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STATE OF INDIANA

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February 22, 2016

Board of Commissioners
Elwood Housing Authority
1602 So. A Street, Suite B
Elwood, IN 46036

We have reviewed the audit report prepared by K.B. Parrish & Co., LLP, Independent Public Accountants, for the period April 1, 2012 to March 31, 2013. 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 Elwood Housing Authority, as of March 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report. They are referenced in the Independent Auditor's 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* and one (Finding 2013-2) is referenced in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB circular A-133. The first finding describes the lack of personnel that possess the qualifications to prepare financial statements in accordance with generally accepted accounting principles and the second describes the lack of segregation of duties due to the entity's size.

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

INDEPENDENT AUDITOR'S REPORTS ON FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION, INTERNAL CONTROL AND COMPLIANCE HUD CONTRACT NO. IN079

ELWOOD HOUSING AUTHORITY
ELWOOD, INDIANA
MARCH 31, 2013 AND 2012

CONTENTS

HUD CONTRACT NO. IN079

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

KB Parrish & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

To the Board of Directors
Elwood Housing Authority
Elwood, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Elwood Housing Authority (the Authority), as of and for the years ended March 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of March 31, 2013 and 2012, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis on pages 4 - 8* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information presented on pages 18 - 20, as required by the U.S. Department of Housing and Urban Development, and the *schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

That information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented on pages 18 - 20, as required by the U.S. Department of Housing and Urban Development, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
Elwood Housing Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

K. B. Parrish & Co. LLP

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

Indianapolis, Indiana
December 23, 2013

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended March 31, 2013

The Elwood Housing Authority (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 9).

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 9-12)
  - Notes to financial statements (pages 13-17)

- 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.

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.

FINANCIAL HIGHLIGHTS

During fiscal years ended March 31, 2013 and 2012, the Authority's net assets decreased by $25,322 (or 19.6 percent) and $30,439 (or 12.6 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 $99,515 and $124,838 as of March 31, 2013 and 2012, respectively.

Total grant revenue increased by $10,525 (or 0.7 percent) from the prior fiscal year. The decrease was composed of an increase of $5,746 in Housing Choice Voucher Program revenue and an increase of $4,779 in administrative fee grants related to the program.

The total expenses of the Authority for the current fiscal year were $1,562,254, an increase of $5,372 (or 0.4 percent).

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
For the Year Ended March 31, 2013

Overview of the Basic Financial Statements

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

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

Invested in Capital Assets: This component of net position consists of amounts invested in capital assets net of any related debt.

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

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

The basic 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 position," which is similar to net income or loss.

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.

The notes to the basic financial statements are an integral part of the financial statements. Such disclosures are essential to a full understanding of the information provided in the basic financial statements. The notes are located on pages 13 through 17.

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.

Financial Analysis

Net Position

The statement of net position 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.

	2013	2012	2011
Current Assets	$ 111,293	$ 135,305	$ 165,385
Non-Current Assets	3,605	343	480
Total Assets	$ 114,898	$ 135,648	$ 165,865
Current Liabilities	$ 15,382	$ 10,810	$ 10,588
Total Net Position	99,516	124,838	155,277
Total Liabilities and Net Position	$ 114,898	$ 135,648	$ 165,865
Invested in Capital Assets	$ 3,605	$ 343	$ 480
Restricted Components of Net Position	40,481	45,398	50,532
Unrestricted Components of Net Position	55,430	79,097	104,265
	$ 99,516	$ 124,838	$ 155,277

Major Factors Affecting the Statement of Net Position

HUD plans to consume the restricted net assets within the HCVP over several fiscal years. HCVP payments were $5,830 and $6,066 greater than the related grant revenue during 2013 and 2012, respectively. An excess of operating expense over administrative fee grants represented the majority of the decrease in net position.

Major Factors Affecting the Statement of Net Position - Continued

The total assets of the Authority have declined by $20,750 which has been driven by a $5,134 reduction in restricted cash and an excess of operating expense. 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 $20,405.

