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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, 2009 to March 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public 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, 2010 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, 2010

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

TABLE OF CONTENTS

Auditor's Report	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	
Statement of Net Assets - Twelve Months Ended March 31, 2010	9
Statement of Revenue, Expenditures and Changes in Net Assets - Proprietary Funds Twelve Months Ended March 31, 2010	10
Statement of Cash Flows - Twelve Months Ended March 31, 2010	11
Notes to Financial Statements	13
SUPPLEMENTAL DATA	
Schedule of Expenditure of Federal Awards	26
PHA's Statement and Certification of Actual Modernization Cost - Phase IN36P031501-08	27
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	28
Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	30
Status of Prior Audit Findings	32
Schedule of Findings and Questioned Costs - Summary	33
Current Findings, Recommendations and Replies	34
Schedule of Adjusting Journal Entries	35
Financial Data Schedule - REAC Electronic Submission	38

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, 2010, 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, 2010 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 October 29, 2010, 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
October 29, 2010



Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2010

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, 2010. 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, 1305 K Street, Bedford, IN 47421, 812-279-2356.

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, 2010

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 Program (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, 2010

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

Total Assets for FYE 2009 were \$2,283,060 and at FYE 2010 the amount was \$1,954,742. This represents a net decrease of \$328,318 or 14.3%.

Cash decreased by \$45,554 or 43%. Funding availability decreased from the prior year and the Authority utilized Cash from the prior year to operating current year activities.

Other Current Assets increased by \$13,001 or 29%. The materials inventory balance held by the Authority increased from the prior fiscal year.

Capital Assets decreased by \$295,765 or 14%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased by \$14,899 or 14%. The distribution of the compensated absence liability between current and long term was adjusted as of 3/31/2010 as compared to 3/31/2009.

Long Term Liabilities increased by \$28,526 or 238%. The distribution of the compensated absence liability between current and long term was adjusted as of 3/31/2010 as compared to 3/31/2009.

The table below illustrates our analysis:

	<u>2010</u>	<u>2009</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash & Investments	61,215	106,769	(45,554)	-43%
Other Current Assets	58,382	45,381	13,001	29%
Capital Assets	1,835,145	2,130,910	(295,765)	-14%
Non Current Assets	0	0	0	0%
Total Assets	<u>1,954,742</u>	<u>2,283,060</u>	<u>(328,318)</u>	<u>-14%</u>
Current Liabilities	192,004	106,903	(14,899)	-14%
Noncurrent Liabilities	40,508	11,982	28,526	238%
Total Liabilities	<u>132,512</u>	<u>118,885</u>	<u>13,627</u>	<u>12%</u>
Net Invested in Capital Assets	1,835,145	2,130,910	(295,765)	-14%
Restricted Net Assets	65,541	36,294	29,247	81%
Unrestricted Net Assets	(78,456)	(3,029)	(75,427)	0%
Total Net Assets	<u><u>1,822,230</u></u>	<u><u>2,164,175</u></u>	<u><u>(341,945)</u></u>	<u><u>-16%</u></u>

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2010

Analysis of Entity Wide Revenue

The Authority administers the following programs and the revenue generated from these programs during Fiscal Year Ending 2010 was as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$724,356
Section 8 Vouchers	\$671,274
Capital Fund Program	\$125,750
Capital Fund Recovery Grant	\$22,673

Total revenue for Fiscal Year Ending March 31, 2010 was \$1,544,053 as compared to the total revenue for Fiscal Year Ending March 31, 2009 of \$1,514,365. Comparatively, Fiscal Year Ending 2010 revenue increased by \$29,688 as compared to Fiscal Year Ending 2009 revenue.

	<u>2010</u>	<u>2009</u>	<u>Net Change</u>	<u>Percentage Change</u>
Total Tenant Revenue	396,603	399,755	(3,152)	-1%
HUD Operating Grants	1,096,326	983,098	113,228	12%
HUD Capital Grants	37,314	111,385	(74,071)	-67%
Investment Income	1,776	4,387	(2,611)	-60%
Other Revenue	12,034	15,740	(3,706)	-24%
Total Revenue	<u>1,544,053</u>	<u>1,514,365</u>	<u>29,688</u>	<u>2%</u>

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2010

Analysis of Entity Wide Expenditures

Total Expenditures for Fiscal Year Ending March 31, 2010 were \$1,885,998 as compared to \$1,804,736 of total expenditures for Fiscal Year Ending March 31, 2009. Comparatively, Fiscal Year Ending 2010 expenditures exceeded Fiscal Year Ending 2009 expenditures by \$81,262. Changes by major expense category will be presented below.

