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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, 2009 to March 31, 2010. 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, 2010 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**

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

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**TWELVE MONTHS ENDED MARCH 31, 2010**

**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, 2010, 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.

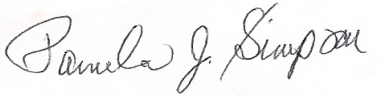
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Lafayette, as of March 31, 2010 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 29, 2010, 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.

Decatur, Illinois  
September 29, 2010



Certified Public Accountant

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2010**

**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, 2010. 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, 2010**

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, 2010, the program had no participants.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2010**

***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.

***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, 2010**

**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, 2011 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 2010 the amount was \$1,095,606. This represents a net decrease of \$204,889.

**Cash** decreased by \$230,543 or 20%. Cash decreased do to greater utilization of Net Restricted Account for Housing Assistance Program Payments.

**Other Current Assets** increased by \$30,569. The Authority initiated the recognition of Accounts Receivables relating to Fraud Recovery on an accrual accounting basis.

**Capital Assets** decreased by \$4,915 or 8%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased \$14,159 or 31%. The major cause of this was a decrease in accounts payable liability.

**Long Term Liabilities** increased by \$20,967 or 332%. The Authority reclassified short term absences to long term.

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2010**

The table below illustrates our analysis:

	<u>2010</u>	<u>2009</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	904,190	1,134,533	(230,343)	-20%
Other Current Assets	135,028	104,459	30,569	29%
Capital Assets	56,388	61,303	(4,915)	-8%
<b>Total Assets</b>	<b>1,095,606</b>	<b>1,300,295</b>	<b>(204,689)</b>	<b>-16%</b>
Current Liabilities	31,858	46,017	(14,159)	-31%
Long Term Liabilities	27,278	6,311	20,967	332%
<b>Total Liabilities</b>	<b>59,136</b>	<b>52,328</b>	<b>6,808</b>	<b>13%</b>
Net Invested in Capital Assets	56,388	61,303	(4,915)	-8%
Restricted Net Assets	235,993	476,641	(240,648)	-51%
Unrestricted Net Assets	744,089	710,023	34,066	5%
<b>Total Net Assets</b>	<b>1,036,470</b>	<b>1,247,967</b>	<b>(211,497)</b>	<b>-17%</b>

***Analysis of Entity Wide Revenues***

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2010 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Section 8 Housing Vouchers	\$6,307,693

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, 2010 of \$6,311,323. Comparatively, revenues were increased by \$652,892 from Fiscal Year Ending 2009 to Fiscal Year Ending 2010.

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>Percentage Change</u>
HUD Operating Grants	6,211,541	5,538,433	673,108	12%
Investment Income	21,491	13,418	8,073	60%
Fraud Recovery	73,467	74,600	(1,133)	-2%
Other Revenue	4,824	18,380	(13,556)	-74%
Gain/Loss on Sale of Fixed Assets	0	(96)	96	100%
Investment Income	0	13,696	(13,696)	-100%
<b>Total Revenue</b>	<b>6,311,323</b>	<b>5,658,431</b>	<b>652,892</b>	<b>12%</b>

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2010**

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending March 31, 2009 were \$5,975,590 as compared to \$6,514,279 of total expenditures for Fiscal Year Ending March 31, 2010. Comparatively, Fiscal Year Ending 2010 expenditures exceeded Fiscal Year Ending 2009 expenditures by \$538,689. Changes by major expense category will be presented below.

**Administrative** expenditures increased by \$9,058 or 10%. The major cause for this increase is the Authority added personal in operations.

**Tenant Services** expenditures increased by \$3,103 or 11%. This was due to the increase in the FSS grant for salaries.

**Ordinary Maintenance and Operation** expenditures increased by \$4 which is not significant.

**General Expense** decreased \$1,463 or 4%. Other general expenses experienced a decrease.

**Housing Assistance Payments** increased by \$531,364 or 10% due mostly to the addition of the 106 Bridgeway Apartments units, a project-based Section Eight contract that was acquired last fiscal year.

