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March 23, 2016

Board of Directors  
Housing Authority of the City of Bedford  
1305 K Street  
Bedford, IN 47421

We have reviewed the audit report prepared by Sailor Khan & Co. LLC, Independent Public Accountants, for the period April 1, 2012 to March 31, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Bedford, as of March 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the two findings in the report concerning the financial statements as noted in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. One finding describes budget overruns and the second a laborer not paid the prevailing wage in accordance with the Davis-Bacon Act. These are both classified as significant deficiencies in internal control.

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

Handwritten signature of Paul D. Joyce in blue ink.

Paul D. Joyce, CPA  
State Examiner

HOUSING AUTHORITY OF THE CITY OF BEDFORD  
BEDFORD, INDIANA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2013  
AND  
REPORTS ON COMPLIANCE AND  
ON INTERNAL CONTROL

HOUSING AUTHORITY OF THE CITY OF BEDFORD  
Bedford, Indiana

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MARCH 31, 2013

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SECTION I  
AUDITOR'S REPORT  
AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Housing Authority of the City of Bedford, Indiana, (Authority), as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Bedford's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the City of Bedford's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Bedford's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Bedford, as of March 31, 2013 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through ix 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. We have applied certain limited procedures to 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

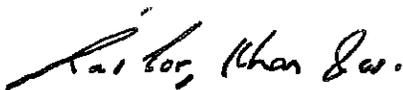
*Report on Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Bedford's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the remaining accompanying supplementary information including the Financial Data Schedule - HUD Prescribed Format are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above described supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2013 on our consideration of the Housing Authority of the City of Bedford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Bedford's internal control over financial reporting and compliance.



Sailor, Khan & Co. LLC  
September 5, 2013

## Housing Authority of the City of Bedford

### Management's Discussion and Analysis (MD&A)

March 31, 2013

(Unaudited)

This section of the Housing Authority of the City of Bedford, Indiana's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on March 31, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources, associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

#### **FINANCIAL HIGHLIGHTS**

- ▶ The term "net position" refers to the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The Authority's total net position as of March 31, 2013 was \$1,574,885. The net position decreased by \$254,791, a decrease of 13.9% over the prior year.
- ▶ Revenues and contributions for the Authority were \$1,593,175 for the year ended March 31, 2013. This was a decrease of \$174,471 or 9.9% from the prior year.
- ▶ Expenses for the Authority were \$1,847,966 for the year ended March 31, 2013. This was a decrease of \$13,493 or 0.7% from the prior year.
- ▶ Rental revenue for the Authority was \$547,367 for the year ended March 31, 2013, an increase of \$20,787 or 3.9% over the prior year. HUD operating grants for the Authority was \$959,950 for the year ended March 31, 2013, a decrease of \$66,731 or 6.5% from the prior year. Capital contributions were \$73,858 for the year ended March 31, 2013, a decrease of \$122,084 or 62.3% from the prior year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

#### **Required Financial Statements**

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations of the Authority creditors (liabilities and deferred inflows of resources). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**Housing Authority of the City of Bedford**  
**(Unaudited)**  
**Management's Discussion and Analysis (MD&A) - Continued**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2013 and is required to be included in the audit reporting package.

**FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,574,885 at the close of the year ended March 31, 2013 down from \$1,829,676 in fiscal year 2012. The decrease in net position of \$254,791 was due to the reasons noted below.

- ▶ With the implementation of GASB 63 restricted assets are no longer shown as a separate line item but as part of the total current assets. Current and other assets include cash, investments, receivables, materials inventory, prepaid expenses and restricted assets. Of the \$37,389 decrease in this category, cash and investments decreased \$41,042, receivables increased \$47,616, materials inventory increased \$4,779, prepaid expenses decreased \$34,464 and restricted cash and cash equivalents decreased \$14,278.
- ▶ Capital assets decreased \$208,210 because current year depreciation exceeded capital asset additions. Change in capital assets is explained in section titled "Capital Asset" of this analysis.
- ▶ Current liabilities increased \$36,673 from FY 2012 mainly due to an increase in accounts payable of \$18,871 and an increase in current portion of accrued compensated absences of \$18,300.
- ▶ Noncurrent liabilities decreased \$27,481 from FY 2012 due to a decrease in the noncurrent portion of accrued compensated absences.

**Housing Authority of the City of Bedford  
(Unaudited)  
Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

The unrestricted net position was a deficit of \$14,840 as of March 31, 2013. This amount may be used to meet the Authority's ongoing obligations. The restricted net position was \$43,641 as of March 31, 2013. This amount is subject to external restrictions on how they may be used.

**CONDENSED STATEMENTS OF NET ASSETS  
MARCH 31,**

|                            | <u>2013</u>         | <u>2012</u>         | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|----------------------------|---------------------|---------------------|--------------------------|---------------------------|
| Current and other assets   | \$ 181,306          | \$ 218,695          | \$ (37,389)              | -17.1%                    |
| Capital assets             | <u>1,546,084</u>    | <u>1,754,294</u>    | <u>(208,210)</u>         | -11.9%                    |
| Total Assets               | <u>1,727,390</u>    | <u>1,972,989</u>    | <u>(245,599)</u>         | -12.4%                    |
| Current liabilities        | 141,622             | 104,949             | 36,673                   | 34.9%                     |
| Noncurrent liabilities     | <u>10,883</u>       | <u>38,364</u>       | <u>(27,481)</u>          | -71.6%                    |
| Total Liabilities          | <u>152,505</u>      | <u>143,313</u>      | <u>9,192</u>             | 6.4%                      |
| Net Assets                 |                     |                     |                          |                           |
| Invested in capital assets | 1,546,084           | 1,754,294           | (208,210)                | -11.9%                    |
| Restricted                 | 43,641              | 90,275              | (46,634)                 | -51.7%                    |
| Unrestricted               | <u>(14,840)</u>     | <u>(14,893)</u>     | <u>53</u>                | 0.4%                      |
| Total Net Assets           | <u>\$ 1,574,885</u> | <u>\$ 1,829,676</u> | <u>\$ (254,791)</u>      | -13.9%                    |

The largest portion of the Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

The 2010 approved capital grant (501-10) totals \$228,332 and was 60.1% expended as of March 31, 2013. The following is a summary of individual grant line items, budget amount, percent expended as of 3/31/13, and development account:

| <u>Line No.</u> | <u>Amount</u> | <u>Percent</u> | <u>Development Account</u> |
|-----------------|---------------|----------------|----------------------------|
| 1406            | \$ 54,410     | 100.0%         | Operations                 |
| 1410            | \$ 13,822     | 100.0%         | Administration             |
| 1450            | \$ 9,000      | 71.1%          | Site Improvements          |
| 1460            | \$ 115,000    | 37.3%          | Dwelling Structures        |
| 1465            | \$ 16,200     | 0.0%           | Dwelling Equipment         |
| 1470            | \$ 6,000      | 98.7%          | Non-Dwelling Structures    |
| 1475            | \$ 13,900     | 99.5%          | Non-Dwelling Equipment     |

