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March 7, 2018

Board of Directors
Housing Authority of the City of Elwood
1602 S A St.
Elwood, IN 47201

We have reviewed the audit report prepared by the Housing Authority of the City of Elwood and opined upon by Goldie Roberts, CPA, Independent Public Accountant, for the period April 1, 2014 to March 31, 2015. Per the Independent Auditor's Report the financial statements included in the report present fairly the financial condition of Housing Authority of the City of Elwood as of March 31, 2015 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 on page 26 and 27. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Goldie Roberts, CPA prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF ELWOOD

AUDITED FINANCIAL STATEMENTS

Elwood, Indiana

March 31, 2015

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
812-472-3527

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404-297-9881

HOUSING AUTHORITY OF THE CITY OF ELWOOD

Elwood, Indiana
MARCH 31, 2015

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Elwood
1602 S A St
Elwood, Indiana 78071

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Elwood ("the Authority") which comprise the Statement of Net Position as of March 31, 2015, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the City of Elwood's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Authority'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 Authority's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Elwood as of March 31, 2015, and the changes in financial position and cash flows thereof for the year 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 i through vi be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 2015 on my consideration of the Housing Authority of the City of Elwood's internal control over financial reporting and on my 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 my 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 Housing Authority of the City of Elwood's internal control over financial reporting and compliance.



Certified Public Accountant

Fredericksburg, Indiana
December 18, 2015

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
MARCH 31, 2015

This section of the HOUSING AUTHORITY OF THE CITY OF ELWOOD ("the Authority") annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on March 31, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources, associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net position" refers to the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The Authority's total net position as of March 31, 2015 was \$19,294. The net position decreased by \$45,792, a decrease of 70.4% from the prior year.
- Revenues for the Authority were \$1,281,137 for the year ended March 31, 2015. This was a decrease of \$144,310 or 10.1% from the prior year.
- Expenses for the Authority were \$1,326,929 for the year ended March 31, 2015. This was a decrease of \$132,948 or 9.1% from the prior year.
- Federal operating grants for the Authority was \$1,278,344 for the year ended March 31, 2015. This was a decrease of \$144,481 or 10.2% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
MARCH 31, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations of the Authority creditors (liabilities and deferred inflows of resources). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

HUD Reporting

HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2015 and is required to be included in the audit reporting package.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
MARCH 31, 2015

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table below, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$19,294 at the close of the year ended March 31, 2015, down from \$65,086 in fiscal year 2014. The decrease in net position of \$45,792 was due to the reasons noted below.

- Current assets include cash, receivables, and prepaid expenses. Of the \$60,994 decrease in this category, cash decreased \$62,265, receivables increased \$3,549, and prepaid expenses decreased \$2,278.
- Capital assets decreased \$2,273 due to current year depreciation expense and capital asset disposal. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities decreased \$17,475 due to a decrease in accounts payable of \$6,317 and a decrease in accrued payroll and accrued payroll taxes of \$11,158.

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current assets	\$ 16,847	\$ 77,841	\$ (60,994)	-78.4%
Capital assets, net	3,638	5,911	(2,273)	-38.5%
TOTAL ASSETS	\$ <u>20,485</u>	\$ <u>83,752</u>	\$ <u>(63,267)</u>	-75.5%
LIABILITIES				
Current liabilities	\$ 1,191	\$ 18,666	\$ (17,475)	-93.6%
TOTAL LIABILITIES	\$ <u>1,191</u>	\$ <u>18,666</u>	\$ <u>(17,475)</u>	-93.6%
NET POSITION				
Investment in capital assets	\$ 3,638	\$ 5,911	\$ (2,273)	-38.5%
Restricted	22,829	52,493	(29,664)	-56.5%
Unrestricted	(7,173)	6,682	(13,855)	-207.3%
TOTAL NET POSITION	\$ <u>19,294</u>	\$ <u>65,086</u>	\$ <u>(45,792)</u>	-70.4%

**HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
MARCH 31, 2015**

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net position was \$(7,173) as of March 31, 2015. This amount may be used to meet the Authority's ongoing obligations. The restricted net position was \$22,829 as of March 31, 2015. This may only be used to assist families and individuals with housing assistance payments for leased vouchers.

