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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, 2009 to September 30, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Bloomington, as of September 30, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2010

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

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Independent Auditor's Report

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

I have audited the accompanying financial statements of the Housing Authority of the City of Bloomington, as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Bloomington's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

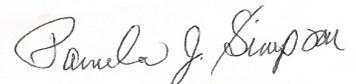
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Housing Authority of the City of Bloomington, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended 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 31, 2011 on my consideration of the Housing Authority of the City of Bloomington's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but are 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 required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of. 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 also not a required part of the basic 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.

The schedule of federal expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountant

Decatur, Illinois
March 31, 2011

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2010

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, 2010. 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, 2010 by \$9,576,332 (Net Assets).
- The PHA's investment in Capital Assets-net of related debt as of September 30, 2010 was \$6,346,889.
- The PHA's total revenue for the fiscal year end September 30, 2010 was \$11,608,222.
- The PHA's total expenses for the fiscal year end September 30, 2010 was \$10,915,494.
- Therefore, the PHA's total revenues exceed its' total expenses by \$692,728.

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, 2010

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Cash & Investments	3,402,073	2,950,433	451,640
Other Current Assets	165,905	191,488	(25,583)
Other Assets	36,891	39,233	(2,342)
Capital Assets	9,100,196	8,787,987	312,209
Total Assets	12,705,065	11,969,141	735,924
Current Liabilities	520,684	318,191	202,493
Long Term Liabilities	2,608,049	2,836,617	(228,568)
Total Liabilities	3,128,733	3,154,808	(26,075)
Invested in Capital Assets	6,346,889	5,930,329	416,560
Restricted Net Assets	1,272,904	1,031,005	241,899
Unrestricted Assets	1,956,539	1,852,999	103,540
Total Net Assets	9,576,332	8,814,333	761,999

The increase in cash is due, in part, to the following: (1) Aggressive collection of tenant rents. (2) Governmental funding levels were higher in 2010.

The decrease in other current assets is partly due to the following: (1) A decrease in the allowance for doubtful accounts-tenants. (2) Aggressive rent collection has decreased the AR balances carried on the books.

The increase in capital assets is due to the following: (1) the closing out of the 2006 Capital Fund Grant.

The increase in current liabilities is due to the following: (1) principal payments of current debt related to the Energy Performance Contract and CFFP. (2) Our VASH program got started in 2010 and we were receiving much more HAP revenue than HAP expense for that program. This created a large A/P to HUD.

The decrease in long term Liabilities is due to the repayment of the CFFP Bond and also the Energy Performance Contract Loan.

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2010

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

REVENUE	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Tenant Revenue	685,160	609,402	75,758
HUD Operating and Capital Grants	10,560,053	9,580,994	979,059
Other Governmental Grants	188,552	108,739	79,813
Interest-Unrestricted	15,310	28,880	(13,570)
Interest-Restricted	8,644	20,457	(11,813)
Other Revenue	91,743	154,892	(63,149)
Fraud Recovery	60,461	94,506	(34,045)
Gain(Loss) on Sale of Asset	(1,701)	(9,032)	7,331
Total Revenue	<u>11,608,222</u>	<u>10,588,838</u>	<u>1,019,384</u>
EXPENSES			
Administrative expenses	1,292,693	1,246,848	45,845
Tenant Services	6,076	68,258	(62,182)
Utilities	379,355	413,867	(34,512)
Ordinary Maintenance	574,025	527,843	46,182
General Expenses	289,141	219,031	70,110
Interest Expense	133,683	140,316	(6,633)
Housing Assistance Payments	7,397,796	7,219,972	177,824
Extraordinary Maintenance	70,376	59,373	11,003
Casualty Losses	59,205	-	59,205
Depreciation	686,993	628,192	58,801
Fraud Loss	26,151	-	26,151
Total Expenses	<u>10,915,494</u>	<u>10,523,700</u>	<u>391,794</u>
Excess of Revenue Over Expenses	<u>692,728</u>	<u>\$ 65,138</u>	

The increase in tenant revenue is because (1) we have seen less vacancies in both complexes since the completion of major renovations. (2) EIV has helped us learn of income that was hard to verify before.

The increase in Housing and Urban Development (HUD) Operating & Capital Grants is primarily due to the following: (1) Higher funding levels from HUD and (2) The ARRA Grant was fully expended during FY 2010.

The increase in Other Governmental Grants was mainly due to our CDBG grant. We received more funding in 2010 for this than in 2009.

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2010

The decrease in interest income, both restricted and non-restricted, are due to the following: (1) a decrease in interest rates by financial institutions.

The decrease in other revenue is primarily due to insurance proceeds, from casualty loss, being significantly lower in 2010.

A major reason there is a decrease in fraud recovery is due to the implementation of the EIV system. With this in place we have been able to identify income sooner, resulting in less repayment agreements.

