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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, 2010 to March 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public 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, 2011 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**

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

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**TWELVE MONTHS ENDED MARCH 31, 2011**

**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, 2011, 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, 2011 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.

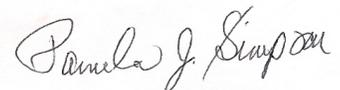
In accordance with *Government Auditing Standards*, I have also issued my report dated September 15, 2011, on my consideration of the Housing Authority City of Bedford's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedure do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Housing Authority City of Bedford's basic financial statements. The 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 also not a required part of the basic 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 has been subjected to the auditing procedures and certain other additional procedures in accordance with auditing standards generally accepted in the United States of America . In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority City of Bedford's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Decatur, Illinois  
September 15, 2011



Certified Public Accountant

HOUSING AUTHORITY OF THE CITY OF BEDFORD  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2011

**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, 2011. 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, 2011

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, 2011

*Analysis of Entity Wide Net Assets*

**Total Assets** for FYE 2010 were \$1,954,742 and at FYE 2011 the amount was \$2,074,920. This represents a net increase of \$120,178 or 6.1%.

**Cash** increased by \$118,801 or 194.1%. Cash increased because of management's decision to build up cash reserves for the future of the Authority. The Authority utilized an increase in current year funding anticipating that there will be significant future decreases in HUD funding availability.

**Capital Assets** increased by \$2,353 or .1%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** increased by \$20,589 or 22.4%. Current liabilities increased because of an increase in the compensated absences liability.

**Non Current Liabilities** decreased by \$1,670 or 4.1%. Noncurrent liabilities decreased because of a decrease in the compensated absences liability.

The table below illustrates our analysis:

	2011	2010	Net Change	Percent Variance
Cash & Investments	180,016	61,215	118,801	194.1%
Other Current Assets	57,406	58,382	(976)	-1.7%
Capital Assets	1,837,498	1,835,145	2,353	0.1%
Non Current Assets	0	0	0	0.0%
<b>Total Assets</b>	<b>2,074,920</b>	<b>1,954,742</b>	<b>120,178</b>	<b>6.1%</b>
Current Liabilities	112,593	92,004	20,589	22.4%
Long Term Liabilities	38,838	40,508	(1,670)	-4.1%
<b>Total Liabilities</b>	<b>151,431</b>	<b>132,512</b>	<b>18,919</b>	<b>14.3%</b>
Invested in Capital Assets	1,837,498	1,835,145	2,353	0.1%
Restricted Net Assets	71,188	65,541	5,647	8.6%
Unrestricted Net Assets	14,803	(78,456)	93,259	118.8%
<b>Total Net Assets</b>	<b>1,923,489</b>	<b>1,822,230</b>	<b>101,259</b>	<b>5.6%</b>

HOUSING AUTHORITY OF THE CITY OF BEDFORD  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2011

*Analysis of Entity Wide Revenues*

The Authority administers the following programs and the revenue generated from these programs during Fiscal Year Ending 2011 was as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$ 862,538
Section 8 Vouchers	702,811
Capital Fund Program	185,996
Capital Fund Recovery Grant	<u>233,573</u>
Total	<u>\$ 1,984,918</u>

Total revenue for Fiscal Year Ending March 31, 2011 was \$1,984,918 as compared to the total revenue for Fiscal Year Ending 2010 of \$1,544,053. Comparatively, Fiscal Year Ending 2011 revenue increased by \$440,865 as compared to Fiscal Year Ending 2010 revenue.

	<b>2011</b>	<b>2010</b>	<b>Net Change</b>	<b>Percentage Change</b>
Total Tenant Revenue	449,687	396,603	53,084	13.4%
HUD Operating Grants	1,212,849	1,096,326	116,523	10.6%
HUD Capital Grants	305,404	37,314	268,090	718.5%
Investment Income	534	1,776	(1,242)	-69.9%
Other Revenue	16,444	12,034	4,410	36.6%
Total Revenue	<u>1,984,918</u>	<u>1,544,053</u>	<u>440,865</u>	<u>28.6%</u>

HOUSING AUTHORITY OF THE CITY OF BEDFORD  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2011

***Analysis of Entity Wide Expenditures***

**Total Expenditures** for Fiscal Year Ending March 31, 2011 were \$1,883,659 as compared to \$1,885,998 of total expenditures for Fiscal Year Ending March 31, 2010. Comparatively, Fiscal Year Ending 2010 expenditures exceeded Fiscal Year Ending 2011 expenditures by \$2,339. Changes by major expense category will be presented below.