The table below illustrates our analysis:

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	618,482	609,424	9,058	2%
Tenant Services	30,694	27,591	3,103	11%
Utilities	5,894	6,253	(359)	-6%
Ordinary Maintenance and Operation	8,276	8,272	4	0%
General Expense	33,469	34,932	(1,463)	-4%
Housing Assistance Payments	5,794,547	5,263,183	531,364	10%
Depreciation Expense	26,547	25,935	612	2%
<b>Total Expenses</b>	<u><u>6,517,909</u></u>	<u><u>5,975,590</u></u>	<u><u>542,319</u></u>	<u><u>9%</u></u>

**HOUSING AUTHORITY OF THE CITY OF LAFAYETTE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2010**

**ANALYSIS OF CAPITAL ASSET ACTIVITY**

**Furniture, Equipment & Machinery – Administration** increased by a net amount \$21,632 or 10%. The following is a list of the assets purchased under this category during the fiscal year ending March 31, 2010:

Printer	\$ 1,263
Fax Machine	899
Phone System	14,080
Elite Software	5,390

**Accumulated Depreciation** increased by \$26,547. This is the amount of current year depreciation expense.

	2010	2009	Variance	Percentage Change
Furniture, Equipment, & Machinery - Administrative	233,015	211,383	21,632	10%
Leasehold Improvements	0	0	0	0%
<b>Total Fixed Assets</b>	<b>233,015</b>	<b>211,383</b>	21,632	<b>10%</b>
Accumulated Depreciation	176,627	150,080	26,547	18%
<b>Net Fixed Assets</b>	<b>56,388</b>	<b>61,303</b>	<b>(4,915)</b>	-8%

**OUTSTANDING DEBT**

The Lafayette Housing Authority had no debt during 2010 or 2009.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF MARCH 31, 2010**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 668,197
Accounts receivable	129,850
Accrued interest receivable	<u>5,178</u>

Total Current Assets \$ 803,225

**RESTRICTED ASSETS**

Cash	\$ <u>235,993</u>
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Total Restricted Assets \$ 235,993

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 233,015
Less: Accumulated depreciation	<u>-176,627</u>

Net Capital Assets \$ 56,388

Total Assets \$ 1,095,606

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 1,383
Accrued liabilities	25,475
Deferred revenues	<u>5,000</u>

Total Current Liabilities \$ 31,858

**NONCURRENT LIABILITIES**

Accrued liabilities	\$ <u>27,278</u>
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Total Noncurrent Liabilities \$ 27,278

**NET ASSETS**

Invested in capital assets	\$ 56,388
Restricted	235,993
Unrestricted	<u>744,089</u>

Total Net Assets \$ 1,036,470

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, 2010**

Operating Income

HUD grants - operating	\$ 6,211,541
Fraud recovery	73,467
Other revenue	<u>4,824</u>
 Total Operating Income	 <u>\$ 6,289,832</u>

Operating Expenses

Administrative expense	\$ 618,482
Tenant services	30,694
Utilities	5,894
Ordinary maintenance and operation	8,276
General expense	33,469
Housing assistance payments	5,790,917
Depreciation expense	<u>26,547</u>
 Total Operating Expenses	 <u>\$ 6,514,279</u>
 Net Operating Income (Loss)	 <u>\$ -228,077</u>

Nonoperating Income (Expense)

Interest income	<u>21,491</u>
 Changes in net assets	 \$ -206,586
Net assets, beginning of year	1,247,967
Prior period adjustments	<u>-4,911</u>
 Net assets, end of year	 <u>\$ 1,036,470</u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2010**

Operating Activities

Operating grants	\$ 6,220,929
Other revenue	74,661
Housing assistance payments	-5,790,917
Payments to employees	-407,126
Payments to suppliers and contractors	<u>-327,749</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -230,202</u>

Investing Activities

Interest income	<u>\$ 21,491</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 21,491</u>

Capital and Related Financing Activities

(Additions) deletions to fixed assets	<u>\$ -21,632</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -21,632</u>

Net Change in Cash	\$ -230,343
Cash Balance at March 31, 2009	<u>1,134,533</u>
Cash Balance at March 31, 2010	<u><u>\$ 904,190</u></u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2010**

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

Net operating income (loss)	\$ -228,077
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	26,547
Adjustments to net assets	-4,911
(Increase) decrease in accounts receivable	-34,403
(Increase) decrease in other assets	3,834
Increase (decrease) in accounts payable	2,862
Increase (decrease) in accrued liabilities	5,689
Increase (decrease) in other liabilities	<u>-1,743</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -230,202</u>



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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010**

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, 2010 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 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 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.