The increase in Administrative expenses is due to the following: (1) an increase in health care premiums in excess of 10% (2) an increase in travel and training expenses for employee education.

The decrease in tenant services is largely due to the renovation of the Crestmont Boys & Girls Club completed in FY 2009.

The decrease in utility expense is due to the following: (1) a continued agreement with Proliance Energy for Amp 1 to lock in a low rate for gas expenses (2) the sustainability of our Energy Performance Contract which lowered energy costs for both Amps.

The increase in ordinary maintenance is mainly due to the following: (1) continued plumbing issues brought on by the deterioration of pipes within concrete slabs. (2) We also contracted additional security throughout the summer and fall of FY2010.

The decrease in general expenses is partly due to having only one casualty loss claim this year.

The increase in Housing assistance payments (HAP) is due (1) to a higher number of families taking their vouchers to other housing authorities, where we are still responsible for their HAP payments (2) The start up of our VASH program.

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, 2010**

ASSETS

CURRENT ASSETS

Cash	\$ 1,233,752
Accounts receivable (interfund eliminated)	65,108
Investments	875,706
Inventory	70,264
Deferred charges	<u>30,533</u>

Total Current Assets \$ 2,275,363

RESTRICTED ASSETS

Cash	\$ 772,226
Investments	<u>520,389</u>

Total Restricted Assets \$ 1,292,615

CAPITAL ASSETS

Land, buildings and equipment	\$ 16,284,097
Less: Accumulated depreciation	<u>-7,183,901</u>

Net Capital Assets \$ 9,100,196

OTHER ASSETS

Other (net of amortization)	<u>\$ 36,891</u>
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Total Assets \$ 12,705,065

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 175,855
Notes payable	149,327
Accrued liabilities	61,591
Deferred revenue	21,158
Other current liabilities	<u>112,753</u>

Total Current Liabilities \$ 520,684

NONCURRENT LIABILITIES

Notes payable	\$ 2,603,980
Accrued liabilities	<u>4,069</u>

Total Noncurrent Liabilities \$ 2,608,049

NET ASSETS

Invested in capital assets	\$ 6,346,889
Restricted	1,272,904
Unrestricted	<u>1,956,539</u>

Total Net Assets \$ 9,576,332

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, 2010**

<u>Operating Income</u>	
Tenant rental revenue	\$ 585,935
Tenant revenue - other	<u>99,225</u>
 Total Rental Revenue	 \$ 685,160
 HUD grants - operating - direct	 9,776,761
Other government grants - flow through	188,552
Fraud recovery	60,461
Other revenue	91,743
Gain (loss) on sale of fixed assets	<u>-1,701</u>
 Total Operating Income	 <u>\$ 10,800,976</u>
<u>Operating Expenses</u>	
Administration	\$ 1,292,693
Tenant services	6,076
Utilities	379,355
Ordinary maintenance and operation	574,025
General expense	289,141
Extraordinary maintenance	70,376
Casualty losses	59,205
Housing assistance payments	7,397,796
Depreciation	686,993
Fraud loss	<u>26,151</u>
 Total Operating Expenses	 <u>\$ 10,781,811</u>
 Net Operating Income (Loss)	 <u>\$ 19,165</u>
<u>Nonoperating Income (Expense)</u>	
Interest expense	\$ -133,683
Interest income	<u>23,954</u>
 Total Nonoperating Income (Expense)	 <u>\$ -109,729</u>
<u>Capital Contributions</u>	
Capital fund grants	<u>\$ 783,292</u>
 Total Capital Contributions	 <u>\$ 783,292</u>
 Changes in net assets	 \$ 692,728
Net assets, beginning of year	8,889,351
Prior year adjustments	<u>-5,747</u>
 Net assets, end of year	 <u><u>\$ 9,576,332</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, 2010**

Operating Activities

Operating grants	\$ 9,782,053
Tenant revenue	687,123
Other revenue	339,055
Housing assistance payments	-7,397,796
Payments to employees	-950,451
Payments to suppliers and contractors	<u>-1,628,720</u>

Net Cash Provided (Used) by Operating Activities \$ 831,264

Investing Activities

Investments (purchased) redeemed	\$ -1,396,095
Interest income	<u>24,770</u>

Net Cash Provided (Used) by Investing Activities \$ -1,371,325

Capital and Related Financing Activities

HUD grants - capital	\$ 783,292
(Additions) to fixed assets	-910,419
Interest expense	-133,683
Issuance (retirement) of debt	<u>-143,584</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -404,394

Net Change in Cash \$ -944,455

Cash Balance at September 30, 2009 2,950,433

Cash Balance at September 30, 2010 \$ 2,005,978

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

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

Net operating income (loss)	\$ 19,165
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	686,993
Adjustment to net assets	-5,747
(Increase) decrease in accounts receivable	40,630
(Increase) decrease in deferred charges	-2,849
(Increase) decrease in inventory	-26,926
(Increase) decrease in other assets	2,342
Increase (decrease) in accounts payable	71,746
Increase (decrease) in accrued liabilities	11,847
Increase (decrease) in deferred revenues	2,067
Increase (decrease) in other liabilities	<u>31,996</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 831,264</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010**

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 Mayor, 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 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, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation 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 (Amps and COCC)
- * Housing Choice Vouchers
- * Section 8 Single Room Occupancy
- * Capital Fund Program
- * CDBG
- * Formula Capital Fund Stimulus Grant
- * Veterans Affairs Supportive Housing
- * HOME Investments Partnership 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.

