



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

B45310

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 21, 2015

Board of Commissioners
Housing Authority of the City of Lafayette
100 Executive Drive, Suite J
Lafayette, IN 47905

We have reviewed the audit report prepared by Sailor Khan & Co, LLC, Independent Public Accountants, for the period April 1, 2011 to March 31, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Lafayette, as of March 31, 2012 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
LAFAYETTE, INDIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
Lafayette, Indiana

TABLE OF CONTENTS

MARCH 31, 2012

	<u>Page</u>
Section I - Auditor's Report and Management's Discussion and Analysis	
Independent Auditor's Report	i-ii
Management's Discussion and Analysis (unaudited)	iii-viii
Section II - Financial Statements and Notes to Financial Statements	
Basic Financial Statements:	
Statement of Net Assets	1-2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Basic Financial Statements	5-14
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	15
Financial Data Schedule	Exhibit A
Section III - Reports on Compliance and on Internal Control	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	3-4
Significant Deficiencies Communicated in Prior Years	5
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	6
Section II - Financial Statement Findings	7
Section III - Federal Awards Findings	8

SECTION I
AUDITOR'S REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Housing Authority of the City of Lafayette, Indiana, (Authority) as of and for the year ended March 31, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Lafayette, Indiana, as of March 31, 2012, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii to viii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted on inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sailor
Khan & Co. LLC

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sailor, Khan & Co.

Sailor, Khan & Co. LLC

October 4, 2012

Housing Authority of the City of Lafayette

Management's Discussion and Analysis (MD&A)

March 31, 2012
(Unaudited)

The management of the Housing Authority of the City of Lafayette (Housing Authority) offers this narrative overview and analysis of its audited financial statements for the fiscal year ended March 31, 2012. The goal is for the reader to better understand the Housing Authority's financial activities and its overall financial position and show whether current year revenues covered current year expenses and the extent to which the Housing Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements which begin on page 1.

FINANCIAL HIGHLIGHTS

- The assets of the Housing Authority exceed its liabilities as of March 31, 2012 by \$1,148,777.
- The Housing Authority's Investment in Capital Assets as of March 31, 2012 was \$37,422.
- The Housing Authority's total revenue including interest income for the fiscal year ended March 31, 2012 was \$6,651,766.
- The Housing Authority's total expenses for the fiscal year ended March 31, 2012 were \$6,735,562.
- The Housing Authority's total combined revenues less its total expenses are \$(83,796).

USING THIS ANNUAL REPORT

The Housing Authority's Management Discussion and Analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements are comprised of two components: (1) fund financial statements, and (2) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. The Housing Authority is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

The financial statements are designed to provide readers with a broad overview of the Housing Authority's finances in a manner similar to private sector business. This Management Discussion and Analysis will (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Housing Authority's financial activity, (c) identify changes in the Housing Authority's financial position including its ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

The *Statement of Net Assets* presents information on all of the Housing Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenue, Expenses and Changes in Net Assets* presents information detailing how the Housing Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *Statement of Cash Flows* provides information about the Housing Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financial activities.

**Housing Authority of the City of Lafayette
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

USING THIS ANNUAL REPORT (CONTINUED)

These financial statements report on the functions of the Housing Authority that are principally supported by intergovernmental revenues. The Housing Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

MAJOR PROGRAMS

The Housing Authority programs are consolidated into a single enterprise fund. The major programs consist of the following Section 8 Housing Choice Voucher related activities:

Section 8 Housing Assistance – Housing Choice Voucher Program (HCVP) - The Housing Choice Voucher Program is the Federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market. Vouchers are administered within a specified jurisdiction locally by Public Housing Authorities (PHAs). PHAs receive unrestricted funds from HUD to administer the HCVP and restricted funds from HUD to pay housing subsidies directly to private market landlords on behalf of the participating family. The family then pays the landlord directly the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Section 8 Homeownership Vouchers - A subset of the HCVP, the Housing Authority offers Homeownership vouchers to qualified Section 8 Housing Assistance participants to purchase a home. This program is conducted in partnership with Lafayette Homestead Consulting Services.