**Housing Authority of the City of Bedford  
(Unaudited)  
Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

The 2011 approved capital grant (501-11) totals \$185,132 and was 97.9% expended as of March 31, 2013. The following is a summary of individual grant line items, budget amount, percent expended as of 3/31/13, and development account:

| <u>Line No.</u> | <u>Amount</u> | <u>Percent</u> | <u>Development Account</u> |
|-----------------|---------------|----------------|----------------------------|
| 1406            | \$ 24,132     | 100.0%         | Operations                 |
| 1410            | \$ 15,000     | 100.0%         | Administration             |
| 1460            | \$ 118,000    | 99.2%          | Dwelling Structures        |
| 1470            | \$ 28,000     | 89.5%          | Non-Dwelling Structures    |

The 2012 approved capital grant (501-12) totals \$171,371 and was 86.2% expended as of March 31, 2013. The following is a summary of individual grant line items, budget amount, percent expended as of 3/31/13, and development account:

| <u>Line No.</u> | <u>Amount</u> | <u>Percent</u> | <u>Development Account</u> |
|-----------------|---------------|----------------|----------------------------|
| 1406            | \$ 109,371    | 100.0%         | Operations                 |
| 1410            | \$ 15,000     | 100.0%         | Administration             |
| 1450            | \$ 15,000     | 96.5%          | Site Improvements          |
| 1460            | \$ 32,000     | 27.8%          | Dwelling Structures        |

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues and contributions decreased \$174,471 due to the reasons noted below.

- ▶ Rental revenue increased \$20,787 or 3.9% due to an increase in average dwelling rent charge per unit of \$2.02 or 0.9% and an increase in other tenant charges.
- ▶ Of the \$66,731 decrease in HUD operating grants, public housing operating subsidy increased \$19,613, housing choice voucher program assistance decreased \$74,988 and capital fund grants used for operating expenditures decreased \$11,356.
- ▶ Other income decreased \$6,163 or 34.4% from FY 2012.
- ▶ Interest income decreased \$280 or 53.2% from FY 2012.
- ▶ Capital contributions decreased \$122,084 from FY 2012. The Authority is allocated capital fund grants each year as determined by HUD and the amount remains relatively consistent from year to year. HUD capital grant revenues during the year will depend upon timing of projects as outlined in the HUD approved capital grant budget.

**Housing Authority of the City of Bedford**  
**(Unaudited)**  
**Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEAR ENDED MARCH 31,**

|   | <u>2013</u>         | <u>2012</u>         | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> |
|---|---------------------|---------------------|--------------------------|---------------------------|
| <b>Revenues and Contributions</b>                 |                     |                     |                          |                           |
| Operating - non-operating -capital contributions: |                     |                     |                          |                           |
| Rental revenue                                    | \$ 547,367          | \$ 526,580          | \$ 20,787                | 3.9%                      |
| HUD operating grants                              | 959,950             | 1,026,681           | (66,731)                 | -6.5%                     |
| Interest income                                   | 246                 | 526                 | (280)                    | -53.2%                    |
| Capital Contributions                             | 73,858              | 195,942             | (122,084)                | -62.3%                    |
| Other income                                      | 11,754              | 17,917              | (6,163)                  | -34.4%                    |
| Total Revenues and Contributions                  | <u>1,593,175</u>    | <u>1,767,646</u>    | <u>(174,471)</u>         | -9.9%                     |
| <b>Expenses</b>                                   |                     |                     |                          |                           |
| Personal services                                 | 490,090             | 535,641             | (45,551)                 | -8.5%                     |
| Utilities   | 190,527             | 185,769             | 4,758                    | 2.6%                      |
| Operations and maintenance                        | 122,607             | 111,836             | 10,771                   | 9.6%                      |
| Non routine maintenance                           | 31,283              | 28,706              | 2,577                    | 9.0%                      |
| Insurance   | 42,885              | 35,822              | 7,063                    | 19.7%                     |
| Payment in lieu of taxes                          | 17,533              | 16,819              | 714                      | 4.2%                      |
| Other supplies and expenses                       | 79,138              | 72,918              | 6,220                    | 8.5%                      |
| Housing assistance payments                       | 588,054             | 592,575             | (4,521)                  | -0.8%                     |
| Depreciation                                      | 285,849             | 281,373             | 4,476                    | 1.6%                      |
| Total Expenses                                    | <u>1,847,966</u>    | <u>1,861,459</u>    | <u>(13,493)</u>          | -0.7%                     |
| Change in net assets                              | (254,791)           | (93,813)            | (160,978)                |                           |
| Beginning net assets                              | <u>1,829,676</u>    | <u>1,923,489</u>    | <u>(93,813)</u>          |                           |
| Ending net assets                                 | <u>\$ 1,574,885</u> | <u>\$ 1,829,676</u> | <u>\$ (254,791)</u>      |                           |

Total expenses decreased \$13,493 due to the reasons noted below.

- ▶ Of the \$45,551 decrease in personal services, employee wages decreased \$35,424 or 8.7% and employee benefits decreased \$10,127 or 8.0%.
- ▶ Of the \$4,758 increase in utilities, water increased \$4,979 or 12.5%, electricity increased \$5,483 or 5.3%, and gas decreased \$5,704 or 13.2%.
- ▶ Operations and maintenance increased \$10,771 or 9.6% mainly due to an increase in maintenance materials purchased during the current fiscal year.
- ▶ Non routine maintenance increased \$2,577 or 9.0% from FY 2012.

**Housing Authority of the City of Bedford  
(Unaudited)  
Management's Discussion and Analysis (MD&A) - Continued**

**FINANCIAL ANALYSIS (CONTINUED)**

- ▶ Insurance increased \$7,063 or 19.7% primarily due to increases in property and liability insurance of \$4,381, workers compensation of \$2,179 and all other insurance of \$503.
- ▶ Payments in lieu of taxes increased \$714 or 4.2% from FY 2012 due to an increase in rental revenue.
- ▶ Other supplies and expense increased \$6,220 or 8.5% from FY 2012 mainly due to an increase in office expenses of \$8,979.
- ▶ Housing assistance payments decreased \$4,521 or 0.8% from FY 2012.
- ▶ The Authority had a \$4,476 or 1.6% increase in Depreciation which is the write-off of capital assets over their estimated useful life.

The Public Housing occupancy rate for fiscal year March 31, 2013 was 96.2%, up from 95.1% in FY 2012.