**Administrative Expenses** increased by \$21,506 or 6.9%. Administrative Salaries increased from the prior fiscal year. The Authority's other administrative expenses increased from the prior fiscal year.

**Utilities Expenses** decreased by \$8,610 or 4.4%. Utilities expenses decreased from the prior year due to changes in tenant utility consumption and utility rates.

**Maintenance Expenses** increased by \$14,404 or 4.5%. Maintenance expenses increased mainly due to a increase in materials costs.

**General Expenses** increased by \$28,055 or 44.3%. General expenses increased because of increases in compensated absences expense, PILOT and increase in other general expenses.

**Extraordinary Maintenance Expenses** decreased by \$75,730 or 79.4% from the prior year. Non routine expenses from prior years did not reoccur for the current fiscal year.

**Housing Assistance Payments** increased by \$43,040 or 7.6% from the prior year. Housing Assistance Payments increased because of an increase in units leased.

The table below illustrates our analysis:

	2011	2010	Net Change	Percent Variances
Administrative	334,984	313,478	21,506	6.9%
Tenant Services	3,867	4,274	(407)	-9.5%
Utilities	185,600	194,210	(8,610)	-4.4%
Maintenance	331,057	316,653	14,404	4.5%
General Expense	91,366	63,311	28,055	44.3%
Extraordinary Maintenance	19,673	95,403	(75,730)	-79.4%
Housing Assistance Payments	608,630	565,590	43,040	7.6%
HAP Portability In	1,402	0	1,402	0.0%
Depreciation Expense	307,080	333,079	(25,999)	-7.8%
<b>Total Expenses</b>	<b>1,883,659</b>	<b>1,885,998</b>	<b>(2,339)</b>	<b>-0.1%</b>

HOUSING AUTHORITY OF THE CITY OF BEDFORD  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2011

***Analysis of Capital Asset Activity***

**Building** increased by \$303,418. Completed construction projects utilizing Capital Funding and ARRA grant funding were completed and moved from Construction in Process during the fiscal year.

**Furniture, Equipment & Machinery - Administrative** decreased by a net amount of \$10,648. The increase was due to the addition of Computer Equipment. The decrease was due to the disposal of obsolete computer equipment including the replacement of the Authority's network.

**Construction in Process** increased by a net amount of \$1,985. The net change represents an increase due to the addition of current year Capital Fund construction project and a decrease due to the capitalization of completed construction projects that were moved from Construction in Process.

**Accumulated Depreciation** increased by \$292,402. The Authority's current year depreciation expense was \$307,080 net of disposals of \$14,678.

	2011	2010	Net Change	Percent Variance
Land	167,665	167,665	0	0.0%
Buildings	7,593,992	7,290,574	303,418	4.2%
FE & M - Dwelling	18,247	18,247	0	0.0%
FE & M - Administrative	150,190	160,838	(10,648)	-6.6%
Construction in Process	118,276	116,291	1,985	1.7%
<b>Total Fixed Assets</b>	<b>8,048,370</b>	<b>7,753,615</b>	<b>294,755</b>	<b>3.8%</b>
Accumulated Depreciation	6,210,872	5,918,470	292,402	4.9%
<b>Net Fixed Assets</b>	<b>1,837,498</b>	<b>1,835,145</b>	<b>2,353</b>	<b>0.1%</b>

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 67,831
Accounts receivable (interfund eliminated)	27,739
Accrued interest receivable	4
Inventory (net)	29,492
Investments	95,688
Deferred charges	<u>171</u>
Total Current Assets	<u>\$ 220,925</u>

**RESTRICTED ASSETS**

Cash	<u>\$ 16,497</u>
Total Restricted Assets	<u>\$ 16,497</u>

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 8,048,370
Less: Accumulated depreciation	<u>-6,210,872</u>
Net Capital Assets	<u>\$ 1,837,498</u>
Total Assets	<u>\$ 2,074,920</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable (interfund eliminated)	\$ 44,690
Accrued liabilities	60,181
Deferred revenue	<u>7,722</u>
Total Current Liabilities	<u>\$ 112,593</u>

**NONCURRENT LIABILITIES**

Accrued compensated absences	<u>\$ 38,838</u>
Total Noncurrent Liabilities	<u>\$ 38,838</u>

