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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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, 2013 to March 31, 2014. 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, 2014 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 finding 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*. This finding describes budget overruns due to a significant deficiency in internal control.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF BEDFORD
BEDFORD, INDIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

HOUSING AUTHORITY OF THE CITY OF BEDFORD
Bedford, Indiana

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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, 2014, 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, 2014 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.

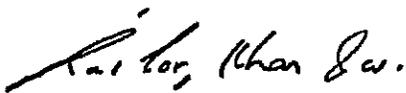
Other Information*Report on Supplementary Information*

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 October 9, 2014 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
October 9, 2014

Housing Authority of the City of Bedford

Management's Discussion and Analysis (MD&A)

March 31, 2014

(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, 2014. 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, 2014 was \$1,273,217. The net position decreased by \$301,668, a decrease of 19.2% over the prior year.
- ▶ Revenues and contributions for the Authority were \$1,617,133 for the year ended March 31, 2014. This was an increase of \$23,958 or 1.5% over the prior year.
- ▶ Expenses for the Authority were \$1,918,801 for the year ended March 31, 2014. This was an increase of \$70,835 or 3.8% over the prior year.
- ▶ Rental revenue for the Authority was \$512,852 for the year ended March 31, 2014, a decrease of \$34,515 or 6.3% from the prior year. HUD operating grants for the Authority was \$1,014,477 for the year ended March 31, 2014, an increase of \$54,527 or 5.7% over the prior year. Capital contributions were \$64,244 for the year ended March 31, 2014, a decrease of \$9,614 or 13.0% 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, 2014 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 \$1,273,217 at the close of the year ended March 31, 2014 down from \$1,574,885 in fiscal year 2013. The decrease in net position of \$301,668 was due to the reasons noted below.

- ▶ Current and other assets include cash, investments, receivables, materials inventory and prepaid expenses. Of the \$15,513 decrease in this category, cash and investments increased \$6,996, restricted cash and cash equivalents increased \$10,887, receivables decreased \$10,132, materials inventory decreased \$6,167, and prepaid expenses decreased \$17,097.
- ▶ Capital assets decreased \$203,489 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 \$46,585 from FY 2013 mainly due to an increase in accounts payable of \$20,853, current portion of accrued compensated absences of \$10,999, current portion of long-term debt of \$8,199, and accrued wages and payroll taxes payable of \$5,334.
- ▶ Noncurrent liabilities increased \$36,081 from FY 2013 due to an increase in noncurrent portion of long-term debt of \$31,762 and an increase in noncurrent portion of accrued compensated absences of \$4,319.

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

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net position was \$(80,843) as of March 31, 2014. This amount may be used to meet the Authority's ongoing obligations. The restricted net position was \$11,465 as of March 31, 2014. This amount is subject to external restrictions on how they may be used.

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

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 165,793	\$ 181,306	\$ (15,513)	-8.6%
Capital assets	<u>1,342,595</u>	<u>1,546,084</u>	<u>(203,489)</u>	-13.2%
Total Assets	<u>1,508,388</u>	<u>1,727,390</u>	<u>(219,002)</u>	-12.7%
Current liabilities	188,207	141,622	46,585	32.9%
Noncurrent liabilities	<u>46,964</u>	<u>10,883</u>	<u>36,081</u>	331.5%
Total Liabilities	<u>235,171</u>	<u>152,505</u>	<u>82,666</u>	54.2%
Net Assets				
Invested in capital assets	1,342,595	1,546,084	(203,489)	-13.2%
Restricted	11,465	43,641	(32,176)	-73.7%
Unrestricted	<u>(80,843)</u>	<u>(14,840)</u>	<u>(66,003)</u>	-444.8%
Total Net Assets	<u>\$ 1,273,217</u>	<u>\$ 1,574,885</u>	<u>\$ (301,668)</u>	-19.2%

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 99.7% expended as of March 31, 2014. The following is a summary of individual grant line items, budget amount, percent expended as of 3/31/14, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 126,317	100.0%	Operations
1410	\$ 13,822	100.0%	Administration
1450	\$ 7,400	100.0%	Site Improvements
1460	\$ 60,969	99.1%	Dwelling Structures
1470	\$ 5,924	100.0%	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 99.3% expended as of March 31, 2014. The following is a summary of individual grant line items, budget amount, percent expended as of 3/31/14, 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	100.0%	Dwelling Structures
1470	\$ 28,000	95.7%	Non-Dwelling Structures

