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Board of Directors  
Housing Authority of the City of Elwood  
1602 S. A Street  
Elwood, IN 46036

We have reviewed the audit report prepared by K.B. Parrish & Co., LLP, Independent Public Accountants, for the period April 1, 2009 to March 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Elwood, as of March 31, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

REPORTS OF INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANTS ON FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION, INTERNAL  
CONTROL AND COMPLIANCE  
HUD CONTRACT NO. IN079

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
ELWOOD, INDIANA  
MARCH 31, 2010 AND 2009

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HUD CONTRACT NO. IN079

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)

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## Report of Independent Certified Public Accountants

To the Board of Directors of  
Housing Authority of the City of Elwood  
(An Indiana Not-For-Profit Corporation)  
Elwood, Indiana

We have audited the accompanying statements of financial position of Housing Authority of the City of Elwood (an Indiana not-for-profit corporation), HUD Contract No. IN079, as of March 31, 2010 and 2009, and the related statements of activities, changes in net assets, and cash flows for the years then ended. 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 audits.

We conducted our audits 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 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 Housing Authority of the City of Elwood (an Indiana not-for-profit corporation) as of March 31, 2010 and 2009, and the results of its operations and cash flows for the years 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 a report dated July 27, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

To the Board of Directors of  
Housing Authority of the City of Elwood  
(An Indiana Not-For-Profit Corporation)

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Housing Authority of the City of Elwood. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*K. B. Parrish & Co. LLP*

K. B. Parrish & Co. LLP  
Certified Public Accountants  
35-0905983  
Steven E. Silva - Engagement Partner

Indianapolis, Indiana  
July 27, 2010

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended March 31, 2010

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

Since the management's discussion and analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 8).

### **FINANCIAL HIGHLIGHTS**

During fiscal years ended March 31, 2010 and 2009, the Authority's net assets decreased by \$80,307 (or 31.1 percent) and \$63,667 (or 19.8 percent), respectively.

Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net assets were \$177,562 and \$257,869 as of March 31, 2010 and 2009, respectively.

Total grant revenue increased by \$71,362 (or 5.1 percent) from the prior fiscal year. The increase was composed of an increase of \$61,091 in Housing Choice Voucher Program revenue and an increase of \$10,271 in administrative fee grants related to the program.

The total expenses of the Authority for the current fiscal year were \$1,556,504, an increase of \$87,344 (or 5.9 percent).

### **USING THIS ANNUAL REPORT**

The following outlines the three major sections of the report.

- MD&A
  - Management discussion and analysis
- Basic financial statements
  - Fund financial statement (pages 8-11)
  - Notes to financial statements (pages 12-14)
- Other required supplementary information
  - Required supplementary information (none other than MD&A)

The financial statements in this report are those of a quasi-governmental agency engaged in a business-type activity.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended March 31, 2010

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

**Authority-Wide Financial Statements**

The Authority-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated and reflect a total for the entire Authority.

These statements include a statement of financial position, which is similar to a balance sheet. The statement of financial position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "net assets". Assets and liabilities are presented in order of liquidity.

The focus of the statement of financial position is designed to represent the available assets, net of liabilities, for the entire Authority. Net assets are reported in broad categories:

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

**Unrestricted net assets:** Consists of net assets that do not meet the definition of "restricted net assets".

The Authority-wide financial statements also include a statement of activities (similar to an income statement). This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, and maintenance, and depreciation, and non-operating revenue and expenses, such as grant revenue, investment income and interest expense.

The focus of the statement of activities is the "change in net assets", which is similar to net income or loss.

The statement of changes in net assets provides a breakdown of the change in net assets between the different types of net assets.

Finally, statement of cash flows is included, which discloses net cash provided by, or used for operating activities, investing activities, non-capital financing activities, and from capital and related financing activities.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended March 31, 2010

**The Authority's Funds**

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of more significant programs is as follows:

**Housing Choice Voucher Program**

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the properties. The Authority subsidizes the family's rent through a housing assistance payment made to the landlord. The program is administered under an annual contributions contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of adjusted household income.

This is the only program in which the Authority participates.

**AUTHORITY-WIDE STATEMENT**

**Statement of Net Assets**

The statement of net assets includes all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed statement of net assets compared to the prior year. The Authority is engaged only in business-type activities.

