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May 20, 2009

Board of Commissioners  
Goshen Housing Authority  
1101 W. Lincoln Ave., Suite 100  
Goshen, IN 46526

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2004 to September 30, 2005. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Goshen Housing Authority, as of September 30, 2005, 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.

We call your attention to the findings in the report. Page 26 contains the status of one prior audit finding. Page 27 contains one current audit finding.

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STATE BOARD OF ACCOUNTS

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

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

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

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

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(217) 872-1908

## Independent Auditor's Report

Board of Directors  
Goshen Housing Authority  
Goshen, Indiana

I have audited the accompanying basic financial statements of Goshen Housing Authority, as of and for the year ended September 30, 2005, as listed in the table of contents. These basic 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 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.

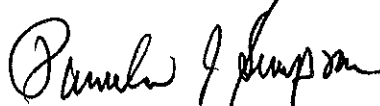
In my opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Goshen Housing Authority, as of September 30, 2005 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 11, 2006, on my consideration of the Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulation, contracts and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Goshen Housing Authority has not presented the Management's Discussion and Analysis report that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basis financial statement.

My audit was performed for the purpose of forming an opinion on the financial statements of the Goshen Housing Authority, 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 basic financial statements of the Authority. 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 Goshen Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

Decatur, Illinois  
August 11, 2006

  
Certified Public Accountant

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2005**

**ASSETS**

CURRENT ASSETS

Cash	\$ 23,952
Accounts receivable (interfund eliminated)	4,598
Deferred charges	<u>15,072</u>

Total Current Assets \$ 43,622

CAPITAL ASSETS

Land, buildings and equipment	\$ 1,183,392
Less: Accumulated depreciation	<u>-220,380</u>

Total Capital Assets \$ 963,012

Total Assets \$ 1,006,634

**LIABILITIES**

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 6,108
Notes payable	29,210
Accrued liabilities	19,217
Deferred revenue	<u>4,651</u>

Total Current Liabilities \$ 59,186

NONCURRENT LIABILITIES

Notes payable	\$ 399,534
Trust and deposit liabilities	<u>26,699</u>

Total Noncurrent Liabilities \$ 426,233

**NET ASSETS**

Invested in capital assets	\$ 534,268
Unrestricted	<u>-13,053</u>

Total Net Assets \$ 521,215

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS  
AND CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

Operating Income

Tenant rental revenue	\$ 96,853
Total Rental Revenue	\$ 96,853
HUD grants - operating	2,060,145
Other grants	68,587
Fraud recovery	1,300
Other income	<u>51,334</u>
Total Operating Income	<u>\$ 2,278,219</u>

Operating Expenses

Administration	\$ 363,678
Utilities	31,948
Ordinary maintenance and operation	35,085
General expense	83,019
Depreciation	86,974
Housing assistance payments	<u>1,625,120</u>
Total Operating Expenses	<u>\$ 2,225,824</u>
Net Operating Income (Loss)	<u>\$ 52,395</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 0
Interest expense	-24,146
Interest income	<u>130</u>
Total Nonoperating Income (Expense)	<u>\$ -24,016</u>
Changes in net assets	\$ 28,379
Net assets, beginning of year	421,805
Prior period adjustments	<u>71,031</u>
Net assets, end of year	<u>\$ 521,215</u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

Operating Activities

Operating grants	\$ 2,060,145
Tenant revenue	96,853
Other revenue	82,328
Housing assistance payments	-1,625,120
Payments to employees	-216,105
Payments to suppliers and contractors	<u>-314,171</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 83,930</u>

Investing Activities

Interest income	<u>\$ 130</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 130</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 64,467
Acquisitions/payments to fixed assets	-171,418
Reduction of debt	-68,815
Interest expense	<u>-24,146</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -199,912</u>

Net Change in Cash	\$ -115,852
Cash Balance at September 30, 2004	<u>139,804</u>
Cash Balance at September 30, 2005	<u><u>\$ 23,952</u></u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