The Authority is authorized to assist 168 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2013 was 91.9%, down from 93.4% in FY 2012.

**CAPITAL ASSET**

*Capital Assets* - The Housing Authority of the City of Bedford, Indiana's net investment in capital assets as of March 31, 2013 amounts to \$1,546,084. The investment in capital assets includes land, buildings, improvements, equipment and construction in progress, net of accumulated depreciation.

The total decrease in the Authority's capital assets for the current fiscal year was 11.9% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues and capital contributions were \$77,639 for the year. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$285,849. The Authority has \$118,576 available in capital funds to draw down and spend in the future. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

|                | <u>Beginning</u> | <u>Additions</u> | <u>Depreciation</u> | <u>Deductions</u> | <u>Deduction<br/>Depreciation</u> | <u>Ending</u> |
|----------------|------------------|------------------|---------------------|-------------------|-----------------------------------|---------------|
| Capital assets | \$1,754,294      | \$77,639         | \$(285,849)         | \$(3,932)         | \$3,932                           | \$1,546,084   |

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2014 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

**Housing Authority of the City of Bedford**  
**(Unaudited)**  
**Management's Discussion and Analysis (MD&A) - Continued**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)**

The Authority is eligible to receive \$404,472 for housing assistance payments for the months of April through December 2013 in the Housing Choice Voucher Program. The Authority also has \$43,641 available in HAP Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$317.35 for FY 2013, the Authority will have sufficient funding and reserves to lease 93.3% of its authorized vouchers from April through December 2013. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2014 and adjusted for pro-ration which is currently at 68.146%.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Joseph Klumpp, Executive Director, Housing Authority of the City of Bedford, 1305 K Street, Bedford, Indiana 47421.

SECTION II  
FINANCIAL STATEMENTS  
AND  
NOTES TO FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF NET POSITION

March 31, 2013

ASSETS

Current Assets:

|                                      |    |               |
|--------------------------------------|----|---------------|
| Cash and cash equivalents            | \$ | 12,058.15     |
| Investments                          |    | 28,444.73     |
| Receivable - net of allowances:      |    |               |
| Accounts                             |    | 87,742.52     |
| Accrued interest                     |    | 0.96          |
| Inventory - net of allowances        |    | 24,393.24     |
| Prepaid expenses                     |    | 28,088.80     |
| Restricted cash and cash equivalents |    | <u>578.48</u> |

Total current assets 181,306.88

Capital assets:

|  |  |                     |
|--|--|---------------------|
| Land, improvements, and construction in progress |  | 388,361.31          |
| Other capital assets, net of depreciation        |  | <u>1,157,722.27</u> |

Total capital assets- net 1,546,083.58

Total Assets 1,727,390.46

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF NET POSITION (CONTINUED)

March 31, 2013

**LIABILITIES**

Current Liabilities:

|                                   |                  |
|-----------------------------------|------------------|
| Accounts Payable                  | 53,007.49        |
| Accrued compensated absences      | 22,097.11        |
| Tenant security deposit liability | 36,004.00        |
| Unearned revenues                 | <u>30,513.20</u> |

Total Current Liabilities 141,621.80

Noncurrent Liabilities:

|                              |                  |
|------------------------------|------------------|
| Accrued compensated absences | <u>10,883.66</u> |
|------------------------------|------------------|

Total Noncurrent Liabilities 10,883.66

Total Liabilities 152,505.46

**NET POSITION**

|                                  |                    |
|----------------------------------|--------------------|
| Net investment in capital assets | 1,546,083.58       |
| Restricted for:                  |                    |
| HAP                              | 43,641.51          |
| Unrestricted                     | <u>(14,840.09)</u> |

Total Net Position \$ 1,574,885.00

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For Year Ended March 31, 2013

**Operating Revenues:**

|                                 |                     |
|---------------------------------|---------------------|
| Rental revenue                  | \$ 547,366.67       |
| Operating subsidies- HUD grants | 959,950.34          |
| Other revenues                  | <u>11,754.18</u>    |
| Total operating revenues        | <u>1,519,071.19</u> |

**Operating Expenses:**

|                             |                     |
|-----------------------------|---------------------|
| Personal services           | 490,089.26          |
| Utilities                   | 190,526.94          |
| Operations and maintenance  | 122,607.27          |
| Non routine maintenance     | 31,283.47           |
| Insurance                   | 42,885.00           |
| Payment in lieu of taxes    | 17,533.18           |
| Other supplies and expenses | 79,138.34           |
| Housing assistance payments | 588,054.00          |
| Depreciation                | <u>285,848.65</u>   |
| Total operating expenses    | <u>1,847,966.11</u> |
| Operating income (loss)     | <u>(328,894.92)</u> |

**Non-operating revenues (expenses):**

|   |                        |
|---|------------------------|
| Interest and investment earnings  | <u>246.34</u>          |
| Net non-operating revenues (expenses)   | <u>246.34</u>          |
| Income (loss) before other revenues, expenses,<br>gains, losses and transfers | (328,648.58)           |
| Capital contributions   | <u>73,857.90</u>       |
| Change in net position  | (254,790.68)           |
| Net position at beginning of year   | <u>1,829,675.68</u>    |
| Net position at end of year   | <u>\$ 1,574,885.00</u> |

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2013

**Cash flows from operating activities:**

|  |                    |
|--|--------------------|
| Cash received from tenants                             | \$ 545,843.82      |
| Cash received from HUD grants- operating               | 933,845.04         |
| Cash received from other operating activities          | 12,670.70          |
| Cash payments for goods and services                   | (1,006,653.65)     |
| Cash payments to employees-salaries                    | (335,864.49)       |
| Cash payments to employees-compensated absences        | (47,112.32)        |
| Cash payments for employee benefit contributions       | (116,292.91)       |
| Cash (payments) receipts for in lieu of property taxes | <u>(16,818.79)</u> |

Net cash provided (used) by operating activities (30,382.60)

**Cash flows from capital and related financing activities:**

|                             |                    |
|-----------------------------|--------------------|
| Capital contributions       | 52,311.12          |
| Payments for capital assets | <u>(77,638.50)</u> |

Net cash (used) for capital and related financing activities (25,327.38)

**Cash flows from investing activities:**

|   |               |
|---|---------------|
| Proceeds from sale of (payments) for investments  | (388.52)      |
| Interest and dividends                            | 246.99        |
| Receipts (payments) from tenant security deposits | <u>143.00</u> |

Net cash provided (used) from investing activities 1.47

Net increase (decrease) in cash and cash equivalents (55,708.51)