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
REVENUES				
Operating - non-operating - capital contributions:				
Federal operating grants	\$ 1,278,344	\$ 1,422,825	\$ (144,481)	-10.2%
Interest income	12	-	12	100.0%
Other income	-	375	(375)	-100.0%
Gain (loss) on sale of capital assets	(439)	-	(439)	-100.0%
Fraud recovery	3,220	2,247	973	43.3%
TOTAL REVENUES	<u>1,281,137</u>	<u>1,425,447</u>	<u>(144,310)</u>	-10.1%
EXPENSES				
Administrative	152,305	155,998	(3,693)	-2.4%
Utilities	1,526	11,530	(10,004)	-86.8%
General expense	2,839	13,326	(10,487)	-78.7%
Depreciation expense	1,835	851	984	115.6%
Housing assistance payments	1,168,424	1,278,172	(109,748)	-8.6%
TOTAL EXPENSES	<u>1,326,929</u>	<u>1,459,877</u>	<u>(132,948)</u>	-9.1%
CHANGE IN NET POSITION	(45,792)	(34,430)	(11,362)	
NET POSITION - BEG OF YEAR	<u>65,086</u>	<u>99,516</u>	<u>(34,430)</u>	
NET POSITION - END OF YEAR	<u>\$ 19,294</u>	<u>\$ 65,086</u>	<u>\$ (45,792)</u>	

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
MARCH 31, 2015

FINANCIAL ANALYSIS (CONTINUED)

As can be seen in the table on the previous page, total revenues decreased \$144,310 due to the reasons noted below.

- Federal operating grants decreased \$144,481 primarily due to a decrease in funding for housing assistance payments.
- Interest income increased \$12 from FY 2014.
- Other income decreased \$375 from FY 2014.
- The Authority had a \$439 loss on disposal of capital assets in FY 2015.
- Fraud recovery increased \$973 or 43.3% from FY 2014.

Total expenses decreased \$132,948 due to the reasons noted below.

- Administrative expense decreased \$3,693 or 2.41% mainly due to a decrease in administrative wages of \$13,429 or 10.9%. This was partially offset by an increase in office expenses.
- Utilities decreased \$10,004 or 86.81% from FY 2014, mostly due to a decrease in other utilities.
- General expense decreased \$10,487 or 78.7% due to a \$9,175 decrease in other general expenses and a \$1,312 decrease in insurance expense.
- The Authority had a \$984 or 115.6% increase in Depreciation which is the write-off of capital assets over their estimated useful life.
- Housing assistance payments decreased \$109,748 primarily due to a decrease in average housing assistance payment per unit of \$18.86 or 4.7%. The Authority also had a 4.1% decrease in number of vouchers issued and outstanding during FY 2015.

The Housing Choice Voucher leasing rate for fiscal year March 31, 2015 was 84.1%, down from 87.7% in FY 2014. The Authority currently has 301 Housing Choice Voucher units.

**HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
MARCH 31, 2015**

CAPITAL ASSETS

Capital Assets - The Housing Authority of the City of Elwood, Indiana's investment in capital assets, as of March 31, 2015 amounts to \$3,638. The investment in capital assets includes equipment and accumulated depreciation.

The total decrease in the Authority's investment in capital assets for the current fiscal year was 38.5% in terms of net book value. Depreciation charges for the year totaled \$1,835. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

	Beginning	Depreciation	Disposals	Ending
Capital assets	\$5,912	\$(1,835)	\$(439)	\$3,638

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2016 budget. The amount of funding is established and approved by HUD.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Executive Director, Housing Authority of the City Elwood, 1602 S A Street, Elwood, Indiana 46306.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF ELWOOD
ELWOOD, Indiana

STATEMENT OF NET POSITION

MARCH 31, 2015

	Annual Contributions Contract <u>IN079</u> Section 8 Vouchers
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 0
Restricted cash	10,359
Accounts receivable	3,549
Prepaid expenses	2,939
Total Current Assets	<u>16,847</u>
Capital Assets, net	<u>3,638</u>
Total Assets	<u>20,485</u>
<u>LIABILITIES</u>	
<u>Current liabilities</u>	
Accrued liabilities	<u>1,191</u>
Total Current Liabilities	<u>1,191</u>
<u>NET POSITION</u>	
Investment in capital assets	3,638
Restricted	22,829
Unrestricted	(7,173)
Total Net Position	<u>\$ 19,294</u>

