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June 24, 2014

Board of Directors  
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, 2011 to September 30, 2012. 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, 2012 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**

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

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2012**

**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, 2012, 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 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 above present fairly, in all material respects, the financial position of the Housing Authority of the City of Bloomington, as of September 30, 2012, and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America.

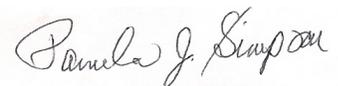
In accordance with *Government Auditing Standards*, I have also issued my report dated February 1, 2013 on my consideration of the Housing Authority of the City of Bloomington's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Decatur, Illinois  
February 1, 2013



Certified Public Accountant

BLOOMINGTON HOUSING AUTHORITY  
Bloomington, Indiana  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING SEPTEMBER 30, 2012

The management of the Bloomington Housing Authority (PHA) offers this narrative overview and analysis of its unaudited financial statements for fiscal year ended September 30, 2012. 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, 2012 by \$9,652,083 (Net Assets).
- The PHA's investment in Capital Assets-net of related debt as of September 30, 2012 was \$6,762,174.
- The PHA's total revenue for the fiscal year end September 30, 2012 was \$10,631,023.
- The PHA's total expenses for the fiscal year end September 30, 2012 was \$11,073,046.
- Therefore, the PHA's total expenses exceed its' total revenues by \$442,023.

**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, 2012

**ANALYSIS OF FINANCIAL STATEMENTS:**

**STATEMENT OF NET ASSETS**

	<u>2012</u>	<u>2011</u>	<u>Increase</u> <u>(Decrease)</u>
Cash & Investments	3,070,866	3,653,441	(582,575)
Other Current Assets	344,732	221,637	123,095
Other Assets	32,207	34,550	(2,343)
Capital Assets	9,209,841	9,271,781	(61,940)
<b>Total Assets</b>	<b>12,657,646</b>	<b>13,181,409</b>	<b>(523,763)</b>
Current Liabilities	527,715	502,631	25,084
Long Term Liabilities	2,477,848	2,585,608	(107,760)
<b>Total Liabilities</b>	<b>3,005,563</b>	<b>3,088,239</b>	<b>(82,676)</b>
Invested in Capital Assets	6,762,174	6,667,801	94,373
Restricted Net Assets	902,199	1,488,975	(586,776)
Unrestricted Assets	1,987,710	1,936,394	51,316
<b>Total Net Assets</b>	<b>9,652,083</b>	<b>10,093,170</b>	<b>(441,087)</b>

The decrease in cash is due, in part, to the following: (1) more additions to capital assets (2) less revenue collected in fiscal year.

The decrease in capital assets is due to the following: (1) depreciation expense being greater than additions.

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, 2012

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

	<u>Year Ending September 30</u>		<u>Increase</u>
	<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>
<b>REVENUE</b>			
Tenant Revenue	732,372	645,442	86,930
HUD Operating and Capital Grants	9,230,724	10,183,396	(952,672)
Other Governmental Grants	397,778	522,184	(124,406)
Interest-Unrestricted	3,687	8,727	(5,040)
Interest-Restricted	1,476	6,582	(5,106)
Other Revenue	118,757	56,977	61,780
Fraud Recovery	163,858	54,152	109,706
Other Fees	0	-	-
Gain(Loss) on Sale of Asset	(17,629)	-	(17,629)
<b>Total Revenue</b>	<b>10,631,023</b>	<b>11,477,460</b>	<b>(846,437)</b>
<b>EXPENSES</b>			
Administrative expenses	1,167,280	1,088,996	78,284
Tenant Services	143,440	129,691	13,749
Utilities	413,658	390,539	23,119
Ordinary Maintenance	528,711	601,365	(72,654)
Protective Services	12,100	17,976	(5,876)
General Expenses	144,019	142,120	1,899
Insurance Expense	95,600	89,777	5,823
Interest Expense/Amortization	123,407	127,940	(4,533)
Housing Assistance Payments	7,299,871	7,420,652	(120,781)
Extraordinary Maintenance	214,780	171,257	43,523
Casualty Losses	59,141	24,149	34,992
HAP Portability In	0	5,917	(5,917)
Fraud Losses	99,294	14,498	84,796
Depreciation	771,745	736,139	35,606
<b>Total Expenses</b>	<b>11,073,046</b>	<b>10,961,016</b>	<b>112,030</b>
<b>Excess of Revenue Over Expenses</b>	<b>(442,023)</b>	<b>\$ 516,444</b>	

BLOOMINGTON HOUSING AUTHORITY  
Bloomington, Indiana  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING SEPTEMBER 30, 2012

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

The decrease in Housing and Urban Development (HUD) Operating & Capital Grants is primarily due to the following: (1) Lower funding levels from HUD in our Voucher program for HAP funds.

The decrease in Other Governmental Grants is primarily due to the decrease of federal home loan bank revenue.

The decrease in interest income, both restricted and non-restricted, are due to the following: (1) a decrease in Certificates of Deposits and (2) a decrease in interest rates.

The increase in Fraud Recovery and Other Revenue is due to (1) the BHA identifying more fraud payments owed to us and recording those amounts on our books and (2) recognizing all of the collections of fraud recovery monies.

The activity in Gain/(Loss) on sale of assets is a result of writing off a lot of old assets on our depreciation schedule that should no longer be listed because of policy change.

The increase in Administrative expenses is due to the salary increases.

The increase in tenant services is largely due to the BHA adding a ROSS Coordinator this year.

The increase in extraordinary maintenance is mainly due to unforeseen renovations to our properties to help with our REAC inspection scores.

The Casualty Loss increase is because we had one fire in FY2012 and we had to renovate that unit.

Fraud losses increase so much because we placed a large number of debts owed to the BHA on the books that had not previously been posted there.

