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October 3, 2012

Board of Directors
Housing Authority of the City of Bedford
1305 K Street
Bedford, IN 47421

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period April 1, 2008 to March 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Bedford, as of March 31, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

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

TWELVE MONTHS ENDED MARCH 31, 2009

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

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Independent Auditor's Report

Board of Commissioners
Housing Authority City of Bedford
Bedford, Indiana

I have audited the accompanying financial statements of Housing Authority City of Bedford, as of and for the year ended March 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority City of Bedford, as of March 31, 2009 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 2009, on my consideration of the Housing Authority City of Bedford's internal control over financial reporting and 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Housing Authority City of Bedford, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Housing Authority City of Bedford. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority City of Bedford. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Decatur, Illinois
December 22, 2009



Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2009

Management's Discussion and Analysis

As management of the Housing Authority of the City of Bedford, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the City of Bedford.

Overview of The Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- **Statement of Net Assets** – reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term debt obligations.
- **Statement of Revenues, Expenses, and Changes in Fund Net Assets** -- reports the Authority's operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions.
- **Statement of Cash Flows** – reports the Authority's cash flows from operating, investing, capital, and non-capital activities.
- **Comparison of budget vs. actual** – reports the Authority's actual operating revenues and expenses versus the budgeted amounts.

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authority's finances is, "As a whole, is the Authority better or worse off as a result of the year's activities?"

The attached analysis of entity-wide net assets, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. One can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority.

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2009

Over time, significant changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, however, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of Bedford City:

Low Income Public Housing (LIPH)

The Housing Authority owns 174 units at 2 sites in Bedford City. The Authority is responsible for the management, maintenance, and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level, and Audit Costs. HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge their tenants.

Section 8 Housing Choice Vouchers (Section 8 Vouchers)

HUD has contracted with the Housing Authority support for 161 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to Landlords for low income tenants. The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

Capital Fund (CFP)

These grant programs are awarded by HUD on an annual basis. The purpose of these grants is to improve the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD as it expends funds. The Authority is permitted four years to fully expend an annual award.

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2009

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total Assets for FYE 2008 were \$2,556,614 and at FYE 2009 the amount was \$2,283,060. This represents a net decrease of \$273,554 or 10.7%.

Cash and Investments decreased by \$66,020 or 38.2%. The Authority utilized excess Housing Assistance Payments (HAP) cash received in prior fiscal years to fund fiscal year ending March 31, 2009 HAP expenditures.

Other Current Assets increased by \$5,210 or 13%. The Authority's maintenance materials inventory increased from the prior year. Also, the amount of outstanding Section 8 tenant receivables due increased as compared to March 31, 2008.

Capital Assets decreased by \$212,744 or 9.1%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$61,272 or 134.3%. Accounts payable outstanding at the end of fiscal year March 31, 2009 increased as compared to March 31, 2008. The accrued current portion of compensated absences increased because the Authority expects to pay out compensated absences balances during fiscal year ending March 31, 2010.

Long Term Liabilities decreased by \$37,309 or 75.7%. The Authority recognized a higher percentage of current portion compensated absences balance as compared to March 31, 2008. The Authority anticipates to pay out compensated absences balances during fiscal year ending March 31, 2009.

The table below illustrates our analysis:

	2009	2008	Net Change	Percent Variance
Cash & Investments	106,769	172,789	-66,020	-38.2%
Other Current Assets	45,381	40,171	5,210	13.0%
Capital Assets	2,130,910	2,343,654	-212,744	-9.1%
Total Assets	2,283,060	2,556,614	-273,554	-10.7%
Current Liabilities	106,903	45,631	61,272	134.3%
Long Term Liabilities	11,982	49,291	-37,309	-75.7%
Total Liabilities	118,885	94,922	23,963	25.2%
Invested in Capital Assets	2,130,910	2,343,654	-212,744	-9.1%
Restricted Net Assets	36,294	85,651	-49,357	-57.6%
Unrestricted Net Assets	-3,029	32,387	-35,416	-109.4%
Total Net Assets	2,164,175	2,461,692	-297,517	-12.1%