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

HOUSING AUTHORITY OF THE CITY OF ELWOOD
ELWOOD, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED MARCH 31, 2015

	Annual Contributions Contract <u>IN079</u> Section 8 <u>Vouchers</u>
<u>OPERATING REVENUES</u>	
Other income	\$ <u>3,220</u>
TOTAL OPERATING REVENUE	<u>3,220</u>
<u>OPERATING EXPENSES</u>	
Administrative	152,305
Utilities	1,526
General expense	2,839
Housing assistance payments	1,168,424
Depreciation expense	<u>1,835</u>
TOTAL OPERATING EXPENSES	<u>1,326,929</u>
OPERATING INCOME (LOSS)	<u>(1,323,709)</u>
<u>NONOPERATING REVENUES</u>	
Federal grants	1,278,344
Gain(Loss) on Sale of Capital Assets	(439)
Investment income	<u>12</u>
TOTAL NONOPERATING REVENUES	<u>1,277,917</u>
CHANGE IN NET POSITION	(45,792)
TOTAL NET POSITION - BEGINNING OF YEAR	<u>65,086</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 19,294</u>

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

HOUSING AUTHORITY OF THE CITY OF ELWOOD
ELWOOD, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ (329)
Payments to vendors	(44,835)
Payments to landlords	(1,168,424)
Payments to employees	(127,032)
Net Cash Used by Operating Activities	<u>(1,340,620)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	<u>1,278,344</u>
Net Cash Flows Provided by Noncapital Financing Activities	<u>1,278,344</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>12</u>
Net Cash Flows Provided by Investing Activities	<u>12</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>(1)</u>
Net Cash Flows (Used) by Capital and Related Financing Activities	<u>(1)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (62,265)

Cash - Beginning of year 72,624

Cash - End of year \$ 10,359

Reconciliation to Statement of Position

Cash and Cash Equivalents \$ 0

Restricted Cash and Cash Equivalents 10,359

Total Cash and Cash Equivalents \$ 10,359

Continued

HOUSING AUTHORITY OF THE CITY OF ELWOOD
ELWOOD, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (1,323,709)
Adjustments to reconcile net operating income to net cash Provided by operating activities:	
Depreciation	1,835
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	(3,549)
Prepaid expenses	2,278
Increase (Decrease) in:	
Accrued payables and liabilities	(17,475)
Net Cash Flows Provided (Used)	
by Operating Activities	<u>(1,340,620)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE A - Summary of Significant Accounting Policies:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF ELWOOD ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The HOUSING AUTHORITY OF THE CITY OF ELWOOD is a political subdivision both corporate and politic and was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into an annual contributions contract with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a Section 8 Program (Contract No. IN-079).

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Elwood, a primary government. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the HOUSING AUTHORITY OF THE CITY OF ELWOOD include the following:

The authority had 301 units in management at March 31, 2015:

<u>Project</u>	<u>Units</u>
Vouchers	<u>301</u>

Basis of Presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net position categories:

Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle.

Budget compared to actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board. This budget does not represent an appropriated budget that has been signed into law or a non appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of Checking and Savings accounts and Certificate of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no non cash investing, non capital, capital and financing activities during the year.

Tenant Receivables - Receivables (if any) for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid - Prepays represent payments made to vendors for services that will benefit beyond March 31, 2015.

Inventories - Inventories (if any) are valued at cost, which approximates market value, using the first-in/first/out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

Capital Assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. The Authority's policy is to capitalize assets costing \$250 or more.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Furniture, Equipment & Machinery	3-10 years

Compensated Absences - Compensated absences (if any) are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources as they are allowed.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Use of Estimates - The preparation 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 disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At March 31, 2015, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

The carrying amounts of the Authority's cash deposits were \$10,359 at March 31, 2015. Bank balances before reconciling items were \$10,359 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015
(Continued)

NOTE B - Deposits, Cash and Cash Equivalents: (Continued)

Deposits consist of the following:

Checking & Savings accounts	<u>\$ 10,359</u>
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NOTE C - Accounts Receivable:

Accounts receivable at March 31, 2015, consist of the following:

Accounts receivable - HUD administrative fees	\$ 2,809
Accounts receivable - fraud recovery net allowance for doubtful accounts of \$740	<u>740</u>
Total	<u>\$ 3,549</u>

NOTE D - Prepaid Expenses:

Prepaid expenses at March 31, 2015, consist of the following:

Prepaid insurance	<u>\$ 2,939</u>
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NOTE E - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>03/31/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>03/31/15</u>
Capital Assets, being depreciated:					
Furniture, Equipment & Machinery	\$ 29,939	\$ 0	\$ (22,526)	\$ 0	\$ 7,413
Total Capital Assets, being depreciated	<u>29,939</u>	<u>0</u>	<u>(22,526)</u>	<u>0</u>	<u>7,413</u>
Less Accumulated Depreciation:	<u>(24,027)</u>	<u>(1,835)</u>	<u>22,087</u>	<u>0</u>	<u>(3,775)</u>
Total Capital Assets, being depreciated, net	<u>5,912</u>	<u>(1,835)</u>	<u>22,087</u>	<u>0</u>	<u>3,638</u>
Capital Assets, Net	<u>\$ 5,912</u>	<u>\$ (1,835)</u>	<u>\$ (439)</u>	<u>\$ 0</u>	<u>\$ 3,638</u>