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

Net operating income (loss)	\$ -12,072
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	86,974
Adjustments to net assets	71,032
(Increase) decrease in accounts receivable	-266,681
(Increase) decrease in deferred charges	-12,455
Increase (decrease) in accounts payable	222,629
Increase (decrease) in accrued liabilities	14,111
Increase (decrease) in other liabilities	<u>-19,608</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 83,930</u>

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

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

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

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Goshen 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 Goshen Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) 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
- \* Community Development Block Grants
- \* Business Activities

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

*Proprietary Fund Types:*

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

(d) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(e) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2005, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

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

Land, buildings and equipment contains the following:

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

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

Buildings	27.5	years
Computer Equipment	3	years
Site Improvements	10	years
Dwelling and Nondwelling Equipment	5	years
Subsequent Modernization to Buildings	10	years

(g) Income Tax -

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

(h) Annual Contributions/Subsidies and Other Grants

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

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

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (i) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.
- (j) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

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

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

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>Fund</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	<u>\$ 23,952</u>	<u>\$ 25,592</u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
(CONTINUED)**

Note 3 - Compensated Absences

Full time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on length of service with the Housing Authority. Sick leave accrues to full-time, permanent employees to specified maximums. After one year of service, employees are entitled to their sick leave balance and accrued vacation leave upon termination.

The estimated portion of the liability for vested vacation and sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs.

Note 4 - Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority and the participants are required to contribute 9% of annual covered payroll. For the fiscal year ended September 30, 2005, actual contributions by the Housing Authority and plan participants were \$13,089 .

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Fraud recovery	\$ 4,651
Allowance for doubtful accounts	<u>-53</u>
Subtotal	\$ 4,598
Interfund	<u>407,588</u>
Total	<u>\$ 412,186</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 15,072</u>
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**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
(CONTINUED)**

Note 7 - Fixed Assets

	<u>Total</u>
Balance as of September 30, 2005	\$ 963,012
Balance as of September 30, 2004	<u>878,569</u>
Net Increase (Decrease)	<u>\$ 84,443</u>

Reconciliation

Property betterments and additions	\$ 171,417
Current year depreciation expense	<u>-86,974</u>
Net Increase (Decrease)	<u>\$ 94,443</u>

<u>Analysis</u>	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Buildings	268,609	0	0	268,609
Equipment and furniture	46,090	13,634	0	59,724
Leasehold improvements	<u>682,276</u>	<u>157,783</u>	<u>0</u>	<u>840,059</u>
Total	\$ 1,011,975	\$ 171,417	\$ 0	\$ 1,183,392
Accumulated depreciation	<u>-133,406</u>	<u>-10,857</u>	<u>0</u>	<u>-220,380</u>
Net Assets	<u>\$ 878,569</u>	<u>\$ 160,560</u>	<u>\$ 0</u>	<u>\$ 963,012</u>

Note 8 - Accounts Payable

This classification includes the following accounts:

	<u>Total</u>
Vendors and contractors	\$ 2,372
Payroll taxes payable	3,520
Accounts payable - other	<u>216</u>
Subtotal	\$ 6,108
Interfund	<u>407,588</u>
Total	<u>\$ 413,696</u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
(CONTINUED)**

Note 9 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued compensated absences	\$ 13,021
Accrued wages	<u>6,196</u>

Total Short Term	<u>\$ 19,217</u>
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Note 10 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	<u>\$ 26,699</u>
---------------------	------------------

Note 11 - Deferred Revenue

This classification consists of the following accounts:

Fraud recovery	<u>\$ 4,651</u>
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Note 12 - Allocation of Costs

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

Note 13 - 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.

GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA

NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005  
(CONTINUED)

Note 14 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment of FSS escrow	\$ 45,181
HUD settlement	<u>25,850</u>
	<u>\$ 71,031</u>

Note 15 - Economic Dependency

The Housing Authority received most of its revenue (90%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

<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 Vouchers*	14.871	C-2088	FYE 09/30/05	\$ 2,060,145	\$ 2,060,145	\$ 2,060,145
Community Development Block Grants	14.219	C-2088	FYE 09/30/05	\$ 32,000	\$ 32,000	\$ 32,000
Total Housing Assistance				<u>\$ 2,092,145</u>	<u>\$ 2,092,145</u>	<u>\$ 2,092,145</u>

\*Denotes major program.

