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

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

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, 2010 to March 31, 2011. 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, 2011 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, 2011 AND 2010

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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, 2011 and 2010, 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 audits provide 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, 2011 and 2010, 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 August 31, 2011, on our consideration of the Authority's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. In accordance with *Government Auditing Standards*, we have also issued an opinion dated August 31, 2011, on the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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)

Government Auditing Standards require that the Management Discussion and Analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

K. B. Parrish & Co. LLP

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

Indianapolis, Indiana
August 31, 2011

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, 2011

The Housing Authority of the City of Elwood (the "Authority") management 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 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, 2011 and 2010, the Authority's net assets decreased by \$22,285 (or 12.6 percent) and \$80,307 (or 31.1 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 \$155,277 and \$177,562 as of March 31, 2011 and 2010, respectively.

Total grant revenue increased by \$63,737 (or 4.3 percent) from the prior fiscal year. The increase was composed of an increase of \$76,510 in Housing Choice Voucher Program revenue and a decrease of \$12,773 in administrative fee grants related to the program.

The total expenses of the Authority for the current fiscal year were \$1,563,467, a decrease of \$6,963 (or 0.4 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 8-12)
 - Notes to financial statements (pages 13-15)
- 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, 2011

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, a 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, 2011

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>2011</u>	<u>2010</u>
Total net assets, beginning of year	\$ 177,562	\$ 257,869
Change in net assets	<u>(22,285)</u>	<u>(80,307)</u>
Total net assets, end of year	<u>\$ 155,277</u>	<u>\$ 177,562</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 \$4,949 greater than the related grant revenue. An increase in HCVP payments represented the majority 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, 2011

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, 2010	\$ 122,805
Change in unrestricted net assets	<u>(18,060)</u>
Unrestricted net assets at March 31, 2011	<u>\$ 104,745</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	\$ 1,370,517	\$ 1,294,007
Fraud recovery revenue	650	-
Interest income - restricted	74	118
HCV payments	<u>(1,375,466)</u>	<u>(1,367,301)</u>
Change in restricted net assets	<u>\$ (4,225)</u>	<u>\$ (73,176)</u>
Administrative grant revenue	\$ 169,149	\$ 181,922
Fraud recovery revenue	650	-
Interest income - unrestricted	142	150
Operating expenses	<u>(188,001)</u>	<u>(189,203)</u>
Change in unrestricted net assets	<u>\$ (18,060)</u>	<u>\$ (7,131)</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 3,321 unit/months leased out of the available 3,612 unit/months for the program (or 91.94 percent) for the current year and had 3,442 unit/months leased out of the available 3,612 unit/months for the program (or 95.29 percent) for the prior year.

DEBT ADMINISTRATION

Debt Outstanding

The Authority has no outstanding debt as of March 31, 2011.

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, 2011

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, 2011. 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 \$21,806 which has been driven by a \$461 reduction in restricted cash and an \$8,165 increase in HCVP payments. 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 \$18,060.

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

	2011	2010
Cash - unrestricted	\$ 110,017	\$ 127,055
Cash - restricted	50,532	50,993
Total cash	160,549	178,048
Accounts receivable - government	2,113	6,476
Prepaid expenses	2,723	2,530
Furniture, equipment, machinery - administration	23,211	23,211
Accumulated depreciation	(22,731)	(22,594)
Net fixed assets	480	617
TOTAL ASSETS	\$ 165,865	\$ 187,671

LIABILITIES AND NET ASSETS

Accounts payable - operations	\$ 3,783	\$ -
Accrued wages and taxes	6,805	10,109
Total liabilities	10,588	10,109
NET ASSETS		
Restricted	50,532	54,757
Unrestricted	104,745	122,805
Total net assets	155,277	177,562
TOTAL LIABILITIES AND NET ASSETS	\$ 165,865	\$ 187,671

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 Year Ended March 31, 2011

	Restricted	Unrestricted	Total
REVENUES			
HUD PHA operating grants	\$ 1,370,517	\$ 169,149	\$ 1,539,666
Other operating revenue	650	650	1,300
Total operating revenue	1,371,167	169,799	1,540,966
 OPERATING EXPENSES			
Administrative	-	164,411	164,411
Utilities	-	10,025	10,025
Other general	-	9,822	9,822
Insurance	-	3,606	3,606
Housing assistance payments	1,375,466	-	1,375,466
Depreciation	-	137	137
Total operating expenses	1,375,466	188,001	1,563,467
 OPERATING EXPENSES IN EXCESS OF REVENUES			
	(4,299)	(18,202)	(22,501)
 OTHER INCOME			
Interest income	74	142	216
Total other income	74	142	216
 CHANGE IN NET ASSETS			
	\$ (4,225)	\$ (18,060)	\$ (22,285)