BLOOMINGTON HOUSING AUTHORITY  
 Bloomington, Indiana  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 FISCAL YEAR ENDING SEPTEMBER 30, 2012

**ANALYSIS OF CAPITAL ASSET ACTIVITY**

	2012	2011	Net Change	Percent Variance
Land	934,929	934,929	0	0%
Buildings	13,063,229	12,005,072	1,058,157	9%
Furniture, Equipment, & Machinery - Dwelling	38,048	42,576	(4,528)	-11%
Furniture, Equipment, & Machinery - Administrative	134,455	352,236	(217,781)	-62%
Leasehold Improvements	3,361,157	3,400,525	(39,368)	-1%
Construction in Process	150,500	456,483	(305,983)	-67%
<b>Total Fixed Assets</b>	<b>17,682,318</b>	<b>17,191,821</b>	<b>490,497</b>	<b>3%</b>
Accumulated Depreciation	8,472,477	7,920,040	552,437	7%
<b>Net Fixed Assets</b>	<b>9,209,841</b>	<b>9,271,781</b>	<b>(61,940)</b>	<b>-1%</b>

**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, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,486,481
Accounts receivable (interfund eliminated)	228,874
Accrued interest receivable	131
Investments	571,343
Inventory	79,496
Deferred charges	<u>36,231</u>

Total Current Assets \$ 2,402,556

**RESTRICTED ASSETS**

Cash	\$ 816,518
Investments	<u>280,753</u>

Total Restricted Assets \$ 1,097,271

**CAPITAL ASSETS**

Land, buildings and equipment	\$ 17,682,318
Less: Accumulated depreciation	<u>-8,472,477</u>

Net Capital Assets \$ 9,209,841

**OTHER ASSETS**

Other (net of amortization)	<u>\$ 32,207</u>
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Total Assets \$ 12,741,875

**LIABILITIES**

**CURRENT LIABILITIES**

Bank overdraft	\$ 84,229
Accounts payable (interfund eliminated)	210,833
Notes payable	163,794
Accrued liabilities	140,325
Deferred revenue	<u>12,763</u>

Total Current Liabilities \$ 611,944

**NONCURRENT LIABILITIES**

Notes payable	\$ 2,283,873
FSS escrow	182,309
Accrued liabilities	<u>11,666</u>

Total Noncurrent Liabilities \$ 2,477,848

**NET ASSETS**

Invested in capital assets	\$ 6,762,174
Restricted	902,199
Unrestricted	<u>1,987,710</u>

Total Net Assets \$ 9,652,083

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, 2012**

<u>Operating Income</u>	
Tenant rental revenue	\$ 604,940
Tenant revenue - other	<u>127,432</u>
 Total Rental Revenue	 \$ 732,372
 HUD grants - operating	 8,930,829
Other government grants	397,778
Fraud recovery	163,858
Other revenue	118,757
Gain/loss on sale of capital assets	<u>-17,629</u>
 Total Operating Income	 <u>\$ 10,325,965</u>
<u>Operating Expenses</u>	
Administration	\$ 1,167,280
Tenant services	143,440
Utilities	413,658
Ordinary maintenance and operation	528,711
Protective services	12,100
General expense	338,913
Extraordinary maintenance	214,780
Casualty losses	59,141
Housing assistance payments	7,299,871
Depreciation	<u>771,745</u>
 Total Operating Expenses	 <u>\$ 10,949,639</u>
 Net Operating Income (Loss)	 <u>\$ -623,674</u>
<u>Nonoperating Income (Expense)</u>	
Interest and bond amortization expense	\$ -123,407
Interest income	<u>5,163</u>
 Total Nonoperating Income (Expense)	 <u>\$ -118,244</u>
<u>Capital Contributions</u>	
Capital fund grants	<u>\$ 299,895</u>
 Total Capital Contributions	 <u>\$ 299,895</u>
 Changes in net assets	 \$ -442,023
Net assets, beginning of year	10,093,170
Prior year adjustments	<u>936</u>
 Net assets, end of year	 <u><u>\$ 9,652,083</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, 2012**

Operating Activities

Operating grants	\$ 9,181,896
Tenant revenue	732,120
Other revenue	264,986
Housing assistance payments	-7,299,871
Payments to employees	-1,047,408
Payments to suppliers and contractors	<u>-1,729,700</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 102,023</u>

Investing Activities

Investments (purchased) redeemed	\$ -26,114
Interest income	<u>5,032</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -21,082</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 299,895
(Additions) to fixed assets	-709,805
Interest and bond amortization expense	-123,407
Issuance (retirement) of debt	<u>-156,313</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -689,630</u>

Net Change in Cash	\$ -608,689
Cash Balance at September 30, 2011	<u>2,827,459</u>
Cash Balance at September 30, 2012 (net of overdraft)	<u>\$ 2,218,770</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, 2012**

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

Net operating income (loss)	\$ -623,674
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	771,745
Adjustment to net assets	936
(Increase) decrease in accounts receivable	-84,747
(Increase) decrease in deferred charges	-994
(Increase) decrease in inventory	-37,223
(Increase) decrease in other assets	2,343
Increase (decrease) in accounts payable	-44,277
Increase (decrease) in accrued liabilities	71,636
Increase (decrease) in deferred revenues	-4,426
Increase (decrease) in other liabilities	<u>50,704</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 102,023</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2012**

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, 2012  
(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)
- \* Capital Fund Program
- \* Housing Choice Vouchers
- \* State and Local
- \* Section 8 Moderate Rehabilitation Single Room Occupancy
- \* Community Development Block Grants
- \* HOME Investment Partnerships Program
- \* Public Housing Family Self-Sufficiency/ROSS
- \* HUD - Veterans Affairs Supportive Housing
- \* COCC

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, 2012  
(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, 2012, 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 two thousand dollars (\$2,000) 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, 2012  
(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	15 - 40	years
Equipment	5-7	years
Computers	5	years
Transportation equipment	7	years
Furniture and fixtures	7	years
Leasehold improvements	15	years

(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, 2012  
(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 disabled 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.

® 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, 2012  
(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, 2012  
(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>
Amps (net of overdraft)	\$ 449,942	\$ 602,649
Central Office Cost Center	808,856	758,786
Voucher	<u>959,972</u>	<u>1,028,200</u>
Total	<u>\$ 2,218,770</u>	<u>\$ 2,389,635</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>
Amps	\$ 364,089	\$ 364,089
Voucher	<u>488,007</u>	<u>488,007</u>
Total	<u>\$ 852,096</u>	<u>\$ 852,096</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2012  
(CONTINUED)**

Note 3 - Compensated Absences

Sick Leave

Regular full time employees will be allowed 5.83 hours of sick leave for each month worked beginning on date of employment. Regular part time employees will be allowed 2.92 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, 2012  
(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, 2012 were \$85,133 related to \$1,108,585 salaries/wages paid.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - PHA projects	\$	18
Accounts receivable - HUD		147,600
Accounts receivable - other government		28,339
Accounts receivable - miscellaneous		1,089
Tenants accounts receivable		5,233
Allowance for doubtful accounts - tenants		-2,227
Fraud recovery		78,695
Allowance for doubtful accounts - fraud		<u>-29,873</u>
Subtotal	\$	228,874
Interfund		<u>98,041</u>
Total	\$	<u><u>326,915</u></u>