Tenant Based Rental Assistance Vouchers (TBRA) - The Tenant Based Rental Assistance program funding is provided by HUD's Home funds by contract in 2006 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.

Project Based Voucher Program – Project based vouchers are a component of a public housing agencies (PHAs) housing choice voucher program. A PHA can attach up to 20 percent of its voucher assistance to specific housing units if the owner agrees to either rehabilitate or construct the units, or the owner agrees to set-aside a portion of units in an existing development. Rehabilitated units must require at least \$1,000 of rehabilitation per unit to be subsidized, and all units must meet HUD housing quality standards. In March of 2011, the Housing Authority contracted with Lafayette Transitional Housing to cover 24 units of the Lincoln Center for an initial period of fifteen years.

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.

Inspection Fees - Since August 1998, the Housing Authority conducts inspections Community Development Inspections for City of Lafayette of homes as a part of 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. The Housing Authority maintains a second inspections contract with the City of Lafayette's Redevelopment Department to conduct inspections on replacement housing for properties condemned or otherwise requiring displacement of the resident.

**Housing Authority of the City of Lafayette
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

FINANCIAL ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Housing Authority has only one fund type, namely an enterprise fund which is a proprietary fund type. The financial statements can be found on pages 1 through 4 of this report.

Notes to the Financial Statements

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages 5 through 14 of this report.

Statement of Net Assets

The following table represents a condensed comparative Statement of Net Assets as of March 31, 2012 and 2011 respectively:

***Condensed Statements of Net Assets
March 31,***

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 786,803	\$ 836,528	\$ (49,725)	-5.9%
Restricted assets	375,202	377,253	(2,051)	-0.5%
Capital assets	37,422	61,135	(23,713)	-38.8%
Total Assets	<u>1,199,427</u>	<u>1,274,916</u>	<u>(75,489)</u>	<u>-5.9%</u>
Current liabilities	39,670	28,973	10,697	36.9%
Noncurrent liabilities	10,980	13,370	(2,390)	-17.9%
Total Liabilities	<u>50,650</u>	<u>42,343</u>	<u>8,307</u>	<u>19.6%</u>
Net Assets				
Invested in capital assets	37,422	61,135	(23,713)	-38.8%
Restricted net assets	375,202	377,253	(2,051)	-0.5%
Unrestricted	736,153	794,185	(58,032)	-7.3%
Total Net Assets	<u>\$ 1,148,777</u>	<u>\$ 1,232,573</u>	<u>\$ (83,796)</u>	<u>-6.8%</u>

As noted earlier, net assets may serve over time as a useful indicator of financial position. In the case of the Housing Authority, assets exceeded liabilities by approximately \$1,148,777 as of March 31, 2012, and \$1,232,573 as of March 31, 2011.

**Housing Authority of the City of Lafayette
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

FINANCIAL ANALYSIS (CONTINUED)

The majority of the Housing Authority's net assets are Unrestricted Net Assets obtained from Administrative Fees earned in excess of costs to administer the HCVP. The unrestricted net assets of the Housing Authority are available for future use to provide program services and the restricted net assets are available for future use to provide housing assistance to qualified families.

Total Assets for FYE 2011 was \$1,274,916 and at FYE 2012 the amount was \$1,199,427. This represents a net decrease of \$75,489.

Cash and cash equivalents and investments decreased by \$1,442. The Cash decrease was immaterial.

Other Current Assets decreased by \$48,284. This is directly related to change in recognition of Accounts Receivables relating to Fraud Recovery on an accrual accounting basis.

Capital Assets decreased by \$23,713 or 38.8%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased \$10,697 or 36.9%. The major cause of this was an increase in accounts payable liability.

Non-Current Liabilities decreased by \$2,390 or 17.9%. The majority of the staff had maximized compensated absences accrual in prior years. The change is a result of staff utilizing sick and vacation time carried over from prior years.

Statement of Revenues, Expenses, and Changes in Net Assets

Total revenues and contributions increased by \$74,168 for Fiscal Year March 31, 2012 to \$6,651,766 including interest income as compared to Fiscal Year Ending March 31, 2011 of \$6,577,598.

