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February 11, 2013

Board of Commissioners
Housing Authority of the City of Bloomington
1007 N. Summit Street
Bloomington, IN 47404

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2007 to September 30, 2008. 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 Bloomington, as of September 30, 2008 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
OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2008

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Housing Authority of the City of Bloomington
Bloomington, Indiana

I have audited the accompanying financial statements of Housing Authority of the City of Bloomington, as of and for the year ended September 30, 2008, 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 of the City of Bloomington, as of September 30, 2008 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 March 27, 2009, on my consideration of the Housing Authority of the City of Bloomington'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 6, 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 of the City of Bloomington, 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 of the City of Bloomington. 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 of the City of Bloomington. 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.

A handwritten signature in cursive script that reads "Paula J. Simpson". The signature is written in black ink on a light-colored background.

Decatur, Illinois
March 27, 2009

Certified Public Accountant

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2008

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The management of the Bloomington Housing Authority (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended September 30, 2008. The goal is for the reader to better understand the Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of September 30, 2008 by \$8,736,474 (Net Assets).
- The PHA's investment in Capital Assets-net of related debt as of September 30, 2008 was \$4,478,578.
- The PHA's total revenue for the calendar year end September 30, 2008 was \$10,956,172.
- The PHA's total expenses for the calendar year end September 30, 2008 was \$10,343,458.
- Therefore, the PHA's total revenue exceeds its total expense by \$612,714.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- *Statement of Net Assets* – reports the Authority's current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the PHA. A comparison between this year and the preceding year is also provided.
- *Statement of Revenue and Expenses* – reports the PHA's various revenue and expenses and provides a comparison between this year and the preceding year.

BLOOMINGTON HOUSING AUTHORITY
 Bloomington, Indiana
 MANAGEMENT DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDING SEPTEMBER 30, 2008

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Cash & Investments	4,487,042	4,772,742	(285,700)
Other Current Assets	127,908	158,480	(30,572)
Other Assets	71,046	-	71,046
Capital Assets	7,454,979	5,863,326	1,591,653
Total Assets	12,140,975	10,794,548	1,346,427
Current Liabilities	418,722	407,545	11,177
Long Term Debt	2,911,413	2,295,767	615,646
Non-current Liabilities	74,366	71,607	2,759
Total Liabilities	3,404,501	2,774,919	629,582
Invested in Capital Assets	4,478,578	3,584,764	893,814
Restricted Net Assets	2,616,045	3,140,783	(524,738)
Unrestricted Assets	1,642,851	1,365,689	277,162
Total Net Assets	8,737,474	8,091,236	646,238

The decrease in cash is due to the following: (1) the decrease is due to partial completion of the Energy Performance Contract.

The decrease in other current assets is primarily due to the following: (1) an increase in allowance of doubtful accounts-tenants. (2) A decrease in prepaid assets and inventory. (3) A decrease in Fraud recovery balance.

The increase in capital assets is due to the following: (1) increase in capital fund construction work in progress.

The increase in current liabilities is due to the following: (1) Due to increase in account payable.

The increase in long-term liabilities is due to the Energy Performance Bond Payable.

BLOOMINGTON HOUSING AUTHORITY
 Bloomington, Indiana
 MANAGEMENT DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDING SEPTEMBER 30, 2008

ANALYSIS OF STATEMENT OF REVENUE & EXPENSES
PRIOR AND CURRENT FISCAL YEAR:

	<u>Year Ending September 30</u>		
	<u>2008</u>	<u>2007</u>	<u>Increase</u> <u>(Decrease)</u>
REVENUE			
Tenant Revenue	585,345	546,352	38,993
HUD Operating and Capital Grants	9,777,641	9,790,398	(12,757)
Other Governmental Grants	261,108	22,935	238,173
Interest-Unrestricted	92,012	174,998	(82,986)
Interest-Restricted	110,326	-	110,326
Other Revenue	68,820	659,877	(591,057)
Fraud Recovery	55,916	24,148	31,768
Gain(Loss) on Sale of Asset	5,004	(10,707)	15,711
Total Revenue	<u>10,956,172</u>	<u>11,208,001</u>	<u>(251,829)</u>
EXPENSES			
Administrative expenses	1,005,747	1,421,133	(415,386)
Tenant Services	121,651	79,520	42,131
Utilities	461,985	441,548	20,437
Ordinary Maintenance	503,505	797,936	(294,431)
Protective Services	-	-	-
General Expenses	122,464	134,974	(12,510)
Interest Expense	136,892	82,554	54,338
Housing Assistance Payments	7,443,075	7,239,409	203,666
Extraordinary Maintenance	84,874	-	84,874
Depreciation	463,265	471,319	(8,054)
Depreciation Add-Back	-	-	-
Total Expenses	<u>10,343,458</u>	<u>10,668,393</u>	<u>(324,935)</u>
Excess of Revenue Over Expenses	<u>\$ 612,714</u>	<u>\$ 539,608</u>	

The increase in tenant revenue is due to aggressive rent collection.