Note 6 - Investments

At September 30, 2012 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	0.15-0.30%	\$ 669,787	\$ 669,787
Checking	various	<u>182,309</u>	<u>182,309</u>
Total		<u><u>\$ 852,096</u></u>	<u><u>\$ 852,096</u></u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2012  
(CONTINUED)**

Note 7 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ <u>36,231</u>
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Note 8 - Fixed Assets

Balance as of September 30, 2012	\$ 9,209,841
Balance as of September 30, 2011	<u>9,271,781</u>
Net Increase (Decrease)	<u>\$ -61,940</u>

Reconciliation

Property betterments and additions	\$ 727,433
Disposals	-17,628
Current year depreciation expense	<u>-771,745</u> *
Net Increase (Decrease)	<u>\$ -61,940</u>

<u>Analysis</u>	<u>10/01/2011 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2012 Balance</u>
Land	\$ 934,929	\$ 0	\$ 0	\$ 934,929
Buildings	12,005,072	1,058,157	0	13,063,229
Equipment and furniture	394,812	0	222,309	172,503
Leasehold improvements	3,400,525	299,895	339,263	3,361,157
Construction in progress	<u>456,483</u>	<u>0</u>	<u>305,983</u>	<u>150,500</u>
Total	\$ 17,191,821	\$ 1,358,052	\$ 867,555	\$ 17,682,318
Accumulated depreciation	<u>-7,920,040</u>	<u>219,308</u>	<u>771,745</u> *	<u>-8,472,477</u>
Net Assets	<u>\$ 9,271,781</u>	<u>\$ 1,577,360</u>	<u>\$ 1,639,300</u>	<u>\$ 9,209,841</u>

\* Current year depreciation expense.

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2012  
(CONTINUED)**

Note 9- Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 70,533
Accounts payable - HUD	84,248
Tenants security deposits	<u>56,052</u>
Subtotal	\$ 210,833
Interfund	<u>98,041</u>
Total	<u>\$ 308,874</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	\$ 93,556	\$ 1,720,676	\$ 1,814,232
Bond Premium	-	-	2026	60	763	823
Energy Contract	4.48%	12/20/07	6/20/20	<u>70,178</u>	<u>562,434</u>	<u>632,612</u>
Total				<u>\$ 163,794</u>	<u>\$ 2,283,873</u>	<u>\$ 2,447,667</u>

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2012  
(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>
2013	\$ 163,794	\$ 111,130
2014	171,549	103,376
2015	179,670	95,255
2016	188,128	86,796
2017	197,083	77,841
Thereafter	1,547,443	

Note 11 - Accrued Liabilities

Current Portion:

Accrued wage/payroll taxes payable	\$ 2,180
Accrued compensated absences	111,512
Accrued liabilities - other	<u>26,633</u>
Total Current Portion	\$ 140,325

Noncurrent Portion:

Accrued compensated absences	<u>11,666</u>
Total	<u>\$ 151,991</u>

Note 12 - Other Noncurrent Liabilities

This classification consists of the following accounts:

FSS escrow accounts	<u>\$ 182,309</u>
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**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON  
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2012  
(CONTINUED)**

Note 13 - Summary of Long Term Liabilities

The change in long term liabilities for the year ended September 30, 2012 is summarized as:

	10/01/2011			09/30/2012
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Notes payable	\$ 2,447,670	\$ 0	\$ 163,797	\$ 2,283,873
Accrued liabilities	6,333	5,333	0	11,666
FSS Escrow	<u>131,605</u>	<u>50,704</u>	<u>0</u>	<u>182,309</u>
Total	<u>\$ 2,585,608</u>	<u>\$ 56,037</u>	<u>\$ 163,797</u>	<u>\$ 2,477,848</u>

Note 14 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent \$ 12,763

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 on a calendar year basis..

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 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Year end settlement adjustment for 2011 \$ 936

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

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2012  
(CONTINUED)**

Note 18 - Contracts/Commitments

As of September 30, 2012, the Housing Authority had entered into the following pending construction projects in progress:

	Funds <u>Approved</u>	Funds Expended <u>To Date</u>
CFP 501-11	\$ 472,515	\$ 274,332
CFP 501-12	<u>428,088</u>	<u>710</u>
Total	<u>\$ 900,603</u>	<u>\$ 275,042</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 (87%) 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, 2012**

<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 09/30/12	\$ 1,215,039	\$ 1,215,039	\$ 1,215,039
Public Housing - Capital Fund*	14.872	C-894	FYE 09/30/12	\$ 1,451,519	\$ 530,715	\$ 530,715
Housing Choice Voucher Program*	14.871	C-2013	FYE 09/30/12	\$ 7,357,817	\$ 7,357,817	\$ 7,357,817
Lower Income Housing Assistance Program - Single Room Occupancy	14.249	C-2013	FYE 09/30/12	\$ 21,509	\$ 21,509	\$ 21,509
HUD - Veterans Affairs Supportive Housing	14.VSH	C-2013	FYE 09/30/12	\$ 66,222	\$ 66,222	\$ 66,222
ROSS Grant	14.870	C-2013	FYE 09/30/12	\$ 39,422	\$ 39,422	\$ 39,422
Total Federal Assistance				<u>\$ 10,151,528</u>	<u>\$ 9,230,724</u>	<u>\$ 9,230,724</u>
<u>Flow Through from Local Sources</u>						
Community Development Block/Entitlement Grants	14.218	----	FYE 09/30/12	\$ 197,500	\$ 197,500	\$ 197,500
HOME Investments Partnership Program	14.239	----	FYE 09/30/12	\$ 53,044	\$ 53,044	\$ 53,044
Total Assistance				<u>\$ 10,402,072</u>	<u>\$ 9,481,268</u>	<u>\$ 9,481,268</u>

\*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
PHASE IN36P022501-10**

1. The Actual Modernization Costs of Phase IN36P022501-10 are as follows:

Funds approved	\$ 550,916
Funds expended	<u>550,916</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 550,916
Funds expended	<u>550,916</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 October 18, 2012, 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, 2012, and have issued my report thereon dated February 1, 2013. 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**

Management of Housing Authority of the City of Bloomington is responsible for establishing and maintaining effective 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.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

*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 a 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2012-1)

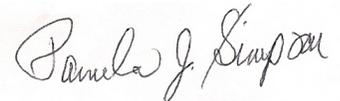
### **Compliance and Other Matters**

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 object 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 February 1, 2013.