- HUD Operating Grants increased by \$91,012 or 1.4%. The major cause for this increase is due to the increase in the Housing Authority's baseline for Housing Choice Vouchers' under lease.
- Other Revenue decreased by \$10,766 or 49.6%. The primary reason for this decrease is due to the change in presentation of financial statements to conform with Generally Accepted Accounting Principles.

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Assets for the years ended March 31, 2012 and 2011.

Housing Authority of the City of Lafayette
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

*Condensed Statements of Revenues, Expenses
 and Changes in Net Assets
 Year Ended March 31,*

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
HUD operating grants	\$ 6,636,558	\$ 6,545,546	\$ 91,012	1.4%
Interest income	4,277	10,355	(6,078)	-58.7%
Other income	10,931	21,697	(10,766)	-49.6%
Total Revenues and Contributions	<u>6,651,766</u>	<u>6,577,598</u>	<u>74,168</u>	1.1%
Expenses				
Personal services	500,069	471,055	29,014	6.2%
Utilities	5,880	7,311	(1,431)	-19.6%
Operations and maintenance	20,122	8,677	11,445	131.9%
Insurance	5,861	6,210	(349)	-5.6%
Other supplies and expenses	165,475	144,714	20,761	14.3%
Housing assistance payments	6,014,442	5,724,245	290,197	5.1%
Depreciation	23,713	26,587	(2,874)	-10.8%
Total Expenses	<u>6,735,562</u>	<u>6,388,799</u>	<u>346,763</u>	5.4%
Change in net assets	(83,796)	188,799	(272,595)	
Beginning net assets	<u>1,232,573</u>	<u>1,043,774</u>	<u>188,799</u>	
Ending net assets	<u>\$ 1,148,777</u>	<u>\$ 1,232,573</u>	<u>\$ (83,796)</u>	

Total expenditures increased by \$346,763 for Fiscal Year March 31, 2012 to \$6,735,562 as compared to Fiscal Year Ending March 2011 of \$6,388,799. Changes by major expense category presented below.

- Personal services increased by \$29,014 or 6.2% due to increases in salaries and benefits.
- Utilities decreased by \$1,431 or 19.6% due to reduced consumption.
- Other supplies and expenses increased \$20,761 or 14.3%. The major cause for this increase is due to increases in various administration line items such as sundry, travel, accounting, office supplies and postage as a result of both an increase in the number of vouchers and changes in HUD funding methodology requiring additional accounting assistance.
- Housing Assistance Payments increased by \$290,197 or 5.1% due to increase in vouchers and unit months leased.

**Housing Authority of the City of Lafayette
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

BUDGETARY HIGHLIGHTS

For the year ended March 31, 2012, individual program or grant budgets were prepared by the Housing Authority and were approved by the Board of Commissioners. The budgets were primarily used as management tools and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Housing Authority did not purchase any capital assets during the fiscal year ended March 31, 2012. The Housing Authority has no long-term debt.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Housing Authority of the City of Lafayette, 100 Executive Drive Suite J, Lafayette Indiana 47903.

SECTION II
FINANCIAL STATEMENTS
AND
NOTES TO FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

STATEMENT OF NET ASSETS

March 31, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$ 350,823.76
Investments	432,618.00
Receivable - net of allowances:	
Accounts	3,179.12
Accrued interest	181.34
	<hr/>
Total Current Assets	786,802.22

Noncurrent Assets:

Restricted assets:	<hr/>
Cash and cash equivalents	375,202.42
	<hr/>
Total restricted assets	375,202.42
	<hr/>
Capital assets:	<hr/>
Other capital assets, net of depreciation	37,422.05
	<hr/>
Total capital assets- net	37,422.05
	<hr/>
Total Noncurrent Assets	412,624.47
	<hr/>
Total Assets	\$ 1,199,426.69

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

STATEMENT OF NET ASSETS (CONTINUED)