The decrease in Housing and Urban Development (HUD) Operating & Capital Grants is primarily due to the following: (1) the decrease of grant revenue received for all programs.

The decrease in Administrative expenses is due to the following: (1) the decrease in health care expenses (2) An decrease in sundry expenses.

The increase in utility expenses is due to the following: (1) an increase in gas charges this year.

The decrease in ordinary maintenance is due to the following: (1) A decrease in inventory levels.

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2008

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The decrease in general expenses is due to the following: (1) decrease in bad debt expense.

The increase in Housing assistance payments (HAP) is due to an increase in government grants.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the PHA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Jennifer J. Osterholt, Executive Director, Bloomington Housing Authority, 1007 North Summit, Bloomington, IN 47404.

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2008**

ASSETS

CURRENT ASSETS

Cash	\$ 305,815
Accounts receivable (interfund eliminated)	68,394
Accrued interest	3,521
Investments	1,323,380
Inventory	28,208
Deferred charges	<u>27,785</u>
Total Current Assets	<u>\$ 1,757,103</u>

RESTRICTED ASSETS

Cash	\$ 1,780,530
Investments	<u>1,077,317</u>
Total Restricted Assets	<u>\$ 2,857,847</u>

CAPITAL ASSETS

Land, buildings and equipment	\$ 13,346,927
Less: Accumulated depreciation	<u>-5,891,948</u>
Net Capital Assets	<u>\$ 7,454,979</u>

OTHER ASSETS

Other (net of amortization)	<u>\$ 71,046</u>
Total Assets	<u>\$ 12,140,975</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 203,119
Notes payable	136,034
Accrued liabilities	59,853
Deferred revenue	<u>19,716</u>
Total Current Liabilities	<u>\$ 418,722</u>

NONCURRENT LIABILITIES

Notes payable	\$ 2,911,413
Accrued liabilities	17,063
Trust and deposit liabilities	<u>57,303</u>
Total Noncurrent Liabilities	<u>\$ 2,985,779</u>

NET ASSETS

Invested in capital assets	\$ 4,478,578
Restricted	2,616,045
Unrestricted	<u>1,641,851</u>
Total Net Assets	<u>\$ 8,736,474</u>

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

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Operating Income

Tenant rental revenue	\$ 525,910
Tenant revenue - other	<u>59,435</u>
Total Rental Revenue	\$ 585,345
HUD grants - operating	9,514,778
Other government grants	261,108
Fraud recovery	55,916
Other revenue	68,820
Gain (loss) on sale of fixed assets	<u>5,004</u>
Total Operating Income	<u>\$ 10,490,971</u>

Operating Expenses

Administration	\$ 1,005,747
Tenant services	121,651
Utilities	461,985
Ordinary maintenance and operation	503,505
General expense	122,464
Extraordinary maintenance	84,874
Housing assistance payments	7,443,075
Depreciation	<u>463,265</u>
Total Operating Expenses	<u>\$ 10,206,566</u>
Net Operating Income (Loss)	<u>\$ 284,405</u>

Nonoperating Income (Expense)

Interest expense	\$ -136,892
Interest income	<u>202,338</u>
Total Nonoperating Income (Expense)	<u>\$ 65,446</u>

Capital Contributions

Capital fund grants	<u>\$ 262,863</u>
Total Capital Contributions	<u>\$ 262,863</u>
Changes in net assets	\$ 612,714
Net assets, beginning of year	<u>7,789,724</u>
Net assets, end of year	<u><u>\$ 8,737,227</u></u>

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

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Operating Activities

Operating grants	\$ 9,488,317
Tenant revenue	577,954
Other revenue	410,863
Housing assistance payments	-7,443,075
Payments to employees	-784,836
Payments to suppliers and contractors	<u>-1,628,528</u>

Net Cash Provided (Used) by Operating Activities \$ 620,695

Investing Activities

Investments (purchased) redeemed	\$ -2,400,683
Interest income	<u>198,817</u>

Net Cash Provided (Used) by Investing Activities \$ -2,201,866

Capital and Related Financing Activities

HUD grants - capital	\$ 262,863
(Additions) to fixed assets	-2,055,626
Interest expense	-136,892
Issuance (retirement) of debt	<u>824,431</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -1,105,224