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF NET ASSETS  
AS OF SEPTEMBER 30, 2005**

<u>ASSETS</u>	<u>Voucher</u>	<u>CDBG</u>	<u>Business Activities</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 23,952	\$ 0	\$ 0
Accounts receivable	412,186	0	0
Deferred charges	<u>15,072</u>	<u>0</u>	<u>0</u>
Total Current Assets	<u>\$ 451,210</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>CAPITAL ASSETS</b>			
Land, buildings and equipment	\$ 57,180	\$ 2,544	\$ 1,123,668
Less: Accumulated depreciation	<u>-43,971</u>	<u>-2,544</u>	<u>-173,865</u>
Net Capital Assets	<u>\$ 13,209</u>	<u>\$ 0</u>	<u>\$ 949,803</u>
Total Assets	<u>\$ 464,419</u>	<u>\$ 0</u>	<u>\$ 949,803</u>
 <b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 5,508	\$ 73,915	\$ 334,273
Notes payable	0	0	29,210
Accrued liabilities	19,217	0	0
Deferred revenue	<u>4,651</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 29,376</u>	<u>\$ 73,915</u>	<u>\$ 363,483</u>
<b>NONCURRENT LIABILITIES</b>			
Notes payable	\$ 0	\$ 0	\$ 399,534
Trust and deposit liabilities	<u>26,699</u>	<u>0</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 26,699</u>	<u>\$ 0</u>	<u>\$ 399,534</u>
 <b><u>NET ASSETS</u></b>			
Invested in capital assets	\$ 13,209	\$ 0	\$ 521,059
Unrestricted	<u>395,135</u>	<u>-73,915</u>	<u>-334,273</u>
Total Net Assets	<u>\$ 408,344</u>	<u>\$ -73,915</u>	<u>\$ 186,786</u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

<u>Operating Income</u>	<u>Voucher</u>	<u>CDBG</u>	<u>Business Activities</u>
Tenant rental revenue	\$ 0	\$ 0	\$ 96,853
Total Rental Revenue	\$ 0	\$ 0	\$ 96,853
HUD grants - operating	2,060,145	0	0
Other grants	4,120	0	0
Fraud recovery	1,300	0	0
Other revenue	<u>17,259</u>	<u>0</u>	<u>34,075</u>
Total Operating Income	\$ 2,082,824	\$ 0	\$ 130,928
 <u>Operating Expenses</u>			
Administration	\$ 290,605	\$ 64,600	\$ 8,473
Utilities	0	0	31,948
Ordinary maintenance and operation	7,171	260	27,654
General expense	17,980	0	65,039
Depreciation	4,142	0	82,832
Housing assistance payments	<u>1,625,120</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	\$ 1,945,018	\$ 64,860	\$ 215,946
Net Operating Income (Loss)	\$ 137,806	\$ -64,860	\$ -85,018
 <u>Nonoperating Income (Expense)</u>			
HUD grants - capital	\$ 0	\$ 32,000	\$ 32,467
Interest expense	0	0	-24,146
Interest income	<u>130</u>	<u>0</u>	<u>0</u>
Total Nonoperating Income (Expense)	\$ 130	\$ 32,000	\$ 8,321
Changes in Net Assets	<u>\$ 137,936</u>	<u>\$ -32,860</u>	<u>\$ -76,697</u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF CHANGES IN NET ASSETS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

<u>Invested in Capital Assets</u>	<u>Voucher</u>	<u>CDBG</u>	<u>Business Activities</u>
Balance at September 30, 2004	\$ 3,717	\$ 0	\$ 377,292
Current year net income (loss)	<u>9,492</u>	<u>0</u>	<u>143,767</u>
Balance at September 30, 2005	<u>\$ 13,209</u>	<u>\$ 0</u>	<u>\$ 521,059</u>
 <u>Unrestricted Net Assets</u>			
Balance at September 30, 2004	\$ 195,659	\$ -41,055	\$ -113,809
Current year net income (loss)	128,444	-32,860	-220,464
Prior year adjustments	<u>71,032</u>	<u>0</u>	<u>0</u>
Balance at September 30, 2005	<u>\$ 395,135</u>	<u>\$ -73,915</u>	<u>\$ -334,273</u>
Total Net Assets	<u>\$ 408,344</u>	<u>\$ -73,915</u>	<u>\$ 186,786</u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