(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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) 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.

(h) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2010, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(i) Inventories and Materials -

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

(j) Investments -

Investments are stated at cost which approximates market.

(k) 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, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) 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

(l) 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."

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(m) Income Tax -

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

(n) 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.

(o) The Housing Authority adopts a budget annually. The budget and any subsequent revisions are submitted to the Board for approval.

(p) 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.

(q) 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.

(r) Rental income is recognized as rents become due.

(s) 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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$250,000 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, 2010
(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 - LIPH	\$ 533,128	\$ 580,033
Central Office Cost Center	562,513	538,255
Voucher	<u>910,337</u>	<u>944,444</u>
Total	<u>\$ 2,005,978</u>	<u>\$ 2,062,732</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 - LIPH	\$ 551,375	\$ 551,375
Voucher	733,157	733,157
Central Office Cost Center	<u>111,563</u>	<u>111,563</u>
Total	<u>\$ 1,396,095</u>	<u>\$ 1,396,095</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 3 - Compensated Absences

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.

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(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, 2010 were \$81,949 related to \$1,034,128 salaries/wages paid.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 15,146
Fraud recovery (net)	48,245
Accounts receivable - HUD	<u>1,717</u>
Subtotal	\$ 65,108
Interfund	<u>124,840</u>
Total	<u><u>\$ 189,948</u></u>

Note 6 - Investments

At September 30, 2010 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	.55-1.75%	<u>\$ 1,396,095</u>	<u>\$ 1,396,095</u>

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u><u>\$ 30,533</u></u>
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**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 8 - Fixed Assets

Balance as of September 30, 2010	\$ 9,100,196
Balance as of September 30, 2009	<u>8,876,770</u>
Net Increase (Decrease)	<u>\$ 223,426</u>

Reconciliation

Property betterments and additions	\$ 910,419
Current year depreciation expense	<u>-686,993</u> *
Net Increase (Decrease)	<u>\$ 223,426</u>

<u>Analysis</u>	<u>10/01/2009 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2010 Balance</u>
Land	\$ 934,929	\$ 0	\$ 0	\$ 934,929
Buildings	10,471,082	1,221,861	0	11,692,943
Equipment and furniture	353,851	15,512	15,420	353,943
Leasehold improvements	3,168,593	120,892	0	3,289,485
Construction in progress	<u>458,942</u>	<u>783,292</u>	<u>1,229,437</u>	<u>12,797</u>
Total	\$ 15,387,397	\$ 2,141,557	\$ 1,244,857	\$ 16,284,097
Accumulated depreciation	<u>-6,510,627</u>	<u>-686,993</u> *	<u>-13,719</u>	<u>-7,183,901</u>
Net Assets	<u>\$ 8,876,770</u>	<u>\$ 1,454,564</u>	<u>\$ 1,231,138</u>	<u>\$ 9,100,196</u>

* Current year depreciation expense.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 9- Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 46,126
Tenants security deposits	53,974
HUD payable	<u>75,755</u>
Subtotal	\$ 175,855
Interfund	<u>124,840</u>
Total	<u>\$ 300,695</u>

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	\$ 85,094	\$ 1,903,457	\$ 1,988,551
Bond Premium	-	-	2026	60	884	944
Energy Contract	2.89%	12/20/07	6/20/20	<u>64,173</u>	<u>699,639</u>	<u>763,812</u>
Total				<u>\$ 149,327</u>	<u>\$ 2,603,980</u>	<u>\$ 2,753,307</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 10 - Long Term Debt (Continued)

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>	<u>Interest</u>
2011	\$ 149,327	\$ 125,598
2012	155,959	118,966
2013	163,426	111,499
2014	171,162	103,763
2015	179,264	95,661
Thereafter	1,934,169	

Note 11 - Accrued Liabilities

Current Portion:

Accrued compensated absences	\$ 61,591
Total Current Portion	\$ 61,591

Noncurrent Portion:

Accrued compensated absences	4,069
Total	<u>\$ 65,660</u>

Note 12 - Other Current Liabilities

This classification consists of the following accounts:

FSS escrow accounts	<u>\$ 112,573</u>
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**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 13 - Summary of Long Term Liabilities