Net Change in Cash \$ -2,686,395

Cash Balance at September 30, 2007 4,772,740

Cash Balance at September 30, 2008 \$ 2,086,345

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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

Net operating income (loss)	\$ 284,405
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	463,265
Amortization	2,342
(Increase) decrease in accounts receivable	-43,923
(Increase) decrease in deferred charges	1,376
(Increase) decrease in inventory	-5,883
Increase (decrease) in accounts payable	-35,688
Increase (decrease) in accrued liabilities	20,769
Increase (decrease) in deferred revenues	-51,664
Increase (decrease) in other liabilities	<u>-14,304</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 620,695</u>

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Bloomington was established by the City of Bloomington 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 Bloomington and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Bloomington is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. 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 OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

During the preparation of financial statements, 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, although no formal policy has been adopted.

(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
- * Section 8 Single Room Occupancy
- * Capital Fund Program

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid deposits to be cash equivalents. As a matter of practice only demand deposits (checking accounts) are reported as cash/cash equivalents.

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net assets and have been eliminated in the basic financial statements.

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2008, 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.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) 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 \$500 or more and the anticipated life or useful life of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Fixed Assets - Continued

Land, buildings and equipment contains the following:

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

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

Buildings	40	years
Equipment	10	years
Computers	5	years
Transportation equipment	7	years
Furniture and fixtures	7	years
Leasehold improvements		term of lease

(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.

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (m) The Housing Authority adopts a budget annually. The budget and any subsequent revisions are submitted to the Board 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.

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Projects	\$ 1,803,599	\$ 1,841,127
Central Office Cost Center	256,522	256,522
Voucher	<u>26,224</u>	<u>29,140</u>
Total	<u>\$ 2,086,345</u>	<u>\$ 2,126,789</u>

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

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

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

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

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

<u>Program</u>	<u>Book Balance</u>	<u>Market Value</u>
Projects	\$ 723,415	\$ 723,415
Central Office Cost Center	105,998	105,998
Voucher	<u>1,571,284</u>	<u>1,571,284</u>
Total	<u>\$ 2,400,697</u>	<u>\$ 2,400,697</u>

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 3 - Compensated Absences

Vacation

Housing Authority of the City of Bloomington believes that employees should take their vacation days during the year so that the individual can rest and rejuvenate. All employees are eligible to accrue vacation time beginning on the date of employment. They may begin using accrued vacation time after successful completion of the 6-month introductory period. Vacation time is accrued monthly from an employee's anniversary date.

Planned time off must be scheduled a minimum of ten (10) days in advance and receive written approval by the employee's supervisor. The supervisor has the authority to withhold approval if it is in the best interest of Housing Authority of the City of Bloomington. Vacations are granted by date of request and needs of the Housing Authority of the City of Bloomington. Vacation time should be used in minimum increments of half days 3.5 (hours).

Employees' (hired prior to January 1, 2007) vacation time will be earned according to the following guidelines:

<u>Years of Employment</u>	<u>Full-Time Accrued Monthly</u>	<u>Part-Time Accrued Monthly</u>
0-1 year	5.83 hours	2.92 hours
2-4 years	8.75 hours	4.37 hours
5-9 years	11.66 hours	5.83 hours
10 years +	14.58 hours	7.29 hours

Regular full and part-time employees' (hired after December 31, 2006) vacation time will be earned according to the following guidelines:

<u>Years of Employment</u>	<u>Full-Time Accrued Monthly</u>	<u>Part-Time Accrued Monthly</u>
0-1 year	2.92 hours	1.46 hours
2-4 years	5.83 hours	2.92 hours
5-9 years	8.75 hours	4.38 hours
10 years +	11.66 hours	5.83 hours

Sick Leave

Regular full time employees will be allowed 6.42 hours of sick leave for each month worked beginning on date of employment. Regular part time employees will be allowed 3.5 hours. Employees may not begin using accrued sick time until the successful completion of their introductory period. Sick time may be accumulated to a maximum of 420 hours (hired prior to January 1, 2007) and 210 hours (hired after December 31, 2006) and may be taken in one-hour increments.