March 31, 2012

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	15,620.80
Accrued salaries, wages and benefits		21,644.85
Accrued compensated absences		2,404.00
		<hr/>
Total Current Liabilities		39,669.65
		<hr/>
Noncurrent Liabilities:		
Accrued compensated absences		10,980.00
		<hr/>
Total Noncurrent Liabilities		10,980.00
		<hr/>
Total Liabilities		50,649.65
		<hr/>
NET ASSETS		
Invested in capital assets, net of related debt		37,422.05
Restricted for:		
HAP		375,202.42
Unrestricted		736,152.57
		<hr/>
Total Net Assets		1,148,777.04
		<hr/>
Total Liabilities and Net Assets	\$	1,199,426.69

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended March 31, 2012

Operating Revenues:

Operating subsidies- HUD grants	\$ 6,636,558.00
Other revenues	<u>10,931.21</u>
Total operating revenues	<u>6,647,489.21</u>

Operating Expenses:

Personal services	500,068.75
Utilities	5,880.72
Operations and maintenance	20,122.03
Insurance	5,861.00
Other supplies and expenses	165,475.00
Housing assistance payments	6,014,442.00
Depreciation	<u>23,712.78</u>
Total operating expenses	<u>6,735,562.28</u>
Operating income (loss)	<u>(88,073.07)</u>

Non-operating revenues (expenses):

Interest and investment earnings	<u>4,276.87</u>
Net non-operating revenues (expenses)	<u>4,276.87</u>
Change in net assets	<u>(83,796.20)</u>
Net assets at beginning of year	<u>1,232,573.24</u>
Net assets at end of year	<u>\$ 1,148,777.04</u>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2012

Cash flows from operating activities:

Cash received from HUD grants- operating	\$ 6,636,558.00
Cash received from other operating activities	59,296.29
Cash payments for goods and services	(6,206,445.58)
Cash payments to employees-salaries	(351,748.81)
Cash payments to employees-compensated absences	(15,367.66)
Cash payments for employee benefit contributions	(129,980.39)
	<hr/>
Net cash provided (used) by operating activities	(7,688.15)
	<hr/>

Cash flows from investing activities:

Proceeds from sale of (payments) for investments	(108,478.46)
Interest and dividends	4,195.85
	<hr/>
Net cash provided (used) from investing activities	(104,282.61)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(111,970.76)
Cash and cash equivalents at beginning of year	837,996.94
	<hr/>
Cash and cash equivalents at end of year	\$ 726,026.18
	<hr/>
Cash and cash equivalents	\$ 350,823.76
Restricted cash and cash equivalents	375,202.42
	<hr/>
Total cash and cash equivalents at end of year	\$ 726,026.18
	<hr/>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ (88,073.07)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	23,712.78
Allowance for doubtful accounts	45,658.02
Changes in assets and liabilities:	
Receivables	2,707.06
Accounts and other payables	5,335.17
Compensated absences	(1,983.66)
Accrued expenses	4,955.55
	<hr/>
Net cash provided (used) by operating activities	\$ (7,688.15)
	<hr/>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2012

NOTE 1 - Summary of Significant Accounting Policies

The Housing Authority of the City of Lafayette (Authority) is a non-profit entity established to provide low-rent housing under the housing choice vouchers program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

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."

The Housing Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Authority the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Authority has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 1 - Summary of Significant Accounting Policies

1a. Financial Reporting Entity

The Housing Authority's financial reporting entity comprises the following:

Primary Government: **Housing Authority**

In determining the financial reporting entity, the Housing Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Authority appointed a voting majority of the units' board; the Housing Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

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

Following is a description of the Authority's programs:

Program	Brief Description
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
State and Local	State and Local programs are grants received from various state and local agencies to provide Housing Assistance Payments for low income recipients.

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE
Lafayette, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

Basis of Accounting

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

1d. Assets, Liabilities, and Equity

Cash and Investments

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

Cash and Investments (Continued)

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

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms, if any, are eliminated for financial statement presentation.