Housing Authority of the City of Bloomington's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Housing Authority of the City of Bloomington's response and, accordingly, I express no opinion on it.

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.



Certified Public Accountant

Decatur, Illinois  
February 1, 2013



**Independent Auditor's Report on Compliance With Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

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

**Compliance**

I have audited the 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, 2012. 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, 2012. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

## 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.

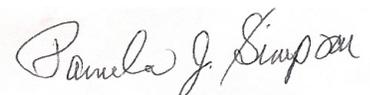
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (2012-1) to be a significant deficiency.

Housing Authority of the City of Bloomington's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Housing Authority of the City of Bloomington's responses and, accordingly, I express no opinion on the responses.

The purpose of this report is solely to describe the scope of my testing of compliance with the types of compliance requirements applicable to each of Housing Authority of the City of Bloomington's major programs and my testing of internal control over compliance and the results of my testing, and to provide an opinion on Housing Authority of the City of Bloomington's compliance but not to provide an opinion on the effectiveness of Housing Authority of the City of Bloomington's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Housing Authority of the City of Bloomington's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois  
February 1, 2013

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

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2011 contained one finding.

**Section I - Federal Award Findings**

**Finding 2011-1: Lack of Internal Control over Receipts**

*Criteria:* Sound, adequate internal controls as well as HUD rules and regulations require adequate accounting and record keeping for all receipts. While testing the internal controls over receipts and the recording of receipts, it was determined that the internal control system in place was not adequate. This finding continues.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report: Unqualified

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

\* Significant deficiency (ies) identified?   X   yes        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?   X   yes        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?   X   yes        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

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

Auditee qualified as low-risk auditee?        yes   X   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 February 1, 2013.

**Section III - Federal Award Findings**

**Finding 2012-1: Lack of Internal Control over Receipts**

There was one federal award audit findings discussed with Jennifer J. Osterholt, Executive Director and other members of management, during the audit and at the exit conference held February 1, 2013.

*Criteria:* Sound, adequate internal controls as well as HUD rules and regulations require adequate accounting and record keeping for all receivables and related receipts. While testing the internal controls over receipts and the recording of receipts and the reconciliation of receivables, it was determined that the internal control system in place was not adequate.

*Condition:* Internal control over miscellaneous receipts had been improved from the prior fiscal year, however, there still was not a system in place that adequately tracked the receivable balances for current repayment agreements or fraud recovery receivables. "Old" receivable balances were entered into the receivable software system, but there was no separate detailed subsidiary ledger being maintained for the current receivables. As a result, it cannot be determined if the amounts recorded as receivables and the offsetting allowance accounts are valid and reasonable.

*Effect:* It cannot be determined if the receivables are valid (collectible) or if the allowance account is reasonable.

*Cause:* The Housing Authority's internal control system over receivables is not adequate.

*Recommendation:* The subsidiary ledgers for all receivables must be reviewed periodically to determine that the amounts recorded still represent valid (collectible) amounts. If there is some question about the collectability of a balance, an offsetting allowance account should then be recorded. Periodically (no less than annually), the detail should be reviewed and all accounts deemed uncollectible should be properly written off to the allowance account.

*Corrective Actions:* All past receivables were recorded into the receivable software so that they could be accurately tracked. This was done during the past fiscal year so that they was a system for tracking individuals that left the program(s) still owing the Housing Authority money. If those individuals apply to the program for future assistance, there is now a system in place to determine what amounts need to be repaid in order to become a participant in good standing. The Housing Authority must now review all of those account balances to determine which of those "old" balances and which of the "current" balances must be removed from the subsidiary control account so that only valid receivables are left. This review and reconciliation will be completed in FYE 2013 by the Accounting Department.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2012**

<u>Amp 1</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
A/P other grants	1295.040	\$ 5,507.79		1295.040
NIP Grant expenses	4197		\$ 5,507.79	2810.512
(To reverse prior year vendor payable recorded FY 2011 on State and Local's trial balance)				
(2)				
Auto fuel	4340		\$ 2,227.91	2810.512
Maintenance supplies	4420	\$ 2,227.91		2810.512
(To reclassify fuel expense (autos) mis-coded as a utility)				
(3)				
A/P - Amp 2	1295.030	\$ 828.00		1295.030
Unrestricted net assets	2810.512		\$ 828.00	2810.512
(To correct transfer of fixed assets made by JV #10220)				
(4)				
A/R - ROSS	----	\$ 7,995.56		----
Chase Bank - cash unrestricted	1111.050		\$ 7,995.56	1111.050
(To record receivable from HUD)				
(5)				
Allowance for doubtful	1129.010	\$ 512,230.55		1129.010
A/R - move out charges	1123		\$ 512,230.55	1123
(To reverse JV #10167 - the balance represents "old" balances that are not expected to be collected)				
(6)				
A/R - HUD (501-10)	1125.010	\$ 28,833.63		1125.010
A/R - HUD (501-11)	1125.011	103,252.29		1125.011
Chase Bank - cash unrestricted	1111.050		\$ 132,085.92	1111.050
(To record receivable due per draws dated 09/28 and 10/17/12 for CFP 501-10 and draw dated 09/28/12 for CFP 501-11 not received until October 2012)				
(7)				
Accounts payable - vendor	2111	\$ 770.78		2111
Miscellaneous grant expenses	4194		\$ 770.78	2810.512
(To reclassify payable for Small and Simple grant expenses, subsequently paid with check #34783)				
(8)				
A/R - Small and Simple	1295.040	\$ 318.58		1295.040
Resident council expenses	4220		\$ 318.58	2810.512
(To reclassify Small and Simple grant expenses paid 09/28/2012)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2012**