<u>Operating Activities</u>	<u>Voucher</u>	<u>CDBG</u>	<u>Business Activities</u>
Operating grants	\$ 2,060,145	\$ 0	\$ 0
Tenant revenue	0	0	96,853
Other revenue	48,253	0	34,075
Housing assistance payments	-1,625,120	0	0
Payments to employees	-151,608	-64,497	0
Payments to suppliers and contractors	<u>-434,018</u>	<u>32,497</u>	<u>87,350</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -102,348</u>	<u>\$ -32,000</u>	<u>\$ 218,278</u>
 <u>Investing Activities</u>			
Interest income	<u>\$ 130</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 130</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Capital and Related Financing Activities</u>			
HUD grants - capital	\$ 0	\$ 32,000	\$ 32,467
Acquisitions/payments to fixed assets	-13,634	0	-157,784
Reduction in debt	0	0	-68,815
Interest expense	<u>0</u>	<u>0</u>	<u>-24,146</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -13,634</u>	<u>\$ 32,000</u>	<u>\$ -218,278</u>
Net Change in Cash	\$ -115,852	\$ 0	\$ 0
Cash Balance at September 30, 2004	<u>139,804</u>	<u>0</u>	<u>0</u>
Cash Balance at September 30, 2005	<u>\$ 23,952</u>	<u>\$ 0</u>	<u>\$ 0</u>

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATEMENT OF CASH FLOWS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2005**

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	<u>Voucher</u>	<u>CDBG</u>	<u>Business</u> <u>Activities</u>
Net operating income (loss)	\$ 137,806	\$ -64,860	\$ -85,018
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Depreciation	4,142	0	82,832
Adjustments to net assets	71,032	0	0
.....(Increase) decrease in accounts receivable.....	-266,681	0	0
(Increase) decrease in deferred charges	-12,455	0	0
Increase (decrease) in accounts payable	-30,695	32,860	220,464
Increase (decrease) in accrued liabilities	14,111	0	0
Increase (decrease) in other liabilities	<u>-19,608</u>	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -102,348</u>	<u>\$ -32,000</u>	<u>\$ 218,278</u>

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

433 WEST PERSHING ROAD  
DECATUR, ILLINOIS 62526  
(217) 872-1908

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

Board of Commissioners  
Goshen Housing Authority  
Goshen, Indiana

I have audited the financial statements of the Goshen Housing Authority as of and for the year ended September 30, 2005, and have issued my report thereon dated August 11, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

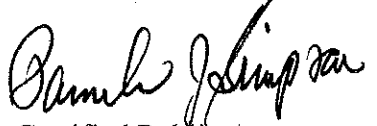
As part of obtaining reasonable assurance about whether Goshen Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material 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 such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Goshen Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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.

Decatur, Illinois  
August 11, 2006

  
Certified Public Accountant

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

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

Board of Commissioners  
Goshen Housing Authority  
Goshen, Indiana

### Compliance

I have audited the compliance of Goshen Housing Authority 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 September 30, 2005. Goshen Housing 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 Goshen Housing Authority's management. My responsibility is to express an opinion on Goshen Housing Authority'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 Goshen Housing Authority'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 on Goshen Housing Authority's compliance with those requirements.

In my opinion, Goshen Housing Authority 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 September 30, 2005. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items one.

### Internal Control Over Compliance

The management of Goshen Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Goshen Housing Authority's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

I have audited the financial statements of the Goshen Housing Authority of and for the year ended September 30, 2005, and have issued my report hereon dated August 11, 2006. My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. 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 material respects, in relation to the financial statements taken as a whole.