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2009

Analysis of Entity Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenue generated from these programs during Fiscal Year Ending 2009 was as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$903,216
Section 8 Vouchers	<u>\$611,149</u>
Total	<u><u>\$1,514,365</u></u>

Total revenue for Fiscal Year Ending March 31, 2009 was \$1,514,365 as compared to the total revenue for Fiscal Year Ending March 31, 2008 of \$1,534,666. Comparatively, Fiscal Year Ending 2009 revenue decreased by \$20,301 as compared to Fiscal Year Ending 2008 revenue.

	2009	2008	Net Change	Percentage Change
Total Tenant Revenue	399,755	393,738	6,017	1.5%
HUD Operating Grants	983,098	1,036,580	-53,482	-5.2%
HUD Capital Grants	111,385	94,685	16,700	17.6%
Investment Income	4,387	5,817	-1,430	-24.6%
Other Revenue	15,740	3,846	11,894	309.3%
Total Revenue	<u><u>1,514,365</u></u>	<u><u>1,534,666</u></u>	<u><u>-20,301</u></u>	<u><u>-1.3%</u></u>

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2009

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending March 31, 2009 were \$1,804,736 as compared to \$1,719,670 of total expenditures for Fiscal Year Ending March 31, 2008. Comparatively, Fiscal Year Ending 2009 expenditures exceeded Fiscal Year Ending 2008 expenditures by \$85,066. Changes by major expense category will be presented below.

Administrative Expenses decreased by \$25,718 or 7.6%. Employee benefits decreased as compared to the prior fiscal year. The Authority's other administrative expenses decreased because the Authority is reducing expenses based on the reduction of HUD funding. Compensated absences expenses were reclassified from administrative expenses to general expenses by HUD for the 2009 FDS presentation.

Utilities Expenses increased by \$23,455 or 13.9%. Increasing utility rates are causing increases in the Authority Utility expenses.

Maintenance Expenses increased by \$15,366 or 5.2%. The Authority's maintenance contract costs increased as compared to March 31, 2008. Employee benefits increased as compared to March 31, 2008.

General Expenses decreased by \$27,664 or 36.5%. General expenses decreased because of a decrease in the amount of insurance premiums paid during fiscal year 2009 as compared to fiscal year 2008. The Authority's payment in lieu of taxes decreased because of the increase in utilities expenses. Tenant bad debt expenses decreased because the Authority improved tenant rent collections.

Extraordinary Maintenance Expenses increased by \$33,949 or 302.1% from the prior year. These are non-routine expenditures that are not expected to occur in subsequent years.

The table on the next page illustrates our analysis:

	2009	2008	Net Change	Percent Variances
Administrative	291,960	317,678	(25,718)	-8.1%
Tenant Services	5,831	19	5,812	30589.5%
Utilities	192,112	168,657	23,455	13.9%
Maintenance	309,258	293,892	15,366	5.2%
General Expense	48,218	75,882	(27,664)	-36.5%
Extraordinary Maintenance	45,186	11,237	33,949	302.1%
Housing Assistance Payments	584,865	525,122	59,743	11.4%
Depreciation Expense	327,306	327,183	123	0.0%
Total Expenses	1,804,736	1,719,670	85,066	5%

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2009

Analysis of Capital Asset Activity

Construction in Process increased by a net amount of \$111,385 or 117.6%. The increase was due to the addition of current year Capital Fund construction projects.

Accumulated Depreciation increased by \$327,305. This is the amount of current year depreciation expense.