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its regular full-time and part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Housing Authority to contribute 10% of covered wages. Housing Authority contributions forfeited by employees who leave employment prior to vesting are used to reduced current costs and contribution requirements. Pension plan contributions made for the fiscal year ended September 30, 2008 were \$52,563.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 13,600
Accounts receivable - HUD	6,461
Fraud recovery	<u>48,333</u>
Subtotal	\$ 68,394
Interfund	<u>100,436</u>
Total	<u>\$ 168,830</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 27,785</u>
-------------------	------------------

Note 7 - Investments

At September 30, 2008 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	3.05-4.75%	\$ 1,966,844	\$ 1,966,844
Money market accounts	1.05-1.75%	<u>433,853</u>	<u>433,853</u>
Total		<u>\$ 2,400,697</u>	<u>\$ 2,400,697</u>

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 8 - Fixed Assets

Balance as of September 30, 2008	\$ 7,454,979
Balance as of September 30, 2007	<u>5,863,370</u>
Net Increase (Decrease)	<u>\$ 1,591,609</u>

Reconciliation

Property betterments and additions	\$ 2,056,868
Disposals	-1,994
Current year depreciation expense	<u>-463,265</u> *
Net Increase (Decrease)	<u>\$ 1,591,609</u>

<u>Analysis</u>	<u>10/01/07 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/08 Balance</u>
Land	\$ 934,929	\$ 0	\$ 0	\$ 934,929
Buildings	6,077,676	991,428	0	6,831,038
Equipment and furniture	477,336	46,534	172,567	352,353
Leasehold improvements	3,036,108	106,957	0	3,143,065
Construction in progress	<u>936,874</u>	<u>911,652</u>	<u>0</u>	<u>2,086,591</u>
Total	\$ 11,462,923	\$ 2,056,571	\$ 172,567	\$ 13,347,976
Accumulated depreciation	<u>-5,599,553</u>	<u>-462,968</u> *	<u>-170,573</u>	<u>-5,892,245</u>
Net Assets	<u>\$ 5,863,370</u>	<u>\$ 1,593,603</u>	<u>\$ 1,994</u>	<u>\$ 7,455,731</u>

* Current year depreciation expense is \$463,265.

Note 9- Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 142,878
Tenants security deposits	48,465
HUD payable	<u>11,776</u>
Subtotal	\$ 203,119
Interfund	<u>100,437</u>
Total	<u>\$ 303,556</u>

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 10 - Long Term Debt

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.

The detail of the Housing Authority's other long term debt at year end is set forth below:

	<u>Rate</u>	<u>Issue Date</u>	<u>Due Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Fannie Mae	4.75%	8/22/06	2/1/25	\$ <u>136,034</u>	\$ <u>2,911,413</u>	\$ <u>3,047,447</u>

Debt service requirements for the long term debt for the next five years are as follows:

<u>Due Fiscal Year Ending</u>	<u>Principal</u>
2009	\$ 136,034
2010	139,437
2011	146,206
2012	153,304
2013	160,747
Thereafter	2,311,719

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 11 - Accrued Liabilities

Current Portion:

Accrued interest payable	\$ 1,103
Accrued wages	22,153
Accrued compensated absences	<u>36,597</u>
 Total Current Portion	 \$ 59,853

Noncurrent Portion:

Accrued compensated absences	<u>17,063</u>
 Total	 <u>\$ 76,916</u>

Note 12 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	<u>\$ 57,303</u>
---------------------	------------------

Note 13 - Summary of Long Term Liabilities

The change in long term liabilities for the year ended September 30, 2008 is summarized as:

	10/01/2007			09/30/2008
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Notes payable	\$ 2,149,143	\$ 762,270	\$ 0	\$ 2,911,413
Accrued liabilities	19,471	0	2,407	17,064
Trust and deposit liabilities	<u>71,607</u>	<u>0</u>	<u>14,304</u>	<u>57,303</u>
 Total	 <u>\$ 2,240,221</u>	 <u>\$ 762,270</u>	 <u>\$ 16,711</u>	 <u>\$ 2,985,780</u>

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2008
(CONTINUED)**

Note 14 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 11,414
Other deferred revenue	<u>8,302</u>
Total	<u>\$ 19,716</u>

Note 15 - 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 a variable rate set by HUD on a calendar year budget.

Note 16 - Contingencies

Federal Grants

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

Note 17 - Risk Management

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

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

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (88%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

<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:						
Low Rent Public Housing*	14.850a	C-894	FYE 09/30/08	\$ <u>1,010,456</u>	\$ <u>1,010,456</u>	\$ <u>1,010,456</u>
Lower Income Housing Assistance Program - Single Room Occupancy	14.249	C-2013	FYE 09/30/08	\$ <u>21,072</u>	\$ <u>21,072</u>	\$ <u>21,072</u>
Housing Choice Voucher*	14.871	C-2013	FYE 09/30/08	\$ <u>8,191,468</u>	\$ <u>8,191,468</u>	\$ <u>8,191,468</u>
Public Housing - Capital Fund*	14.872	C-894	FYE 09/30/08	\$ <u>534,645</u>	\$ <u>534,645</u>	\$ <u>534,645</u>
Total Federal Assistance				\$ <u>9,757,641</u>	\$ <u>9,757,641</u>	\$ <u>9,757,641</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED SEPTEMBER 30, 2008**