The change in long term liabilities for the year ended September 30, 2010 is summarized as:

	10/01/2009			09/30/2010
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Notes payable	\$ 2,741,446	\$ 0	\$ 133,397	\$ 2,608,049
Accrued liabilities	2,420	1,649	0	4,069
Trust and deposit liabilities	<u>80,757</u>	<u>31,996</u>	<u>0</u>	<u>112,753</u>
Total	<u>\$ 2,824,623</u>	<u>\$ 33,645</u>	<u>\$ 133,397</u>	<u>\$ 2,724,871</u>

Note 14 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 13,956
Other deferred revenue	<u>7,202</u>
Total	<u>\$ 21,158</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 annually.

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2010
(CONTINUED)**

Note 17 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjust prior year in accounts receivable - HAP port in fees \$ -5,747

Note 18 - Contracts/Commitments

As of September 30, 2010, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-09	\$ 555,301	\$ 169,845
CFP 501-10	<u>550,916</u>	<u>755</u>
Total	<u>\$ 1,106,217</u>	<u>\$ 170,600</u>

Note 19 - 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 20 - Economic Dependency

The Housing Authority received most of its revenue (91%) 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, 2010**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-894	FYE 09/30/10	\$ 1,173,151	\$ 1,173,151	\$ 1,173,151
Lower Income Housing Assistance Program - Single Room Occupancy	14.249	C-2013	FYE 09/30/10	\$ 22,506	\$ 22,506	\$ 22,506
Housing Choice Voucher Program*	14.871	C-2013	FYE 09/30/10	\$ 8,174,726	\$ 8,174,726	\$ 8,140,450
Public Housing - Capital Fund*	14.872	C-894	FYE 09/30/10	\$ 2,179,812	\$ 603,137	\$ 603,137
Capital Fund Stimulus Grant*	14.885	C-894	FYE 09/30/10	\$ 709,887	\$ 492,039	\$ 492,039
HUD - Veterans Affairs Supportive Housing	14.VSH		FYE 09/30/10	\$ 94,494	\$ 94,494	\$ 94,494
Total Federal Assistance				<u>\$ 12,354,576</u>	<u>\$ 10,560,053</u>	<u>\$ 10,525,777</u>
<u>Flow Through from Local Sources</u>						
Community Development Block/Entitlement Grants	14.218		FYE 09/30/10	\$ 115,790	\$ 115,790	\$ 115,790
HOME Investments Partnership Program	14.239		FYE 09/30/10	\$ 61,777	\$ 61,777	\$ 61,777
Total Assistance				<u>\$ 12,532,143</u>	<u>\$ 10,737,620</u>	<u>\$ 10,703,344</u>

*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P022501-07**

1. The Actual Modernization Costs of Phase IN36P022501-07 are as follows:

Funds approved	\$ 512,775
Funds expended	<u>512,775</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 512,775
Funds expended	<u>512,775</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated July 1, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P022501-08**

1. The Actual Modernization Costs of Phase IN36P022501-08 are as follows:

Funds approved	\$ 560,820
Funds expended	<u>560,820</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 560,820
Funds expended	<u>560,820</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated September 24, 2010, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

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

I have audited the financial statements of Housing Authority of the City of Bloomington as of and for the year ended September 30, 2010, and have issued my report thereon dated March 31, 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 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 Housing Authority of the City of Bloomington's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Bloomington'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.

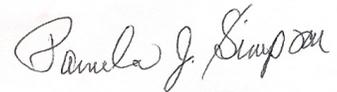
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 of the City of Bloomington'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 of the City of Bloomington in a separate letter dated March 31, 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
March 31, 2011

**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 of the City of Bloomington
Bloomington, Indiana

Compliance

I have audited Housing Authority of the City of Bloomington'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 of the City of Bloomington's major federal programs for the year ended September 30, 2010. 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. 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 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 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

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 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 of the City of Bloomington'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.

Decatur, Illinois
March 31, 2011


Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2009 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, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

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

* Significant deficiency (ies) identified? _____ yes X_____ none reported

Noncompliance material to financial statements noted? _____ yes X_____ no

Federal Awards

Internal control over major programs:

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

* Significant deficiency (ies) identified? _____ yes X_____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB 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
14.872	Public Housing - Capital Funds
14.885	Formula Capital Fund Stimulus Grant

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 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 and other members of management, during the audit or at an exit conference held March 31, 2011.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Jennifer J. Osterholt, Executive Director and other members of management, during the audit or at an exit conference held March 31, 2011.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2010**