	2009	2008	Net Change	Percent Variance
Land	167,665	167,665	0	0.0%
Buildings	7,163,481	7,160,305	3,176	0.0%
Furniture, Equipment, & Machinery - Dwelling	18,247	18,247	0	0.0%
Furniture, Equipment, & Machinery - Administrative	160,838	160,838	0	0.0%
Construction in Process	206,070	94,685	111,385	117.6%
Total Fixed Assets	7,716,301	7,601,740	114,561	1.5%
Accumulated Depreciation	5,585,391	5,258,086	327,305	6.2%
Net Fixed Assets	2,130,910	2,343,654	-212,744	-9.1%

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 6,696
Accounts receivable (interfund eliminated)	22,859
Accrued interest receivable	55
Inventory	22,201
Investments	96,561
Deferred charges	<u>266</u>
Total Current Assets	<u>\$ 148,638</u>

RESTRICTED ASSETS

Cash	<u>\$ 3,512</u>
Total Restricted Assets	<u>\$ 3,512</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 7,716,301
Less: Accumulated depreciation	<u>-5,585,391</u>
Net Capital Assets	<u>\$ 2,130,910</u>
Total Assets	<u>\$ 2,283,060</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 41,982
Accrued liabilities	60,575
Deferred revenue	<u>4,346</u>
Total Current Liabilities	<u>\$ 106,903</u>

NONCURRENT LIABILITIES

Accrued compensated absences	<u>\$ 11,982</u>
Total Noncurrent Liabilities	<u>\$ 11,982</u>

NET ASSETS

Invested in capital assets	\$ 2,130,910
Restricted	36,294
Unrestricted	<u>-3,029</u>
Total Net Assets	<u>\$ 2,164,175</u>

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

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

Operating Income

Tenant rental revenue	\$ 351,029
Tenant revenue - other	<u>48,726</u>
Total Tenant Income	\$ 399,755
HUD grants - operating	983,098
Fraud recovery	790
Other revenue	<u>14,950</u>
Total Operating Income	<u>\$ 1,398,593</u>

Operating Expenses

Administration	\$ 291,960
Tenant services	5,831
Utilities	192,112
Ordinary maintenance and operation	309,258
General expense	48,218
Extraordinary maintenance	45,186
Housing assistance payments	584,865
Depreciation expense	<u>327,306</u>
Total Operating Expenses	<u>\$ 1,804,736</u>
Net Operating Income (Loss)	<u>\$ -406,143</u>

Nonoperating Income (Expenses)

Interest income	4,387
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Capital Contributions

Capital funds grant	<u>111,385</u>
Changes in net assets	\$ -290,371
Net assets, beginning of year	<u>2,454,546</u>
Nets assets, end of year	<u><u>\$ 2,164,175</u></u>

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

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

Operating Activities

Operating grants	\$ 979,081
Tenant revenue	393,786
Other revenue	15,740
Housing assistance payments	-584,865
Payments to employees	-357,124
Payments to suppliers and contractors	<u>-513,870</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -67,252</u>

Investing Activities

Investments (purchased) redeemed	\$ 50,814
Interest income	<u>4,408</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 55,222</u>

Capital and Related Financing Activities

Capital fund grants	\$ 111,385
(Additions) deletions to fixed assets	<u>-114,561</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -3,176</u>

Net Change in Cash	\$ -15,206
Cash Balance at March 31, 2008	<u>25,414</u>
Cash Balance at March 31, 2009	<u>\$ 10,208</u>

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2009**

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

Net operating income (loss)	\$ -406,143
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	327,306
(Increase) decrease in accounts receivable	-512
(Increase) decrease in deferred charges	5,706
(Increase) decrease in other assets	-1,892
Increase (decrease) in accounts payable	12,173
Increase (decrease) in accrued liabilities	-4,728
Increase (decrease) in deferred revenues	<u>838</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -67,252</u>

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

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

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

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

In evaluating the Authority as a reporting entity, management has addressed its relationship with the Housing Authority City of Bedford and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Housing Authority City of Bedford, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the city government. Debt incurred by the Authority is not an obligation of the city; the city does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority City of Bedford is a separate reporting entity. The Housing Authority has no component units.