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

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners
Housing Authority of the City of Bloomington
Bloomington, Indiana

I have audited the financial statements of the Housing Authority of the City of Bloomington as of and for the year ended September 30, 2008, which collectively comprise the Housing Authority of the City of Bloomington's basic financial statements and have issued my report thereon dated March 27, 2009.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

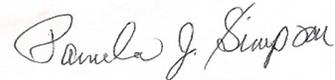
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any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

Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority of the City of Bloomington, in a separate letter dated March 27, 2009.

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



Certified Public Accountant

Decatur, Illinois
March 27, 2009

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

Board of Commissioners
Housing Authority of the City of Bloomington
Bloomington, Indiana

Compliance

I have audited the compliance of Housing Authority of the City of Bloomington with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Housing Authority of the City of Bloomington'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 of the City of Bloomington's management. My responsibility is to express an opinion on Housing Authority of the City of Bloomington's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Bloomington complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Housing Authority of the City of Bloomington 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 of the City of Bloomington's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Bloomington's internal control over compliance.

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

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

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Bloomington in a separate letter dated March 27, 2009.

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



Certified Public Accountant

Decatur, Illinois
March 27, 2009

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2007 contained no findings.

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Section I - Summary of Auditor's Results

Low Risk Auditee X yes _____ no

Financial Statements

Type of auditor's report: Unqualified

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

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

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

Major Programs: (Threshold \$300,000) CFDA Number(s)

Public and Indian Housing	14.850a
Housing Voucher Program	14.855
Capital Funds Program	14.872

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
CURRENT FINDINGS AND RECOMMENDATIONS**

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Jennifer J. Osterholt, Executive Director, during the audit or at an exit conference held March 27, 2009.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Jennifer J. Osterholt, Executive Director, during the audit or at an exit conference held March 27, 2009.

**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2008**

<u>Amp 1</u>	Audit <u>Account Number</u>	<u>Debit</u>	<u>Credit</u>	Posting <u>Account Number</u>
(1)				
Energy Contract Account	1119.2	\$ 9,187.15		1119.2
Investment income	3430		\$ 9,187.15	2810.512
(To record interest/dividends from December 2007 to September 2008)				
(2)				
Lawn care	4430.020	\$ 2,700.00		2810.512
Vendor payable	2111		\$ 2,700.00	2111
(To set up additional vendor payable per examination of subsequent payments)				
<u>Amp 2</u>				
(1)				
CFFP CWIP	1400.120	\$ 2,789.28		1400.120
Vendor payable	2111		\$ 2,789.28	2111
(To set up additional vendor payable per examination of subsequent payments)				
<u>Central Office Cost Center</u>				
(1)				
Sundry	4190	\$ 3,625.66		2810.512
Contract cost	4430		\$ 2,025.33	2810.512
Janitorial expense	4430.010		1,600.33	2810.512
(To reclassify expenditures for printer cartridges)				
(2)				
Travel	4150	\$ 1,751.76		2810.512
Vendor payable	2111		\$ 1,751.76	2111
(To set up additional vendor payable per examination of subsequent payments)				
<u>Voucher</u>				
(1)				
Travel	4150	\$ 528.00		2810.002
Other admin & sundry	4190.006	4,766.08		2810.002
Furniture, equipment & mach.	1400.090	1,821.93		1400.090
Vendor payable	2111		\$ 7,116.01	2111
(To set up additional vendor payable per examination of subsequent payments)				

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

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(217) 872-1908

Board of Commissioners
Housing Authority of the City of Bloomington
Bloomington, Indiana

In planning and performing my audit of the financial statements of Housing Authority of the City of Bloomington as of and for the year ended September 30, 2008, 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 of the City of Bloomington's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Bloomington'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. Administrative and housing staff needs to review procedures utilized in anticipating income for the calculation of rent and housing assistance payments and the related quality control reviews of those files. In a review of twenty four Section 8 participant files and eleven public housing files, several immaterial discrepancies were noted in the calculation of anticipated income. In some of these instances, the discrepancy related to inconsistent methods of anticipating income in different files. In other files immaterial math errors were noted.

Management should review the proper methods of 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.

A handwritten signature in black ink that reads "Pamela J. Simpson". The signature is written in a cursive style with a large initial 'P' and a long, sweeping tail on the 'n'.

Decatur, Illinois
March 27, 2009

Certified Public Accountant