Change in Net Position

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

	2013	2012	2011
HCV grant revenue	$ 1,374,856	$ 1,369,110	$ 1,370,517
Fraud recovery revenue	894	905	650
Interest income - restricted	19	27	74
HCV payments	(1,380,686)	(1,375,176)	(1,375,466)
Change in restricted net assets	(4,917)	(5,134)	(4,225)
Administrative fee grant revenue	160,230	155,451	169,149
Fraud recovery revenue	894	905	650
Interest income - unrestricted	39	45	142
Operating expenses	(181,568)	(181,706)	(188,001)
Change in unrestricted net asset	$ (20,405)	$ (25,305)	$ (18,060)

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 3,432 unit/months leased out of the available 3,612 unit/months for the program (or 95.02 percent) for the year ended March 31, 2013, 3,330 unit/months leased out of the available 3,612 unit/months for the program (or 92.19 percent) for the year ended March 31, 2012 and had 3,321 unit/months leased out of the available 3,612 unit/months for the program (or 91.94 percent) for the year ended March 31, 2011.

DEBT ADMINISTRATION

Debt Outstanding

The Authority has no outstanding debt as of March 31, 2013, 2012 and 2011, respectively.

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 Kimala Hanlin, Executive Director of the Elwood Housing Authority, at (765) 552-2148. Specific requests may be submitted to the Authority at 1621 South A Street, Suite B, Elwood, Indiana 46036.

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

STATEMENTS OF NET POSITION
March 31,

ASSETS

	2013	2012
Cash - unrestricted	$ 64,891	$ 84,437
Cash - restricted	40,481	45,398
Total cash	105,372	129,835
Accounts receivable - government	-	2,709
Prepaid expenses	5,921	2,761
Furniture, equipment, machinery - administration	26,781	23,211
Accumulated depreciation	(23,176)	(22,868)
Net capital assets	3,605	343
TOTAL ASSETS	$ 114,898	$ 135,648

LIABILITIES AND NET POSITION

	2013	2012
Accounts payable - operations	$ 8,613	$ 3,783
Accrued wages and taxes	6,769	7,027
Total liabilities	15,382	10,810
NET POSITION		
Invested in capital assets	3,605	343
Restricted	40,481	45,398
Unrestricted	55,430	79,097
Total net position	99,516	124,838
TOTAL LIABILITIES AND NET POSITION	$ 114,898	$ 135,648

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

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

STATEMENTS OF ACTIVITIES
For the Year Ended March 31, 2013

	Restricted	Unrestricted	Total
REVENUES			
HUD PHA operating grants	$ 1,374,856	$ 160,230	$ 1,535,086
Other operating revenues	894	894	1,788
Total operating revenues	1,375,750	161,124	1,536,874
OPERATING EXPENSES			
Administrative	-	159,150	159,150
Utilities	-	11,647	11,647
Other general	-	6,566	6,566
Insurance	-	3,897	3,897
Housing assistance payments	1,380,686	-	1,380,686
Depreciation	-	308	308
Total operating expenses	1,380,686	181,568	1,562,254
OPERATING EXPENSES IN EXCESS OF REVENUES	(4,936)	(20,444)	(25,380)
OTHER INCOME			
Interest income	19	39	58
Total other income	19	39	58
CHANGE IN NET POSITION	(4,917)	(20,405)	(25,322)
BEGINNING NET POSITION	45,398	79,440	124,838
ENDING NET POSITION	$ 40,481	$ 59,035	$ 99,516