(b) Method of Accounting -

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

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

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in practice the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Low Rent Public Housing
- * Section 8 Choice Vouchers
- * Capital Fund Program

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of 1 month or less when purchased to be cash equivalents. This is not a formal policy but has been the consistent practice of the Housing Authority.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2009, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(g) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(h) Investments -

Investments are stated at cost which approximates market.

(i) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

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

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(i) Fixed Assets - Continued

Land, buildings and equipment contains the following:

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

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

Buildings	40 years
Equipment	5 years
Transportation equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	15 years

(j) Income Tax -

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

(k) Annual Contributions/Subsidies and Other Grants

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

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

- (l) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. Subsequent budget revisions may also be required to be submitted to HUD for approval.

- (m) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Low Rent	\$ 6,696	\$ 6,421
Voucher	<u>3,512</u>	<u>5,209</u>
Total	<u>\$ 10,208</u>	<u>\$ 11,630</u>

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.

Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

Based on the three levels of risk, all of the Housing Authority's investments are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Low Rent	<u>\$ 96,561</u>	<u>\$ 96,561</u>

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 3 - Compensated Absences

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

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

Note 4 - Retirement Plan

A. Deferred Compensation Plan

Eligibility

Any eligible employee shall be eligible to enter the Plan as a participant upon his/her employment commencement date. An eligible employee will actually enter the Plan as a participant 90 days after his/her employment commencement date.

Enrollment

Eligible employees may enroll in the Plan by completing a Voluntary Salary Deferral Agreement and submitting it to the Administrator prior to the effective date thereof. Eligible employees shall be eligible to defer on the next payroll period following the employee's date of hire. However, a participant may make deferrals during the first calendar month containing his/her date of hire provided that the participant executes a valid Voluntary Salary Deferral Agreement which is accepted by the employer on or before the participant's first day of employment. A participant may defer compensation for a calendar month only if the participant has entered into a Voluntary Salary Deferral Agreement prior to the beginning of that calendar month of deferral. However, a Plan may allow a new employee to defer compensation for the first calendar month during which the employee becomes an employee, provided the employee enters into such agreement by the first day on which the employee commences participation.

Deferral Limits

Primary Limitation: The maximum deferral amount for any participant in any taxable year shall not exceed the lesser of \$11,000 or 100% of the participant's includible compensation for the taxable year. The \$11,000 limit shall be increased annually in increments of \$1,000 until the annual limit reaches \$15,000, at which time the annual limit will be adjusted for inflation as determined by the Secretary of the Treasury.

B. Defined Contribution Plan

The PHA participates in a defined contribution plan. The Housing Authority is required to contribute 6% of annual covered payroll. For the fiscal year ended March 31, 2009, actual total contributions were \$36,143.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 9,450
Fraud recovery	8,679
Accounts receivable - HUD	<u>4,730</u>
Subtotal	\$ 22,859
Interfund	<u>44,227</u>
Total	<u><u>\$ 67,086</u></u>

Note 6 - Investments

At March 31, 2009 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	3.5%	\$ 96,073	\$ 96,073
Savings	variable	<u>488</u>	<u>488</u>
Total		<u><u>\$ 96,561</u></u>	<u><u>\$ 96,561</u></u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 266</u></u>
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Note 8 - Capital Assets

Balance as of March 31, 2009	\$ 2,130,910
Balance as of March 31, 2008	<u>2,343,654</u>
Net Increase (Decrease)	<u><u>\$ -212,744</u></u>

Reconciliation

Property betterments and additions	\$ 114,562
Current year depreciation expense	<u>-327,306</u> *
Net Increase (Decrease)	<u><u>\$ -212,744</u></u>

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 8 - Capital Assets (Continued)