	<u>2010</u>	<u>2009</u>
Total net assets, beginning of year	\$ 257,869	\$ 321,536
Change in net assets	<u>(80,307)</u>	<u>(63,667)</u>
Total net assets, end of year	<u>\$ 177,562</u>	<u>\$ 257,869</u>

**Major Factors Affecting the Statement of Net Assets**

HUD plans to consume the restricted net assets within the HCVP over several fiscal years. HCVP payments were \$73,294 greater than the related grant revenue, representing substantially all of the decrease in net assets.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
 (AN INDIANA NOT-FOR-PROFIT CORPORATION)  
 HUD CONTRACT NO. IN079

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
 For the Year Ended March 31, 2010

**Change in Unrestricted Net Assets**

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in unrestricted net assets provides a clearer change in financial well-being.

Unrestricted net assets at March 31, 2009	\$ 129,936
Change in unrestricted net assets	<u>(7,131)</u>
Unrestricted net assets at March 31, 2010	<u>\$ 122,805</u>

**Statement of Activity**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in business-type activities.

	<u>Current Year</u>	<u>Previous Year</u>
HCV grant revenue	\$ 1,294,007	\$ 1,232,916
Interest income - restricted	118	482
HCV payments	<u>(1,367,301)</u>	<u>(1,295,825)</u>
Change in restricted net assets	<u>\$ (73,176)</u>	<u>\$ (62,427)</u>
Administrative grant revenue	\$ 181,922	\$ 171,651
Interest income - unrestricted	150	444
Operating expenses	<u>(189,203)</u>	<u>(173,335)</u>
Change in unrestricted net assets	<u>\$ (7,131)</u>	<u>\$ (1,240)</u>

**Major Factors Affecting the Statement of Activities**

The decrease in HCV grant revenue is from HUD's planned consumption of restricted net assets as described above. The Authority had 3,442 unit/months leased out of the available 3,612 unit/months for the program (or 95.29 percent) for the current year and had 3,474 unit/months leased out of the available 3,612 unit/months for the program (or 96.18 percent) for the prior year.

**DEBT ADMINISTRATION**

**Debt Outstanding**

The Authority has no outstanding debt as of March 31, 2010.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended March 31, 2010

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The management of the Housing Authority of the City of Elwood offers this analysis of its financial position and results of operations for the year ended March 31, 2010. The statement of financial position presents a snapshot of a single point in time, that being the end of the fiscal year. The statement of activities provides the operating activity occurring during the fiscal year and the results of those activities. Both of these are presented on the accrual basis of accounting. While the statement of activities focuses on the recognition of revenue earned and expenses incurred during the fiscal year, the statement of cash flows reports the cash flows related to these activities occurring during the fiscal year. Timing differences are the major difference between the two statements; the statement of activities being focused on income and expenses allocable to the period without regard to when the cash flows occur, the statement of cash flows focused on the cash activity actually occurring without regard to the period the income or expense is allocable to.

The total assets of the Authority have declined by \$74,791 which has been driven by a \$73,176 reduction in restricted cash. The decline is from the planned consumption by HUD of the restricted net assets within the Housing Choice Voucher Program. Therefore, the change in the financial position is expected and reasonable. The administrative fees earned did not cover administrative expenses and the unrestricted net assets decreased by \$7,131.

**CURRENT DECISIONS, CONDITIONS, AND ECONOMIC FACTORS**

HUD has informed the Housing Authority that the planned funding of the Housing Choice Voucher Program will be slightly less than the expected usage over the next 2-3 years with the goal of consuming the restricted net assets, and the corresponding restricted cash, within the program. The Housing Authority expects to see restricted net assets depleted over the next two fiscal years.

**Selected Financial Amounts Related to Discussion Items:**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

**CONTACTING THE AUTHORITY**

The individual to be contacted regarding this report is Rex Landrum, Executive Director of the Housing Authority of the City of Elwood, at (765) 552-2148. Specific requests may be submitted to the Authority at 1602 South A Street, Elwood, Indiana 46036.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
 (AN INDIANA NOT-FOR-PROFIT CORPORATION)  
 HUD PROJECT NO. IN079