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.

Decatur, Illinois  
August 11, 2006

  
Certified Public Accountant

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**Summary of Auditor's Results**

Low Risk Auditee \_\_\_\_\_ yes X no

*Financial Statements*

Type of auditor's report: Unqualified

- \* Material weakness(es) identified? \_\_\_\_\_ yes X no
- \* Reportable condition(s) identified that are not  
considered to be material weaknesses? \_\_\_\_\_ yes X none  
reported

Noncompliance material to financial statements noted \_\_\_\_\_ yes X no

*Federal Awards*

Internal control over major programs:

- \* Material weakness(es) identified? \_\_\_\_\_ yes X no
- \* Reportable condition(s) identified that are not  
considered to be material weaknesses? X yes \_\_\_\_\_ none  
reported

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

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

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Housing Choice Vouchers

14.871

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2004 contained one finding. The action taken is described below:

**Finding 1: Audited Financial Statements were not submitted timely.**

Due to a computer program failure, the Housing Authority could not provide adequate records for the completion of a timely submitted audit. This finding continues.

**GOSHEN HOUSING AUTHORITY  
GOSHEN, INDIANA**

**CURRENT FINDINGS AND RECOMMENDATIONS**

The following audit finding was discussed with Bob Brenneman, Executive Director, during the course of the audit and at a conference held August 11, 2006.

**Finding 1: Audited Financial Statements were not submitted timely.**

*Condition and Criteria:*

The Housing Authority is required to have an annual audit. Within nine months after the end of the fiscal year, the audit is to be submitted to the Department of Housing and Urban Development. The Housing Authority did not submit the report in a timely manner.

*Effect:*

The Housing Authority did not fulfill the requirement to have timely, annual audits.

*Cause:*

Goshen Housing Authority maintained its financial data within a computerized accounting software system. Subsequent to the end of the prior fiscal year, the computerized financial system became corrupted. Hard copies of the general ledger and the subsidiary ledgers were not retained; a complete backup of the computerized accounting system was not maintained, therefore, the financial statements were not properly supported and could not be audited. The prior year's data had to be rebuilt before the current audit could be completed.

*Auditor's Recommendation:*

The Housing Authority should maintain adequate backup of all accounting data so that it is available for audit. This back up maybe hard copies of all financial records or complete backups of the computerized system that may be adequately retrieved in the event that a computerized system "crashes".

*Grantee Response:*

The Housing Authority requested that the software company assist them with a "rebuild" of the corrupted system, however, the rebuild was not successful. The Housing Authority hired an outside consultant to assist with re-creation of the prior year's financial data from the original source documents. The re-creation took considerably longer than anticipated, therefore, subsequent could not be completed and submitted in a timely manner. The Housing Authority now retains adequate back up of the accounting system now being used so that information will be available for timely audits.

PHA: IN101 FYED: 09/30/2005

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Section 8 Rental Voucher Program	Total
111	Cash - Unrestricted	\$0	\$0	\$23,952	\$23,952
100	Total Cash	\$0	\$0	\$23,952	\$23,952
128	Fraud Recovery	\$0	\$0	\$4,651	\$4,651
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$-53	\$-53
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$4,598	\$4,598
142	Prepaid Expenses and Other Assets	\$0	\$0	\$15,072	\$15,072
144	Interprogram Due From	\$0	\$0	\$407,588	\$407,588
150	Total Current Assets	\$0	\$0	\$451,210	\$451,210
161	Land	\$15,000	\$0	\$0	\$15,000
162	Buildings	\$268,609	\$0	\$0	\$268,609
164	Furniture, Equipment & Machinery - Administration	\$0	\$2,544	\$57,180	\$59,724
165	Leasehold Improvements	\$840,059	\$0	\$0	\$840,059
166	Accumulated Depreciation	\$-173,865	\$-2,544	\$-43,971	\$-220,380
160	Total Fixed Assets, Net of Accumulated Depreciation	\$949,803	\$0	\$13,209	\$963,012
180	Total Non-Current Assets	\$949,803	\$0	\$13,209	\$963,012
190	Total Assets	\$949,803	\$0	\$464,419	\$1,414,222