**NET ASSETS**

Invested in capital assets	\$ 1,837,498
Restricted	71,188
Unrestricted	<u>14,803</u>
Total Net Assets	<u>\$ 1,923,489</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, 2011**

Operating Income

Tenant rental revenue	\$ 381,223
Tenant revenue - other	<u>68,464</u>
Total Tenant Income	\$ 449,687
HUD grants - operating	1,212,849
Fraud recovery	6,937
Other revenue	<u>9,507</u>
Total Operating Income	<u>\$ 1,678,980</u>

Operating Expenses

Administration	\$ 334,984
Tenant services	3,867
Utilities	185,600
Ordinary maintenance and operation	331,057
General expense	91,366
Extraordinary maintenance	19,673
Housing assistance payments	610,032
Depreciation expense	<u>307,080</u>
Total Operating Expenses	<u>\$ 1,883,659</u>
Net Operating Income (Loss)	\$ -204,679

Nonoperating Income (Expenses)

Interest income	534
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Capital Contributions

Capital funds grant	<u>305,404</u>
Changes in net assets	\$ 101,259
Net assets, beginning of year	<u>1,822,230</u>
Nets assets, end of year	<u>\$ 1,923,489</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, 2011**

Operating Activities

Operating grants	\$ 1,214,421
Tenant revenue	461,392
Other revenue	16,444
Housing assistance payments	-610,032
Payments to employees	-372,910
Payments to suppliers and contractors	<u>-586,615</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 122,700</u>

Investing Activities

Investments (purchased) redeemed	\$ -61,271
Interest income	<u>545</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -60,726</u>

Capital and Related Financing Activities

Capital fund grants	\$ 305,404
(Additions) deletions to fixed assets	<u>-309,433</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -4,029</u>

Net Change in Cash	\$ 57,945
Cash Balance at March 31, 2010 (net of overdraft)	<u>26,383</u>
Cash Balance at March 31, 2011	<u>\$ 84,328</u>

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2011**

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

Net operating income (loss)	\$ -204,679
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	307,080
(Increase) decrease in accounts receivable	-1,466
(Increase) decrease in deferred charges	-4
(Increase) decrease in other assets	2,435
Increase (decrease) in accounts payable	-7,254
Increase (decrease) in accrued liabilities	24,872
Increase (decrease) in deferred revenues	<u>1,716</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 122,700</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, 2011**

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, 2011  
(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
- \* A.R.R.A. - Formula Capital Fund 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, 2011, 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, 2011  
(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, 2011  
(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, 2011  
(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 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, 2011  
(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	\$ 67,831	\$ 67,774
Voucher	<u>16,497</u>	<u>16,497</u>
Total	<u>\$ 84,328</u>	<u>\$ 84,271</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2011  
(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>\$ 95,688</u>	<u>\$ 95,688</u>

Note 3 - Compensated Absences

Leave Payments - No terminal leave or severance payments shall be made, except for authorized unused vacation. Any remaining sick leave will be reimbursed at a rate of .6666 of hourly or salary per day up to a maximum of sixty (60) days, upon termination of employment after ten (10) years of employment or retirement age.

Vacation Accrual - Employees shall use their accrued annual vacation time by the end of the Housing Authority's fiscal year. At the end of the fiscal year, time not utilized shall be paid in a lump sum payment (less tax liabilities) at the rate of pay in place at the fiscal year end.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2011  
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Vacation Leave - Permanent and special full-time employees who are not on probationary status and who have worked more than 6 months are entitled to paid vacation leave. Entitlement to paid vacation will be accumulated as follows:

New employees, at a rate of one day per month for the first partial year, based on the original date of employment.

Vacation leave shall then be calculated from the next April 1<sup>st</sup>, following the hire date.

Vacation leave will be calculated as:

1 <sup>st</sup> - 3 <sup>rd</sup>	10 days
4 <sup>th</sup> - 9 <sup>th</sup>	15 days
10 <sup>th</sup> - 14 <sup>th</sup>	20 days
15 <sup>th</sup> - retirement	one day incremented per year not to exceed 25 days.

Sick Leave - All full-time employees shall be allowed a reasonable amount of sick leave pay. Employees shall receive one (1) sick days (7 hours) for each month worked beginning on the date of employment. Sick leave shall not become effective, however, until the employee has worked through the 60-day probationary period.