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Receivables

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

Budgets and Budgetary Accounting

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

Estimates and Assumptions

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

Capital Assets

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

In the financial statements, capital assets purchased or acquired with an original cost of \$1,500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Capital Assets (Continued)

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

Furniture, equipment and machinery - administration

3 - 10 years

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Housing Choice Vouchers which is a HUD program.

Compensated Absences

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

Equity Classifications

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

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Authority had no related debt.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets - All other 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 THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2 - Stewardship, Compliance, and Accountability

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

2a. Program Accounting Requirements

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

Program	Required By
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
State and Local	State and Local Government

2b. Deposits and Investments Laws and Regulations

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

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

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

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 3 - Detail Notes on Transaction Classes/Accounts

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

3a. Cash and Investments

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it or the Authority will not be able to recover collateral securities in the possession of an outside party. As of March 31, 2012, the Authority's bank balances of \$736,013.67, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Authority's name.

Investments

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of March 31, 2012, the Authority's investments were \$432,618.00. These investments were insured by federal depository insurance or registered, or securities held by the Authority or its agent in the Authority's name.

Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority will minimize credit risk by reviewing the financial institutions with which the Authority will do business so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements and investing operating funds primarily in shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority does not have a written investment policy covering concentration of credit risk.

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Restricted Assets

The restricted assets as of March 31, 2012, are as follows:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Total
Unspent HAP subsidy	\$ 375,202.42	\$ ----	\$ 375,202.42
	<u>\$ 375,202.42</u>	<u>\$ ----</u>	<u>\$ 375,202.42</u>

Restricted assets are considered non-current since their utilization in the next operating cycle is neither required nor expected.

3c. Accounts Receivable

Receivables detail at March 31, 2012, is as follows:

Fraud Recovery	\$ 92,871.19
Allowance for doubtful accounts	<u>(90,092.07)</u>
Fraud recovery - net	2,779.12
Accounts receivable - other	<u>400.00</u>
	<u>\$ 3,179.12</u>

3d. Capital Assets

Capital asset activity for the year ended March 31, 2012, was as follows:

	Balance April 1, 2011	Additions	(Deductions)	Balance March 31, 2012
Furniture, equipment and machinery- administration	\$ 264,268.17	\$ ----	\$ ----	\$ 264,268.17
Accumulated depreciation	<u>203,133.34</u>	<u>\$ 23,712.78</u>	<u>\$ ----</u>	<u>226,846.12</u>
Total	<u>\$ 61,134.83</u>			<u>\$ 37,422.05</u>

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2012

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Contribution Plan: The Authority has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after five years of service. The Authority contributed 6.75 percent of covered payroll. Employees also contribute 3 percent of covered payroll.

For the year ended March 31, 2012, the following amounts related to the defined contribution plan:

Authority total payroll	\$ 356,704.36
Payroll for covered employees	\$ 322,945.33
Employer (Authority) contributions made	\$ 21,798.81

4b. Risk Management

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

	Type of Loss	Method Managed
a.	Torts, errors and omissions	Purchased insurance with Henriott Group, Inc.
b.	Injuries to employees (workers' compensation)	Purchased insurance with Cincinnati Insurance Co.; Claims are administered by Cincinnati Insurance Co.
c.	Health and life	Purchased health insurance with United Health Care; Life insurance is provided by One America.

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

4c. Economic Dependency

The Housing Authority of the City of Lafayette receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Authority receives could be reduced significantly and have an adverse impact on its operations.

4d. Contingencies

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

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended March 31, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	Federal CFDA No.	Expenditures
U.S. Department of HUD			
2012	Low Income Public Housing Major - Direct Program Housing Choice Vouchers	14.871	\$ <u>6,636,558.00</u>
	Total		\$ <u>6,636,558.00</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

EXHIBIT A
FINANCIAL DATE SCHEDULE

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
111 Cash - Unrestricted	\$342,103	\$8,721	\$350,824	\$350,824
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$375,202		\$375,202	\$375,202
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$717,305	\$8,721	\$726,026	\$726,026
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous	\$400		\$400	\$400
126 Accounts Receivable - Tenants				
126.1 Allowance for Doubtful Accounts -Tenants				
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery	\$92,871		\$92,871	\$92,871
128.1 Allowance for Doubtful Accounts - Fraud	-\$90,092		-\$90,092	-\$90,092
129 Accrued Interest Receivable	\$182		\$182	\$182
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,361	\$0	\$3,361	\$3,361
131 Investments - Unrestricted	\$432,618		\$432,618	\$432,618
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets				
143 Inventories				

