms. Edie Pierce-Thomas, Executive Director, Albert Davis, Director of Finance, Vida Hoyer, Deputy Director and members of the Board, during the course of the audit or at an exit conference held November 25, 2009.

Section II - Federal Award Findings

There were no audit findings discussed with Ms. Edie Pierce-Thomas, Executive Director, Albert Davis, Director of Finance, Vida Hoyer, Deputy Director and members of the Board, during the course of the audit or at an exit conference held November 25, 2009.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2009**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued interest receivable	1145	\$ 5,178.06		1145
FSS escrow	1165	4,299.08		1165
Security deposit micro loan	1169.99	760.51		1169.99
Secure deposit note	1131		\$ 491.00	1131
FSS checking	1165.01		4,297.08	1165.01
Other general expense	4590		2.00	2806
Huntington Bank CD	1162.20		4,900.00	1162.20
Operating reserve interest CD	3300.01		278.06	2806
Unreserved surplus	2810		269.51	2806
(To adjust cash and investment accounts to actual)				
(2)				
PERF withholding	2117.51	\$ 2,926.53		2117.51
Prepaid rent	---	3,563.00		---
HSA employee contribution	2117.6	425.00		2117.6
TDA withholding	2117.53	420.00		2117.53
Auto maintenance	4450	30.74		2806
Commission fees	4560	125.00		2806
Staff training	4140	329.00		2806
Employee benefits contribution	4540	5,853.05		2806
Temporary service	4110.20	150.00		2806
Telephone	4190.10	464.02		2806
Travel	4150	36.85		2806
Accounting	4170	67.60		2806
Postage	4190.2	2,500.00		2806
Sundry	4190	15.08		2806
Maintenance/contract costs	4430	13.12		2806
Vendor accounts payable	2111		\$ 16,918.99	2111
(To reclassify 03/31/09 checks written)				
(3)				
HAP	4715	\$ 300.00		2806
Vendor accounts payable	2111		\$ 300.00	2111
(To adjust loan balance - prior year check #1074 not properly recorded)				
(4)				
Cash (vendor payable acct)	1111.12	\$ 4,619.83		1111.12
Vendor payable	2111		\$ 4,619.83	2111
(To correct JV100312)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2009**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(5)				
Vendor accounts payable	2111	\$ 11,638.86		2111
Employee benefits	4540		\$ 9,045.05	2806
Perf withholding	2117.51	3,101.19		2117.51
Loss on disposal	6120		2,400.00	2806
Training	4140		3,295.00	2806
(To reverse 03/31/08 vendor payable)				
(6)				
Depreciation expense	4800		\$ 943.61	2806
Loss on disposal	6120	\$ 943.61	106.83	2806
Prior period adjustment	2806	106.83		2806
(To reclassify posting of entries to correct asset basis)				
(7)				
Cash - Bank One general	1111.10	\$ 25,300.57		1111.10
PYA - NARR	6020		\$ 25,300.57	2806
(To reverse transfer recorded twice in error)				
(8)				
HUD grant - HAP	3401.10	\$ 4,507.00		2806
Accounts receivable - HUD	1125	49,618.00		1125
Admin fees - other	3480	880.00		2806
Admin fees earned	3401		\$ 48,926.00	2806
Accounts payable - DHAP	----		4,965.00	----
Bank One general fund	1111.10		510.00	1111.10
Accounts payable - DHAP	----		604.00	----
(To adjust HUD subsidy to actual)				
<u>DHAP</u>				
(1)				
Accounts receivable - VO	----	\$ 5,569.00		----
DHAP admin fees	3501		\$ 4,965.00	2806
HUD grant DHAP	3501.10		604.00	2806
(To record DHAP subsidy on the books)				

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Lafayette as of and for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Lafayette's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Lafayette's internal control.

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

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

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

1. Current internal control policies do not require retention of original invoices for credit card purchases. With no supporting documentation retained, the allowability of these expenditures cannot be determined.
2. Personnel policy and internal control policy requires all expenses for travel are substantiated by a travel/expense report within one week of travel. In my examination of travel expenditures I noted at least 3 instances in the fiscal year when a per diem check was issued and no subsequent report was received. If expenditures of per diem amounts are not substantiated, the per diem received is taxable income per IRS guidelines. The policies covering travel expenditures should be reviewed by all personnel.

3. During my test of HAP files, I noted several methods used to anticipate wages. Effective internal control procedures should be developed to provide a consistent method of anticipating earned income in the future.
4. In some participant files examined it was noted that the Housing Authority does not require medical deductions when there has been no expenditure.

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

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
November 25, 2009