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

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

STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended March 31, 2012

	Restricted	Unrestricted	Total
REVENUES			
HUD PHA operating grants	$ 1,369,110	$ 155,451	$ 1,524,561
Other operating revenues	905	905	1,810
Total operating revenues	1,370,015	156,356	1,526,371
OPERATING EXPENSES			
Administrative	-	158,613	158,613
Utilities	-	9,845	9,845
Other general	-	9,350	9,350
Insurance	-	3,761	3,761
Housing assistance payments	1,375,176	-	1,375,176
Depreciation	-	137	137
Total operating expenses	1,375,176	181,706	1,556,882
OPERATING EXPENSES IN EXCESS OF REVENUES	(5,161)	(25,350)	(30,511)
OTHER INCOME			
Interest income	27	45	72
Total other income	27	45	72
CHANGE IN NET POSITION	(5,134)	(25,305)	(30,439)
BEGINNING NET POSITION	50,532	104,745	155,277
ENDING NET POSITION	$ 45,398	$ 79,440	$ 124,838

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

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

STATEMENTS OF CASH FLOWS
For the Years Ended March 31,

	2013	2012
Cash flows from operating activities		
Receipts:		
Operating grants	$ 1,537,795	$ 1,523,965
Interest income	58	72
Other operating	1,788	1,810
Total receipts	1,539,641	1,525,847
Disbursements:		
Administrative	159,408	158,391
Utilities	11,647	9,845
Other general	1,736	9,350
Insurance	7,057	3,799
Housing assistance payments	1,380,686	1,375,176
Total disbursements	1,560,534	1,556,561
Net cash used in operating activities	(20,893)	(30,714)
Cash flows from investing activities		
Purchase of fixed assets	(3,570)	-
Net cash (used in) investing activities	(3,570)	-
Net decrease in cash	(24,463)	(30,714)
Cash, beginning of year	129,835	160,549
Cash, end of year	$ 105,372	$ 129,835
Reconciliation of change in net assets to net cash provided by operating activities		
Decrease in net assets	$ (25,322)	$ (30,439)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	308	137
Changes in certain assets and liabilities:		
(Increase) decrease in accounts receivable - other	2,709	(596)
Increase in prepaid expenses	(3,160)	(38)
Increase in accounts payable	4,830	-
Increase (decrease) in accrued liabilities	(258)	222
Net cash used in operating activities	$ (20,893)	$ (30,714)

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended March 31, 2013 and 2012

NOTE A - NATURE OF ORGANIZATION AND OPERATIONS

The Elwood Housing Authority (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 Accounting and Measurement Focus

The basis of accounting for the funds used by the Authority is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for the Authority's Enterprise Fund. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Assets and liabilities associated with the operation of these funds are included in the statements of net position.

Recently Adopted Accounting Standards

During 2012, the Authority adopted the following GASB Statements:

GASB Statement No. 61, ("GASB 61") *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and No. 34*, was issued in November 2010. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. The provisions of this Statement are effective for fiscal periods beginning after June 15, 2012.

GASB Statement No. 62, ("GASB 62") *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements* was issued in December 2010. The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently Adopted Accounting Standards - Continued

This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting,* thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post November 30, 1989 FASB pronouncements that do no conflict with or contradict GASB pronouncements, including this Statement. The requirements of GASB 62 became effective for fiscal periods beginnings after December 31, 2011. The adoption of this Statement, effective January 1, 2012, had no impact on the financial statements of the Authority.

GASB Statement No. 63, (GASBU 63") *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The objective of these statements is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosure. GASB 63 provides that amounts that are required to be reported as deferred outflows of resources be reported in the statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred outflows of resources be reported in the statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources be reported in the statement so financial position in a separate section following liabilities. The term "net position" replaces the term "net assets" for reporting the net residual of assets and deferred outflows in excess of liabilities and deferred inflows. The requirements of the new statement became effective for fiscal periods beginning after December 15, 2011.

The Authority's adoption of this statement resulted in presentation changes throughout the basic financial statements and notes to the basic financial statements.