Administrative Expenses increased by \$21,518 or 7%. The Authority's "other" administrative expenses increased from the prior fiscal year.

Utilities Expenses increased by \$2,098 or 1%. Utilities expenses increased from the prior year due to slight changes in tenant utility consumption.

Maintenance Expenses increased by \$7,395 or 2%. Maintenance expenses increased mainly due to a increase in contract costs.

General Expenses increased by \$15,093 or 31%. General expenses increased because of increases in compensated absences expense and in tenant bad debt write off.

Extraordinary Maintenance Expenses increased by \$50,217 or 111% from the prior year. These are non-routine expenditures that are not expected to occur in subsequent years.

The table below illustrates our analysis:

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>Percentage Change</u>
Administrative	313,478	291,960	21,518	7%
Tenant Services	4,274	5,831	(1,557)	-27%
Utilities	194,210	192,112	2,098	1%
Maintenance	316,653	309,258	7,395	2%
General Expense	63,311	48,218	15,093	31%
Extraordinary Maintenance	95,403	45,186	50,217	111%
Housing Assistance Payments	565,590	584,865	(19,275)	-3%
Depreciation Expense	333,079	327,306	5,773	2%
Total Expenses	<u>1,885,998</u>	<u>1,804,736</u>	<u>81,262</u>	<u>5%</u>

HOUSING AUTHORITY OF THE CITY OF BEDFORD
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2010

Analysis of Capital Asset Activity

Building increased by \$127,093. Completed construction projects were moved from Construction in Process.

Construction in Process decreased by a net amount of \$89,779. The increase was due to the addition of current year Capital Fund construction projects. The decrease was due to the capitalization of completed construction projects that were moved from Construction in Process.

Accumulated Depreciation increased by \$333,079. This is the amount of current year depreciation expense.

	2007	2006	Variance	Percentage Change
Land	167,665	167,665	0	0%
Buildings	7,290,574	7,163,481	127,093	2%
Furniture, Equipment, & Machinery - Dwelling	18,247	18,247	0	0%
Furniture, Equipment, & Machinery - Administrative	160,838	160,838	0	0%
Construction in Process	116,291	206,070	-89,779	-44%
Total Fixed Assets	7,753,615	7,716,301	37,314	1%
Accumulated Depreciation	5,918,470	5,585,391	333,079	6%
Net Fixed Assets	1,835,145	2,130,910	-295,765	-14%

Outstanding Debt

The Housing Authority had no outstanding debt in 2010 or 2009.

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2010**

ASSETS

CURRENT ASSETS

Cash	\$ 26,798
Accounts receivable (interfund eliminated)	26,273
Accrued interest receivable	15
Inventory (net)	31,927
Investments	34,417
Deferred charges	<u>167</u>
 Total Current Assets	 \$ <u>119,597</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 7,753,615
Less: Accumulated depreciation	<u>-5,918,470</u>
 Net Capital Assets	 \$ <u>1,835,145</u>
 Total Assets	 \$ <u>1,954,742</u>

LIABILITIES

CURRENT LIABILITIES

Bank overdraft	\$ 415
Accounts payable (interfund eliminated)	51,944
Accrued liabilities	33,639
Deferred revenue	<u>6,006</u>
 Total Current Liabilities	 \$ <u>92,004</u>

NONCURRENT LIABILITIES

Accrued compensated absences	\$ <u>40,508</u>
 Total Noncurrent Liabilities	 \$ <u>40,508</u>

NET ASSETS

Invested in capital assets	\$ 1,835,145
Restricted	65,541
Unrestricted	<u>-78,456</u>
 Total Net Assets	 \$ <u><u>1,822,230</u></u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2010**

Operating Income

Tenant rental revenue	\$ 347,839
Tenant revenue - other	<u>48,764</u>
Total Tenant Income	\$ 396,603
HUD grants - operating	1,096,326
Fraud recovery	1,241
Other revenue	<u>10,793</u>
Total Operating Income	<u>\$ 1,504,963</u>