<u>Amp 1 (Cont'd)</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(9)				
FHLB income	3691.006	\$ 52,665.29		2802.508
FHLB CWIP account	1400.160		\$ 52,665.29	1400.160
(To correct balances 9-11 request accrued in prior year)				
(10)				
FHLB income	3691.006	\$ 4,000.00		2810.512
Due to/due from COCC	1295.900		\$ 4,000.00	1295.900
(To transfer developer fee received 8-12)				
(11)				
Accrued payroll	2135		\$ 3,185.01	2135
Admin wages	4110	\$ 1,702.51		2810.512
Maintenance wages	4410	1,482.50		2810.512
(To set up employee payroll accrual at 09/30/2012)				
(12)				
Buildings	1400.070	\$2,118,186.55		1400.070
Accumulated depreciation	1400.150		\$2,118,186.55	1400.150
(To correct general ledger control accounts)				
(13)				
A/P - vendors/contractors	2111	\$ 2,312.47		2111
Energy contract	2120.400		\$ 747.65	2120.400
Energy contract interest exp	4511.010		1,564.82	2810.512
(To adjust accounts to actual per amortization schedule)				
(14)				
Allowance for doubtful	1122.010	\$ 594.80		1122.010
Collection losses	4570		\$ 594.80	2810.512
(To adjust per reconciliation provided by PHA for 09/30/12)				
(15)				
Comp abs expense - admin	4110.010		\$ 9.95	2810.512
Accrued compensated absence	2134.010	\$ 9.95		2134.010
(To correct compensated absence)				
(16)				
General fund investments	1162	\$ 596.62		1162
Accrued interest receivable	1145	94.84		1145
Investment income	3430		\$ 691.46	2810.512
(To adjust accounts to actual)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2012**

<u>Amp 2</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Auto fuel	4340		\$ 2,210.31	2810.512
Maintenance supplies	4420	\$ 2,210.31		2810.512
(To reclassify fuel expense (autos) mis-coded as a utility)				
(2)				
Unrestricted net assets	2810.512	\$ 828.00		2810.512
A/R - Amp 1	1295.010		\$ 828.00	1295.010
(To correct transfer of fixed assets made by JV #10220)				
(3)				
Allowance for doubtful	1129.010	\$ 171,798.43		1129.010
A/R - move out charges	1123		\$171,798.43	1123
(To reverse JV #10167 - the balance represents "old" balances that are not expected to be collected)				
(4)				
Accrued payroll	2135		\$ 1,188.34	2135
Admin wages	4110	\$ 583.94		2810.512
Maintenance wages	4410	604.40		2810.512
(To set up employee payroll accrued at 09/30/2012)				
(5)				
Extraordinary maintenance	4610	\$ 13,566.98		2810.512
Due to/from COCC	1295.900		\$ 13,566.98	1295.900
(To correct JV #10254)				
(6)				
A/P - vendors/contractors	2111	\$ 3,327.69		2111
Energy contract	2120.400	3,698.45		2120.400
Energy contract interest exp	4511.010		\$ 7,026.14	2810.512
(To adjust accounts to actual per amortization schedule)				
(7)				
Allowance for doubtful	1122.010	\$ 842.03		1122.010
Collection losses	4570		\$ 842.03	2810.512
(To adjust per reconciliation provided by PHA for 09/30/12)				
(8)				
Accrued compensated absence	2134.010		\$ 12,031.75	2134.010
Comp abs expense - admin	4110.010	\$ 6,015.88		2810.512
Comp abs expense - main	4410.010	6,015.87		2810.512
(To correct accrued compensated absence)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2012**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Auto fuel	4340		\$ 1,428.23	2810.002
Other admin sundry	4190	\$ 1,428.23		2810.002
(To reclassify fuel expense (autos) mis-coded as a utility)				
(2)				
Due to VASH	1295.060	\$ 80,151.44		1295.060
Due to HUD	2118		\$ 80,151.44	2118
(To reclassify payable from VASH projects)				
(3)				
Accrued payroll	2135		\$ 637.82	2135
Admin wages	4110	\$ 637.82		2810.002
(To set up employee payroll for employees paid on week lag)				
(4)				
General fund investments	1162	\$ 721.28		1162
Accrued interest receivable	1145	36.17		1145
Investment income	3430		\$ 757.45	2810.002
(To post interest earned on investment and accrued interest on CD not posted for year)				
(5)				
Comp abs expense - admin	4110.010	\$ 10,333.56		2810.002
Accrued compensated absence	2134.010		\$ 10,333.56	2134.010
(To correct compensated absence to year end actual liabilities)				
(6)				
Revenues - VASH	3412	\$ 66,222.00		2810.001
VASH HAP	4715.080		\$ 66,222.00	2810.001
(To reclassify transactions for 25 new VASH units funded April - September)				
<u>State and Local</u>				
(1)				
Leasehold improvement	1400.100	\$ 4,203.71		1400.100
NIP grant expense	4197		\$ 4,203.71	2810.512
(To reclassify payment 11/29/2012 final pay on community building roof)				
(2)				
Accounts payable vendor	2111	\$ 5,507.79		2111
Due from Amp 1	1295.010		5,507.79	1295.010
(To adjust payable for amount already paid by Amp 1)				
(3)				
A/R - Small & Simple	1124.01	\$ 1,089.36		1124.010
A/P - Amp 1	1295.010		\$ 318.58	1295.010
A/P - vendor	2111		770.78	2111
Small & Simple grant revenue	3691		1,089.36	2810.512
Small & Simple grant expense	4196	1,089.36		2810.512
(To record expenses as of 09/30/12 for Small and Simple)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2012**

<u>COCC</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Building improvements	1400.071	\$ 295.16		1400.071
Board approved renovations	4220.002		\$ 295.16	2810.512
(To capitalize final payment to Strauser Construction on 11/29/11)				
(2)				
Due/to from Amp 1	1295.001	\$ 4,000.00		1295.001
Developer fee earned	3690.010		\$ 4,000.00	2810.512
(To record developer fee received July 2012, recorded Amp 1 in error)				
(3)				
Due/to from Amp 2	1295.002	\$ 13,566.98		1295.002
Board approved renovations	4220.002		\$ 13,566.98	2810.512
(To correct JV #10249)				
(4)				
Buildings	1400.070	\$ 128,034.61		1400.070
Accumulated depreciation	1400.150		\$ 128,034.61	1400.150
(To correct general ledger control accounts)				
(5)				
Comp abs expense - admin	4110.010	\$ 32,219.54		2810.512
Accrued compensated absence	2134.010		\$ 32,219.54	2134.010
(To correct compensated absence)				
<u>VASH</u>				
(1)				
VASH occupied	4715.010	\$ 65,303.00		2810.512
VASH utility	4715.040	919.00		2810.512
HAP subsidy	3410		\$ 66,222.00	2810.512
(To record transaction for 25 new VASH units funded April-September)				
(2)				
Due to HUD	2118	\$ 80,151.44		2118
Due to/from Voucher	1295.020		\$ 80,151.44	1295.020
(To complete transfer of original VASH program to Voucher per notice effective 07/01/2011)				
<u>ROSS</u>				
(1)				
A/R - HUD	1125	\$ 15,513.54		1125
A/P - HUD	2118	23.19		2118
Cash - ROSS	1111.051		\$ 7,541.17	1111.051
Due to Amp 1	1295.001		7,995.56	1295.001
(To correct due to/from HUD for October 2012 draws)				
<u>SRO</u>				
(1)				
A/P- HUD	2118	\$ 935.88		2118
Unrestricted net assets	2810.512		\$ 935.88	2810.512
(To record HUD adjustment to 09/30/2011 year end settlement)				