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 (CONTINUED)
 For the Year Ended March 31, 2010

	Restricted	Unrestricted	Total
REVENUES			
HUD PHA operating grants	\$ 1,294,007	\$ 181,922	\$ 1,475,929
Other operating revenue	-	-	-
Total operating revenue	1,294,007	181,922	1,475,929
OPERATING EXPENSES			
Administrative	-	168,880	168,880
Utilities	-	9,594	9,594
Other general	-	7,182	7,182
Insurance	-	3,478	3,478
Housing assistance payments	1,367,301	-	1,367,301
Depreciation	-	69	69
Total operating expenses	1,367,301	189,203	1,556,504
OPERATING EXPENSES IN EXCESS OF REVENUES	(73,294)	(7,281)	(80,575)
OTHER INCOME			
Interest income	118	150	268
Total other income	118	150	268
CHANGE IN NET ASSETS	\$ (73,176)	\$ (7,131)	\$ (80,307)

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, 2011 and 2010

	<u>Invested in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</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	-	54,757	122,805	177,562
Decrease in net assets for 2011	<u>-</u>	<u>(4,225)</u>	<u>(18,060)</u>	<u>(22,285)</u>
Net assets, March 31, 2011	<u>\$ -</u>	<u>\$ 50,532</u>	<u>\$ 104,745</u>	<u>\$ 155,277</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 Year Ended March 31,

	2011	2010
Cash flows from operating activities		
Receipts:		
Operating grants	\$ 1,544,029	\$ 1,472,166
Interest income	216	268
Other operating	1,300	-
Total receipts	1,545,545	1,472,434
Disbursements:		
Administrative	167,715	163,365
Utilities	10,025	9,594
Other general	9,822	7,182
Insurance	3,799	3,499
Housing assistance payments	1,371,683	1,367,301
Total disbursements	1,563,044	1,550,941
Net cash used in operating activities	(17,499)	(78,507)
Cash flows from investing activities		
Purchase of fixed assets	-	(686)
Net cash provided by (used in) investing activities	-	(686)
Net decrease in cash	(17,499)	(79,193)
Cash, beginning of year	178,048	257,241
Cash, end of year	\$ 160,549	\$ 178,048
Reconciliation of change in net assets to net cash provided by operating activities		
Decrease in net assets	\$ (22,285)	\$ (80,307)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	137	69
Changes in certain assets and liabilities:		
Decrease (increase) in accounts receivable - other	4,363	(3,764)
Increase in prepaid expenses	(193)	(21)
Increase (decrease) in accounts payable	3,783	(599)
Increase (decrease) in accrued liabilities	(3,304)	6,115
Net cash used in operating activities	\$ (17,499)	\$ (78,507)

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, 2011 and 2010

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, 2011 and 2010

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.

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.

Federal and State Income Tax

The Authority is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax laws and regulations. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying financial statements.

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, 2011 and 2010

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Uncertain Tax Positions

The Authority has evaluated tax positions taken in the tax returns filed and has determined that there are no uncertain tax positions as defined by generally accepted accounting standards. Under a three-year statute of limitations, the Authority remains subject to examination by the Internal Revenue Service for the years ended March 31, 2008 through March 31, 2010.

Date of Management's Evaluation of Subsequent Events

Subsequent events have been evaluated through August 31, 2011, 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 year ended March 31, 2010, 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

Report of Independent Certified Public Accountants
on Supplemental Information

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

We have audited the financial statements of Housing Authority of the City of Elwood, (an Indiana Not-For-Profit Corporation) as of and for the years ended March 31, 2011 and 2010 and our report dated August 31, 2011, which expressed an unqualified opinion on those financial statements, appears on Page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on Pages 17 to 19 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

K. B. Parrish & Co. LLP

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

Indianapolis, Indiana
August 31, 2011

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

SUPPLEMENTAL INFORMATION
March 31, 2011

Financial Position Data

ASSETS

CURRENT ASSETS

111	Cash - unrestricted	\$	110,017
113	Cash - restricted		50,532
124	Accounts receivable - government		2,113
142	Prepaid expenses		<u>2,723</u>
150	Total current assets		165,385