<u>Analysis</u>	04/01/08 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/09 <u>Balance</u>
Land	\$ 167,665	\$ 0	\$ 0	\$ 167,665
Buildings	7,160,305	3,176	0	7,163,481
Equipment and furniture	179,085	0	0	179,085
Construction in progress	<u>94,685</u>	<u>111,385</u>	<u>0</u>	<u>206,070</u>
Total Assets	\$ 7,601,740	\$ 114,561	\$ 0	\$ 7,716,301
Accumulated depreciation	<u>-5,258,086</u>	<u>-327,305</u>	<u>0</u>	<u>-5,585,391</u>
Net Assets	<u>\$ 2,343,654</u>	<u>\$ -212,744</u>	<u>\$ 0</u>	<u>\$ 2,130,910</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Tenants security deposits	\$ 23,381
Vendors and contractors	<u>18,601</u>
Subtotal	\$ 41,982
Interfund	<u>44,227</u>
Total	<u>\$ 86,209</u>

Note 10 - Notes Payable

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities at March 31, 2009 consists of the following:

Current Portion:

Accrued compensated absences	\$ 38,681
Accrued wages and payroll taxes	15,178
Payment in lieu of taxes	<u>6,716</u>
 Total Current Portion	 <u>\$ 60,575</u>

Noncurrent Portion:

Accrued compensated absences	<u>11,982</u>
 Total	 <u><u>\$ 72,557</u></u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2009:

	04/01/2008			03/31/2009
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absences	<u>\$ 35,921</u>	<u>\$ 0</u>	<u>\$ 23,939</u>	<u>\$ 11,982</u>

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 4,346</u>
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Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on an annual basis.

Note 15 - Allocation of Costs

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

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2009
(CONTINUED)**

Note 16 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 17 - Risk Management

The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

For insured programs there has been no significant reduction in insurance coverage. Settled claims have not exceeded insurance coverage in the current of past three years.

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (74%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2009**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
			FYE			
Public and Indian Housing*	14.850a	C-0742	03/31/09	\$ 315,993	\$ 315,993	\$ 315,993
			FYE			
Housing Choice Voucher Program*	14.871	C-0742	03/31/09	\$ 610,348	\$ 610,348	\$ 610,348
			FYE			
Public Housing - Capital Funds	14.872	C-0742	03/31/09	\$ 424,928	\$ 168,142	\$ 168,142
				<u>\$ 1,351,269</u>	<u>\$ 1,094,483</u>	<u>\$ 1,094,483</u>
Total Housing Assistance						

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED MARCH 31, 2009**

Note 1: Expenditures to the Housing Choice Voucher Program are reported equal to revenues recognized. This method of expenditure recognition does not reconcile to the Housing Authority's financial statements, but is required by HUD.

Note 2: Housing Authority City of Bedford did not award any federal awards to any subrecipients in the current fiscal year.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**PHA'S STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P031501-07**

1. The Actual Modernization Costs of Phase IN36P031501-07 are as follows:

Funds approved	\$ 235,235
Funds expended	<u>235,235</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 235,235
Funds expended	<u>235,235</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated February 24, 2009, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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*

Board of Commissioners
Housing Authority City of Bedford
Bedford, Indiana

I have audited the financial statements of the governmental activities and the aggregate discretely presented component unit of Housing Authority City of Bedford as of and for the year ended March 31, 2009, which collectively comprise the Housing Authority City of Bedford's basic financial statements and have issued my report thereon dated December 22, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Housing Authority City of Bedford's internal control over financial reporting as a basis for designing my auditing procedures 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 City of Bedford's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority City of Bedford's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority City of Bedford's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority City of Bedford's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority City of Bedford's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority City of Bedford's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. This report is intended solely for the information of management, the Board of Commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority City of Bedford's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulation, 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 an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that we reported to management of Housing Authority City of Bedford, in a separate letter dated December 22, 2009.

This reported in intended solely for the information of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
December 22, 2009

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Housing Authority City of Bedford
Bedford, Indiana

Compliance

I have audited the compliance of Housing Authority City of Bedford with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2009. Housing Authority City of Bedford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority City of Bedford's management. My responsibility is to express an opinion on Housing Authority City of Bedford's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority City of Bedford's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Housing Authority City of Bedford's compliance with those requirements.