For the year ended March 31, 2015, depreciation expense in the amount of \$1,835 was recorded.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(Continued)

NOTE F - Accrued liabilities:

Accrued liabilities at March 31, 2015, consist of the following:

Accrued wages and payroll taxes \$ 1,191

NOTE G - Federal Operating Grants:

Annual Contributions Contract C-2018

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Housing Choice Vouchers \$ 1,278,344

NOTE H - Commitments and Contingencies:

Litigation: At March 31, 2015, the Authority was not involved in any threatened litigation.

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no examinations during the year ended March 31, 2015.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

NOTE I - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management which includes public officials, workman's compensation, and auto insurance. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE J - Economic Dependency:

The Authority receives approximately 99% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

SUPPLEMENTAL FINANCIAL INFORMATION

Housing Authority of the City of Elwood (IN079)
Elwood, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted			
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$10,359	\$10,359	\$10,359
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$10,359	\$10,359	\$10,359
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$2,809	\$2,809	\$2,809
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants			
126.1 Allowance for Doubtful Accounts - Tenants			
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery	\$1,480	\$1,480	\$1,480
128.1 Allowance for Doubtful Accounts - Fraud	-\$740	-\$740	-\$740
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,549	\$3,549	\$3,549
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$2,939	\$2,939	\$2,939
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$16,847	\$16,847	\$16,847
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings	\$7,413	\$7,413	\$7,413
164 Furniture, Equipment & Machinery - Administration			
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$3,775	-\$3,775	-\$3,775
167 Construction In Progress			
168 Infrastructure			
180 Total Capital Assets, Net of Accumulated Depreciation	\$3,638	\$3,638	\$3,638
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$3,638	\$3,638	\$3,638
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$20,485	\$20,485	\$20,485

311 Bank Overdraft			
312 Accounts Payable <= 90 Days			
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$1,191	\$1,191	\$1,191
322 Accrued Compensated Absences - Current Portion			
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government			
341 Tenant Security Deposits			
342 Unearned Revenue			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$1,191	\$1,191	\$1,191
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$1,191	\$1,191	\$1,191
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$3,638	\$3,638	\$3,638
511.4 Restricted Net Position	\$22,829	\$22,829	\$22,829
512.4 Unrestricted Net Position	-\$7,173	-\$7,173	-\$7,173
513 Total Equity - Net Assets / Position	\$19,294	\$19,294	\$19,294
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$20,485	\$20,485	\$20,485

Housing Authority of the City of Elwood (IN079)
Elwood, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	14,871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue			
70400 Tenant Revenue - Other			
70500 Total Tenant Revenue	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$1,278,344	\$1,278,344	\$1,278,344
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$0	\$0	\$0
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery	\$3,220	\$3,220	\$3,220
71500 Other Revenue			
71600 Gain or Loss on Sale of Capital Assets	-\$439	-\$439	-\$439
72000 Investment Income - Restricted	\$12	\$12	\$12
70000 Total Revenue	\$1,281,137	\$1,281,137	\$1,281,137
91100 Administrative Salaries	\$109,044	\$109,044	\$109,044
91200 Auditing Fees	\$7,500	\$7,500	\$7,500
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$17,988	\$17,988	\$17,988
91600 Office Expenses	\$16,134	\$16,134	\$16,134
91700 Legal Expense			
91800 Travel	\$1,350	\$1,350	\$1,350
91810 Allocated Overhead			
91900 Other	\$289	\$289	\$289
91000 Total Operating - Administrative	\$152,305	\$152,305	\$152,305
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0
93100 Water			
93200 Electricity			
93300 Gas	\$1,526	\$1,526	\$1,526
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$1,526	\$1,526	\$1,526