Sick days shall accumulated from year to year only while the employee is on active paid status and shall not exceed 60 working days. Employees will not continue to accrue sick leave benefits while on sick leave.

In the event the employees uses all sick leave and vacation benefits and requires additional time off, he/she may apply for Family and Medical Leave (FMLA) in accordance with the plan set by the Federal Government. Sick leave already taken will be deducted from the amount of time set by the FMLA.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2011  
(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 covered 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 administered by Lincoln Retirement. The Housing Authority is required to contribute 6% of annual covered payroll. For the fiscal year ended March 31, 2011, actual total contributions were \$20,136. Total annual payroll expense was \$379,177.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2011  
(CONTINUED)**

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 6,756
Fraud recovery	16,553
Accounts receivable - HUD	<u>4,430</u>
Subtotal	\$ 27,739
Interfund	<u>7,806</u>
Total	<u><u>\$ 35,545</u></u>

Note 6 - Investments

At March 31, 2011 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	1%	\$ 27,828	\$ 27,828
Money Market	variable	<u>67,860</u>	<u>67,860</u>
Total		<u><u>\$ 95,688</u></u>	<u><u>\$ 95,688</u></u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 171</u></u>
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Note 8 - Capital Assets

Balance as of March 31, 2011	\$ 1,837,498
Balance as of March 31, 2010	<u>1,835,145</u>
Net Increase (Decrease)	<u><u>\$ 2,353</u></u>

Reconciliation

Property betterments and additions	\$ 305,404
Replacement of equipment	4,029
Current year depreciation expense	<u>-307,080</u> *
Net Increase (Decrease)	<u><u>\$ 2,353</u></u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2011  
(CONTINUED)**

Note 8 - Capital Assets (Continued)

<u>Analysis</u>	04/01/2010 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2011 <u>Balance</u>
Land	\$ 167,665	\$ 0	\$ 0	\$ 167,665
Buildings	7,290,574	303,418	0	7,593,992
Equipment and furniture	179,085	4,030	14,678	168,437
Construction in progress	<u>116,291</u>	<u>1,985</u>	<u>0</u>	<u>118,276</u>
Total Assets	\$ 7,753,615	\$ 309,433	\$ 14,678	\$ 8,048,370
Accumulated depreciation	<u>-5,918,470</u>	<u>14,678</u>	<u>307,080</u>	* <u>-6,210,872</u>
Net Assets	<u>\$ 1,835,145</u>	<u>\$ 324,111</u>	<u>\$ 321,758</u>	<u>\$ 1,837,498</u>

\*Current year depreciation expense recognized.

Note 9 - Accounts Payable

This classification includes the following accounts:

Tenants security deposits	\$ 32,922
Vendors and contractors	<u>11,768</u>
Subtotal	\$ 44,690
Interfund	<u>7,806</u>
Total	<u>\$ 52,496</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, 2011  
(CONTINUED)**

Note 11 - Accrued Liabilities

Accrued liabilities at March 31, 2011 consists of the following:

Current Portion:

Accrued wages and payroll taxes	\$ 9,112
Accrued compensated absences	27,074
Accrued utilities	11,604
Payment in lieu of taxes	<u>12,391</u>
 Total Current Portion	 \$ <u>60,181</u>

Noncurrent Portion:

Accrued compensated absences	<u>38,838</u>
 Total	 \$ <u>99,019</u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2011:

	04/01/2010 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	03/31/2011 <u>Balance</u>
Accrued compensated absences	\$ <u>40,508</u>	\$ <u>0</u>	\$ <u>1,670</u>	\$ <u>38,838</u>

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 7,722</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, 2011  
(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, 2011, 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	\$ 207,788
CFP 501-10	228,332	4,430
A.R.R.A. - Stimulus Grant 501-09	<u>291,520</u>	<u>256,246</u>
Total	<u>\$ 748,954</u>	<u>\$ 468,464</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 (76%) 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, 2011**

<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	03/31/11	\$ 404,218	\$ 404,218	\$ 404,218
			FYE			
Housing Choice Voucher Program*	14.871	C-0742	03/31/11	\$ 694,466	\$ 694,466	\$ 688,350
			FYE			
Public Housing - Capital Funds	14.872	C-0742	03/31/11	\$ 457,434	\$ 185,996	\$ 185,996
			FYE			
A.R.R.A. - Formula Capital Fund Stimulus Grant	14.885	C-0742	03/31/11	\$ 291,520	\$ 233,573	\$ 233,573
				<u>\$ 1,847,638</u>	<u>\$ 1,518,253</u>	<u>\$ 1,512,137</u>
Total Housing Assistance						

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED MARCH 31, 2011**

Note 1: Housing Authority City of Bedford did not award any federal awards to any sub-recipients in the current fiscal year.