Cash and cash equivalents at beginning of year 68,345.14

Cash and cash equivalents at end of year \$ 12,636.63

Cash and cash equivalents \$ 12,058.15

Restricted cash and cash equivalents 578.48

Total cash and cash equivalents at end of year \$ 12,636.63

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2013

**Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:**

|   |                       |
|---|-----------------------|
| Operating income (loss)   | \$ (328,894.92)       |
| Adjustments to reconcile operating income to net cash provided<br>(used) by operating activities: |                       |
| Depreciation expense  | 285,848.65            |
| Allowance for doubtful accounts   | 7,274.63              |
| Allowance for inventory   | 531.00                |
| Changes in assets and liabilities:  |                       |
| Receivables   | (33,344.96)           |
| Inventory   | (5,309.97)            |
| Prepaid expenses  | 34,463.61             |
| Accounts and other payables   | 18,871.12             |
| Unearned revenues   | (641.30)              |
| Compensated absences  | <u>(9,180.46)</u>     |
| Net cash provided (used) by operating activities  | <u>\$ (30,382.60)</u> |

See notes to financial statements



HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1c. Basis of Presentation (Continued)**

Following is a description of the Authority's programs:

| <b>Program</b>          | <b>Brief Description</b>   |
|-------------------------|--|
| Low Rent                | Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units. |
| Housing Choice Vouchers | Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.                              |
| Capital Fund Program    | Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.  |

**1d. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1e. Assets, Liabilities, and Equity**

**Cash and Investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

**Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms, if any, are eliminated for financial statement presentation.

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accounts receivable - miscellaneous, fraud recovery, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

**Budgets and Budgetary Accounting**

The Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

**Estimates and Assumptions**

The Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1e. Assets, Liabilities, and Equity (Continued)**

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,000.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

|   |               |
|---|---------------|
| Buildings   | 15 - 40 years |
| Furniture, equipment and machinery - administration | 5 years       |

**Restricted Assets**

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Housing Choice Vouchers which is a HUD program.

**Compensated Absences**

The Housing Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**1e. Assets, Liabilities, and Equity (Continued)**

**Equity Classifications**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Authority had no related debt.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**1f. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

**Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all interfund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 2 - Stewardship, Compliance, and Accountability**

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

**2a. Program Accounting Requirements**

The Authority complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

| <b>Program</b>            | <b>Required By</b>                               |
|---------------------------|--|
| Public and Indian Housing | U.S. Department of Housing and Urban Development |
| Housing Choice Vouchers   | U.S. Department of Housing and Urban Development |
| Capital Fund Program      | U.S. Department of Housing and Urban Development |

**2b. Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Authority must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Authority are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

**2c. Revenue Restrictions**

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

| <i>Revenue Source</i> | <i>Legal Restrictions of Use</i> |
|-----------------------|----------------------------------|
| Capital Fund Program  | Modernization                    |

For the year ended March 31, 2013, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 3 - Detail Notes on Transaction Classes/Accounts**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3a. Cash and Investments**

**Deposits**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it or the Authority will not be able to recover collateral securities in the possession of an outside party. As of March 31, 2013, the Authority's bank balances of \$20,051.36, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Authority's name.

**Investments**

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of March 31, 2013, the Authority's investments were \$28,444.73. These investments were insured by federal depository insurance or registered, or securities held by the Authority or its agent in the Authority's name.

*Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:*

*Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority will minimize credit risk by reviewing the financial institutions with which the Authority will do business so that potential losses on individual securities will be minimized.

*Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements and investing operating funds primarily in shorter term securities.

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority does not have a written investment policy covering concentration of credit risk.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3b. Restricted Cash and Cash Equivalents**

The restricted cash and cash equivalents as of March 31, 2013, are as follows:

| Type of Restricted Assets | Cash<br>Including Time<br>Deposits | Investments    | Total            |
|---------------------------|------------------------------------|----------------|------------------|
| Unspent HAP subsidy       | \$ 578.48                          | \$ ----        | \$ 578.48        |
|                           | <u>\$ 578.48</u>                   | <u>\$ ----</u> | <u>\$ 578.48</u> |

**3c. Accounts Receivable**

Receivables detail at March 31, 2013, is as follows:

|  |                   |                     |
|--|-------------------|---------------------|
| Tenant accounts receivable               | \$ 13,367.59      |                     |
| Allowance for doubtful accounts          | <u>(3,742.93)</u> |                     |
| Tenants accounts receivable - net        |                   | \$ 9,624.66         |
| Fraud recovery                           | 24,056.31         |                     |
| Allowance for doubtful accounts          | <u>(7,216.89)</u> |                     |
| Fraud recovery - net                     |                   | 16,839.42           |
| Accounts receivable - HUD - capital fund |                   | 60,536.44           |
| Accounts receivable - other              |                   | <u>742.00</u>       |
|  |                   | <u>\$ 87,742.52</u> |

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3d. Capital Assets

Capital asset activity for the year ended March 31, 2013, was as follows:

|   | <u>Balance<br/>April 1,<br/>2012</u> | <u>Additions</u>     | <u>(Deductions)</u>  | <u>Transfers<br/>in (out)</u> | <u>Balance<br/>March 31,<br/>2013</u> |
|---|--------------------------------------|----------------------|----------------------|-------------------------------|---------------------------------------|
| Land  | \$ 167,664.68                        | \$ ----              | \$ ----              | \$ ----                       | \$ 167,664.68                         |
| Building  | 7,682,593.00                         | 3,780.60             | ----                 | 19,949.59                     | 7,706,323.19                          |
| Furniture, equipment and machinery-<br>administration | 220,237.20                           | ----                 | (3,931.59)           | (19,950.28)                   | 196,355.33                            |
| Construction in progress                              | <u>146,838.04</u>                    | <u>73,857.90</u>     | <u>----</u>          | <u>0.69</u>                   | <u>220,696.63</u>                     |
|   | 8,217,332.92                         | <u>\$ 77,638.50</u>  | <u>\$ (3,931.59)</u> | <u>\$ ----</u>                | 8,291,039.83                          |
| Accumulated depreciation                              | <u>6,463,039.19</u>                  | <u>\$ 285,848.65</u> | <u>\$ (3,931.59)</u> | <u>\$ ----</u>                | <u>6,744,956.25</u>                   |
| Total   | <u>\$ 1,754,293.73</u>               |                      |                      |                               | <u>\$ 1,546,083.58</u>                |

3e. Accounts Payable

Payable detail at March 31, 2013, is as follows:

|   |                     |
|---|---------------------|
| Accounts payable - vendors                  | \$ 26,599.42        |
| Accounts payable - other government - PILOT | 17,533.18           |
| Accrued liabilities - other                 | <u>8,874.89</u>     |
|   | <u>\$ 53,007.49</u> |

3f. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2013 is \$32,980.77.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)**