94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and Other			
94300 Ordinary Maintenance and Operations Contracts			
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$0	\$0	\$0
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance	\$2,839	\$2,839	\$2,839
96100 Total insurance Premiums	\$2,839	\$2,839	\$2,839
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes			
96400 Bad debt - Tenant Rents			
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$0	\$0	\$0
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$156,670	\$156,670	\$156,670
97000 Excess of Operating Revenue over Operating Expenses	\$1,124,467	\$1,124,467	\$1,124,467
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$1,168,424	\$1,168,424	\$1,168,424
97350 HAP Portability-In			
97400 Depreciation Expense	\$1,835	\$1,835	\$1,835
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$1,326,929	\$1,326,929	\$1,326,929
10010 Operating Transfer In			
10020 Operating transfer Out			
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$45,792	-\$45,792	-\$45,792

11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$65,086	\$65,086	\$65,086
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity	-\$3,535	-\$3,535	-\$3,535
11180 Housing Assistance Payments Equity	\$22,829	\$22,829	\$22,829
11190 Unit Months Available	3612	3612	3612
11210 Number of Unit Months Leased	3039	3039	3039
11270 Excess Cash			
11610 Land Purchases			
11620 Building Purchases			
11630 Furniture & Equipment - Dwelling Purchases			
11640 Furniture & Equipment - Administrative Purchases			
11650 Leasehold Improvements Purchases			
11660 Infrastructure Purchases			
13510 CFFP Debt Service Payments			
13901 Replacement Housing Factor Funds			

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2015

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
	<u>U.S. DEPARTMENT OF HUD</u>			
A-2575	Section 8 Housing Choice Voucher Program	14.871	\$ 1,278,344	\$ 1,278,344
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,278,344</u>	<u>\$ 1,278,344</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

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

Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Elwood
1602 S A St
Elwood, Indiana 78071

I have audited, in accordance with the 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 Housing Authority of the City of Elwood, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Elwood's basic financial statements and have issued my report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Cost, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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 *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. 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. I did identify deficiencies, described in the accompanying Schedule of Findings and Questioned Cost, that I consider to be material weaknesses as items 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Elwood's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Cost as items 2015-001 and 2015-002.

Housing Authority of the City of Elwood's Response to Findings

The Housing Authority of the City of Elwood's responses to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Cost. Housing Authority of the City of Elwood's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of Housing Authority of the City of Elwood in a separate letter dated December 18, 2015.

Purpose Of This Report

The purpose of this report is solely to describe the scope of my 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 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.



Certified Public Accountant

Fredericksburg, Indiana
December 18, 2015

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Elwood
1602 S A St
Elwood, Indiana 78071

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Elwood'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 the Housing Authority of the City of Elwood's major federal programs for the year ended March 31, 2015. The Housing Authority of the City of Elwood's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the Housing Authority of the City of Elwood's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Elwood's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Housing Choice Voucher Program

As described in the accompanying Schedule of Findings and Questioned Cost, the Housing Authority of the City of Elwood did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2015-003	14.871	Housing Choice Voucher	Activities Allowed or Unallowed

Compliance with such requirements is necessary, in my opinion, for the Housing Authority of the City of Elwood to comply with requirements applicable to that program.

Qualified Opinion on the Housing Choice Voucher Program

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Housing Authority of the City of Elwood, 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, 2015.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Cost as item 2015-003. My opinion on each major federal program is not modified with respect to these matters. The Housing Authority of the City of Elwood's response to the noncompliance findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Cost. Housing Authority of the City of Elwood's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly I express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Elwood is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Elwood'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 audit procedures that are appropriate in the circumstances for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the Housing Authority of the City of Elwood's internal control over compliance.

My 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. However, as described below, I identified certain deficiencies in internal control over compliance that I consider to be a material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *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. 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in internal control over compliance described in the Schedule of Findings and Questioned Cost as item 2015-003 to be a material weakness.

Housing Authority of the City of Elwood's response to the internal control over compliance findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Cost. Housing Authority of the City of Elwood's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
December 18, 2015

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

MARCH 31, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
~ Material weakness(es) identified? X yes no
~ Significant deficiency identified that are
not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements
noted? yes X no

FEDERAL AWARDS

Internal control over major programs:
~ Material weakness(es) identified? X yes no
~ Significant deficiency identified that are
not considered to be material weakness(es)? yes X none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? yes X no

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

MARCH 31, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PRIOR YEAR FINDINGS

2014-001 PRIOR
CONDITION: FINANCIAL REPORTING - INADEQUATE ACCOUNTING PERSONNEL
CURRENT
CONDITION: The HUD field office has not cleared this finding.

Finding is Continued as 2015-001

2014-002 PRIOR
CONDITION: FINANCIAL REPORTING - INADEQUATE SEGREGATION OF DUTIES
CURRENT
CONDITION: The HUD field office has not cleared this finding.