Accounting Standards Issued But Not Yet Adopted

GASB Statement No. 65, ("GASB 65") *Items Previously Reported as Assets and Liabilities.* The objective of this statement is to either (a) properly classify certain resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The provisions of this Statement are effective for fiscal periods beginning after December 15, 2012. The Authority has not completed the process of evaluating the impact that may result from adopting GASB 65.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation of Financial Statements

The accompanying financial statements have been prepared in accordance with GASB pronouncements applicable to governmental units. The Authority accounts for all of its activity as a Propriety Fund which includes Business-type activities that are financed in whole or in part by fees charged to external parties. The Authority is required to report information regarding its financial position and activities according to three components of net position: unrestricted net position, restricted net position, and investments in capital assets, net of related debt. Net position of the Authority and changes therein are classified and reported as follows:

Unrestricted net position - Components of net position that are not subject to any restrictions imposed by laws or grant agreement.

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

Restricted net position - Components of net position subject to restrictions imposed by laws or grant agreement. Currently, the Authority only has components of restricted net position related to the Housing Choice Voucher Program.

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.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash, Cash Equivalents and Investments

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

Capital Assets

Capital assets 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

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

Federal and State Income Tax

Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. Contributions to the Authority are tax deductible contributions, pursuant to Sections 170(b)(1)(A)(v) and 170(c)(1) of the Internal Revenue Code of 1986, as amended.

Date of Management's Evaluation of Subsequent Events

Subsequent events have been evaluated through December 23, 2013, 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.

NOTE C - HOUSING ASSISTANCE PAYMENTS - Continued

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 $58.70 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. HUD is also actively involved in reducing the administrative fee reserves accumulated by housing authorities. Administrative fee grants will be reduced by HUD until the reserves reach the acceptable level determined by HUD.

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

SUPPLEMENTAL INFORMATION

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

SUPPLEMENTAL INFORMATION
March 31, 2013

Financial Position Data

ASSETS

CURRENT ASSETS		
111	Cash - unrestricted	$ 64,891
113	Cash - restricted	40,481
142	Prepaid expenses	5,921
150	Total current assets	111,293
NON-CURRENT ASSETS		
164	Furniture, equipment and machinery - admin	26,781
166	Accumulated depreciation	(23,176)
160	Total fixed assets net of accumulated depreciation	3,605
180	Total non-current assets	3,605
190	TOTAL ASSETS	$ 114,898

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
312	Accounts payable - operations	$ 8,613
321	Accrued wages payable	6,769
310	Total current liabilities	15,382
300	Total liabilities	15,382
NET ASSETS		
508.1	Invested in capital assets	3,605
511.1	Restricted net assets	40,481
512.1	Unrestricted net assets:	
	Administrative fee reserves:	
	Pre - 2004 reserves	55,430
513	Total net assets	99,516
2033T	TOTAL LIABILITIES AND NET ASSETS	$ 114,898

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

SUPPLEMENTAL INFORMATION (CONTINUED)
For the Year Ended March 31, 2013

Change in Net Asset Data

REVENUES		
70600	HUD PHA operating grants	$ 1,535,086
71100	Investment income - unrestricted	39
71400	Fraud recovery	1,788
72000	Investment income - restricted	19
70000	Total revenue	1,536,932
EXPENSES		
Administrative Expenses		
91100	Administrative salaries	123,754
91200	Auditing fees	8,500
91500	Employee benefit contributions	22,189
91600	Office expenses	4,707
91000	Total administrative expenses	159,150
Utilities Expenses		
93800	Other utilities expense	11,647
93000	Total utilities expense	11,647
General Expenses		
96100	Insurance	3,897
96200	Other general expenses	6,566
96000	Total general expenses	10,463
96900	Total operating expenses	181,260
Other Expenses		
97300	Housing assistance payments	1,380,686
97400	Depreciation expense	308
90000	Total expenses	1,562,254
10000	Deficiency of revenues under expenses	$ (25,322)
11190	Unit months available	3,612
11210	Unit months leased	3,432