**3g. Non-current Liabilities**

As of March 31, 2013, the non-current liabilities are comprised of the following:

|  |                            |
|--|----------------------------|
| Accrued compensated absences - non current portion | \$ <u>10,883.66</u>        |
| Total  | \$ <u><u>10,883.66</u></u> |

The following is a summary of changes in non-current liabilities for the year ended March 31, 2013:

|                              | <u>Balance<br/>March 31,<br/>2012</u> | <u>Additions</u> | <u>Deductions</u>          | <u>Balance<br/>March 31,<br/>2013</u> | <u>Amounts<br/>Due within<br/>One Year</u> |
|------------------------------|---------------------------------------|------------------|----------------------------|---------------------------------------|--|
| Accrued compensated absences | \$ <u>38,363.82</u>                   | \$ ----          | \$ <u>27,480.16</u>        | \$ <u>10,883.66</u>                   | \$ <u>22,097.11</u>                        |
| Total                        | \$ <u><u>38,363.82</u></u>            | \$ ----          | \$ <u><u>27,480.16</u></u> | \$ <u><u>10,883.66</u></u>            | \$ <u><u>22,097.11</u></u>                 |

**3h. Interprogram Transactions**

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations. Offsetting operating transfers, if any, are eliminated for financial statement presentation.

**NOTE 4 - Other Notes**

**4a. Employee Retirement Plan**

Defined Contribution Plan: The Authority has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Authority contributed 6 percent of covered payroll. Employees also contribute a percentage of covered payroll.

For the year ended March 31, 2013, the following amounts related to the defined contribution plan:

|   |               |
|---|---------------|
| Authority total payroll                 | \$ 382,976.81 |
| Payroll for covered employees           | \$ 366,482.83 |
| Employer (Authority) contributions made | \$ 21,988.97  |

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 4 - Other Notes (Continued)**

**4b. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Authority manages these various risks of loss as follows:

| <b>Type of Loss</b>                                 | <b>Method Managed</b>  |
|---|--|
| a. Torts, errors and omissions                      | Purchased insurance with Auto Owners Insurance.  |
| b. Injuries to employees<br>(workers' compensation) | Purchased insurance with Auto Owners Insurance; Claims are administered by Farmer Group.   |
| c. Physical property loss and natural disasters     | Purchased commercial insurance with \$1,000 deductibles.                                   |
| d. Health and life                                  | Purchased health insurance with Anthem Blue Cross; Life insurance is provided by Guardian. |

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**4c. Economic Dependency**

The Housing Authority of the City of Bedford receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Authority receives could be reduced significantly and have an adverse impact on its operations.

**4d. Commitments and Contingencies**

**Commitments—Construction**

At March 31, 2013, the Authority had the following pending construction projects in progress:

|            | <u>Funds<br/>Approved</u> | <u>Funds Expended -<br/>Project to Date</u> |
|------------|---------------------------|---|
| CFP 501-10 | \$ 228,332.00             | \$ 137,298.44                               |
| CFP 501-11 | 185,132.00                | 181,212.89                                  |
| CFP 501-12 | 171,371.00                | 147,747.90                                  |
|            | <u>\$ 584,835.00</u>      | <u>\$ 466,259.23</u>                        |

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2013

**NOTE 4 - Other Notes (Continued)**

**4d. Commitments and Contingencies (Continued)**

**Contingencies**

The Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended March 31, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| <u>Fiscal<br/>Year</u>  | <u>Federal Grantor</u>  | <u>Federal<br/>CFDA No.</u> | <u>Expenditures</u>    |
|---|-------------------------|-----------------------------|------------------------|
| <b><u>U.S. Department of HUD</u></b>                                  |                         |                             |                        |
| <b><u>Public and Indian Housing<br/>Nonmajor - Direct Program</u></b> |                         |                             |                        |
| 2013  | Low Rent Program        | 14.850a                     | \$ <u>231,389.00</u>   |
| <b><u>Low Income Public Housing<br/>Major - Direct Program</u></b>    |                         |                             |                        |
| 2013  | Housing Choice Vouchers | 14.871                      | \$ <u>609,930.00</u>   |
| <b><u>Public and Indian Housing<br/>Nonmajor - Direct Program</u></b> |                         |                             |                        |
| 2013  | Capital Fund program    | 14.872                      | \$ <u>192,489.24</u>   |
|   | <b>Total</b>            |                             | \$ <u>1,033,808.24</u> |

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1 - Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

PHA'S STATEMENT AND CERTIFICATION OF  
CAPITAL FUND PROGRAM COSTS

March 31, 2013

1. Actual Capital Fund Program costs are as follows:

|                                       | <u>CFP 501-09</u> |
|---------------------------------------|-------------------|
| Funds approved                        | \$ 229,102.00     |
| Funds expended                        | <u>229,102.00</u> |
| Excess of Funds Approved              | \$ <u>-----</u>   |
| <br>                                  |                   |
| Funds advanced                        | \$ 229,102.00     |
| Funds expended                        | <u>229,102.00</u> |
| Excess (deficiency) of Funds Advanced | \$ <u>-----</u>   |

2. The costs as shown on the Actual Cost Certificate dated August 22, 2013 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2013.
3. All costs have been paid and all related liabilities have been discharged through payments.

EXHIBIT A  
FINANCIAL DATE SCHEDULE

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

|  | Project Total | 14,871 Housing<br>Choice Vouchers | Subtotal | ELIM | Total    |
|--|---------------|-----------------------------------|----------|------|----------|
| 111 Cash - Unrestricted  | \$300         |                                   | \$300    |      | \$300    |
| 112 Cash - Restricted - Modernization and Development          |               |                                   |          |      |          |
| 113 Cash - Other Restricted                                    |               | \$578                             | \$578    |      | \$578    |
| 114 Cash - Tenant Security Deposits                            | \$11,758      |                                   | \$11,758 |      | \$11,758 |
| 115 Cash - Restricted for Payment of Current Liabilities       |               |                                   |          |      |          |
| 100 Total Cash   | \$12,058      | \$578                             | \$12,636 |      | \$12,636 |
| 121 Accounts Receivable - PHA Projects                         |               |                                   |          |      |          |
| 122 Accounts Receivable - HUD Other Projects                   | \$60,536      |                                   | \$60,536 |      | \$60,536 |
| 124 Accounts Receivable - Other Government                     |               |                                   |          |      |          |
| 125 Accounts Receivable - Miscellaneous                        | \$742         |                                   | \$742    |      | \$742    |
| 126 Accounts Receivable - Tenants                              | \$13,368      |                                   | \$13,368 |      | \$13,368 |
| 126.1 Allowance for Doubtful Accounts - Tenants                | -\$3,743      |                                   | -\$3,743 |      | -\$3,743 |
| 126.2 Allowance for Doubtful Accounts - Other                  | \$0           |                                   | \$0      |      | \$0      |
| 127 Notes, Loans, & Mortgages Receivable - Current             |               |                                   |          |      |          |
| 128 Fraud Recovery   |               | \$24,056                          | \$24,056 |      | \$24,056 |
| 128.1 Allowance for Doubtful Accounts - Fraud                  |               | -\$7,217                          | -\$7,217 |      | -\$7,217 |
| 129 Accrued Interest Receivable                                | \$1           |                                   | \$1      |      | \$1      |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$70,904      | \$16,839                          | \$87,743 |      | \$87,743 |
| 131 Investments - Unrestricted                                 | \$28,445      |                                   | \$28,445 |      | \$28,445 |
| 132 Investments - Restricted                                   |               |                                   |          |      |          |
| 135 Investments - Restricted for Payment of Current Liability  |               |                                   |          |      |          |
| 142 Prepaid Expenses and Other Assets                          | \$27,548      | \$541                             | \$28,089 |      | \$28,089 |
| 143 Inventories  | \$27,104      |                                   | \$27,104 |      | \$27,104 |