The 2012 approved capital grant (501-12) totals \$171,371 and was 100.0% expended as of March 31, 2014. The following is a summary of individual grant line items, budget amount, percent expended as of 3/31/14, 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	100.0%	Site Improvements
1460	\$ 32,000	100.0%	Dwelling Structures

The 2013 approved capital grant (501-13) totals \$164,658 and was 80.8% expended as of March 31, 2014. The following is a summary of individual grant line items, budget amount, percent expended as of 3/31/14, and development account:

<u>Line No.</u>	<u>Amount</u>	<u>Percent</u>	<u>Development Account</u>
1406	\$ 97,192	100.0%	Operations
1410	\$ 16,466	100.0%	Administration
1460	\$ 15,000	28.7%	Dwelling Structures
1465	\$ 16,000	3.8%	Dwelling Equipment
1470	\$ 10,000	59.1%	Non-Dwelling Structures
1475	\$ 10,000	85.8%	Non-Dwelling Equipment

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 above, total revenues and contributions increased \$23,958 due to the reasons noted below.

- ▶ Rental revenue decreased \$34,515 or 6.3% due to a decrease in average dwelling rent charge per unit of \$8.59 or 3.7% and an increase in write-offs for uncollectible accounts.
- ▶ Of the \$54,527 increase in HUD operating grants, public housing operating subsidy decreased \$24,431, housing choice voucher program assistance increased \$12,024 and capital fund grants used for operating expenditures increased \$66,934.

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

FINANCIAL ANALYSIS (CONTINUED)

- ▶ Other income increased \$13,759 from FY 2013 mainly due to an increase in laundry machine income and tenant charges for cable television.
- ▶ Interest income decreased \$199 from FY 2013.
- ▶ Capital contributions decreased \$9,614 from FY 2013. 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.

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

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 512,852	\$ 547,367	\$ (34,515)	-6.3%
HUD operating grants	1,014,477	959,950	54,527	5.7%
Interest income	47	246	(199)	-80.9%
Capital Contributions	64,244	73,858	(9,614)	-13.0%
Other income	25,513	11,754	13,759	117.1%
Total Revenues and Contributions	<u>1,617,133</u>	<u>1,593,175</u>	<u>23,958</u>	1.5%
Expenses				
Personal services	501,989	490,090	11,899	2.4%
Utilities	233,899	190,527	43,372	22.8%
Operations and maintenance	161,345	122,607	38,738	31.6%
Non routine maintenance	----	31,283	(31,283)	-100.0%
Insurance	43,336	42,885	451	1.1%
Payment in lieu of taxes	12,291	17,533	(5,242)	-29.9%
Other supplies and expenses	82,417	79,138	3,279	4.1%
Housing assistance payments	555,362	588,054	(32,692)	-5.6%
Interest expense	2,278	----	2,278	100.0%
Special items, net loss	43,029	----	43,029	100.0%
Depreciation	282,855	285,849	(2,994)	-1.0%
Total Expenses	<u>1,918,801</u>	<u>1,847,966</u>	<u>70,835</u>	3.8%
Change in net assets	(301,668)	(254,791)	(46,877)	
Beginning net assets	<u>1,574,885</u>	<u>1,829,676</u>	<u>(254,791)</u>	
Ending net assets	<u>\$ 1,273,217</u>	<u>\$ 1,574,885</u>	<u>\$ (301,668)</u>	

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

FINANCIAL ANALYSIS (CONTINUED)

Total expenses increased \$70,835 due to the reasons noted below.