<u>Amp 1</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Compensated absence expense	4595	\$ 1,935.28		2810.512
Accrued compensated absence	2134.01		\$ 323.10	2134.01
Compensated absence - admin	4110.01		1,157.45	2810.512
Compensated absence - maint	4410.01		454.73	2810.512
(To correct footing errors and amount over accrued on schedule)				
(2)				
Admin (mgmt fee) - 501-007	1410.001	\$ 2,861.99		1410.001
Deferred credit 2007	2290.07	2,861.99		2290.07
Revenue HUD grant 501-007	3401.01		\$ 2,861.99	2810.512
Accounts payable - COCC	1295.09		2,861.99	1295.09
(To record management fee for CFP director's salary)				
(3)				
Fees and costs 501-008	1430.001	\$ 807.50		1430.001
Dwellings structures 501-008	1460.001	1,225.60		1460.001
Deferred credit 2008	2290.008	2,033.10		2290.008
Revenue HUD grants 501-009	3401	2,033.10		2810.512
Fees and costs 501-009	1430.001		\$ 807.50	1430.001
Dwellings structures 501-009	1460.001		1,225.60	1460.001
Deferred credit 2008	2290.008		2,033.10	2290.009
Revenue HUD grants 501-008	3401		2,033.10	2810.512
Accounts receivable - CFP 08	1295	2,033.10		1295
Accounts receivable - CFP 09	1295		2,033.10	1295
(To reclassify allocation of CFP expenses)				
<u>Voucher</u>				
(1)				
HAP subsidy	3410	\$ 4,406.00		2810.001
Port - in HAP	3414.01		\$ 4,406.00	2810.002
(To reclassify Port - in H/A received/billed)				
(2)				
Accounts payable - VASH	1295.06	\$ 8,595.76		1295.06
Admin subsidy	3410		\$ 8,352.12	2810.002
Portable admin fees	3414		243.64	2810.002
(To reclassify admin fees earned)				
(3)				
FSS	3411	\$ 8,000.00		2810.002
Admin subsidy	3410.01		\$ 8,000.00	2810.002
(To reclassify HCV admin fee advance received 03/2010)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2010**

<u>Voucher</u> (Cont'd)	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(4)				
Fraud recovery	1121	\$ 532.58		1121
Fraud recovery - HUD	3450		\$ 266.29	2810.001
Fraud recovery - PHA	3450.01		266.29	2810.002
(To adjust general ledger to actual per schedule)				
(5)				
Fund balance admin fee	2810.002	\$ 5,746.67		2810.002
A/R issuing H/A portability	1129.02		\$ 5,746.67	1129.02
(To remove invalid receivable of prior year port in accounts receivable)				
(6)				
FSS liability	2182		\$ 146.53	2182
HAP expense	4715.01	\$ 146.53		2810.001
(To reverse prior year audit aje and adjust general ledger to actual)				
<u>SRO</u>				
(1)				
A/R - HUD	1125	\$ 962.00		1125
SRO - HUD grants	3410		\$ 962.00	2810.512
(To set up amount due from HUD per year end settlement)				
<u>VASH</u>				
(1)				
Admin fees	----	\$ 8,595.76		----
A/R - Voucher	----		\$ 8,595.76	----
(To reclassify admin fee calculated)				
(2)				
HUD grant - admin	----		\$ 8,554.28	----
A/P - HUD		\$ 8,554.28		----
(To adjust HUD payable per settlement)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2010**

<u>COCC</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Compensated absence expense	4595	\$ 6,121.05		2810.512
Accrued compensated absence	2134.01		\$ 4,013.80	2134.01
Accrued comp abs - noncurrent	2134.02		761.48	2134.02
Compensated absence - admin	4110.01		1,345.77	2810.512
(To correct footing errors on schedule)				
(2)				
A/R - CFP 2007	1295.501	\$ 2,861.99		1295.501
Management fees - CFP	3800		\$ 2,861.99	2810.512
(To correct management fee for CFP director's salary)				