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

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of 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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(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

Although a formal policy has not been adopted, in financial statement preparation 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:

- \* 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 -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (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, 2010  
(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
-----------	------	-------

(g) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies (Continued)

(h) Income Tax -

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

(i) 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.

(j) 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.

(k) 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.

(l) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

(m) Rental income is recognized as rents become due.

(n) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

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 \$250,000 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.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*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.

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	<u>\$ 904,190</u>	<u>\$ 904,190</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

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.

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 1<sup>st</sup> 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. Total contributions for fiscal year was \$32,613. Total annual payroll expense was \$387,355.

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

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Security deposit note receivable	\$ 2,827
Fraud recovery	86,793
Accounts receivable - HUD	<u>40,230</u>
Total	<u>\$ 129,850</u>

Note 6 - Fixed Assets

Balance as of March 31, 2010	\$ 56,388
Balance as of March 31, 2009	<u>61,303</u>
Net Increase (Decrease)	<u>\$ -4,915</u>

Reconciliation

Additions	\$ 21,632
Current year depreciation expense	<u>-26,547</u> *
Net Increase (Decrease)	<u>\$ -4,915</u>

<u>Analysis</u>	<u>04/01/2009 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>03/31/10 Balance</u>
Equipment	\$ 211,383	\$ 21,632	\$ 0	\$ 233,015
Total Assets	\$ 211,383	\$ 21,632	\$ 0	\$ 233,015
Accumulated depreciation	<u>-150,080</u>	<u>0</u>	<u>26,547</u> *	<u>-176,627</u>
Total Net Assets	<u>\$ 61,303</u>	<u>\$ 21,632</u>	<u>\$ 26,547</u>	<u>\$ 56,388</u>

\* Current year depreciation expense recognized.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 7 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 364
Other	<u>1,019</u>
Total	<u>\$ 1,383</u>

Note 8 - Accrued Liabilities

Accrued liabilities at March 31, 2010 consists of the following:

Current Portion:

Accrued compensated absences	\$ 6,388
Accrued wages and payroll taxes	<u>19,087</u>
Total Current Portion	\$ 25,475

Noncurrent Portion:

Accrued compensated absences	<u>27,278</u>
Total	<u>\$ 52,753</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, 2010:

	04/01/2009			03/31//2010
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absences	\$ 4,568	\$ 22,710	\$ 0	\$ 27,278
FSS escrow	<u>1,743</u>	<u>0</u>	<u>1,743</u>	<u>0</u>
Total	<u>\$ 6,311</u>	<u>\$ 22,710</u>	<u>\$ 1,743</u>	<u>\$ 27,278</u>



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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2010  
(CONTINUED)**

Note 11 - Deferred Revenue

This classification consists of the following accounts:

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

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 accrued wages	\$ 1,939
Remittance for DHAP	282
Adjustment to accounts payable - HUD - subsidy	<u>-7,132</u>
	<u>\$ -4,911</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, 2010**

<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 03/31/10	\$ <u>6,211,541</u>	\$ <u>6,211,541</u>	\$ <u>6,211,541</u>
Total Housing Assistance				\$ <u>6,211,541</u>	\$ <u>6,211,541</u>	\$ <u>6,211,541</u>

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED MARCH 31, 2010**

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, 2010, which collectively comprise the Housing Authority of the City of Lafayette's basic financial statements and have issued my report thereon dated September 29, 2010. 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.

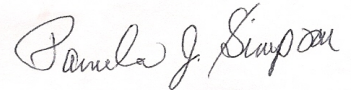
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any 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 September 29, 2010

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois  
September 29, 2010

# 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, 2010. 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, 2010. 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 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.

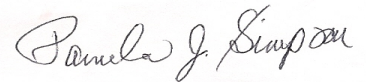
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 September 29, 2010

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  
September 29, 2010



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, 2009 contained no findings.



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2010**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report: Unqualified

\* Material weakness(es) identified? \_\_\_\_\_ yes X no

\* Significant deficiency (ies) identified? \_\_\_\_\_ 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? \_\_\_\_\_ 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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? X yes \_\_\_\_\_ no

**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 Albert Davis, Interim Director and members of the Board, during the course of the audit or at an exit conference held September 29, 2010.