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$1,153,284	\$8,721	\$1,162,005	\$1,162,005
161 Land				
162 Buildings				
163 Furniture, Equipment & Machinery - Dwellings	\$264,268		\$264,268	\$264,268
164 Furniture, Equipment & Machinery - Administration				
165 Leasehold Improvements	-\$226,846		-\$226,846	-\$226,846
166 Accumulated Depreciation				
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$37,422	\$0	\$37,422	\$37,422
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	\$37,422	\$0	\$37,422	\$37,422
180 Total Non-Current Assets				
190 Total Assets	\$1,190,706	\$8,721	\$1,199,427	\$1,199,427
311 Bank Overdraft	\$15,621		\$15,621	\$15,621
312 Accounts Payable <= 90 Days				

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$21,645		\$21,645	\$21,645
322 Accrued Compensated Absences - Current Portion	\$2,404		\$2,404	\$2,404
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				
343 Current Portion of Long-term Debt - Capital Projects/Mortgage				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$39,670	\$0	\$39,670	\$39,670
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	\$10,980		\$10,980	\$10,980
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$10,980	\$0	\$10,980	\$10,980

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
300 Total Liabilities	\$50,650	\$0	\$50,650	\$50,650
508.1 Invested In Capital Assets, Net of Related Debt	\$37,422		\$37,422	\$37,422
511.1 Restricted Net Assets	\$375,202		\$375,202	\$375,202
512.1 Unrestricted Net Assets	\$727,432	\$8,721	\$736,153	\$736,153
513 Total Equity/Net Assets	\$1,140,056	\$8,721	\$1,148,777	\$1,148,777
600 Total Liabilities and Equity/Net Assets	\$1,190,706	\$8,721	\$1,199,427	\$1,199,427

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
70300 Net Tenant Rental Revenue				
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$6,636,558		\$6,636,558	\$6,636,558
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	\$2,902		\$2,902	\$2,902
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$69,664		\$69,664	\$69,664
71500 Other Revenue	\$6,109	\$102	\$6,211	\$6,211
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted	\$1,374		\$1,374	\$1,374
70000 Total Revenue	\$6,716,607	\$102	\$6,716,709	\$6,716,709
91100 Administrative Salaries	\$356,704		\$356,704	\$356,704

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
91200 Auditing Fees	\$6,704		\$6,704	\$6,704
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing	\$3,000		\$3,000	\$3,000
91500 Employee Benefit contributions - Administrative	\$129,980		\$129,980	\$129,980
91600 Office Expenses	\$88,021		\$88,021	\$88,021
91700 Legal Expense	\$1,080		\$1,080	\$1,080
91800 Travel	\$6,252		\$6,252	\$6,252
91810 Allocated Overhead				
91900 Other	\$24,476		\$24,476	\$24,476
91000 Total Operating - Administrative	\$616,217	\$0	\$616,217	\$616,217
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water				
93200 Electricity	\$5,881		\$5,881	\$5,881
93300 Gas				
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
93800 Other Utilities Expense				
93000 Total Utilities	\$5,881	\$0	\$5,881	\$5,881
94100 Ordinary Maintenance and Operations - Labor				
94200 Ordinary Maintenance and Operations - Materials and Other	\$8,688		\$8,688	\$8,688
94300 Ordinary Maintenance and Operations Contracts	\$11,433		\$11,433	\$11,433
94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$20,121	\$0	\$20,121	\$20,121
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	\$541		\$541	\$541
96130 Workmen's Compensation	\$1,932		\$1,932	\$1,932
96140 All Other Insurance	\$3,388		\$3,388	\$3,388
96100 Total insurance Premiums	\$5,861	\$0	\$5,861	\$5,861
96200 Other General Expenses	\$35,943		\$35,943	\$35,943
96210 Compensated Absences	\$13,384		\$13,384	\$13,384
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$49,327	\$0	\$49,327	\$49,327
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	\$697,407	\$0	\$697,407	\$697,407
97000 Excess of Operating Revenue over Operating Expenses	\$6,019,200	\$102	\$6,019,302	\$6,019,302
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$6,014,442		\$6,014,442	\$6,014,442
97350 HAP Portability-In				
97400 Depreciation Expense	\$23,713		\$23,713	\$23,713
97500 Fraud Losses	\$64,944		\$64,944	\$64,944
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$6,800,506	\$0	\$6,800,506	\$6,800,506
10010 Operating Transfer In				
10020 Operating transfer Out				