Operating Expenses

Administration	\$ 313,478
Tenant services	4,274
Utilities	194,210
Ordinary maintenance and operation	316,653
General expense	63,311
Extraordinary maintenance	95,403
Housing assistance payments	565,590
Depreciation expense	<u>333,079</u>
Total Operating Expenses	<u>\$ 1,885,998</u>
Net Operating Income (Loss)	<u>\$ -381,035</u>

Nonoperating Income (Expenses)

Interest income	1,776
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Capital Contributions

Capital funds grant	<u>37,314</u>
Changes in net assets	\$ -341,945
Net assets, beginning of year	<u>2,164,175</u>
Nets assets, end of year	<u><u>\$ 1,822,230</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, 2010**

Operating Activities

Operating grants	\$ 1,093,764
Tenant revenue	397,567
Other revenue	12,034
Housing assistance payments	-565,590
Payments to employees	-356,037
Payments to suppliers and contractors	<u>-629,523</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -47,785</u>

Investing Activities

Investments (purchased) redeemed	\$ 62,144
Interest income	<u>1,816</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 63,960</u>

Capital and Related Financing Activities

Capital fund grants	\$ 37,314
(Additions) deletions to fixed assets	<u>-37,314</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>

Net Change in Cash	\$ 16,175
Cash Balance at March 31, 2009	<u>10,208</u>
Cash Balance at March 31, 2010	<u>\$ 26,383</u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2010**

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

Net operating income (loss)	\$ -381,035
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	333,079
(Increase) decrease in accounts receivable	-3,414
(Increase) decrease in deferred charges	99
(Increase) decrease in other assets	-9,726
Increase (decrease) in accounts payable	9,962
Increase (decrease) in accrued liabilities	1,590
Increase (decrease) in deferred revenues	<u>1,660</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -47,785</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010**

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 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 mayor of the 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.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

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, 2010
(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
- * American Recovery and Reinvestment Act - Formula Capital Stimulus Grant

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 practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2010, 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(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.

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Income Tax -

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

(l) 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.

(m)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.

(n)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, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (p) Rental income is recognized as rents become due.
- (q) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

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 fully insured 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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.

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	\$ 26,798	\$ 37,249
Voucher	<u>-415</u>	<u>3,578</u>
Total	<u>\$ 26,383</u>	<u>\$ 40,827</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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>\$ 34,417</u>	<u>\$ 34,417</u>

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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010
(CONTINUED)**

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, 2010, actual total contributions were \$27,275. Total annual payroll expense was \$352,279.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 8,486
Fraud recovery	10,495
Accounts receivable - HUD	<u>7,292</u>
Subtotal	\$ 26,273
Interfund	<u>3,130</u>
Total	<u><u>\$ 29,403</u></u>

Note 6 - Investments

At March 31, 2010 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	1%	\$ 34,097	\$ 34,097
Savings	variable	<u>320</u>	<u>320</u>
Total		<u><u>\$ 34,417</u></u>	<u><u>\$ 34,417</u></u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 167</u></u>
-------------------	----------------------

Note 8 - Capital Assets

Balance as of March 31, 2010	\$ 1,835,145
Balance as of March 31, 2009	<u>2,130,910</u>
Net Increase (Decrease)	<u><u>\$ -295,765</u></u>

Reconciliation

Property betterments and additions	\$ 37,314
Current year depreciation expense	<u>-333,079</u> *
Net Increase (Decrease)	<u><u>\$ -295,765</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2010
(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	7,163,481	127,093	0	7,290,574
Equipment and furniture	179,085	0	0	179,085
Construction in progress	<u>206,070</u>	<u>37,314</u>	<u>127,093</u>	<u>116,291</u>
Total Assets	\$ 7,716,301	\$ 164,407	\$ 127,093	\$ 7,753,615
Accumulated depreciation	<u>-5,585,391</u>	<u>-333,079</u>	* <u>0</u>	<u>-5,918,470</u>
Net Assets	<u>\$ 2,130,910</u>	<u>\$ -168,672</u>	<u>\$ 127,093</u>	<u>\$ 1,835,145</u>