**Section II - Federal Award Findings**

There were no audit findings discussed with Albert Davis, Interim Director and members of the Board, during the course of the audit or at an exit conference held September 29, 2010.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Admin wages	4110	\$ 16,951.55		2806
Employee benefits	4540		\$ 16,951.55	2806
(To correct posting of JE 100880)				
(2)				
Social security w/h	2117.10		\$ 1,785.40	2117.10
Medicare withholding	2117.15		416.86	2117.15
Federal withholding	2117.20		1,520.69	2117.20
State withholding	2117.30		451.56	2117.30
Local tax	2117.35		158.92	2117.35
Perf withholding	2117.51	\$ 2,543.79		2117.51
HAS withholding	2117.60	425.00		2117.60
Undistributed payroll	2119.95	4,122.74		2119.95
Accounts payable - misc	2119.90	72,065.00		2119.90
Accounts receivable - other	1129		44,403.65	1129
Accrued payroll	2134		14,225.00	2134
Accounts payable - vendor	2111		17,319.99	2111
Prepaid rent	2240	3,563.00		2240
Employee benefits	4540		2,437.46	2806
(To reverse JE 101504)				
(3)				
Accrued payroll	2134	\$ 8,161.61		2134
Admin wages	4110		\$ 8,161.61	2806
(To reverse prior year accrued liabilities)				
(4)				
Admin wages	4110	\$ 11,545.23		2806
Accrued payroll	2134		\$ 11,545.23	2134
(To set up current year accrued liabilities)				
(5)				
Accrued wages	2134	\$ 6,063.39		2134
Prior period adjustments	2806		\$ 6,063.39	2806
(To post prior year adjustment)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(6)				
Social security	2117.10	\$ 905.71		2117.10
Medicare withholding	2117.15	210.51		2117.15
Federal withholding	2117.20	351.69		2117.20
State withholding	2117.30		\$ 457.06	2117.30
Local tax	2117.35		141.68	2117.35
Employee benefits	4540		869.17	2806
(To adjust withholding to actual per statement)				
(7)				
Accounts payable - misc	2119.90		\$ 72,065.00	2119.90
Cash - Bank One	1111.10	\$ 32,002.00		1111.10
Accounts receivable	1129	40,063.00		1129
(To remove JE 100650 and JE 100651 written for checks that cleared bank month early and remove JE 101413 and 101414 written for payroll transfer)				
(8)				
Unrestricted surplus	2806	\$ 4,122.74		2806
Undistributed payroll	2119.95		\$ 4,122.74	2119.95
(To reverse prior AJE and remove JE 100177)				
(9)				
PERF withholding	2117.51		\$ 2,963.53	2117.51
Prepaid rent	2240		3,563.00	2240
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	\$ 16,955.99		2111
(To reverse prior audit adjustment to vendor payable)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(10)				
HAP	4715	\$ 3,394.00		2806
Accounts payable - vendor	2111		\$ 3,394.00	2111
(To correct entry JE 101501)				
(11)				
Interfund	1157	\$ 5,569.00		1157
Accounts receivable - other	1129	5,569.00		1129
Undesignated fund balance	2806		\$ 11,138.00	2806
(To close out Interfund with DHAP)				
(12)				
Depreciation expense	4800	\$ 943.61		2806
Gain/loss on sale of equipment	6120		\$ 836.78	2806
Undesignated fund balance	2806		106.83	2806
(To reverse audit adjustment posted twice)				
(13)				
Fraud recovery	3300.10	\$ 63,834.30		2806
General fund (dev/operations)	1111.10		\$ 34,177.57	1111.10
Section 8 repayments	1129.75		29,656.73	1129.75
(To adjust cash and repayment receivable for the postings of prior years repayments)				
(14)				
Huntington Bank CD's	1162.20	\$ 13,376.10		1162.20
Operating reserve interest	3300.01		\$ 13,376.10	2806
(To adjust CD's to actual)				
(15)				
Accounts receivable - HUD	1125	\$ 40,230.00		1125
HUD grant HAP	3401.10		\$ 14,609.00	2806
Revenue - FSS grants	3405		3,301.00	2806
Admin fees earned	3401		25,621.00	2806
Accounts receivable - other	1129	3,301.00		1129
(To adjust HUD subsidy to actual per HUD notices)				
(16)				
Payroll checking	1111.11	\$ 4,533.35		1111.11
Security deposit micro loans	1169.99	2,272.49		1169.99
Security deposit note	1131		\$ 983.00	1131
Accounts receivable - other	1129		5,822.84	1129
(To adjust accounts per reconciliation provided by Housing Authority)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2010**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(17)				
Fraud recovery	3300.10	\$ 30,439.00		2806
General fund (dev/operations)	1111.10		\$ 30,439.00	1111.10
(To adjust cash for receivables set up through revenues)				
 <u>DHAP</u>				
(1)				
Undesignated fund balance	2806	\$ 7,132.00		2806
Accounts receivable - VO	1157		\$ 5,569.00	1157
General fund (dev/operations)	1111.10		1,563.00	1111.10
(To adjust balances to actual)				