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

|   | Project Total | 14,871 Housing<br>Choice Vouchers | Subtotal     | ELIM | Total        |
|---|---------------|-----------------------------------|--------------|------|--------------|
| 143.1 Allowance for Obsolete Inventories                      | -\$2,710      |                                   | -\$2,710     |      | -\$2,710     |
| 144 Inter Program Due From                                    |               |                                   |              |      |              |
| 145 Assets Held for Sale                                      |               |                                   |              |      |              |
| 150 Total Current Assets                                      | \$183,349     | \$17,958                          | \$181,307    |      | \$181,307    |
| 161 Land  | \$167,665     |                                   | \$167,665    |      | \$167,665    |
| 162 Buildings   | \$7,706,323   |                                   | \$7,706,323  |      | \$7,706,323  |
| 163 Furniture, Equipment & Machinery - Dwellings              |               |                                   |              |      |              |
| 164 Furniture, Equipment & Machinery - Administration         | \$144,149     | \$52,206                          | \$196,355    |      | \$198,355    |
| 165 Leasehold Improvements                                    |               |                                   |              |      |              |
| 166 Accumulated Depreciation                                  | -\$6,692,750  | -\$52,206                         | -\$6,744,956 |      | -\$6,744,956 |
| 167 Construction in Progress                                  | \$220,697     |                                   | \$220,697    |      | \$220,697    |
| 168 Infrastructure  |               |                                   |              |      |              |
| 160 Total Capital Assets, Net of Accumulated Depreciation     | \$1,546,084   | \$0                               | \$1,546,084  |      | \$1,546,084  |
| 171 Notes, Loans and Mortgages Receivable - Non-Current       |               |                                   |              |      |              |
| 172 Notes, Loans, & Mortgages Receivable - Non Current - Past |               |                                   |              |      |              |
| 173 Grants Receivable - Non Current                           |               |                                   |              |      |              |
| 174 Other Assets  |               |                                   |              |      |              |
| 176 Investments in Joint Ventures                             |               |                                   |              |      |              |
| 180 Total Non-Current Assets                                  | \$1,546,084   | \$0                               | \$1,546,084  |      | \$1,546,084  |
| 190 Total Assets  | \$1,709,433   | \$17,958                          | \$1,727,391  |      | \$1,727,391  |
| 311 Bank Overdraft  |               |                                   |              |      |              |
| 312 Accounts Payable <= 90 Days                               | \$26,446      | \$153                             | \$26,599     |      | \$26,599     |

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

|  | Project Total | 14,871 Housing<br>Choice Vouchers | Subtotal  | ELIM | Total     |
|--|---------------|-----------------------------------|-----------|------|-----------|
| 313 Accounts Payable >90 Days Past Due                         |               |                                   |           |      |           |
| 321 Accrued Wage/Payroll Taxes Payable                         |               |                                   |           |      |           |
| 322 Accrued Compensated Absences - Current Portion             | \$18,456      | \$3,641                           | \$22,097  |      | \$22,097  |
| 324 Accrued Contingency Liability                              |               |                                   |           |      |           |
| 325 Accrued Interest Payable                                   |               |                                   |           |      |           |
| 331 Accounts Payable - HUD PHA Programs                        | \$0           |                                   | \$0       |      | \$0       |
| 332 Account Payable - PHA Projects                             |               |                                   |           |      |           |
| 333 Accounts Payable - Other Government                        | \$17,533      |                                   | \$17,533  |      | \$17,533  |
| 341 Tenant Security Deposits                                   | \$36,004      |                                   | \$36,004  |      | \$36,004  |
| 342 Deferred Revenues  | \$28,957      | \$1,557                           | \$30,514  |      | \$30,514  |
| 343 Current Portion of Long-term Debt - Capital                |               |                                   |           |      |           |
| 344 Current Portion of Long-term Debt - Operating Borrowings   |               |                                   |           |      |           |
| 345 Other Current Liabilities                                  |               |                                   |           |      |           |
| 346 Accrued Liabilities - Other                                | \$8,875       |                                   | \$8,875   |      | \$8,875   |
| 347 Inter Program - Due To                                     |               |                                   |           |      |           |
| 348 Loan Liability - Current                                   |               |                                   |           |      |           |
| 310 Total Current Liabilities                                  | \$136,271     | \$5,351                           | \$141,622 |      | \$141,622 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage |               |                                   |           |      |           |
| 352 Long-term Debt, Net of Current - Operating Borrowings      |               |                                   |           |      |           |
| 353 Non-current Liabilities - Other                            |               |                                   |           |      |           |
| 354 Accrued Compensated Absences - Non Current                 | \$9,090       | \$1,793                           | \$10,883  |      | \$10,883  |
| 355 Loan Liability - Non Current                               |               |                                   |           |      |           |
| 356 FASB 5 Liabilities   |               |                                   |           |      |           |
| 357 Accrued Pension and OPEB Liabilities                       |               |                                   |           |      |           |
| 350 Total Non-Current Liabilities                              | \$9,090       | \$1,793                           | \$10,883  |      | \$10,883  |

Housing Authority of the City of Bedford (IN031)  
 BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

|   | Project Total | 14,871 Housing<br>Choice Vouchers | Subtotal    | ELIM | Total       |
|---|---------------|-----------------------------------|-------------|------|-------------|
| 300 Total Liabilities                                 | \$145,361     | \$7,144                           | \$152,505   |      | \$152,505   |
| 508.1 Invested In Capital Assets, Net of Related Debt | \$1,546,084   |                                   | \$1,546,084 |      | \$1,546,084 |
| 511.1 Restricted Net Assets                           |               | \$43,642                          | \$43,642    |      | \$43,642    |
| 512.1 Unrestricted Net Assets                         | \$17,988      | -\$32,828                         | -\$14,840   |      | -\$14,840   |
| 513 Total Equity/Net Assets                           | \$1,564,072   | \$10,814                          | \$1,574,886 |      | \$1,574,886 |
| 600 Total Liabilities and Equity/Net Assets           | \$1,709,433   | \$17,958                          | \$1,727,391 |      | \$1,727,391 |