- ▶ Of the \$11,899 increase in personal services, employee wages decreased \$10,253 or 2.7% and employee benefits increased \$22,152 or 19.0%.
- ▶ Of the \$43,372 increase in utilities, water increased \$8,959 or 20.0%, electricity increased \$16,222 or 16.0%, and gas increased \$18,191 or 48.7%.
- ▶ Operations and maintenance increased \$38,738 or 31.6% due to a \$52,220 increase in contracted maintenance services which was partially offset by a \$13,482 decrease in maintenance materials purchased during the current fiscal year.
- ▶ Non-routine maintenance was higher in FY 2013 for replacement of appliances below capitalization threshold.
- ▶ Insurance increased \$451 or 1.1% from FY 2013.
- ▶ Payments in lieu of taxes decreased \$5,242 or 29.9% from FY 2013 due to a decrease in rental revenue and an increase in utilities expense.
- ▶ Other supplies and expense increased \$3,279 or 4.1% from FY 2013 mostly due to an increase in legal expense of \$1,274, travel expenses of \$985, and office expenses of \$1,295.
- ▶ Housing assistance payments decreased \$32,692 or 5.6% due to a 8.4% decrease in number of vouchers issued and outstanding during FY 2014. This was partially offset by an increase in average housing assistance payment per unit of \$7.71 or 2.4%.
- ▶ The Authority had a \$2,994 or 1.0% decrease in Depreciation, which is the write-off of capital assets over their estimated useful life.
- ▶ Interest expense was higher in FY 2014 due to a new operating loan from a local bank.
- ▶ The Authority had a special item of \$43,029 in FY 2014 to transition existing NRP for the Housing Choice Voucher Program to HUD-Held Program Reserves.

The Public Housing occupancy rate for fiscal year March 31, 2014 was 95.2%, down from 96.2% in FY 2013.

The Authority is authorized to assist 168 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for FY 2014 was 84.2%, down from 91.9% in FY 2013.

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

CAPITAL ASSET

Capital Assets - The Housing Authority of the City of Bedford, Indiana's net investment in capital assets as of March 31, 2014 amounts to \$1,342,595. 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 13.2% in terms of net book value. Actual expenditures to purchase or construct capital assets from revenues and capital contributions were \$79,366 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 \$282,855. The Authority has \$31,600 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 Depreciation</u>	<u>Ending</u>
Capital assets	\$1,546,084	\$79,366	\$(282,855)	\$(26,312)	\$26,312	\$1,342,595

DEBT ADMINISTRATION

Long-Term Debt - The Authority has a loan agreement with the Bedford Federal Savings Bank. The loan balance as of March 31, 2014 was \$39,961. Additional information on the Authority's long-term debt can be found in the notes to the financial statements of this report.

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 2015 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.

The Authority is eligible to receive \$434,941 for housing assistance payments for the months of April through December 2014 in the Housing Choice Voucher Program. The Authority also has \$11,465 available in HAP Reserves and \$5,190 available in HUD-Held Reserves to be used for housing assistance payments. Based on the average housing assistance payment per unit of \$325.06 for FY 2014, the Authority will have sufficient funding and reserves to lease 91.3% of its authorized vouchers from April through December 2014. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2015 and adjusted for pro-ration which is currently at 79.512%.

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, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 19,067.63
Investments	28,430.84
Receivable - net of allowances:	
Accounts	77,611.95
Inventory - net of allowances	18,225.77
Prepaid expenses	10,991.74
Restricted cash and cash equivalents	<u>11,465.46</u>

Total current assets 165,793.39

Capital assets:

Land, improvements, and construction in progress	405,604.68
Other capital assets, net of depreciation	<u>936,990.38</u>

Total capital assets- net 1,342,595.06

Total Assets 1,508,388.45

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF NET POSITION (CONTINUED)

March 31, 2014

LIABILITIES

Current Liabilities:

Accounts Payable	73,860.10
Accrued salaries, wages and benefits	5,333.70
Accrued compensated absences	33,095.59
Tenant security deposit liability	35,478.00
Interest payable	195.70
Current portion of long term debt	8,198.66
Unearned revenues	<u>32,045.60</u>

Total Current Liabilities 188,207.35

Noncurrent Liabilities:

Long term debt	31,761.96
Accrued compensated absences	<u>15,202.16</u>

Total Noncurrent Liabilities 46,964.12

Total Liabilities 235,171.47

NET POSITION

Net investment in capital assets	1,342,595.06
Restricted for:	
HAP	11,465.46
Unrestricted	<u>(80,843.54)</u>

Total Net Position \$ 1,273,216.98

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, 2014

Operating Revenues:	
Rental revenue	\$ 512,851.54
Operating subsidies- HUD grants	1,014,476.95
Other revenues	<u>25,512.90</u>
Total operating revenues	<u>1,552,841.39</u>
Operating Expenses:	
Personal services	501,988.84
Utilities	233,898.66
Operations and maintenance	161,345.30
Insurance	43,335.72
Payment in lieu of taxes	12,291.42
Other supplies and expenses	82,416.59
Housing assistance payments	555,362.00
Depreciation	<u>282,854.81</u>
Total operating expenses	<u>1,873,493.34</u>
Operating income (loss)	<u>(320,651.95)</u>
Non-operating revenues (expenses):	
Interest and investment earnings	46.96
Interest expense	<u>(2,277.92)</u>
Net non-operating revenues (expenses)	<u>(2,230.96)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(322,882.91)
Capital contributions	64,243.89
Special items	<u>(43,029.00)</u>
Change in net position	(301,668.02)
Net position at beginning of year	<u>1,574,885.00</u>
Net position at end of year	<u>\$ 1,273,216.98</u>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF CASH FLOWS