Housing Authority of the City of Lafayette (IN071)  
Lafayette, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	97.109 Disaster Housing Assistance Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$668,197	\$668,197		\$668,197
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$235,993	\$235,993		\$235,993
114 Cash - Tenant Security Deposits					
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$0	\$904,190	\$904,190		\$904,190
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects		\$40,230	\$40,230		\$40,230
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants					
126.1 Allowance for Doubtful Accounts - Tenants					
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current		\$2,827	\$2,827		\$2,827
128 Fraud Recovery		\$86,793	\$86,793		\$86,793
128.1 Allowance for Doubtful Accounts - Fraud		\$0	\$0		\$0
129 Accrued Interest Receivable		\$5,178	\$5,178		\$5,178
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$135,028	\$135,028		\$135,028
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets					
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$0	\$1,039,218	\$1,039,218		\$1,039,218
161 Land					
162 Buildings					
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration		\$233,015	\$233,015		\$233,015
165 Leasehold Improvements					
166 Accumulated Depreciation		-\$176,627	-\$176,627		-\$176,627
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$56,388	\$56,388		\$56,388
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$0	\$56,388	\$56,388		\$56,388
190 Total Assets	\$0	\$1,095,606	\$1,095,606		\$1,095,606

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	97.109 Disaster Housing Assistance Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					
312 Accounts Payable <= 90 Days		\$364	\$364		\$364
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable		\$19,087	\$19,087		\$19,087
322 Accrued Compensated Absences - Current Portion		\$6,388	\$6,388		\$6,388
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits					
342 Deferred Revenues		\$5,000	\$5,000		\$5,000
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities		\$1,019	\$1,019		\$1,019
346 Accrued Liabilities - Other					
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$0	\$31,858	\$31,858		\$31,858
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current		\$27,278	\$27,278		\$27,278
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$27,278	\$27,278		\$27,278
300 Total Liabilities	\$0	\$59,136	\$59,136		\$59,136
508.1 Invested In Capital Assets, Net of Related Debt		\$56,388	\$56,388		\$56,388
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets		\$235,993	\$235,993		\$235,993
512.1 Unrestricted Net Assets	\$0	\$744,089	\$744,089		\$744,089
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$0	\$1,036,470	\$1,036,470		\$1,036,470
600 Total Liabilities and Equity/Net Assets	\$0	\$1,095,606	\$1,095,606		\$1,095,606



Housing Authority of the City of Lafayette (IN071)  
Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	97.109 Disaster Housing Assistance Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue					
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$0	\$0	\$0		\$0
70600 HUD PHA Operating Grants		\$6,211,541	\$6,211,541		\$6,211,541
70610 Capital Grants					
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants					
71100 Investment Income - Unrestricted		\$10,746	\$10,746		\$10,746
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$73,467	\$73,467		\$73,467
71500 Other Revenue		\$4,824	\$4,824		\$4,824
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted		\$10,745	\$10,745		\$10,745
70000 Total Revenue	\$0	\$6,311,323	\$6,311,323		\$6,311,323
91100 Administrative Salaries		\$356,661	\$356,661		\$356,661
91200 Auditing Fees		\$6,520	\$6,520		\$6,520
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing		\$579	\$579		\$579
91500 Employee Benefit contributions - Administrative		\$129,517	\$129,517		\$129,517
91600 Office Expenses		\$80,407	\$80,407		\$80,407
91700 Legal Expense		\$6,929	\$6,929		\$6,929
91800 Travel		\$3,143	\$3,143		\$3,143
91810 Allocated Overhead					
91900 Other		\$34,726	\$34,726		\$34,726
91000 Total Operating - Administrative	\$0	\$618,482	\$618,482		\$618,482
92000 Asset Management Fee					
92100 Tenant Services - Salaries		\$30,694	\$30,694		\$30,694
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other					
92500 Total Tenant Services	\$0	\$30,694	\$30,694		\$30,694