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

|   | Project Total | 14,871 Housing<br>Choice Vouchers | Subtotal    | ELIM | Total       |
|---|---------------|-----------------------------------|-------------|------|-------------|
| 70300 Net Tenant Rental Revenue                         | \$428,501     |                                   | \$428,501   |      | \$428,501   |
| 70400 Tenant Revenue - Other                            | \$126,145     |                                   | \$126,145   |      | \$126,145   |
| 70500 Total Tenant Revenue                              | \$554,646     | \$0                               | \$554,646   | \$0  | \$554,646   |
| 70600 HUD PHA Operating Grants                          | \$350,020     | \$609,930                         | \$959,950   |      | \$959,950   |
| 70610 Capital Grants                                    | \$73,858      |                                   | \$73,858    |      | \$73,858    |
| 70710 Management Fee                                    |               |                                   |             |      |             |
| 70720 Asset Management Fee                              |               |                                   |             |      |             |
| 70730 Book Keeping Fee                                  |               |                                   |             |      |             |
| 70740 Front Line Service Fee                            |               |                                   |             |      |             |
| 70750 Other Fees  |               |                                   |             |      |             |
| 70700 Total Fee Revenue                                 |               |                                   | \$0         | \$0  | \$0         |
| 70800 Other Government Grants                           |               |                                   |             |      |             |
| 71100 Investment Income - Unrestricted                  | \$246         |                                   | \$246       |      | \$246       |
| 71200 Mortgage Interest Income                          |               |                                   |             |      |             |
| 71300 Proceeds from Disposition of Assets Held for Sale |               |                                   |             |      |             |
| 71310 Cost of Sale of Assets                            |               |                                   |             |      |             |
| 71400 Fraud Recovery                                    |               | \$1,467                           | \$1,467     |      | \$1,467     |
| 71500 Other Revenue                                     | \$10,288      |                                   | \$10,288    |      | \$10,288    |
| 71600 Gain or Loss on Sale of Capital Assets            |               |                                   |             |      |             |
| 72000 Investment Income - Restricted                    |               |                                   |             |      |             |
| 70000 Total Revenue                                     | \$989,058     | \$611,397                         | \$1,600,455 | \$0  | \$1,600,455 |
| 91100 Administrative Salaries                           | \$143,041     | \$26,994                          | \$170,035   |      | \$170,035   |

Housing Authority of the City of Bedford (IN031)  
 BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

|  | Project Total | 14,871 Housing<br>Choice Vouchers | Subtotal  | ELIM | Total     |
|--|---------------|-----------------------------------|-----------|------|-----------|
| 91200 Auditing Fees                                    | \$2,805       | \$1,386                           | \$4,191   |      | \$4,191   |
| 91300 Management Fee                                   |               |                                   |           |      |           |
| 91310 Book-keeping Fee                                 |               |                                   |           |      |           |
| 91400 Advertising and Marketing                        |               |                                   |           |      |           |
| 91500 Employee Benefit contributions - Administrative  | \$52,921      | \$4,155                           | \$57,076  |      | \$57,076  |
| 91600 Office Expenses                                  | \$55,416      | \$4,671                           | \$60,087  |      | \$60,087  |
| 91700 Legal Expense                                    |               |                                   |           |      |           |
| 91800 Travel   | \$1,364       |                                   | \$1,364   |      | \$1,364   |
| 91810 Allocated Overhead                               |               |                                   |           |      |           |
| 91900 Other  | \$8,897       | \$346                             | \$9,243   |      | \$9,243   |
| 91000 Total Operating - Administrative                 | \$264,444     | \$37,552                          | \$301,996 | \$0  | \$301,996 |
| 92000 Asset Management Fee                             |               |                                   |           |      |           |
| 92100 Tenant Services - Salaries                       |               |                                   |           |      |           |
| 92200 Relocation Costs                                 | \$689         |                                   | \$689     |      | \$689     |
| 92300 Employee Benefit Contributions - Tenant Services |               |                                   |           |      |           |
| 92400 Tenant Services - Other                          | \$3,448       |                                   | \$3,448   |      | \$3,448   |
| 92500 Total Tenant Services                            | \$4,137       | \$0                               | \$4,137   | \$0  | \$4,137   |
| 93100 Water  | \$44,698      |                                   | \$44,698  |      | \$44,698  |
| 93200 Electricity                                      | \$108,466     |                                   | \$108,466 |      | \$108,466 |
| 93300 Gas  | \$37,364      |                                   | \$37,364  |      | \$37,364  |
| 93400 Fuel   |               |                                   |           |      |           |
| 93500 Labor  |               |                                   |           |      |           |
| 93600 Sewer  |               |                                   |           |      |           |
| 93700 Employee Benefit Contributions - Utilities       |               |                                   |           |      |           |

Housing Authority of the City of Bedford (IN031)  
 BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

|   | Project Total | 14,871 Housing<br>Choice Vouchers | Subtotal  | ELIM | Total     |
|---|---------------|-----------------------------------|-----------|------|-----------|
| 93800 Other Utilities Expense                               |               |                                   |           |      |           |
| 93000 Total Utilities                                       | \$190,528     | \$0                               | \$190,528 | \$0  | \$190,528 |
| 94100 Ordinary Maintenance and Operations - Labor           | \$165,829     |                                   | \$165,829 |      | \$165,829 |
| 94200 Ordinary Maintenance and Operations - Materials and   | \$64,954      |                                   | \$64,954  |      | \$64,954  |
| 94300 Ordinary Maintenance and Operations Contracts         | \$52,263      |                                   | \$52,263  |      | \$52,263  |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$59,217      |                                   | \$59,217  |      | \$59,217  |
| 94000 Total Maintenance                                     | \$342,263     | \$0                               | \$342,263 | \$0  | \$342,263 |
| 95100 Protective Services - Labor                           |               |                                   |           |      |           |
| 95200 Protective Services - Other Contract Costs            | \$5,391       |                                   | \$5,391   |      | \$5,391   |
| 95300 Protective Services - Other                           |               |                                   |           |      |           |
| 95500 Employee Benefit Contributions - Protective Services  |               |                                   |           |      |           |
| 95000 Total Protective Services                             | \$5,391       | \$0                               | \$5,391   | \$0  | \$5,391   |
| 96110 Property Insurance                                    | \$34,111      |                                   | \$34,111  |      | \$34,111  |
| 96120 Liability Insurance                                   | \$3,091       |                                   | \$3,091   |      | \$3,091   |
| 96130 Workmen's Compensation                                | \$5,180       |                                   | \$5,180   |      | \$5,180   |
| 96140 All Other Insurance                                   | \$503         |                                   | \$503     |      | \$503     |
| 96100 Total Insurance Premiums                              | \$42,885      | \$0                               | \$42,885  | \$0  | \$42,885  |
| 96200 Other General Expenses                                |               | \$115                             | \$115     |      | \$115     |
| 96210 Compensated Absences                                  | \$35,562      | \$2,370                           | \$37,932  |      | \$37,932  |
| 96300 Payments in Lieu of Taxes                             | \$17,533      |                                   | \$17,533  |      | \$17,533  |
| 96400 Bad debt - Tenant Rents                               | \$7,279       |                                   | \$7,279   |      | \$7,279   |
| 96500 Bad debt - Mortgages                                  |               |                                   |           |      |           |