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

SUPPLEMENTAL INFORMATION (CONTINUED)
For the Year Ended March 31, 2013

Account Details

Unrestricted Net Assets		
1117-001	Administrative fee net assets - beginning balance	$ 75,835
1117-010	Administrative fee revenue	160,230
1117-015	Fraud recovery income	894
1117-040	Investment income	39
1117-060	Total admin fee revenue	161,163
1117-080	Total operating expenses	181,260
1117-090	Depreciation	308
1117-110	Total expenses	181,568
1117-002	Net administrative fee	(20,405)
11170	Administrative fee net assets - ending balance	$ 55,430
Restricted Net Assets		
1118-001	HAP net assets - beginning balance	$ 45,398
1118-010	Housing assistance payment revenue	1,374,856
1118-015	Fraud recovery income	894
1118-025	Investment income	19
1118-030	Total housing assistance payment revenue	1,375,769
1118-080	Total operating expenses	1,380,686
1118-002	Net change in restricted net assets	(4,917)
11180	HAP net assets - ending balance	$ 40,481

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2013

CFDA #	Program	Amount Expended
U.S. Department of Housing and Urban Development		
14.871	Section 8 housing choice vouchers	$ 1,535,086

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elwood Housing Authority, 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.

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

KB Parrish & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS
6840 Eagle Highlands Way
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Independent Auditor's 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
Elwood Housing Authority
(An Indiana Not-For-Profit Corporation)
Elwood, Indiana

We have audited, 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, the financial statements of the business-type activities of Elwood Housing Authority (an Indiana not-for-profit corporation), HUD Contract No. IN079 (the Authority), as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elwood Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elwood Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Elwood Housing Authority's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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 that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elwood Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Elwood Housing Authority's Response to Findings

Elwood Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Elwood Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

K. B. Parrish & Co. LLP

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

Indianapolis, Indiana
December 23, 2013

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

KB Parrish & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS
6840 Eagle Highlands Way
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(317) 347-5200
FAX (317) 347-5211

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

Report on Compliance for Each Major Federal Program

We have audited Elwood Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Elwood Housing Authority's major federal programs for the year ended March 31, 2013. Elwood Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Elwood Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elwood Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Elwood Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Elwood Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2013.

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

Report on Internal Control Over Compliance

Management of Elwood Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elwood Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 Elwood Housing Authority'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2, that we consider to be a significant deficiency.

The Elwood Housing Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Elwood Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

K. B. Parrish & Co. LLP

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

Indianapolis, Indiana
December 23, 2013

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended March 31, 2013

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____yes	__x__no
Significant deficiency(ies) identified?	__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
Significant deficiency(ies) identified?	__x__yes	____none reported
Type of auditor's report issued on compliance for major programs:	unqualified	
Any audit findings disclosed that are required to be reported in accordance with §_510(a) of OMB Circular A-133:	__x__yes	____no

Identification of major programs:

CFDA Number	Name of Program
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as a low-risk auditee?	____yes	__x__no

Findings - Financial Statement Audit

2013-1
2013-2

Findings and Questioned Costs - Major Federal Award Programs Audit

2013-2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For Year Ended March 31, 2013

Section II - Financial Statement Findings

Reference Number: 2013-1

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 includes a person or persons that possess the qualifications to prepare financial statements in accordance with generally accepted accounting principles.

Condition: The Elwood Housing Authority'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 Authority'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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For Year Ended March 31, 2013

Section II - Financial Statement Findings - Continued

Reference Number: 2013-2

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 Elwood Housing Authority 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, or noncompliance with program requirements, 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 2012-3 is also a Federal Award Finding.

<u>DIRECTORS' CERTIFICATION</u>

WE HEREBY CERTIFY THAT WE HAVE EXAMINED THE ACCOMPANYING FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION AND REPORTS ON INTERNAL CONTROL AND COMPLIANCE OF ELWOOD HOUSING AUTHORITY, HUD CONTRACT NO. IN079, AND, TO THE BEST OF OUR KNOWLEDGE AND BELIEF, THE SAME ARE ACCURATE AND COMPLETE.

____
Board Member

____
Telephone Number

December 23, 2013
Date