PHA: IN101 FYED: 09/30/2005

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Section 8 Rental Voucher Program	Total
312	Accounts Payable <= 90 Days	\$600	\$0	\$1,772	\$2,372
321	Accrued Wages/Payroll Taxes Payable	\$0	\$0	\$9,716	\$9,716
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$13,021	\$13,021
342	Deferred Revenues	\$0	\$0	\$4,651	\$4,651
344	Current Portion of Long-term Debt - Operating Borrowings	\$29,210	\$0	\$0	\$29,210
345	Other Current Liabilities	\$0	\$0	\$216	\$216
347	Interprogram Due To	\$333,673	\$73,915	\$0	\$407,588
310	Total Current Liabilities	\$363,483	\$73,915	\$29,376	\$466,774
352	Long-term Debt, Net of Current - Operating Borrowings	\$399,534	\$0	\$0	\$399,534
353	Noncurrent Liabilities - Other	\$0	\$0	\$26,699	\$26,699
350	Total Noncurrent Liabilities	\$399,534	\$0	\$26,699	\$426,233
300	Total Liabilities	\$763,017	\$73,915	\$56,075	\$893,007
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$521,059	\$0	\$13,209	\$534,268
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$-334,273	\$-73,915	\$395,135	\$-13,053
513	Total Equity/Net Assets	\$186,786	\$-73,915	\$408,344	\$521,215
600	Total Liabilities and Equity/Net Assets	\$949,803	\$0	\$464,419	\$1,414,222

PHA: IN101 FYED: 09/30/2005

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Section 8 Rental Voucher Program	Total
703	Net Tenant Rental Revenue	\$96,853	\$0	\$0	\$96,853
705	Total Tenant Revenue	\$96,853	\$0	\$0	\$96,853
706	HUD PHA Operating Grants	\$0	\$0	\$2,060,145	\$2,060,145
708	Other Government Grants	\$32,467	\$32,000	\$4,120	\$68,587
711	Investment Income - Unrestricted	\$0	\$0	\$130	\$130
714	Fraud Recovery	\$0	\$0	\$1,300	\$1,300
715	Other Revenue	\$34,075	\$0	\$17,259	\$51,334
700	Total Revenue	\$163,395	\$32,000	\$2,082,954	\$2,278,349

PHA: IN101 FYED: 09/30/2005

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Section 8 Rental Voucher Program	Total
911	Administrative Salaries	\$0	\$64,497	\$165,719	\$230,216
915	Employee Benefit Contributions - Administrative	\$0	\$0	\$37,726	\$37,726
916	Other Operating - Administrative	\$8,473	\$103	\$87,160	\$95,736
938	Other Utilities Expense	\$31,948	\$0	\$0	\$31,948
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$5,845	\$5,845
943	Ordinary Maintenance and Operations - Contract Costs	\$27,654	\$260	\$1,326	\$29,240
961	Insurance Premiums	\$0	\$0	\$17,980	\$17,980
962	Other General Expenses	\$65,039	\$0	\$0	\$65,039
967	Interest Expense	\$24,146	\$0	\$0	\$24,146
969	Total Operating Expenses	\$157,280	\$64,860	\$315,756	\$537,876
970	Excess Operating Revenue over Operating Expenses	\$6,135	\$-32,860	\$1,767,198	\$1,740,473
973	Housing Assistance Payments	\$0	\$0	\$1,625,120	\$1,625,120
974	Depreciation Expense	\$82,832	\$0	\$4,142	\$86,974
900	Total Expenses	\$240,092	\$64,860	\$1,945,018	\$2,249,970
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-76,697	\$-32,860	\$137,936	\$28,379

PHA: IN101 FYED: 09/30/2005

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Section 8 Rental Voucher Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$263,484	\$-41,055	\$199,376	\$421,805
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$-1	\$0	\$71,032	\$71,031
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0
1120	Unit Months Available	144	0	3,840	3,984
1121	Number of Unit Months Leased	144	0	3,586	3,730

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