SECTION III  
REPORTS ON COMPLIANCE  
AND  
ON INTERNAL CONTROL

**Independent Auditor's 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 Bedford  
Bedford, Indiana

We have audited, in accordance with the 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, the financial statements of the Housing Authority of the City of Bedford, Indiana, (Authority), as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of Bedford's basic financial statements, and have issued our report thereon dated September 5, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Bedford's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Bedford's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Bedford's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. . Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. These deficiencies are listed starting on page 7.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Bedford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs. These deficiencies are listed starting on page 7.

**Housing Authority of the City of Bedford, Indiana's Response to Findings**

The Housing Authority of the City of Bedford's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Bedford's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sailor, Khan & Co. LLC  
September 5, 2013

**Independent Auditor's Report on Compliance For Each Major Federal Program;  
Report on Internal Control over Compliance Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the City of Bedford, Indiana'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 the Housing Authority of the City of Bedford's major federal programs for the year ended March 31, 2013. The Housing Authority of the City of Bedford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Bedford's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Bedford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of the Housing Authority of the City of Bedford's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Housing Authority of the City of Bedford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs identified above for the year ended March 31, 2013.

**Report on Internal Control Over Compliance**

Management of the Housing Authority of the City of Bedford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Bedford's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Bedford's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements 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 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses or significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



Sailor, Khan & Co. LLC  
September 5, 2013

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

**SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS**

March 31, 2013

The prior audit report for the year ended March 31, 2012 contained one significant deficiency:

**Finding:** Contract Administration  
**Status:** Implemented

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2013

**SECTION I - SUMMARY OF AUDITOR RESULTS**

Financial Statement:

|  |             |
|--|-------------|
| Type of auditor's report issued:   | Unqualified |
| Internal control over financial reporting:   |             |
| ▶ Material weakness(es) identified?  | No          |
| ▶ Significant deficiency (ies) identified that are not considered to be material weaknesses? | Yes         |
| Noncompliance material to financial statements noted?  | No          |
| Is a "going concern" explanatory paragraph included in audit report?                         | No          |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| ▶ Material weakness(es) identified?  | No            |
| ▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?                       | 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) on Circular A-133? | No            |
| Identification of major programs:  |               |

**CFDA**

**Number(s) Name of Federal Program**

14-871 Section 8 Housing Choice Vouchers

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee?                                   | Yes       |

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2013

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The current audit report for the year ended March 31, 2013 disclosed the following Financial Statement audit findings:

1. Budget Overruns

Criteria:

The Housing Authority must operate within budget constraints.

Condition:

We noted the following budget overruns for fiscal year ended March 31, 2013:

| <u>Description</u>           | <u>Budget</u> | <u>Actual</u> | <u>Overrun</u> |
|------------------------------|---------------|---------------|----------------|
| Tenant Services              | \$ 4,100.00   | \$ 4,137.43   | \$ 37.43       |
| Administrative Expenses      | 215,915.00    | 290,746.25    | 74,831.25      |
| General Expenses             | 54,386.00     | 67,697.55     | 13,311.55      |
| Protective Services          | ----          | 5,391.00      | 5,391.00       |
| Total Operating Expenditures | 878,475.00    | 932,045.30    | 53,570.30      |

Questioned Costs

None.

Effect:

The Housing Authority exceeded the operating budget in the aforementioned categories.

Cause:

The Housing Authority did not ensure that these budget categories were not exceeded.

Recommendation:

We recommend that the Housing Authority place greater emphasis on operating within the budget constraints. Also, when it appears that the current budget has become insufficient, the Housing Authority must prepare a budget revision.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

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

March 31, 2013

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

1. Budget Overruns (Continued)

Management's Response/Action Plan:

The state of internal budgeting for the fiscal year of the Authority was directly affected by funding made available by the Department of Housing and Urban Development. Subsidy cuts, prorations and recaptures were the primary factors that contributed to the overrun of the annual budget. The agency understands that a budget revision should have been submitted to HUD at fiscal year end.

In the future when it appears that the current budget has become insufficient, the Authority shall prepare a budget revision and submit it to the HUD Field Office. Mr Joseph Klumpp, Executive Director will be responsible for the resolution of this finding.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

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

March 31, 2013

**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

2. Davis-Bacon Act Compliance

Criteria:

Section 12(a) of the U.S. Housing Action of 1937 requires that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act, shall be paid to all laborers and mechanics employed in the development of the project involved.

Condition:

We noted a contract worker, who was classified as a laborer, was being paid less than the prevailing wage rate for a laborer according to their payroll reports.

Question Costs:

None.

Effect:

The Housing Authority is not in compliance with the Davis-Bacon Act.

Cause:

The Housing Authority did not monitor the pay rates closely enough to ensure that the proper wage was being paid.

Recommendation:

We recommend that the Housing Authority design procedures to effectively review submitted payroll reports to ensure compliance with the Davis-Bacon Act.

Management's Response/Action Plan:

The Authority has already undergone a management review with the Department of Housing and Urban Development Labor Relations Office (DOL). This occurred on August 2, 2012. The DOL cited the Authority with several findings and issued a comprehensive action plan that has since been carried out. This action plan included wage restitution to the employees on the contract that was specifically cited by the auditor during our exit conference.

The agency Executive Director and Staff Accountant were briefed on the law and specific issues by HUD Labor Relations Specialist, Donna Kozlowski. The Authority now understands the requirements of the Davis-Bacon Act and has put in place the necessary procedures for the implementation.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

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

March 31, 2013

**SECTION III - FEDERAL AWARD FINDINGS**

The current audit report for the year ended March 31, 2013 disclosed no Federal Awards audit findings.