**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, 2011, and have issued my report thereon dated September 15, 2011. 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 September 15, 2011.

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.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois  
September 15, 2011



**Independent Auditor's 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, 2011. 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, 2011. 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  
September 15, 2011

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended March 31, 2010 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED MARCH 31, 2011**

**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 September 15, 2011.

**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 September 15, 2011.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
MARCH 31, 2011**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Electric	4320	\$ 8,400.83		2806
Waste removal	4431	1,387.25		2806
Vendor payable	2111		\$ 9,788.08	2111
(To record vendor payable per search examination of subsequently paid invoices)				
(2)				
Accrued wages	2135	\$ 11,962.63		2135
Admin wages	4110		\$ 5,327.17	2806
Maintenance wages	4410		6,635.46	2806
(To reverse JE for accrued payroll for period end 4/1/11 which was paid out on 03/31/11)				
(3)				
Compensated absence expense	4120	\$ 7,538.67		n/a
Admin wages	4110		\$ 3,166.24	n/a
Maintenance wages	4410		4,372.43	n/a
(To correct compensated absence expense to current portion earned)				
<u>Voucher</u>				
(1)				
Accrued wages	2135	\$ 1,990.36		2135
Admin wages	4110		\$ 1,547.79	2806
Maintenance wages	4410		442.57	2806
(To reverse JE for accrued payroll for period end 4/1/11 which was paid out on 03/30/11)				
(2)				
Compensated absence expense	4120	\$ 1,511.60		n/a
Admin wages	4110		\$ 1,209.28	n/a
Maintenance wages	4410		302.32	n/a
(To correct compensated absence expense to current portion earned)				

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$34,909			\$34,909		\$34,909
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$16,497		\$16,497		\$16,497
114 Cash - Tenant Security Deposits	\$32,922			\$32,922		\$32,922
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$67,831	\$16,497	\$0	\$84,328	\$0	\$84,328
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$4,430			\$4,430		\$4,430
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$8,644			\$8,644		\$8,644
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,888			-\$1,888		-\$1,888
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery		\$16,553		\$16,553		\$16,553
128.1 Allowance for Doubtful Accounts - Fraud		\$0		\$0		\$0
129 Accrued Interest Receivable	\$4			\$4		\$4
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$11,190	\$16,553	\$0	\$27,743	\$0	\$27,743
131 Investments - Unrestricted	\$95,688			\$95,688		\$95,688
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$171			\$171		\$171
143 Inventories	\$32,769			\$32,769		\$32,769
143.1 Allowance for Obsolete Inventories	-\$3,277			-\$3,277		-\$3,277
144 Inter Program Due From	\$7,806			\$7,806	-\$7,806	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$212,178	\$33,050	\$0	\$245,228	-\$7,806	\$237,422
161 Land	\$167,665			\$167,665		\$167,665
162 Buildings	\$7,593,992			\$7,593,992		\$7,593,992
163 Furniture, Equipment & Machinery - Dwellings	\$18,247			\$18,247		\$18,247
164 Furniture, Equipment & Machinery - Administration	\$75,144	\$75,046		\$150,190		\$150,190
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$6,135,826	-\$75,046		-\$6,210,872		-\$6,210,872
167 Construction in Progress	\$118,276			\$118,276		\$118,276
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,837,498	\$0	\$0	\$1,837,498	\$0	\$1,837,498
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	\$1,837,498	\$0	\$0	\$1,837,498	\$0	\$1,837,498
190 Total Assets	\$2,049,676	\$33,050	\$0	\$2,082,726	-\$7,806	\$2,074,920