STATEMENTS OF FINANCIAL POSITION  
 March 31,

ASSETS

	2010	2009
Cash - unrestricted	\$ 127,055	\$ 129,308
Cash - restricted	50,993	127,933
Total cash	178,048	257,241
Accounts receivable - government	6,476	2,712
Prepaid expenses	2,530	2,509
Furniture, equipment, machinery - administration	23,211	22,525
Accumulated depreciation	(22,594)	(22,525)
Net fixed assets	617	-
TOTAL ASSETS	\$ 187,671	\$ 262,462

LIABILITIES AND NET ASSETS

Accounts payable - operations	\$ -	\$ 599
Accrued wages and taxes	10,109	3,994
Total liabilities	10,109	4,593
NET ASSETS		
Restricted	54,757	127,933
Unrestricted	122,805	129,936
Total net assets	177,562	257,869
TOTAL LIABILITIES AND NET ASSETS	\$ 187,671	\$ 262,462

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
 (AN INDIANA NOT-FOR-PROFIT CORPORATION)  
 HUD PROJECT NO. IN079

STATEMENTS OF ACTIVITIES  
 For the Years Ended March 31, 2010 and 2009

	2010	2009
REVENUES		
HUD PHA operating grants	\$ 1,475,929	\$ 1,404,567
OPERATING EXPENSES		
Administrative	168,880	152,040
Utilities	9,594	9,536
Other general	7,182	8,330
Insurance	3,478	3,429
Housing assistance payments	1,367,301	1,295,825
Depreciation	69	-
Total operating expenses	1,556,504	1,469,160
OPERATING EXPENSES IN EXCESS OF REVENUES	(80,575)	(64,593)
OTHER INCOME		
Interest income	268	926
Total other income	268	926
CHANGE IN NET ASSETS	\$ (80,307)	\$ (63,667)

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
 (AN INDIANA NOT-FOR-PROFIT CORPORATION)  
 HUD PROJECT NO. IN079

STATEMENTS OF CHANGES IN NET ASSETS  
 For the Years Ended March 31, 2010 and 2009

	<u>Invested in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net assets, March 31, 2008	\$ -	\$ 190,360	\$ 131,176	\$ 321,536
Decrease in net assets for 2009	<u>-</u>	<u>(62,427)</u>	<u>(1,240)</u>	<u>(63,667)</u>
Net assets, March 31, 2009	-	127,933	129,936	257,869
Decrease in net assets for 2010	<u>-</u>	<u>(73,176)</u>	<u>(7,131)</u>	<u>(80,307)</u>
Net assets, March 31, 2010	<u>\$ -</u>	<u>\$ 54,757</u>	<u>\$ 122,805</u>	<u>\$ 177,562</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD PROJECT NO. IN079

STATEMENTS OF CASH FLOWS  
For the Years Ended March 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Operating grants	\$ 1,472,166	1,401,880
Interest income	268	926
Administrative expenses paid	(59,363)	(50,887)
Salaries and wages	(124,277)	(121,483)
Housing assistance payments	(1,367,301)	(1,295,825)
Net cash used in operating activities	(78,507)	(65,389)
Cash flows from investing activities		
Deposits to investments	-	110,457
Purchase of fixed assets	(686)	-
Net cash provided by (used in) investing activities	(686)	110,457
Net increase (decrease) in cash	(79,193)	45,068
Cash, beginning of year	257,241	212,173
Cash, end of year	\$ 178,048	\$ 257,241
Reconciliation of change in net assets to net cash provided by operating activities		
Decrease in net assets	\$ (80,307)	\$ (63,667)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	69	-
Changes in certain assets and liabilities:		
Increase in accounts receivable - other	(3,764)	(2,687)
Increase in prepaid expenses	(21)	(52)
Increase (decrease) in accounts payable	(599)	599
Increase in accrued liabilities	6,115	418
Net cash used in operating activities	\$ (78,507)	\$ (65,389)

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended March 31, 2010 and 2009

NOTE A - NATURE OF ORGANIZATION AND OPERATIONS

The Housing Authority of the City of Elwood (the Authority) was established on February 14, 1977 by an ordinance passed by the City Council. On August 29, 1979, the Authority was awarded a Section 8 annual contributions contract from the Department of Housing and Urban Development for 100 units of existing housing. The contract has been amended several times increasing the number of units and currently funds 301 units. The Authority receives its funding under the Housing Choice Voucher Program (HCVP) administered by HUD.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared in accordance with GASB pronouncements applicable to governmental units. The Authority is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, restricted net assets, and investments in capital assets, net of related debt. Net assets of the Authority and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to any restrictions imposed by laws or grant agreement.