*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Tenants security deposits	\$ 24,663
Vendors and contractors	<u>27,281</u>
Subtotal	\$ 51,944
Interfund	<u>3,130</u>
Total	<u>\$ 55,074</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, 2010
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities at March 31, 2010 consists of the following:

Current Portion:

Accrued compensated absences	\$ 14,172
Accrued wages and payroll taxes	14,077
Payment in lieu of taxes	<u>5,390</u>
 Total Current Portion	 <u>\$ 33,639</u>

Noncurrent Portion:

Accrued compensated absences	<u>40,508</u>
 Total	 <u><u>\$ 74,147</u></u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2010:

	04/01/2009			03/31/2010
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absences	<u>\$ 11,982</u>	<u>\$ 28,526</u>	<u>\$ 0</u>	<u>\$ 40,508</u>

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 6,006</u>
----------------------	-----------------

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, 2010
(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 - Contracts/Commitments

As of March 31, 2010, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-09	\$ 229,102	\$ 26,220
Stimulus Grant 501-09	<u>291,520</u>	<u>22,673</u>
Total	<u>\$ 520,622</u>	<u>\$ 48,893</u>

Note 18 - 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 19 - Economic Dependency

The Housing Authority received most of its revenue (73%) 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, 2010**

<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	03/31/10	\$ 315,189	\$ 315,189	\$ 315,189
			FYE			
Housing Choice Voucher Program*	14.871	C-0742	03/31/10	\$ 670,028	\$ 670,028	\$ 670,028
			FYE			
Public Housing - Capital Funds	14.872	C-0742	03/31/10	\$ 459,407	\$ 125,750	\$ 125,750
			FYE			
A.R.R.A. - Formula Capital Stimulus Grant	14.885	C-0742	03/31/10	\$ 291,520	\$ 22,673	\$ 22,673
				<u>\$ 1,736,144</u>	<u>\$ 1,133,640</u>	<u>\$ 1,133,640</u>
Total Housing Assistance						

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED MARCH 31, 2010**

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 IN36P031501-08**

1. The Actual Modernization Costs of Phase IN36P031501-08 are as follows:

Funds approved	\$ 230,305
Funds expended	<u>230,305</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 230,305
Funds expended	<u>233,305</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 May 26, 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.



**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 Housing Authority City of Bedford as of and for the year ended March 31, 2010, and have issued my report thereon dated October 29, 2010. 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 Housing Authority City of Bedford's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority City of Bedford's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

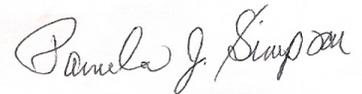
Compliance and Other Matters

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, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of Housing Authority City of Bedford in a separate letter dated October 29, 2010.

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

Decatur, Illinois
October 29, 2010

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant



**Report on Compliance With Requirements That Could Have a Direct and Material Effect
on 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 Housing Authority City of Bedford'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 Housing Authority City of Bedford's major federal programs for the year ended March 31, 2010. 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. 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 requirement 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 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, 2010. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Housing Authority City of Bedford's internal control over compliance.

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

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 deficiencies, 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.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, Housing and Urban Development, 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.



Certified Public Accountant

Decatur, Illinois
October 29, 2010

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2009 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED MARCH 31, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

* Material weakness(es) identified? _____ yes X no
* Significant deficiency (ies) identified? _____ 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? _____ 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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.850a	Public and Indian Housing
14.871	Housing Choice Voucher Program

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

Auditee qualified as low-risk auditee? X yes _____ no

**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 and the members of the administrative staff during the course of the audit or at an exit conference held October 29, 2010.