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	97.109 Disaster Housing Assistance Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
93100 Water					
93200 Electricity					
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense		\$5,894	\$5,894		\$5,894
93000 Total Utilities	\$0	\$5,894	\$5,894		\$5,894
94100 Ordinary Maintenance and Operations - Labor					
94200 Ordinary Maintenance and Operations - Materials and Other					
94300 Ordinary Maintenance and Operations Contracts		\$8,276	\$8,276		\$8,276
94500 Employee Benefit Contributions - Ordinary Maintenance					
94000 Total Maintenance	\$0	\$8,276	\$8,276		\$8,276
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0		\$0
96110 Property Insurance					
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance		\$4,477	\$4,477		\$4,477
96100 Total insurance Premiums	\$0	\$4,477	\$4,477		\$4,477
96200 Other General Expenses		\$2,053	\$2,053		\$2,053
96210 Compensated Absences		\$26,939	\$26,939		\$26,939
96300 Payments in Lieu of Taxes					
96400 Bad debt - Tenant Rents					
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$0	\$28,992	\$28,992		\$28,992
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0		\$0
96900 Total Operating Expenses	\$0	\$696,815	\$696,815		\$696,815
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$5,614,508	\$5,614,508		\$5,614,508

Housing Authority of the City of Lafayette (IN071)  
Lafayette, IN

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	97.109 Disaster Housing Assistance Grant	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$5,790,917	\$5,790,917		\$5,790,917
97350 HAP Portability-In		\$3,630	\$3,630		\$3,630
97400 Depreciation Expense		\$26,547	\$26,547		\$26,547
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$0	\$6,517,909	\$6,517,909		\$6,517,909
10010 Operating Transfer In					
10020 Operating transfer Out					
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	-\$206,586	-\$206,586		-\$206,586
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$7,132	\$1,240,835	\$1,247,967		\$1,247,967
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$7,132	\$2,221	-\$4,911		-\$4,911
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		\$800,477	\$800,477		\$800,477
11180 Housing Assistance Payments Equity		\$235,993	\$235,993		\$235,993
11190 Unit Months Available	0	14160	14160		14160
11210 Number of Unit Months Leased	0	14360	14360		14360
11270 Excess Cash					
11610 Land Purchases					
11620 Building Purchases					
11630 Furniture & Equipment - Dwelling Purchases					
11640 Furniture & Equipment - Administrative Purchases					
11650 Leasehold Improvements Purchases					
11660 Infrastructure Purchases					
13510 CFFP Debt Service Payments					
13901 Replacement Housing Factor Funds					

# **PAMELA J. SIMPSON, C.P.A.**

**433 WEST PERSHING ROAD**

**DECATUR, ILLINOIS 62526**

**(217) 872-1908**

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, 2010, 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. Due to recent changes in management personnel, it will necessary for the Housing Authority to review, in detail, the current policies and procedures in place. With the changes in personnel, a realignment of duties and responsibilities will also be necessary.

In addition to the reviewing and revising current policies/procedures, I suggest that the written manual be expanded to include the extent that outside consultants will be used to enhance internal controls. The policies should include the detail of level of responsibility the fee accountant is assuming in the preparation and review of the year end financial statements as compared to the level responsibility the housing is authority is maintaining. The written procedures should indicate who will prepare and maintain copies of year end schedules, journal entries and reconciliations. However the Housing Authority management should keep in mind that you have the ultimate responsibility for preparation of accurate and complete financial statements.

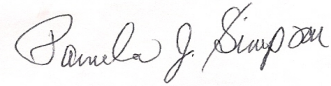
A more detailed written manual will aid in the training of new staff and assure management of consistency in policy application as well as accurate financial reporting.



2. During the test of thirty-six Section 8 files, the following items were noted: a) verification of self employment used from a tax return was incorrect for one file, b) a second file had no follow up on divorce decree where participant owned half of marital home, and c) a third file had child support income that was not properly verified.

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.

Decatur, Illinois  
September 29, 2010



Certified Public Accountant