Investments in capital assets - Net assets related to the book value of capital assets and infrastructure net of the related long-term debt. These net assets are considered unrestricted in nature. Currently, the Authority has net assets related to office equipment.

Restricted net assets - Net assets subject to restrictions imposed by laws or grant agreement. Currently, the Authority only has restricted net assets related to the Housing Choice Voucher program.

Method of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Years Ended March 31, 2010 and 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Concentrations of Credit Risk

The Authority's operations are concentrated in Housing Choice Voucher Program and operate in a heavily regulated environment. The program is subject to the administrative directives, rules and regulations of federal, state and local agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs including the additional administrative burden to comply with a change.

The Authority maintains balances in a financial institution in excess of the federally insured limit of \$250,000. The excess was \$0 and \$7,150 at March 31, 2010 and 2009, respectively.

Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered cash equivalents.

Cash Restrictions

Cash received under the HCVP is restricted by funding requirements for use only in the program. Restricted cash represents the amount of cash on hand that has been received in excess of the housing assistance payments made.

Accounts Receivable

Accounts receivable consist of administrative fee amounts earned during the fiscal year and are stated at the unpaid amount.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over the estimated useful lives. The Authority provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

Furniture and equipment	5 years
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The cost of maintenance and repairs is charged to operations as incurred. Significant renewals and betterments are capitalized.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Years Ended March 31, 2010 and 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Evaluation of Subsequent Events

Subsequent events have been evaluated through July 27, 2010, which is the date the financial statements were available to be issued.

NOTE C - HOUSING ASSISTANCE PAYMENTS

Housing assistance payments are made on behalf of qualified program participants to property landlords on a monthly basis. The tenant's rent is determined by HUD program requirements relating to participant income, the number of people living in the rental unit, and other factors. The approved contract rent is determined by HUD program requirements including comparable market rent in the area and other factors. The housing assistance payment supplements the tenant's rent payment and is the difference between the approved rental amount and the tenant's rent payment.

The housing assistance payment follows the program participant should they move. The program participant is required to recertify their income and other qualifications at least annually to continue receiving assistance.

The Authority receives an annual award based upon the number of approved vouchers, usage, and other factors. Funds are deposited monthly to the Authority's bank account. Amounts received in excess of the actual housing assistance payments made are restricted for future use as housing assistance payments. The actual housing assistance payments made are drawn from restricted funds.

NOTE D - ADMINISTRATIVE FEES

The Authority receives an administrative fee of \$48.67 for each unit administered each month. The amount is determined by HUD and paid to the Authority monthly along with the housing assistance payments amount. Unrestricted net assets are comprised almost exclusively of administrative fee reserves. In the current fiscal year, HUD imposed a new regulation requiring the separate reporting of Pre-2004 and Post-2003 administrative fee reserves.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
 (AN INDIANA NOT-FOR-PROFIT CORPORATION)  
 HUD PROJECT NO. IN079

SUPPLEMENTAL INFORMATION  
 March 31, 2010

Financial Position Data

ASSETS

CURRENT ASSETS

111	Cash - unrestricted	\$ 127,055
113	Cash - restricted	50,993
124	Accounts receivable - government	6,476
142	Prepaid expenses	<u>2,530</u>
150	Total current assets	187,054

NON-CURRENT ASSETS

164	Furniture, equipment and machinery - admin	23,211
166	Accumulated depreciation	<u>(22,594)</u>
160	Total fixed assets net of accumulated depreciation	<u>617</u>
180	Total non-current assets	<u>617</u>
190	TOTAL ASSETS	<u>\$ 187,671</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

321	Accrued wages payable	\$ <u>10,109</u>
310	Total current liabilities	10,109
300	Total liabilities	10,109

NET ASSETS

511.1	Restricted net assets	54,757
512.1	Unrestricted net assets:	
	Administrative fee reserves:	
	Post - 2003 reserves	-
	Pre - 2004 reserves	<u>122,805</u>
513	Total net assets	<u>177,562</u>
2033T	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 187,671</u>

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
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 HUD PROJECT NO. IN079

SUPPLEMENTAL INFORMATION (CONTINUED)  
 For the Year Ended March 31, 2010

Change in Net Asset Data

REVENUES

70600	HUD PHA operating grants	\$ 1,475,929
71100	Investment income - unrestricted	150
72000	Investment income - restricted	<u>118</u>
70000	Total revenue	1,476,197