Entity Wide Balance Sheet Summary

	Project Total	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14, VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-WASH) PROGRAM	14,885 Formula Capital Fund Stimulus Grant	14,218 Community Development Block Grants/Entitlement Grants	14,239 HOME Investment Partnerships Program	COCC	Subtotal	ELIM	Total
161 Land	\$899,869							\$35,060	\$934,929		\$934,929
162 Buildings	\$11,564,908							\$129,035	\$11,692,943		\$11,692,943
163 Furniture, Equipment & Machinery - Dwellings	\$25,284							\$951	\$26,235		\$26,235
164 Furniture, Equipment & Machinery - Administration	\$1,96,374	\$32,521						\$95,813	\$327,708		\$327,708
165 Leasehold Improvements	\$3,289,485								\$3,289,485		\$3,289,485
166 Accumulated Depreciation	-\$6,978,979	-\$11,355						-\$193,567	-\$7,183,901		-\$7,183,901
167 Construction in Progress	\$12,797								\$12,797		\$12,797
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,012,738	\$21,166	\$0	\$0	\$0	\$0	\$0	\$66,292	\$9,100,196	\$0	\$9,100,196
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	\$36,891								\$36,891		\$36,891
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$9,049,629	\$21,166	\$0	\$0	\$0	\$0	\$0	\$66,292	\$9,137,087	\$0	\$9,137,087
190 Total Assets	\$10,256,280	\$1,705,792	\$7,325	\$77,179	\$0	\$0	\$0	\$783,329	\$12,829,905	-\$124,840	\$12,705,065
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$24,172	\$2,612						\$19,342	\$46,126		\$46,126
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable											
322 Accrued Compensated Absences - Current Portion	\$21,778	\$12,793						\$27,020	\$61,591		\$61,591
324 Accrued Contingency Liability											
325 Accrued Interest Payable											
331 Accounts Payable - HUD PHA Programs			\$7,130	\$68,625					\$75,755		\$75,755
332 Accounts Payable - PHA Projects											
333 Accounts Payable - Other Government											
341 Tenant Security Deposits	\$53,974								\$53,974		\$53,974
342 Deferred Revenues	\$21,158								\$21,158		\$21,158
343 Current Portion of Long-term Debt - Capital Projects/Mortgage	\$149,327								\$149,327		\$149,327
344 Current Portion of Long-term Debt - Operating Borrowings											
345 Other Current Liabilities		\$112,753							\$112,753		\$112,753
346 Accrued Liabilities - Other											
347 Inter Program - Due To	\$41,298	\$93,542							\$124,840	-\$124,840	\$0
348 Loan Liability - Current											
310 Total Current Liabilities	\$311,707	\$211,700	\$7,130	\$68,625	\$0	\$0	\$0	\$46,362	\$645,524	-\$124,840	\$520,684

Entity Wide Balance Sheet Summary

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-VASH) PROGRAM	14.865 Formula Capital Fund Stimulus Grant	14.218 Community Development Block Grants/Entitlement Grants	14.239 HOME Investment Partnerships Program	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,603,980								\$2,603,980		\$2,603,980
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other	\$130	\$18						\$3,921	\$4,069		\$4,069
354 Accrued Compensated Absences - Non Current											
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities											
350 Total Non-Current Liabilities	\$2,604,110	\$18	\$0	\$0	\$0	\$0	\$0	\$3,921	\$2,608,049	\$0	\$2,608,049
300 Total Liabilities	\$2,915,817	\$211,718	\$7,130	\$68,625	\$0	\$0	\$0	\$50,283	\$3,253,573	-\$124,840	\$3,128,733
508.1 Invested In Capital Assets, Net of Related Debt	\$6,259,431	\$21,166						\$66,292	\$6,346,889		\$6,346,889
509.2 Fund Balance Reserved											
511.2 Unreserved, Designated Fund Balance											
511.1 Restricted Net Assets	\$265,042	\$1,007,862							\$1,272,904		\$1,272,904
512.1 Unrestricted Net Assets	\$815,990	\$465,046	\$195	\$8,554	\$0	\$0	\$0	\$666,754	\$1,956,539		\$1,956,539
512.2 Unreserved, Undesignated Fund Balance											
513 Total Equity/Net Assets	\$7,340,463	\$1,494,074	\$195	\$8,554	\$0	\$0	\$0	\$733,046	\$9,576,332	\$0	\$9,576,332
600 Total Liabilities and Equity/Net Assets	\$10,256,280	\$1,705,792	\$7,325	\$77,179	\$0	\$0	\$0	\$763,329	\$12,829,905	-\$124,840	\$12,705,065

Housing Authority of the City of Bloomington (IN022)
 BLOOMINGTON, IN
 Entity Wide Revenue and Expense Summary

	Project: Total	14.071 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-VASH) PROGRAM	14.885 Formula Capital Fund Stimulus Grant	14.218 Community Development Block Grant/Entitlement Grants	14.239 HOME Investment Partnerships Program	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$585,935								\$585,935		\$585,935
70400 Tenant Revenue - Other	\$99,225								\$99,225		\$99,225
70500 Total Tenant Revenue	\$685,160	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$685,160	\$0	\$685,160
70600 HUD PHA Operating Grants	\$1,479,610	\$8,174,726	\$22,506	\$94,494	\$5,425		\$61,777		\$9,838,538		\$9,838,538
70610 Capital Grants	\$296,678				\$486,614				\$783,292		\$783,292
70710 Management Fee									\$440,985	-\$440,985	\$0
70720 Asset Management Fee									\$37,200	-\$37,200	\$0
70730 Book Keeping Fee									\$144,075	-\$144,075	\$0
70740 Front Line Service Fee											
70750 Other Fees											
70700 Total Fee Revenue								\$622,260	\$622,260	-\$622,260	\$0
70800 Other Government Grants	\$10,885					\$115,790			\$126,775		\$126,775
71100 Investment Income - Unrestricted	\$7,305	\$5,762						\$2,243	\$15,310		\$15,310
71200 Mortgage Interest Income											
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery	\$12,155	\$48,306							\$60,461		\$60,461
71500 Other Revenue	\$64,128	\$27,615							\$91,743		\$91,743
71600 Gain or Loss on Sale of Capital Assets	-\$1,458	-\$236						-\$7	-\$1,701		-\$1,701
72000 Investment Income - Restricted	\$1,045	\$7,999							\$8,644		\$8,644
70000 Total Revenue	\$2,555,608	\$8,263,772	\$22,506	\$94,494	\$492,039	\$115,790	\$61,777	\$624,496	\$12,230,482	-\$622,260	\$11,608,222