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$11,691	\$77		\$11,768		\$11,768
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$9,112			\$9,112		\$9,112
322 Accrued Compensated Absences - Current Portion	\$20,480	\$6,594		\$27,074		\$27,074
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$12,391			\$12,391		\$12,391
341 Tenant Security Deposits	\$32,922			\$32,922		\$32,922
342 Deferred Revenues	\$7,722			\$7,722		\$7,722
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$11,604			\$11,604		\$11,604
347 Inter Program - Due To		\$7,806		\$7,806	-\$7,806	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$105,922	\$14,477	\$0	\$120,399	-\$7,806	\$112,593
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	\$34,163	\$4,675		\$38,838		\$38,838
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$34,163	\$4,675	\$0	\$38,838	\$0	\$38,838
300 Total Liabilities	\$140,085	\$19,152	\$0	\$159,237	-\$7,806	\$151,431
508.1 Invested In Capital Assets, Net of Related Debt	\$1,837,498			\$1,837,498		\$1,837,498
509.2 Fund Balance Reserved						
511.2 Unreserved, Designated Fund Balance						
511.1 Restricted Net Assets		\$71,188		\$71,188		\$71,188
512.1 Unrestricted Net Assets	\$72,093	-\$57,290	\$0	\$14,803		\$14,803
512.2 Unreserved, Undesignated Fund Balance						
513 Total Equity/Net Assets	\$1,909,591	\$13,898	\$0	\$1,923,489	\$0	\$1,923,489
600 Total Liabilities and Equity/Net Assets	\$2,049,676	\$33,050	\$0	\$2,082,726	-\$7,806	\$2,074,920

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$381,223			\$381,223		\$381,223
70400 Tenant Revenue - Other	\$68,464			\$68,464		\$68,464
70500 Total Tenant Revenue	\$449,687	\$0	\$0	\$449,687	\$0	\$449,687
70600 HUD PHA Operating Grants	\$490,085	\$694,466	\$28,298	\$1,212,849		\$1,212,849
70610 Capital Grants	\$100,129		\$205,275	\$305,404		\$305,404
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue				\$0	\$0	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$528			\$528		\$528
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery		\$6,937		\$6,937		\$6,937
71500 Other Revenue	\$8,105	\$1,402		\$9,507		\$9,507
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted		\$6		\$6		\$6
70000 Total Revenue	\$1,048,534	\$702,811	\$233,573	\$1,984,918	\$0	\$1,984,918
91100 Administrative Salaries	\$119,491	\$49,019	\$21,396	\$189,906		\$189,906
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	\$39,434	\$13,971	\$6,902	\$60,307		\$60,307
91600 Office Expenses		\$771		\$771		\$771
91700 Legal Expense						
91800 Travel	\$1,093			\$1,093		\$1,093
91810 Allocated Overhead						
91900 Other	\$73,830	\$4,027		\$77,857		\$77,857
91000 Total Operating - Administrative	\$237,215	\$69,471	\$28,298	\$334,984	\$0	\$334,984
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$3,867			\$3,867		\$3,867
92500 Total Tenant Services	\$3,867	\$0	\$0	\$3,867	\$0	\$3,867
93100 Water	\$39,743			\$39,743		\$39,743
93200 Electricity	\$105,556			\$105,556		\$105,556
93300 Gas	\$40,301			\$40,301		\$40,301
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$185,600	\$0	\$0	\$185,600	\$0	\$185,600

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14,871 Housing Choice Vouchers	14,885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$163,417	\$5,570		\$168,987		\$168,987
94200 Ordinary Maintenance and Operations - Materials and Other	\$69,191			\$69,191		\$69,191
94300 Ordinary Maintenance and Operations Contracts	\$39,569			\$39,569		\$39,569
94500 Employee Benefit Contributions - Ordinary Maintenance	\$53,310			\$53,310		\$53,310
94000 Total Maintenance	\$325,487	\$5,570	\$0	\$331,057	\$0	\$331,057
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	\$0
96110 Property Insurance						
96120 Liability Insurance						
96130 Workmen's Compensation						
96140 All Other Insurance	\$33,449			\$33,449		\$33,449
96100 Total insurance Premiums	\$33,449	\$0	\$0	\$33,449	\$0	\$33,449
96200 Other General Expenses	\$22,455			\$22,455		\$22,455
96210 Compensated Absences	\$17,007	\$3,277		\$20,284		\$20,284
96300 Payments in Lieu of Taxes	\$12,391			\$12,391		\$12,391
96400 Bad debt - Tenant Rents	\$2,787			\$2,787		\$2,787
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$54,640	\$3,277	\$0	\$57,917	\$0	\$57,917
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	\$0
96900 Total Operating Expenses	\$840,258	\$78,318	\$28,298	\$946,874	\$0	\$946,874
97000 Excess of Operating Revenue over Operating Expenses	\$208,276	\$824,493	\$205,275	\$1,038,044	\$0	\$1,038,044
97100 Extraordinary Maintenance	\$19,673			\$19,673		\$19,673
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$608,630		\$608,630		\$608,630
97350 HAP Portability-In		\$1,402		\$1,402		\$1,402
97400 Depreciation Expense	\$307,080			\$307,080		\$307,080
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$1,167,011	\$688,350	\$28,298	\$1,883,659	\$0	\$1,883,659