Section III - Federal Award Findings and Questioned Costs

There were no federal award audit findings and questioned costs discussed with Joseph D. Klumpp, Executive Director or Bobbie Ames, Director of Finance and the administrative staff, during the course of the audit or at an exit conference held October 29, 2010.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2010**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Accrued wages	2135	\$ 8,506.00		2135
Maintenance wages	4410		\$ 4,704.00	4410
Admin wages	4110		3,802.00	4110
(To reverse JE #9 for accrued payroll which was paid on 03/31/10)				
(2)				
Compensated absence	2135.10	\$ 26,092.50		2135.10
Compensated absence - LT	2135.11		\$ 27,585.91	2135.11
Comp absence expense	4120	1,493.41		4120
(To correct liability to reflect current rates of pay)				
(3)				
Interfund from VO	1129.4	\$ 2,326.18		1129.4
Accounts receivable - other	1129		\$ 8,091.60	1129
Federal withholding	2117.10		1,224.59	2117.10
FICA withholding	2117.20		2,100.73	2117.20
State withholding	2117.30		426.50	2117.30
County withholding	2117.40		231.09	2117.40
Insurance withholding	2117.50		3,047.49	2117.50
Retirement withholding	2117.70		524.37	2117.70
Pension repayment	2117.70 repay		313.91	2117.70
Garnished wages	2117.90		205.00	2117.90
Admin wages	4110	3,979.88		4110
Maintenance wages	4410	6,402.20		4410
Employee benefits	4540	2,874.46		4540
Accrued wages	2135		622.14	2135
Interfund CFP	2119.20	1,204.70		2119.20
Wages	1410CPT2009	350.90		----
HUD grant CFP	8029		350.90	8029
Accounts receivable - HUD	1125	350.90		1125
Interfund - LR	2119.20		350.90	4110
Admin wages	4110	350.90		4110
Admin wages	4110		350.90	4110
(To record payroll paid on 03/31/2010)				
(4)				
Insurance expense	4510		\$ 1,784.00	4510
Vendor payable	2111	\$ 1,784.00		2111
(To remove policy premium for FYE 2011 paid on 04/01/2010)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2010**

<u>Low Rent</u> (Continued)	Audit <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	Posting <u>Account Number</u>
(5)				
Prepaid insurance	1211		\$ 595.86	1211
Insurance expense	4510	\$ 595.86		4510
(To adjust prepaid expense per schedule)				
(6)				
Gas	4330	\$ 5,272.94		4330
Sundry admin	4190		\$ 946.60	4190
Staff training	4140		1,173.00	4140
Travel	4150		298.72	4150
Vendor payable	2111		2,854.62	2111
(To adjust vendor payable per examination of subsequent payments)				
<u>Voucher</u>				
(1)				
HUD subsidy - admin	3402	\$ 100.00		3402
Admin - subsidy	4190		\$ 100.00	4190
(To correct September posting made in error)				
(2)				
Accrued wages	2135	\$ 1,840.01		2135
Maintenance wages	4410		\$ 331.27	4410
Admin wages	4110		1,508.74	4110
(To reverse prior year accrued not reversed in current year)				
(3)				
Compensated absence	2135.10	\$ 21.96		2135.10
Comp absence - LT	2135.11	195.11		2135.11
Comp absence expense	4120		\$ 217.07	4120
(To correct liability to reflect current rates of pay)				
(4)				
Admin wages	4110	\$ 1,959.57		4110
Maintenance wages	4410	183.82		4410
Employee benefits	4540	474.56		4540
Interfund to LR	----		\$ 2,326.18	----
Accrued wages	2135		291.77	2135
(To record payroll paid on 03/31/2010)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
MARCH 31, 2010**

<u>Voucher</u> (Continued)	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(5)				
Accounts receivable - HUD	1125.20	\$ 1,596.00		1125.20
Subsidy - admin	3402		\$ 1,596.00	3402
(To set up receivable for 2009 RATA factor)				
 <u>A.R.R.A.</u>				
(1)				
Cumulative HUD contrib	3402		\$ 853.80	2806.1
Admin salaries	1125	\$ 853.80		1125
Wages	3402	853.80		2806.1
HUD grant	3402		853.80	2806.1
Accounts receivable - HUD	3402	853.80		2806.1
Interfund - LR	3402		853.80	2806.1
(To record payroll paid on 03/31/2010)				