NON-CURRENT ASSETS

164	Furniture, equipment and machinery - admin		23,211
166	Accumulated depreciation		<u>(22,731)</u>
160	Total fixed assets net of accumulated depreciation		<u>480</u>
180	Total non-current assets		<u>480</u>
190	TOTAL ASSETS	\$	<u>165,865</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

312	Accounts payable - operations	\$	3,783
321	Accrued wages payable		<u>6,805</u>
310	Total current liabilities		10,588
300	Total liabilities		10,588

NET ASSETS

511.1	Restricted net assets		50,532
512.1	Unrestricted net assets:		
	Administrative fee reserves:		
	Post - 2003 reserves		-
	Pre - 2004 reserves		<u>104,745</u>
513	Total net assets		<u>155,277</u>
2033T	TOTAL LIABILITIES AND NET ASSETS	\$	<u>165,865</u>

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

SUPPLEMENTAL INFORMATION (CONTINUED)
 For the Year Ended March 31, 2011

Change in Net Asset Data

REVENUES

70600	HUD PHA operating grants	\$ 1,539,666
71100	Investment income - unrestricted	142
71400	Fraud recovery	1,300
72000	Investment income - restricted	<u>74</u>
70000	Total revenue	1,541,182

EXPENSES

Administrative Expenses

91100	Administrative salaries	125,113
91200	Auditing fees	5,400
91500	Employee benefit contributions	26,757
91600	Office expenses	<u>7,141</u>
91000	Total administrative expenses	164,411

Utilities Expenses

93800	Other utilities expense	<u>10,025</u>
93000	Total utilities expense	10,025

General Expenses

96100	Insurance	3,606
96200	Other general expenses	<u>9,822</u>
96000	Total general expenses	<u>13,428</u>
96900	Total operating expenses	187,864

Other Expenses

97300	Housing assistance payments	1,375,466
97400	Depreciation expense	<u>137</u>
90000	Total expenses	<u>1,563,467</u>
10000	Deficiency of revenues under expenses	<u>\$ (22,285)</u>

11190	Unit months available	3,612
11210	Unit months leased	3,321

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

SUPPLEMENTAL INFORMATION (CONTINUED)
 For the Year Ended March 31, 2011

Account Details

Unrestricted Net Assets

1117-001	Administrative fee net assets - beginning balance	\$ 122,805
1117-010	Administrative fee revenue	169,149
1117-015	Fraud recovery income	650
1117-040	Investment income	142
1117-060	Total admin fee revenue	<u>169,941</u>
1117-080	Total operating expenses	187,864
1117-090	Depreciation	137
1117-110	Total expenses	<u>188,001</u>
1117-002	Net administrative fee	<u>(18,060)</u>
11170	Administrative fee net assets - ending balance	<u>\$ 104,745</u>

Restricted Net Assets

1118-001	HAP net assets - beginning balance	\$ 54,757
1118-010	Housing assistance payment revenue	1,370,517
1118-015	Fraud recovery income	650
1118-025	Investment income	74
1118-030	Total housing assistance payment revenue	<u>1,371,241</u>
1118-080	Total operating expenses	<u>1,375,466</u>
1118-002	Net change in restricted net assets	<u>(4,225)</u>
11180	HAP net assets - ending balance	<u>\$ 50,532</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, 2011

<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>\$ 1,539,666</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, 2011, and have issued our report thereon dated August 31, 2011. 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 Housing Authority of the City of Elwood's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation'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 as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. 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 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, others within the Corporation, 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
August 31, 2011

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 Housing Authority of the City of Elwood, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended March 31, 2011. 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 Housing Authority of the City of Elwood's management. Our responsibility is to express an opinion on 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 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 Housing Authority of the City of Elwood's compliance with those requirements.

In our opinion, Housing Authority of the City of Elwood, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2011.

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

Internal Control Over Compliance

Management of Housing Authority of the City of Elwood, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 2011-2. 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 Corporation, 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
August 31, 2011

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, 2011

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Housing Authority of the City of Elwood.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Housing Authority of the City of Elwood were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program for Housing Authority of the City of Elwood, expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was CFDA 14.871 – Section 8 Housing Choice Vouchers.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Housing Authority of the City of Elwood was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

2011-1
2011-2

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2011-2

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, 2011

Section II - Financial Statement Findings

Reference Number: 2011-1

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 employees. 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, 2011

Section II - Financial Statement Findings - Continued

Reference Number: 2011-2

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 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.

Section III - Federal Award Findings and Questioned Costs

Finding 2011-2 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, 2011

Findings for the Year Ended March 31, 2010

Reference Number: 2010-1

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 employees 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: 2010-2

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.