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2011

	Project Total	14.871 Housing Choice Vouchers	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
10010 Operating Transfer In	\$72,679			\$72,679	-\$72,679	\$0
10020 Operating transfer Out	-\$72,679			-\$72,679	\$72,679	\$0
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$118,477	\$14,461	\$205,275	\$101,259	\$0	\$101,259
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,822,793	-\$563	\$0	\$1,822,230		\$1,822,230
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$205,275		-\$205,275	\$0		\$0
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		-\$57,290		-\$57,290		-\$57,290
11180 Housing Assistance Payments Equity		\$71,188		\$71,188		\$71,188
11190 Unit Months Available	2032	1882		3914		3914
11210 Number of Unit Months Leased	1763	1875		3638		3638
11270 Excess Cash	\$7,671			\$7,671		\$7,671
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$305,404			\$305,404		\$305,404
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0		\$0
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, 2011, 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. 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 2011, the negative balance of admin fee equity was reduced. Administrative expenses should continue to be monitored closely and the deficit eliminated.

3. During my review of expenditures and the procurement policy, it was noted that not all purchases were supported by three documented quotes as required under the procurement policy. The Housing Authority should develop a system to properly maintain all required documentation. The purchases/expenditures reviewed that lacked proper documentation were computers and a contract for Fire Inspector.
4. During the review of the Niedigh Construction contract, it was noted that the contractor had not been paid the full contract amount. Further review of the contract, billings and related payments indicated that the contractor did not bill the full contract amount, therefore, full payment was never made. The Housing Authority should monitor all contracts in process for accurate payments.
5. The expendable maintenance inventory recorded by a physical count at year end included capitalized assets. Individual assigned to count the material should be instructed in the future that only expendable materials should be counted. Additionally, the correct amount of the inventory was not properly recorded by fee accountant at year end.
6. While reviewing the Housing Authority's chart of accounts, it came to my attention that the authority has not expanded their chart of accounts to reflect HUD's suggested Chart of Accounts (per HUD handbook 7510.1 and changes identified in the GAAP Conversion Guide to the Financial Data Schedule Cross Walk Guide). The Financial Data Schedule (FDS) was created to standardize the financial information reported by Public Housing Authorities (PHAs) to the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (REAC). REAC currently requires PHAs to report their accounting information using Generally Accepted Accounting Principles (GAAP). REAC uses the FDS to analyze PHA financial data in conjunction with other performance measurements, to help ensure the success of PHA programs. The most recent Cross Walk Guide, the handbook and the Conversion Guide can be easily accessed on line and will describe a complete definition of each line/account required.

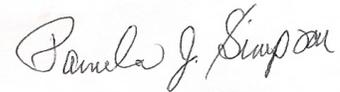
Housing Authority should adopt the HUD prescribed chart of accounts in order to track proper insurance expenses and contract costs.

7. During our review of insurance coverage, it was noted that none of the insurance premiums had been allocated to the Section 8 Housing Choice Voucher Program. The PHA should allocate a portion of applicable insurance expenses to the Section 8 program (for example: worker's compensation and auto coverage).
8. During the review of the maintenance wage rate determination form and applicable payments of wages, it was noted that two employees were not paid the amounts authorized by the approved form. The Housing Authority should review those payments and properly reimburse the affected employees.

9. Management needs to review their procedures for anticipating and properly documenting income used in the calculation of tenant rent. In a review of forty participant files, immaterial discrepancies were noted in the calculation of anticipated income. Some of these discrepancies related to inconsistent methods of anticipating income in different files. It was noted that some of the discrepancies involved the use of “family and/or friend contributions” used as income and the annualization of medical expenses confirmed. In other files it was noted that the EIV reports were not always maintained in the tenant file.

Management should review the proper methods of documenting and anticipating income with all housing intake staff. Additionally it is suggested that management increase the number of quality assurance reviews that are completed on all files.

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.



Certified Public Accountant

Decatur, Illinois  
September 15, 2011