Housing Authority of the City of Bloomington (IND22)  
 BLOOMINGTON, IN  
 Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,248 Section 8 Moderate Rehabilitation Single Room Occupancy	14,218 Community Development Block Grants/Entitlement Grants	14,239 HOME Investment Partnerships Program	14,877 Public Housing Family Self-Sufficiency under ROSS	14,758 HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$269,987	\$351,596							\$908,856	\$1,430,429		\$1,430,429
112 Cash - Restricted - Modernization and Development	\$195,369	\$608,386							\$195,369	\$1,430,429		\$1,430,429
113 Cash - Other Restricted	\$56,052								\$56,052	\$1,430,429		\$1,430,429
114 Cash - Tenant Security Deposits	\$12,763								\$12,763	\$1,430,429		\$1,430,429
115 Cash - Restricted for Payment of Current Liabilities	\$534,171	\$559,972	\$0	\$0	\$0	\$0	\$0	\$0	\$808,856	\$2,302,989	\$0	\$2,302,989
100 Total Cash		\$1,485,927	\$0	\$0	\$0	\$0	\$0	\$0	\$808,856	\$2,302,989	\$0	\$2,302,989
121 Accounts Receivable - PHA Projects		\$18								\$18		\$18
122 Accounts Receivable - HUD Other Projects	\$132,066					\$28,339	\$15,514			\$147,600		\$147,600
124 Accounts Receivable - Other Government										\$28,339		\$28,339
125 Accounts Receivable - Miscellaneous	\$5,233		\$1,089							\$1,089		\$1,089
126 Accounts Receivable - Tenants	\$5,233									\$5,233		\$5,233
126.1 Allowance for Doubtful Accounts - Tenants	\$-2,227									\$-2,227		\$-2,227
126.2 Allowance for Doubtful Accounts - Other	\$0									\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current		\$0								\$0		\$0
128 Fraud Recovery	\$33,161	\$45,534								\$78,695		\$78,695
128.1 Allowance for Doubtful Accounts - Fraud	\$-21,683	\$-8,180								\$-29,863		\$-29,863
129 Accrued Interest Receivable	\$95	\$36								\$131		\$131
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$146,655	\$37,408	\$1,089	\$0	\$0	\$28,339	\$15,514	\$0	\$0	\$229,005	\$0	\$229,005
131 Investments - Unrestricted	\$364,089	\$207,254								\$571,343		\$571,343
132 Investments - Restricted		\$280,753								\$280,753		\$280,753
135 Investments - Restricted for Payment of Current Liability										\$0		\$0
142 Prepaid Expenses and Other Assets	\$31,185	\$2,389							\$2,647	\$33,231		\$33,231
143 Inventories	\$79,486									\$79,486		\$79,486
143.1 Allowance for Obsolete Inventories	\$0									\$0		\$0
144 Inter Program Due From	\$6,314	\$28,339		\$6,621					\$54,767	\$98,041	\$-88,041	\$0
145 Assets Held for Sale										\$0		\$0
150 Total Current Assets	\$1,163,920	\$1,516,115	\$1,089	\$6,621	\$0	\$28,339	\$15,514	\$0	\$865,270	\$3,587,868	\$-88,041	\$3,499,827
161 Land	\$699,869									\$699,869		\$699,869
162 Buildings	\$12,934,899								\$35,060	\$934,929		\$934,929
163 Furniture, Equipment & Machinery - Dwellings	\$36,048								\$128,330	\$13,063,228		\$13,063,228
164 Furniture, Equipment & Machinery - Administration	\$40,706	\$35,321							\$56,428	\$38,048		\$38,048
165 Leasehold Improvements	\$3,333,550	\$27,807								\$134,455		\$134,455
166 Accumulated Depreciation	\$-8,288,930	\$-18,023							\$-165,524	\$-8,472,477		\$-8,472,477
167 Construction In Progress	\$190,500									\$190,500		\$190,500
168 Infrastructure										\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$9,108,642	\$17,288	\$27,807	\$0	\$0	\$0	\$0	\$0	\$56,294	\$9,209,841	\$0	\$9,209,841
171 Notes, Loans and Mortgages Receivable - Non-Current										\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due										\$0		\$0
173 Grants Receivable - Non-Current										\$0		\$0
174 Other Assets	\$32,207									\$32,207		\$32,207
176 Investments in Joint Ventures										\$0		\$0
180 Total Non-Current Assets	\$9,140,849	\$17,288	\$27,807	\$0	\$0	\$0	\$0	\$0	\$56,294	\$9,242,048	\$0	\$9,242,048
190 Total Assets	\$10,304,769	\$1,533,413	\$28,896	\$6,621	\$0	\$28,339	\$15,514	\$0	\$922,564	\$12,839,916	\$-88,041	\$12,741,875