Entity Wide Revenue and Expense Summary

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-WASH) PROGRAM	14.885 Formula Capital Fund Stimulus Grant	14.218 Community Development Block Grant/Entitlement Grants	14.239 HOME Investment Partnerships Program	COCC	Subtotal	ELIM	Total
91100 Administrative Salaries	\$208,188	\$290,020	\$6,438		\$5,425			\$270,344	\$780,395		\$780,395
91200 Auditing Fees	\$2,999	\$2,450						\$1,866	\$7,335		\$7,335
91300 Management Fee	\$254,781	\$186,204							\$440,985	-\$440,985	\$0
91310 Book-keeping Fee	\$27,697	\$116,378						\$144,075	\$144,075	-\$144,075	\$0
91400 Advertising and Marketing	\$46							\$46	\$46		\$46
91500 Employee Benefit contributions - Administrative	\$79,732	\$85,846						\$100,192	\$265,770		\$265,770
91600 Office Expenses	\$12,949	\$46,891						\$17,386	\$79,226		\$79,226
91700 Legal Expense	\$8,911	\$1,303						\$2,623	\$12,837		\$12,837
91800 Travel	\$8,873	\$11,998						\$14,310	\$35,181		\$35,181
91810 Allocated Overhead											
91900 Other	\$35,281	\$30,101	\$6,438	\$0	\$5,425	\$0	\$0	\$46,511	\$111,903		\$111,903
91000 Total Operating - Administrative	\$639,447	\$773,191	\$6,438	\$0	\$5,425	\$0	\$0	\$453,252	\$1,877,753	-\$585,060	\$1,292,693
92000 Asset Management Fee	\$37,200								\$37,200	-\$37,200	\$0
92100 Tenant Services - Salaries											
92200 Relocation Costs	\$3,487								\$3,487		\$3,487
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other	\$2,589								\$2,589		\$2,589
92500 Total Tenant Services	\$6,076	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,076	\$0	\$6,076
93100 Water	\$39,731								\$39,731		\$39,731
93200 Electricity	\$177,847								\$177,847		\$177,847
93300 Gas	\$101,865								\$101,865		\$101,865
93400 Fuel	\$3,332	\$968							\$4,300		\$4,300
93500 Labor											
93600 Sewer	\$55,612								\$55,612		\$55,612
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense											
93000 Total Utilities	\$378,387	\$968	\$0	\$0	\$0	\$0	\$0	\$0	\$379,355	\$0	\$379,355

Entity Wide Revenue and Expense Summary

	Project Total	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,158 HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-VASH) PROGRAM	14,885 Formula Capital Fund Stimulus Grant	14,218 Community Development Block Grants/Equityment Grants	14,239 HOME Investment Partnerships Program	COCC	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$181,903								\$181,903		\$181,903
94200 Ordinary Maintenance and Operations - Materials and Other	\$79,674								\$79,674		\$79,674
94300 Ordinary Maintenance and Operations Contracts	\$229,642								\$229,642		\$229,642
94500 Employee Benefit Contributions - Ordinary Maintenance	\$62,806								\$62,806		\$62,806
94000 Total Maintenance	\$574,025	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$574,025	\$0	\$574,025
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	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$52,625								\$52,625		\$52,625
96120 Liability Insurance	\$11,337								\$11,337		\$11,337
96130 Workmen's Compensation	\$5,141	\$3,889						\$2,288	\$11,298		\$11,298
96140 All Other Insurance	\$3,002	\$1,763						\$1,120	\$5,885		\$5,885
96100 Total Insurance Premiums	\$72,105	\$5,632	\$0	\$0	\$0	\$0	\$0	\$3,408	\$81,145	\$0	\$81,145
96200 Other General Expenses		\$67,083						\$29,368	\$95,451		\$95,451
96210 Compensated Absences	\$35,454	\$27,997						\$37,947	\$101,398		\$101,398
96300 Payments in Lieu of Taxes											
96400 Bad debt - Tenant Rents	\$9,134								\$9,134		\$9,134
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96800 Severance Expense	\$2,013								\$2,013		\$2,013
96000 Total Other General Expenses	\$46,601	\$95,080	\$0	\$0	\$0	\$0	\$0	\$66,315	\$207,996	\$0	\$207,996