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	Subtotal	Total
111 Cash - Unrestricted	\$2,135			\$2,135	\$2,135
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$24,663			\$24,663	\$24,663
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$26,798	\$0	\$0	\$26,798	\$26,798
121 Accounts Receivable - PHA Projects	\$436		\$854	\$1,290	\$1,290
122 Accounts Receivable - HUD Other Projects	\$4,406	\$1,596		\$6,002	\$6,002
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$10,508			\$10,508	\$10,508
126.1 Allowance for Doubtful Accounts - Tenants	-\$2,022			-\$2,022	-\$2,022
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery		\$10,495		\$10,495	\$10,495
128.1 Allowance for Doubtful Accounts - Fraud		\$0		\$0	\$0
129 Accrued Interest Receivable	\$15			\$15	\$15
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$13,343	\$12,091	\$854	\$26,288	\$26,288
131 Investments - Unrestricted	\$34,417			\$34,417	\$34,417
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$167			\$167	\$167
143 Inventories	\$35,475			\$35,475	\$35,475
143.1 Allowance for Obsolete Inventories	-\$3,548			-\$3,548	-\$3,548
144 Inter Program Due From	\$3,130			\$3,130	\$3,130
145 Assets Held for Sale					
150 Total Current Assets	\$109,782	\$12,091	\$854	\$122,727	\$122,727
161 Land	\$167,665			\$167,665	\$167,665
162 Buildings	\$7,290,574			\$7,290,574	\$7,290,574
163 Furniture, Equipment & Machinery - Dwellings	\$18,247			\$18,247	\$18,247
164 Furniture, Equipment & Machinery - Administration	\$85,792	\$75,046		\$160,838	\$160,838
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$5,843,424	-\$75,046		-\$5,918,470	-\$5,918,470
167 Construction in Progress	\$94,472		\$21,819	\$116,291	\$116,291
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,813,326	\$0	\$21,819	\$1,835,145	\$1,835,145
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	\$1,813,326	\$0	\$21,819	\$1,835,145	\$1,835,145
190 Total Assets	\$1,923,108	\$12,091	\$22,673	\$1,957,872	\$1,957,872

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	Total
311 Bank Overdraft		\$415		\$415	\$415
312 Accounts Payable <= 90 Days	\$27,114	\$167		\$27,281	\$27,281
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$13,785	\$292		\$14,077	\$14,077
322 Accrued Compensated Absences - Current Portion	\$13,222	\$950		\$14,172	\$14,172
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$5,390			\$5,390	\$5,390
341 Tenant Security Deposits	\$24,663			\$24,663	\$24,663
342 Deferred Revenues	\$6,006			\$6,006	\$6,006
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		\$2,276	\$854	\$3,130	\$3,130
348 Loan Liability - Current					
310 Total Current Liabilities	\$90,180	\$4,100	\$854	\$95,134	\$95,134
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	\$31,954	\$8,554		\$40,508	\$40,508
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$31,954	\$8,554	\$0	\$40,508	\$40,508
300 Total Liabilities	\$122,134	\$12,654	\$854	\$135,642	\$135,642
508.1 Invested In Capital Assets, Net of Related Debt	\$1,813,326		\$21,819	\$1,835,145	\$1,835,145
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511.1 Restricted Net Assets		\$65,541		\$65,541	\$65,541
512.1 Unrestricted Net Assets	-\$12,352	-\$66,104	\$0	-\$78,456	-\$78,456
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$1,800,974	-\$563	\$21,819	\$1,822,230	\$1,822,230
600 Total Liabilities and Equity/Net Assets	\$1,923,108	\$12,091	\$22,673	\$1,957,872	\$1,957,872

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	Total
70300 Net Tenant Rental Revenue	\$347,839			\$347,839	\$347,839
70400 Tenant Revenue - Other	\$48,764			\$48,764	\$48,764
70500 Total Tenant Revenue	\$396,603	\$0	\$0	\$396,603	\$396,603
70600 HUD PHA Operating Grants	\$425,444	\$670,028	\$854	\$1,096,326	\$1,096,326
70610 Capital Grants	\$15,495		\$21,819	\$37,314	\$37,314
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	\$1,771	\$0		\$1,771	\$1,771
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery		\$1,241		\$1,241	\$1,241
71500 Other Revenue	\$10,793			\$10,793	\$10,793
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted		\$5		\$5	\$5
70000 Total Revenue	\$850,106	\$671,274	\$22,673	\$1,544,053	\$1,544,053
91100 Administrative Salaries	\$139,213	\$43,704	\$854	\$183,771	\$183,771
91200 Auditing Fees	\$3,367	\$1,683		\$5,050	\$5,050
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$47,638	\$12,468		\$60,106	\$60,106
91600 Office Expenses					
91700 Legal Expense					
91800 Travel	\$1,787			\$1,787	\$1,787
91810 Allocated Overhead					
91900 Other	\$60,763	\$2,001		\$62,764	\$62,764
91000 Total Operating - Administrative	\$252,768	\$59,856	\$854	\$313,478	\$313,478
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$4,274			\$4,274	\$4,274
92500 Total Tenant Services	\$4,274	\$0	\$0	\$4,274	\$4,274