In my opinion, Housing Authority City of Bedford complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2009. The results of my auditing procedures disclosed instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Housing Authority City of Bedford is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority City of Bedford's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, 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 City of Bedford's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority City of Bedford in a separate letter dated December 22, 2009.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Decatur, Illinois
December 22, 2009



Certified Public Accountant

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2008 contained no findings.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED MARCH 31, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Low Risk Auditee X_____ yes _____ no

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X_____ no

* Significant deficiency (ies) identified that are not
considered to be material weaknesses? _____ yes X_____ none reported

Noncompliance material to financial statements noted _____ yes X_____ no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? _____ yes X_____ no

* Significant deficiency (ies) identified that are not
considered to be material weaknesses? _____ yes X_____ 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 section 510(a) of Circular A-133? _____ yes X_____ no

Major Programs: (Threshold \$300,000)

CFDA Number(s)

Housing Choice Voucher Program

14.871

Public and Indian Housing

14.850a

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Joseph D. Klumpp, Executive Director or Bobbie Ames, Director of Finance during the course of the audit or at an exit conference held December 22, 2009.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Joseph D. Klumpp, Executive Director or Bobbie Ames, Director of Finance, during the course of the audit or at an exit conference held December 22, 2009.

**HOUSING AUTHORITY CITY OF BEDFORD
BEDFORD, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2009**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Advances - other	1157	\$ 1,518.27		1157
Undesignated fund balance	2806		\$ 1,518.27	2806
(To correct HUD receivable to actual per LLOCS)				
(2)				
PILOT expense	4520	\$ 1,404.74		2806
PILOT	2137		\$ 1,404.74	2137
(To adjust PILOT for error in calculation at year end)				
(3)				
Liability insurance	4510	\$ 1,191.71		2806
Prepaid insurance	1211		\$ 1,191.71	1211
(To adjust prepaid insurance for liability policy paid annually)				
<u>Voucher</u>				
(1)				
Accounts receivable - HUD	1125	\$ 713.00		1125
Admin fee revenue	3402		\$ 713.00	2806.1
(To post admin fee adjustment for calculation year '08 per HUD notices)				

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Board of Commissioners
Housing Authority City of Bedford
Bedford, Indiana

In planning and performing my audit of the financial statements of Housing Authority City of Bedford as of and for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority City of Bedford's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority City of Bedford's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. During my review of the Section 8 Housing Choice Voucher program I became aware that the Housing Authority has not adopted a Section 8 Administration Plan; instead they have referred to their Public Housing Admissions and Continued Occupancy Plan. A separate Administration Plan must be developed and adopted for each program. All Federal programs are covered by a separate of set of Federal Regulations and requirements, therefore, one combined plan cannot cover both programs.
2. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that at least on financial institution has undergone a merger and subsequent name change. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes.

3. While auditing contract awards, one contract was found that was not awarded under the required 'sealed bid' process as required by the Housing Authority's own procurement policy. Although the Housing Authority had followed Federal guidelines in the awarding of the contract, those guidelines are not the formal policy of the agency. The Housing Authority should review all current policies in place, and formally revise those that are outdated or in need of updates due to changes in Federal guidelines.
4. Current HUD regulations require that separate calculations are made to track HAP equity vs. Administration equity in the Section 8 Choice Voucher program. Those regulations also state that HAP subsidy cannot be used for administrative expenses. During the fiscal year ended 2009, more Administrative expenditures were realized than funds were available resulting in a negative "admin" fund balance. This deficit must be reduced or eliminated at the end of the 2010 fiscal year.
5. The Housing Authority has historically paid their annual insurance premiums in installments. This practice was started several years ago when cash flow was a problem. A review of the insurance policies and related bills indicate that continuing to pay the annual premiums under an installment agreement has resulted in the Housing Authority paying \$3,000-\$4,000 more in premiums than an annual payment agreement would have been. The Authority needs to review its payment policy and pursue sound cash management practices.

This communication is intended solely for the information and used of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.

Decatur, Illinois
December 22, 2009


Certified Public Accountant