Finding is Continued as 2015-002

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 CURRENT
CONDITION: INADEQUATE ACCOUNTING PERSONNEL

During my audit, I noted that the authority does not have general ledgers that support the REAC unaudited submission. The Authority does not have a system for completing monthly general ledgers and filing them for audit. There were not controls in place throughout the year to check general ledger balances. The Authority does not have procedures in place to perform bank reconciliations, accounts receivable reconciliations (repayment agreements), cash disbursements, and document journal vouchers or to monitor the accuracy of any other general ledger accounts on a monthly or annual basis.

CAUSE/EFFECT: Management did not adequately monitor the financial reports to make sure balances were correctly reported as they did not have the necessary competencies to do so. Financial reporting is not effectively designed in regards to preparing financial transactions in accordance with GAAP or HUD reporting requirements. The accounting systems in place are not adequately understood by Housing Authority staff and many recording errors were made throughout the year.

RECOMMENDATION: I recommend the Authority review the internal controls over financial reporting to improve the detection of misstatements and to make sure balances are correctly reported. The controls should include a thorough review of the Authority's financial statements prior to the statements being audited. I also recommend the Authority reevaluate their accounting systems and either obtain additional training for these systems or look into obtaining a qualified fee accountant that can perform all of the Authority's reporting needs.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

March 31, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2015-001 CURRENT
CONDITION: INADEQUATE ACCOUNTING PERSONNEL (Continued)

REPLY: The Executive Director agrees with the finding and has taken action to improve financial reporting and oversight. The Housing Authority Board met on November 24, 2015 and approved the hiring of a qualified fee accountant to complete monthly general ledgers and balance all accounts including monthly bank reconciliations. Housing Authority Board will review financial reports prepared by the fee accountant on a regular basis to make sure balances are correctly reported. Anticipated Date of Resolution - The Housing Authority Board approved the hiring of a qualified fee accountant on November 24, 2015. Fee accountant is in the process of commencing services with the Housing Authority. We anticipate Finding 2015-001 to be resolved by September 30, 2016.

DISCUSSED WITH: Kimala Hanlin, Executive Director & Rex Landrum, Board Member

2015-002 CURRENT
CONDITION: INADEQUATE SEGREGATION OF DUTIES

CAUSE/EFFECT: The Authority's staff is not accurately documenting financial information or maintaining internal controls that are necessary to document segregation of duties for the accounting systems. Tasks are completed by one individual without any review processes.

RECOMMENDATION: I recommend the Authority review the internal controls over the processing of financial information. The Authority should consider training or the use of a qualified fee accountant.

REPLY: The Executive Director agrees with the finding and has taken action to improve segregation of duties. The Housing Authority Board met on November 24, 2015 and approved the hiring of a qualified fee accountant. Fee accountant will assist with preparation processes for Authority's accounting systems and reconcile balances on a monthly basis. Anticipated Date of Resolution - The Housing Authority Board approved the hiring of a qualified fee accountant on November 24, 2015. Fee accountant is in the process of commencing services with the Housing Authority. We anticipate Finding 2015-002 to be resolved by September 30, 2016.

DISCUSSED WITH: Kimala Hanlin, Executive Director & Rex Landrum, Board Member.

HOUSING AUTHORITY OF THE CITY OF ELWOOD
Elwood, Indiana

MARCH 31, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

CURRENT YEAR FINDINGS

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-003

CURRENT
CONDITION:

PAYMENTS TO BOARD MEMBER

The former executive director was paid as the fee accountant while being a member of the board of directors.

QUESTIONED
COST:

Approximately \$7,762.

CAUSE/EFFECT:

After the retirement of the executive director (from that position), the Authority lacked personnel that was able to complete general ledger work. The Authority also lacked board members.

RECOMMENDATION:

The Authority should discuss with the HUD office, how to resolve this situation. The Authority should strive to be aware of all rules and regulations and to stay in compliance with the applicable rules and regulations.

Reply:

The Executive Director agrees with the finding and has taken action to contract with an outside fee accountant. The Housing Authority Board met on November 24, 2015 and approved the hiring of a qualified fee accountant to complete monthly general ledgers and balance all accounts. Anticipated Date of Resolution - The Housing Authority Board approved the hiring of a qualified fee accountant on November 24, 2015. Fee accountant is in the process of commencing services with the Housing Authority. We anticipate Finding 2015-003 to be resolved by September 30, 2016.

DISCUSSED WITH:

Kimala Hanlin, Executive Director & Rex Landrum, Board Member.