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	Total
93100 Water	\$46,449			\$46,449	\$46,449
93200 Electricity	\$95,950			\$95,950	\$95,950
93300 Gas	\$51,811			\$51,811	\$51,811
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$194,210	\$0	\$0	\$194,210	\$194,210
94100 Ordinary Maintenance and Operations - Labor	\$169,776	\$2,491		\$172,267	\$172,267
94200 Ordinary Maintenance and Operations - Materials and Other	\$46,157			\$46,157	\$46,157
94300 Ordinary Maintenance and Operations Contracts	\$43,724			\$43,724	\$43,724
94500 Employee Benefit Contributions - Ordinary Maintenance	\$53,774	\$731		\$54,505	\$54,505
94000 Total Maintenance	\$313,431	\$3,222	\$0	\$316,653	\$316,653
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	\$0	\$0
96110 Property Insurance					
96120 Liability Insurance					
96130 Workmen's Compensation					
96140 All Other Insurance	\$50,077			\$50,077	\$50,077
96100 Total insurance Premiums	\$50,077	\$0	\$0	\$50,077	\$50,077
96200 Other General Expenses	\$1,022	\$183		\$1,205	\$1,205
96210 Compensated Absences	\$3,158	\$858		\$4,016	\$4,016
96300 Payments in Lieu of Taxes	\$5,390			\$5,390	\$5,390
96400 Bad debt - Tenant Rents	\$2,623			\$2,623	\$2,623
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$12,193	\$1,041	\$0	\$13,234	\$13,234
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	\$0	\$0
96900 Total Operating Expenses	\$826,953	\$64,119	\$854	\$891,926	\$891,926
97000 Excess of Operating Revenue over Operating Expenses	\$23,153	\$607,155	\$21,819	\$652,127	\$652,127

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2010

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	Total
97100 Extraordinary Maintenance	\$95,403			\$95,403	\$95,403
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$565,590		\$565,590	\$565,590
97350 HAP Portability-In					
97400 Depreciation Expense	\$333,079			\$333,079	\$333,079
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,255,435	\$629,709	\$854	\$1,885,998	\$1,885,998
10010 Operating Transfer In	\$100,752			\$100,752	\$100,752
10020 Operating transfer Out	-\$100,752			-\$100,752	-\$100,752
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	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$405,329	\$41,565	\$21,819	-\$341,945	-\$341,945
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,206,303	-\$42,128	\$0	\$2,164,175	\$2,164,175
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		-\$66,104		-\$66,104	-\$66,104
11180 Housing Assistance Payments Equity		\$65,541		\$65,541	\$65,541
11190 Unit Months Available	2032	1893	0	3925	3925
11210 Number of Unit Months Leased	1763	1887	0	3650	3650
11270 Excess Cash	-\$80,612			-\$80,612	-\$80,612
11610 Land Purchases	\$0			\$0	\$0
11620 Building Purchases	\$0			\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$37,314			\$37,314	\$37,314
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0
11660 Infrastructure Purchases	\$0			\$0	\$0
13510 CFFP Debt Service Payments	\$0			\$0	\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0

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, 2010, 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 set of Federal Regulations and requirements, therefore, one combined plan cannot cover both programs.
2. 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 2010, 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 2011 fiscal year.

3. During my review of the PHA it was noted that the Authority maintains a material inventory with counts at year end, however, upon asking Housing Authority was not able to produce the hand counts taken at year end. PHA should retain documentation.
4. During my review of PHA expenditures, it was noted that the PHA had purchased that require three quotes per PHA policy that the documentation of the quotes could not be produced. PHA should keep all required documentation. The items noted were office chairs, pest control, elevator maintenance contract and playground equipment purchase.

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
October 29, 2010



Certified Public Accountant