EXPENSES

Administrative Expenses

91100	Administrative salaries	130,391
91200	Auditing fees	5,500
91500	Employee benefit contributions	22,704
91600	Office expenses	<u>10,285</u>
91000	Total administrative expenses	168,880

Utilities Expenses

93800	Other utilities expense	<u>9,594</u>
93000	Total utilities expense	9,594

General Expenses

96100	Insurance	3,478
96200	Other general expenses	<u>7,182</u>
96000	Total general expenses	<u>10,660</u>

96900	Total operating expenses	189,134
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Other Expenses

97300	Housing assistance payments	1,367,301
97400	Depreciation expense	<u>69</u>

90000	Total expenses	<u>1,556,504</u>
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10000	Deficiency of revenues under expenses	<u>\$ (80,307)</u>
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11190	Unit months available	3,612
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11210	Unit months leased	3,474
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HOUSING AUTHORITY OF THE CITY OF ELWOOD  
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 HUD PROJECT NO. IN079

SUPPLEMENTAL INFORMATION (CONTINUED)  
 For the Year Ended March 31, 2010

Account Details

Unrestricted Net Assets

1117-001	Administrative fee net assets - beginning balance	\$ 129,936
1117-010	Administrative fee revenue	181,922
1117-040	Investment income	<u>150</u>
1117-060	Total admin fee revenue	182,072
1117-080	Total operating expenses	189,134
1117-090	Depreciation	<u>69</u>
1117-110	Total expenses	<u>189,203</u>
1117-002	Net administrative fee	<u>(7,131)</u>
11170	Administrative fee net assets - ending balance	<u>\$ 122,805</u>

Restricted Net Assets

1118-001	HAP net assets - beginning balance	\$ 127,933
1118-010	Housing assistance payment revenue	1,294,007
1118-025	Investment income	<u>118</u>
1118-030	Total housing assistance payment revenue	1,294,125
1118-080	Total operating expenses	<u>1,367,301</u>
1118-002	Net change in restricted net assets	<u>(73,176)</u>
11180	HAP net assets - ending balance	<u>\$ 54,757</u>

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD PROJECT NO. IN079

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended March 31, 2010

<u>CFDA #</u>	<u>Program</u>	<u>Amount Expended</u>
U.S. Department of Housing and Urban Development		
14.871	Section 8 housing choice vouchers	<u>\$ 1,475,929</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Elwood, HUD Project No. IN079, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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*

To the Board of Directors of  
Housing Authority of the City of Elwood  
(An Indiana Not-For-Profit Corporation)  
Elwood, Indiana

We have audited the financial statements of the Housing Authority of the City of Elwood (an Indiana not-for-profit corporation), HUD Contract No. IN079, as of and for the year ended March 31, 2010, and have issued our report thereon dated July 27, 2010. 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 Housing Authority of the City of Elwood's internal control over financial reporting in order to determine 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 significant deficiency or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the 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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

To the Board of Directors  
Housing Authority of the City of Elwood  
(An Indiana Not-for-Profit Corporation)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Elwood'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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the Authority, and the Departments of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*K. B. Parrish & Co. LLP*

K. B. Parrish & Co. LLP  
Certified Public Accountants  
35-0905983  
Steven E. Silva - Engagement Partner

Indianapolis, Indiana  
July 27, 2010

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

To the Board of Directors of  
Housing Authority of the City of Elwood  
(An Indiana Not-for-Profit Corporation)  
Elwood, Indiana

Compliance

We have audited the compliance of the Housing Authority of the City of Elwood with the types of compliance requirements described in *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended March 31, 2010. The Housing Authority of the City of Elwood'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 its major federal programs is the responsibility of the Housing Authority of the City of Elwood's management. Our responsibility is to express an opinion on the Housing Authority of the City of Elwood'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 Housing Authority of the City of Elwood'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 on the Housing Authority of the City of Elwood's compliance with those requirements.

In our opinion, the Housing Authority of the City of Elwood complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2010.

To the Board of Directors of  
Housing Authority of the City of Elwood  
(An Indiana Not-for-Profit Corporation)

### Internal Control Over Compliance

The management of the Housing Authority of the City of Elwood 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 our audit, we considered the 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, 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.