Housing Authority of the City of Bloomington (IN022)  
BLOOMINGTON, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,218 Community Development Block Grants/Entitlement Grants	14,239 HOME Investment Partnerships Program	14,877 Public Housing Family Self-Sufficiency under ROSS	14,VSH HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
311 Bank Overdraft	\$84,229								\$1,902	\$84,229		\$84,229
312 Accounts Payable <= 90 Days	\$59,326	\$1,016	\$771				\$7,518			\$70,533		\$70,533
313 Accounts Payable >90 Days Past Due												
321 Accrued Wage/Payroll Taxes Payable	\$1,542	\$638								\$2,180		\$2,180
322 Accrued Compensated Absences - Current Portion	\$30,361	\$27,712							\$53,439	\$111,512		\$111,512
324 Accrued Contingency Liability												
325 Accrued Interest Payable				\$4,096						\$4,096		\$4,096
331 Accounts Payable - HUD PHA Programs		\$80,152								\$80,152		\$80,152
332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	\$56,052									\$56,052		\$56,052
341 Tenant Security Deposits	\$12,783									\$12,783		\$12,783
342 Deferred Revenues	\$163,784									\$163,784		\$163,784
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds												
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities												
346 Accrued Liabilities - Other	\$26,633									\$26,633		\$26,633
347 Inter Program - Due To	\$54,767	\$6,821	\$318			\$28,339	\$7,986			\$98,041	-\$89,041	\$9
348 Loan Liability - Current												
310 Total Current Liabilities	\$489,467	\$116,139	\$1,069	\$4,096	\$0	\$28,339	\$15,514	\$0	\$55,341	\$709,865	-\$89,041	\$611,844
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,283,873									\$2,283,873		\$2,283,873
352 Long-term Debt, Net of Current - Operating Borrowings												
353 Non-current Liabilities - Other		\$182,309								\$182,309		\$182,309
354 Accrued Compensated Absences - Non Current	\$3,951	\$3,746								\$7,697		\$7,697
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities												
350 Total Non-Current Liabilities	\$2,287,824	\$186,055	\$0	\$0	\$0	\$0	\$0	\$0	\$3,969	\$2,477,848	\$0	\$2,477,848
300 Total Liabilities	\$2,777,291	\$302,194	\$1,069	\$4,096	\$0	\$28,339	\$15,514	\$0	\$59,310	\$3,187,833	-\$89,041	\$3,089,792
508.1 Invested In Capital Assets, Net of Related Debt	\$6,680,975	\$17,298	\$27,607							\$6,725,880		\$6,725,880
511.1 Restricted Net Assets	\$195,358	\$706,850								\$902,199		\$902,199
512.1 Unrestricted Net Assets	\$671,134	\$507,091	\$0	\$2,525	\$0	\$0	\$0	\$0	\$606,960	\$1,987,710		\$1,987,710
513 Total Equity/Net Assets	\$7,527,478	\$1,231,219	\$27,607	\$2,525	\$0	\$0	\$0	\$0	\$893,254	\$9,662,063	\$0	\$9,662,063
600 Total Liabilities and Equity/Net Assets	\$10,304,769	\$1,533,413	\$28,686	\$6,621	\$0	\$28,339	\$15,514	\$0	\$922,564	\$12,938,916	-\$89,041	\$12,741,875

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

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

	Project Total	14.671 Housing Choice Vouchers	2 State/Local	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.218 Community Development Block Grants/Entitlement Grants	14.239 HOME Investment Partnerships Program	14.877 Public Housing Family Self-Sufficiency under ROSS	14.Y5H HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$604,940									\$604,940		\$604,940
70400 Tenant Revenue - Other	\$127,432									\$127,432		\$127,432
70500 Total Tenant Revenue	\$732,372	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$732,372	\$0	\$732,372
70600 HUD PHA Operating Grants	\$1,445,859	\$7,357,817		\$21,509			\$39,422	\$66,222		\$8,930,829		\$8,930,829
70610 Capital Grants	\$299,895									\$299,895		\$299,895
70700 Management Fee												
70720 Asset Management Fee												
70730 Book Keeping Fee												
70740 Front Line Service Fee												
70750 Other Fees												
70700 Total Fee Revenue									\$609,543	\$609,543	-\$609,543	\$0
70800 Other Government Grants	\$137,941		\$5,283		\$187,500	\$53,044			\$4,000	\$397,778		\$397,778
71100 Investment Income - Unrestricted	\$1,553	\$1,453							\$681	\$3,667		\$3,667
71200 Mortgage Interest Income												
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery		\$163,858								\$163,858		\$163,858
71500 Other Revenue	\$97,335	\$15,994							\$5,428	\$118,757		\$118,757
71600 Gain or Loss on Sale of Capital Assets	-\$11,675	-\$2,955							-\$2,998	-\$17,629		-\$17,629
72000 Investment Income - Restricted	\$182	\$1,294								\$1,476		\$1,476
70000 Total Revenue	\$2,703,462	\$7,637,461	\$5,283	\$21,509	\$187,500	\$53,044	\$39,422	\$66,222	\$616,653	\$11,240,566	-\$609,543	\$10,631,023
91100 Administrative Salaries	\$183,883	\$211,206		\$6,180					\$285,653	\$686,922		\$686,922
91200 Auditing Fees	\$3,500	\$3,000							\$835	\$7,335		\$7,335
91300 Management Fee	\$256,854	\$171,026								\$428,880		\$428,880
91310 Book-keeping Fee	\$27,555	\$114,908								\$142,463		\$142,463
91400 Advertising and Marketing	\$352	\$355							\$422	\$1,129		\$1,129
91500 Employee Benefit contributions - Administrative	\$66,057	\$92,474		\$481					\$110,175	\$279,187		\$279,187
91600 Office Expenses	\$5,066	\$10,536							\$6,547	\$22,169		\$22,169
91700 Legal Expense	\$96	\$670							\$3,841	\$4,407		\$4,407
91800 Travel	\$7,097	\$4,219							\$6,247	\$17,563		\$17,563
91610 Allocated Overhead												
91900 Other	\$27,155	\$36,340					\$10,676		\$84,417	\$138,568		\$138,568
91000 Total Operating - Administrative	\$599,615	\$634,734	\$0	\$6,661	\$0	\$0	\$10,676	\$0	\$487,937	\$1,739,623	-\$572,343	\$1,167,280
92000 Asset Management Fee	\$37,200									\$37,200		\$37,200
92100 Tenant Services - Salaries		\$91,953					\$28,746			\$120,699		\$120,699
92200 Relocation Costs	\$2,522									\$2,522		\$2,522
92300 Employee Benefit Contributions - Tenant Services												
92400 Tenant Services - Other	\$5,127	\$534	\$1,069						\$13,469	\$20,219		\$20,219
92500 Total Tenant Services	\$7,649	\$92,487	\$1,069	\$0	\$0	\$0	\$28,746	\$0	\$13,469	\$143,440	\$0	\$143,440