Entity Wide Revenue and Expense Summary

	Project Total	14,871 Housing Choice Vouchers	14,249 Section 8 Moderates Rehabilitation Single Room Occupancy	14,158 HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-VASH) PROGRAM	14,885 Formula Capital Fund Stimulus Grant	14,218 Community Development Block Grants/Entitlement Grants	14,239 HOME Investment Partnerships Program	COCC	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	\$131,341								\$131,341		\$131,341
96720 Interest on Notes Payable (Short and Long Term)											
96730 Amortization of Bond Issue Costs	\$2,342								\$2,342		\$2,342
96700 Total Interest Expense and Amortization Cost	\$133,683	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$133,683	\$0	\$133,683
96900 Total Operating Expenses	\$1,887,524	\$874,871	\$6,438	\$0	\$5,425	\$0	\$0	\$522,975	\$3,287,233	-\$622,260	\$2,674,973
97000 Excess of Operating Revenue over Operating Expenses	\$666,084	\$7,388,901	\$16,068	\$94,494	\$486,614	\$115,790	\$61,777	\$101,521	\$8,933,249	\$0	\$8,933,249
97100 Extraordinary Maintenance	\$70,376								\$70,376		\$70,376
97200 Casualty Losses - Non-capitalized	\$59,205								\$59,205		\$59,205
97300 Housing Assistance Payments		\$7,212,388	\$15,271	\$85,940			\$61,777		\$7,375,376		\$7,375,376
97350 HAP Portability-In	\$22,420								\$22,420		\$22,420
97400 Depreciation Expense	\$671,289	\$4,620						\$11,084	\$686,993		\$686,993
97500 Fraud Losses	\$26,151								\$26,151		\$26,151
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$2,688,394	\$5,140,450	\$21,709	\$85,940	\$5,425	\$0	\$61,777	\$534,059	\$11,537,754	-\$622,260	\$10,915,494
10010 Operating Transfer In	\$338,515								\$338,515	-\$393,515	-\$55,000
10020 Operating transfer Out	-\$222,725								-\$338,515	\$393,515	\$55,000
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)	\$115,790	\$0	\$0	\$0	\$0	-\$115,790	\$0	\$0	\$0	\$0	\$0

Entity Wide Revenue and Expense Summary

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-VASH) PROGRAM	14.885 Formula Capital Fund Stimulus Grant	14.218 Community Development Block Grant/Entitlement Grants	14.239 HOME Investment Partnerships Program	COCC	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$-16,996	\$123,322	\$797	\$8,554	\$496,614	\$0	\$0	\$90,437	\$692,728	\$0	\$692,728
11020 Required Annual Debt Principal Payments	\$82,252	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$82,252		\$82,252
11030 Beginning Equity	\$6,870,845	\$1,376,499	-\$602	\$0	\$0	\$0	\$0	\$642,609	\$8,889,351		\$8,889,351
11040 Prior Period Adjustments, Equity Transfers and Correction of	\$486,614	-\$5,747			-\$486,614				-\$5,747		-\$5,747
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		\$486,212							\$486,212		\$486,212
11180 Housing Assistance Payments Equity		\$1,007,862							\$1,007,862		\$1,007,862
11190 Unit Months Available	3720	15408		420					19548		19548
11210 Number of Unit Months Leased	3699	15517		185					19401		19401
11270 Excess Cash	\$354,727								\$354,727		\$354,727
11610 Land Purchases	\$0							\$0	\$0		\$0
11620 Building Purchases	\$706,921							\$0	\$706,921		\$706,921
11630 Furniture & Equipment - Dwelling Purchases	\$8,181							\$0	\$8,181		\$8,181
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$68,190							\$0	\$68,190		\$68,190
11660 Infrastructure Purchases	\$0							\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$177,759							\$0	\$177,759		\$177,759
13901 Replacement Housing Factor Funds	\$0							\$0	\$0		\$0

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, 2010, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority 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. As the Housing Authority continues to track fraud recovery receivables, you should adopt a policy or guideline that provides guidance used to determine when a receivable is valid and should be recorded. Those guidelines should incorporate the need to have either a signed repayment agreement or court ordered judgement.
2. During the audit of cash disbursements, and all supporting documentation required per internal control policies, it was noted that one purchase was not supported by the lowest quote/bid. All purchases that are not awarded to the lowest quote/bid should be supported by full documentation or complete, written justification.

3. The documentation of the specific items tested for SEMAP quality control samples should include detailed and concise explanation of each item tested for each indicator listed.
4. Housing Authority needs to do periodic reconciliation of Capital Fund expenditures versus draws versus records.

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 "S".

Certified Public Accountant

Decatur, Illinois
March 31, 2010