A *deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on 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 would not necessarily 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-2. A significant deficiency in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*K. B. Parrish & Co. LLP*

K. B. Parrish & Co. LLP  
Certified Public Accountants  
35-0905983  
Steven E. Silva - Engagement Partner

Indianapolis, Indiana  
July 27, 2010

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For Year Ended March 31, 2010

**Section I - Summary of Audit Results**

**Financial Statements:**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_yes      x  no

Reportable condition(s) identified that are not  
considered to be material weaknesses?   x  yes    \_\_\_\_\_none  
reported

Noncompliance material to the 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: unqualified

Any findings disclosed that are required to be reported  
in accordance with §\_510(a) of OMB Circular A-133:   x  yes    \_\_\_\_\_no

**Identification of major programs:**

14.871    Section 8 Housing Choice Vouchers

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

Auditee qualified as a low-risk auditee?   x  yes    \_\_\_\_\_no

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For Year Ended March 31, 2010

**Section II - Financial Statement Findings**

Reference Number: 2010-1

Program: Department of Housing and Urban Development, CFDA 14.871, Section 8 Housing Choice Vouchers.

Criteria: COSO contemplates that the process of financial statement preparation include a person or persons that possess the qualifications to prepare financial statements in accordance with generally accepted accounting principles.

Condition: The Housing Authority of the City of Elwood's staff did not include a person or persons that possess the qualifications to prepare financial statements in accordance with generally accepted accounting principles.

Cause: The Community's management believes the bookkeeping personnel presently employed are adequate and performing in such a manner so that financial statements may be prepared by independent accountants in accordance with generally accepted accounting principles from the books and records maintained.

Effect: The Authority is unable to prepare financial statements in accordance with generally accepted accounting principles without the aid of competent accounting professionals.

Recommendation: The present internal control environment is adequate for the size and number of Authority's under management. The effects of the aforementioned condition are minimal and no change is needed.

Comments: Management agrees with the auditor. In management's opinion, the accounting books and records maintained by the Authority's bookkeeper are adequate and are providing management with the financial information to effectively manage the Authority.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For Year Ended March 31, 2010

**Section II - Financial Statement Findings - Continued**

Reference Number: 2010-2

Program: Department of Housing and Urban Development, CFDA 14.871, Section 8 Housing Choice Vouchers

Criteria: Management is responsible for establishing and maintaining effective internal control.

Condition: The Housing Authority of the City of Elwood does not have complete segregation of duties in accounting functions.

Cause: The Authority's small size and financial capacity limit the availability of personnel to achieve complete segregation of duties.

Effect: The Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles is adversely affected such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Recommendation: The board should consider the appropriateness of mitigating controls including having a board member review bank reconciliation reports on a regular basis.

Comments: Management agrees with the auditor. The lack of segregation of duties results from the small size and the lack of financial capacity to employ additional personnel to supplement the control environment. Management believe that the cost of correcting the above described control deficiency would exceed the benefits. The board is aware of the limitations due to size and reviews internal reports regularly.

**Section III - Federal Award Findings and Questioned Costs**

Finding 2010-2 is also a Federal Award Finding.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
(AN INDIANA NOT-FOR-PROFIT CORPORATION)  
HUD CONTRACT NO. IN079

SCHEDULE OF PRIOR YEAR FINDINGS  
For Year Ended March 31, 2010

**Findings for the Year Ended March 31, 2009**

Reference Number: 2009-1

Condition: The Housing Authority of the City of Elwood's staff did not include a person or persons that possess the qualifications to prepare financial statements in accordance with generally accepted accounting principles.

Recommendation: The present internal control environment is adequate for the size and number of Authority's under management. The effects of the aforementioned condition are minimal and no change is needed.

Narrative: In management's opinion, the accounting books and records maintained by the Authority's bookkeeper are adequate and are providing management with the financial information to effectively manage the Authority. No corrective action has been taken.

Reference Number: 2009-2

Condition: The Housing Authority of the City of Elwood does not have complete segregation of duties in accounting functions.

Recommendation: The board should consider the appropriateness of mitigating controls including having a board member review bank reconciliation reports on a regular basis.

Narrative: The lack of segregation of duties results from the small size and the lack of financial capacity to employ additional personnel to supplement the control environment. Management believes that the cost of correcting the above described control deficiency would exceed the benefits. The board is aware of the limitations due to size and reviews internal reports regularly. No corrective action has been taken.