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

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,248 Section 8 Moderate Rehabilitation Single Room Occupancy	14,218 Community Development Block Grants/Entitlement Grants	14,239 HOME Investment Partnerships Program	14,877 Public Housing Family Self-Sufficiency under ROSS	14,538 HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD-	COCC	Subtotal	ELIM	Total
93100 Water	\$55,853									\$55,853		\$55,853
93200 Electricity	\$206,363									\$206,363		\$206,363
93300 Gas	\$75,332									\$75,332		\$75,332
93400 Fuel												
93500 Labor												
93600 Sewer	\$76,110									\$76,110		\$76,110
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	\$413,658	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$413,658	\$0	\$413,658
94100 Ordinary Maintenance and Operations - Labor	\$188,305									\$188,305		\$188,305
94200 Ordinary Maintenance and Operations - Materials and Other	\$81,144									\$81,144		\$81,144
94300 Ordinary Maintenance and Operations Contracts	\$170,209									\$170,209		\$170,209
94500 Employee Benefit Contributions - Ordinary Maintenance	\$89,053									\$89,053		\$89,053
94000 Total Maintenance	\$528,711	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$528,711	\$0	\$528,711
95100 Protective Services - Labor												
95200 Protective Services - Other Contract Costs	\$12,100									\$12,100		\$12,100
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	\$12,100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$12,100	\$0	\$12,100
96110 Property Insurance	\$58,563									\$58,563		\$58,563
96120 Liability Insurance	\$17,238	\$67								\$17,305		\$17,305
96130 Workmen's Compensation	\$4,921	\$4,921							\$4,901	\$19,710		\$19,710
96140 All Other Insurance	\$3,227	\$1,879							\$1,416	\$6,522		\$6,522
96100 Total Insurance Premiums	\$893,316	\$6,867	\$0	\$0	\$0	\$0	\$0	\$0	\$5,417	\$95,600	\$0	\$95,600
96200 Other General Expenses	\$5,768									\$5,768		\$5,768
96210 Compensated Absences	\$35,527	\$29,569							\$37,663	\$102,659		\$102,659
96300 Payments in Lieu of Taxes												
96400 Bad debt - Tenant Rents												
96500 Bad debt - Mortgages												
96600 Bad debt - Other												
96800 Severance Expense												
96000 Total Other General Expenses	\$35,592									\$35,592		\$35,592
96700 Interest of Mortgage (or Bonds) Payable	\$71,119	\$35,337	\$0	\$0	\$0	\$0	\$0	\$0	\$37,663	\$144,019	\$0	\$144,019
96720 Interest on Notes Payable (Short and Long Term)	\$121,065									\$121,065		\$121,065
96730 Amortization of Bond Issue Costs	\$2,342									\$2,342		\$2,342
96700 Total Interest Expense and Amortization Cost	\$123,407	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$123,407	\$0	\$123,407
96900 Total Operating Expenses	\$1,876,775	\$769,425	\$1,089	\$6,661	\$0	\$0	\$39,422	\$0	\$544,386	\$3,237,758	-\$609,543	\$2,628,215
97000 Excess of Operating Revenue over Operating Expenses	\$826,687	\$6,788,036	\$4,204	\$14,848	\$187,500	\$53,044	\$0	\$66,222	\$72,267	\$8,002,808	\$0	\$8,002,808

Housing Authority of the City of Bloomington (IND22)  
BLOOMINGTON, IN

Entry Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2012

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.218 Community Development Block Grants/Entitlement Grants	14.239 HOME Investment Partnerships Program	14.877 Public Housing Family Self-Sufficiency under ROSS	14.VSH-HUD-VETERANS AFFAIRS SUPPORTIVE HOUSING (HUD)	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$214,780									\$214,780		\$214,780
97200 Casualty Losses - Non-capitalized	\$59,141									\$59,141		\$59,141
97300 Housing Assistance Payments	\$7,165,757			\$14,848		\$53,044		\$66,222		\$7,299,871		\$7,299,871
97350 HAP Portability-In									\$9,241			
97400 Depreciation Expense	\$757,174	\$6,330								\$771,745		\$771,745
97500 Fraud Losses	\$99,284	\$99,284								\$99,284		\$99,284
97600 Capital Outlays - Governmental Funds												
97700 Debt Principal Payment - Governmental Funds												
97800 Dwelling Units Rent Expense												
90000 Total Expenses	\$2,907,870	\$5,040,806	\$1,098	\$21,509	\$0	\$53,044	\$39,422	\$66,222	\$552,627	\$11,662,589	-\$606,543	\$11,073,046
10010 Operating Transfer In	\$378,548									\$378,548		\$0
10020 Operating transfer Out	-\$181,048				-\$197,500					-\$378,548		\$0
10030 Operating Transfers from/to Primary Government												
10040 Operating Transfers from/to Component Unit												
10050 Proceeds from Notes, Loans and Bonds												
10060 Proceeds from Property Sales												
10070 Extraordinary Items, Net Gain/Loss												
10080 Special Items (Net Gain/Loss)												
10090 Inter Project Excess Cash Transfer In												
10092 Inter Project Excess Cash Transfer Out												
10093 Transfers between Program and Project - In	\$12,851	\$8,352								\$21,203	-\$21,203	\$0
10094 Transfers between Project and Program - Out										-\$21,203	\$21,203	\$0
10100 Total Other financing Sources (Uses)	\$210,351	\$8,352	\$0	\$0	-\$197,500	\$0	\$0	\$0	-\$21,203	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$5,943	-\$404,893	\$4,204	\$0	\$0	\$0	\$0	\$0	\$42,823	-\$442,023	\$0	-\$442,023
11020 Required Annual Debt Principal Payments	\$148,327	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$148,327		\$148,327
11030 Beginning Equity	\$7,521,535	\$1,726,212	\$23,403	\$1,569	\$0	\$0	\$0	\$0	\$820,431	\$10,093,170		\$10,093,170
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			\$936						\$936		\$936
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		\$524,389								\$524,389		\$524,389
11180 Housing Assistance Payments Equity		\$706,830								\$706,830		\$706,830
11190 Unit Months Available	3720	15408		128		153				19409		19409
11210 Number of Unit Months Leased	3674	15321		128		153				19276		19276
11270 Excess Cash	\$216,144									\$216,144		\$216,144
11610 Land Purchases	\$0								\$0	\$0		\$0
11620 Building Purchases	\$0								\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0								\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0								\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$299,895								\$0	\$299,895		\$299,895
11660 Infrastructure Purchases	\$0								\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0								\$0	\$0		\$0
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 the Housing Authority of the City of Bloomington as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's 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 the 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. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
2. Prior increments of VASH were over funded as a result a payable has been recorded. Since everything else related to the VASH program is now complete, all balances sheet items should be absorbed into the HCV program.

3. During the test of cash disbursements, the Housing Authority could not locate all required price quotes obtained (tree trimming project). A system should be developed for the collection and retention of all quotes and bids required by the current procurement policy.
4. During our review of the physical inventory of consumable maintenance materials, it was determined that the perpetual inventory had not been updated for the year end actual counts that had been recorded. The Housing Authority is reminded to update and reconcile the inventory numbers when periodic actual counts are taken.
5. While reviewing the agency's SEMAP certification, it was difficult to determine if all of the criteria had been adequately tested. The specifics items tested should be documented in detail. This documentation needs to be retained as support for the certification.

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



Certified Public Accountant

Decatur, Illinois  
February 1, 2013