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
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	-\$83,899	\$102	-\$83,797	-\$83,797
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$1,223,955	\$8,619	\$1,232,574	\$1,232,574
11040 Prior Period Adjustments, Equity Transfers and Correction of				
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	\$764,854		\$764,854	\$764,854
11180 Housing Assistance Payments Equity	\$375,202		\$375,202	\$375,202
11190 Unit Months Available	14460		14460	14460

Housing Authority of the City of Lafayette (IN071)

Lafayette, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2012

	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	Total
11210 Number of Unit Months Leased	14428		14428	14428
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				

SECTION III

**REPORTS ON COMPLIANCE
AND
ON INTERNAL CONTROL**

**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

We have audited the financial statements of the Housing Authority of the City of Lafayette, Indiana, (Authority) as of and for the year ended March 31, 2012, and have issued our report thereon dated October 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

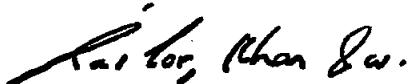
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. The deficiency is shown on page 7. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs. The deficiency is shown on page 7.

The Authority's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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



Sailor, Khan & Co. LLC
October 4, 2012

Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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

We have audited the Housing Authority of the City of Lafayette, Indiana, (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2012. The Authority'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 the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2012.

Internal Control Over Compliance

Management of the Authority 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 our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

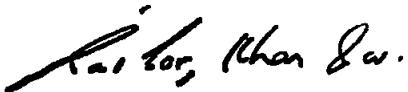
Sailor

Khan & Co. LLC

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Housing Authority of the City of Lafayette, Indiana's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC

October 4, 2012

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

March 31, 2012

The prior audit report for the year ended March 31, 2011 contained no significant deficiencies.

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
► Material weakness(es) identified?	No
► Significant deficiency (ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
► Material weakness(es) identified?	No
► Significant deficiency (ies) identified that are not considered to be material weaknesses?	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) on Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program
14-871	Section 8 Housing Choice Vouchers
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended March 31, 2012 disclosed the following Financial Statement audit finding:

1. Compensated Absence Accruals and Vacation Payout

Criteria:

Compensated absence accruals should be in accordance to the Authority's personnel policy.

Condition:

We noted the Authority accrued more compensated absences than is allowed by its personnel policy.

Questioned Costs:

None.

Effect:

The Authority's liabilities appear to be overstated.

Cause:

The Authority's management failed to follow its personnel policy in regards to recording accrued compensated absences.

Recommendation:

We recommended that management make any necessary adjustments to the accrued compensated absences liabilities in accordance with the Authority's personnel policy and follow their personnel policy when accruing compensated absences in the future.

Management's Response:

Management will make necessary adjustments recommended by auditor to the accrued compensated absences liabilities in accordance with the Authority's personnel policy.

Action Plan:

Management will ensure that personnel policy is adhered to in calculation of accrued compensated absences by utilizing an excel document formatted to ensure max limits are capped and correct calculations are performed.

The name of the contact person resolving the finding is Albert Davis, Executive Director. The anticipated completion date for resolution of finding is no later than 60 days after the fiscal year end 2013, to coincide with the next year's ending process.

HOUSING AUTHORITY OF THE CITY OF LAFAYETTE

Lafayette, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2012

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended March 31, 2012 disclosed no Federal Awards audit findings.