For Year Ended March 31, 2014

Cash flows from operating activities:

Cash received from tenants	\$ 521,280.86
Cash received from HUD grants- operating	993,614.79
Cash received from other operating activities	28,412.44
Cash payments for goods and services	(1,026,999.37)
Cash payments to employees-salaries	(320,070.27)
Cash payments to employees-compensated absences	(22,821.91)
Cash payments for employee benefit contributions	(138,445.98)
Cash (payments) receipts for in lieu of property taxes	<u>(17,533.18)</u>

Net cash provided (used) by operating activities 17,437.38

Cash flows from noncapital financing activities:

NRA payment to HUD	<u>(43,029.00)</u>
--------------------	--------------------

Net cash provided (used) from non capital financing activities (43,029.00)

Cash flows from capital and related financing activities:

Proceeds from capital debt	45,000.00
Capital contributions	85,440.16
Payments for capital assets	(79,366.29)
Principal paid on capital debt	(5,039.38)
Interest paid on capital debt	<u>(2,082.22)</u>

Net cash (used) for capital and related financing activities 43,952.27

Cash flows from investing activities:

Proceeds from sale of (payments) for investments	13.89
Interest and dividends	47.92
Receipts (payments) from tenant security deposits	<u>(526.00)</u>

Net cash provided (used) from investing activities (464.19)

Net increase (decrease) in cash and cash equivalents 17,896.46

Cash and cash equivalents at beginning of year 12,636.63

Cash and cash equivalents at end of year \$ 30,533.09

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2014

Cash and cash equivalents	\$ 19,067.63
Restricted cash and cash equivalents	<u>11,465.46</u>
Total cash and cash equivalents at end of year	<u>\$ 30,533.09</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (320,651.95)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	282,854.81
Allowance for doubtful accounts	(5,559.17)
Allowance for inventory	(685.27)
Changes in assets and liabilities:	
Receivables	(5,506.53)
Inventory	6,852.74
Prepaid expenses	17,097.06
Accounts and other payables	20,852.61
Unearned revenues	1,532.40
Compensated absences	15,316.98
Accrued expenses	<u>5,333.70</u>
Net cash provided (used) by operating activities	<u>\$ 17,437.38</u>

See notes to financial statements

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2014

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Basis of Presentation (Continued)

Following is a description of the Authority's programs:

Program	Brief Description
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, 2014**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, 2014

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, 2014

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.
- 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, 2014

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:

Program	Required By
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, 2014, 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, 2014

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, 2014, the Authority's bank balances of \$30,446.71, 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, 2014, the Authority's investments were \$28,430.84. 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, 2014

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, 2014, are as follows:

<u>Type of Restricted Cash and Cash Equivalents</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Total</u>
Unspent HAP subsidy	\$ 11,465.46	\$ ----	\$ 11,465.46
	<u>\$ 11,465.46</u>	<u>\$ ----</u>	<u>\$ 11,465.46</u>

3c. Accounts Receivable

Receivables detail at March 31, 2014, is as follows:

Tenant accounts receivable	\$ 1,518.00	
Allowance for doubtful accounts	<u>(637.56)</u>	
Tenants accounts receivable - net		\$ 880.44
Fraud recovery	15,876.97	
Allowance for doubtful accounts	<u>(4,763.09)</u>	
Fraud recovery - net		11,113.88
Accounts receivable - HUD - operating subsidy		53,943.46
Accounts receivable - HUD - capital fund		8,106.17
Accounts receivable - other		<u>3,568.00</u>
		<u>\$ 77,611.95</u>

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2014

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

3d. Capital Assets

Capital asset activity for the year ended March 31, 2014, was as follows:

	<u>Balance April 1, 2013</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance March 31, 2014</u>
Land	\$ 167,664.68	\$ ----	\$ ----	\$ 167,664.68
Building	7,706,323.19	62,122.92	----	7,768,446.11
Furniture, equipment and machinery- administration	196,355.33	----	(26,311.92)	170,043.41
Construction in progress	<u>220,696.63</u>	<u>17,243.37</u>	----	<u>237,940.00</u>
	8,291,039.83	<u>\$ 79,366.29</u>	<u>\$ (26,311.92)</u>	8,344,094.20
Accumulated depreciation	<u>6,744,956.25</u>	<u>\$ 282,854.81</u>	<u>\$ (26,311.92)</u>	<u>7,001,499.14</u>
Total	<u>\$ 1,546,083.58</u>			<u>\$ 1,342,595.06</u>

3e. Accounts Payable

Payable detail at March 31, 2014, is as follows:

Accounts payable - vendors	\$ 25,713.67
Accounts payable - other government - PILOT	12,291.42
Accrued liabilities - other	<u>35,855.01</u>
	<u>\$ 73,860.10</u>

3f. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2014 is \$48,297.75.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2014

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

3g. Non-current Liabilities

As of March 31, 2014, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>15,202.16</u>
Total	\$ <u>15,202.16</u>

The following is a summary of changes in non-current liabilities for the year ended March 31, 2014:

	<u>Balance March 31, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2014</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>10,883.66</u>	\$ <u>4,318.50</u>	\$ <u>----</u>	\$ <u>15,202.16</u>	\$ <u>33,095.59</u>
Total	\$ <u>10,883.66</u>	\$ <u>4,318.50</u>	\$ <u>----</u>	\$ <u>15,202.16</u>	\$ <u>33,095.59</u>

3h. Long-term Debt

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended March 31, 2014:

Type of Debt	<u>Balance March 31, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2014</u>	<u>Amounts Due within One Year</u>
Loan #170017183	\$ <u>----</u>	\$ <u>45,000.00</u>	\$ <u>13,238.04</u>	\$ <u>31,761.96</u>	\$ <u>8,198.66</u>
Total	\$ <u>----</u>	\$ <u>45,000.00</u>	\$ <u>13,238.04</u>	\$ <u>31,761.96</u>	\$ <u>8,198.66</u>

On June 21, 2013, the Housing Authority of the City of Bedford entered into a loan agreement with the Bedford Federal Savings Bank in the amount of \$45,000.00. The loan is payable in 59 consecutive payments of principal and interest in the amount of \$890.20 beginning on August 1, 2013 and continuing on the same day of each month thereafter. This will be followed by 1 payment of principal and interest in the amount of \$889.97 on July 1, 2018, at a fixed interest rate of 6.875% per annum.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2014

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

3h. Long-term Debt (Continued)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of March 31, 2014, are as follows:

<u>Year Ending March 31</u>	<u>Loan #170017183</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 8,198.66	\$ 2,483.74
2016	8,780.42	1,901.98
2017	9,403.48	1,278.92
2018	10,070.71	611.69
2019	<u>3,507.35</u>	<u>47.52</u>
Total	\$ <u>39,960.62</u>	\$ <u>6,323.85</u>

3i. 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 - Special Item

In 2009, the Housing Authority of the City of Bedford began repaying Housing Assistance Payments (HAP) that the Authority had utilized to cover the agency's administrative expenses dating back to 2007 as determined by the Quality Assurance Division of HUD's Office of Housing Choice Vouchers Program (HCV). In January, 2013 the Authority was informed that the protocol for HCV repayments was being converted to a new formation and payment methodology. The Authority has been mandated to return the amount of \$43,029.00 to the Authority Program Reserve Account and the Authority has agreed to make a single installment payment by June 30, 2013. The Authority has secured a loan to cover this payment.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2014

NOTE 5 - Other Notes

5a. 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, 2014, the following amounts related to the defined contribution plan:

Authority total payroll	\$ 325,403.97
Payroll for covered employees	\$ 325,403.97
Employer (Authority) contributions made	\$ 14,459.03

5b. 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:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Auto Owners Insurance.
b. Injuries to employees (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.

5c. 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.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2014

NOTE 5 - Other Notes (Continued)

5d. Commitments and Contingencies

Commitments—Construction

At March 31, 2014, the Authority had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-13	\$ <u>164,658.00</u>	\$ <u>133,057.81</u>
	\$ <u><u>164,658.00</u></u>	\$ <u><u>133,057.81</u></u>

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, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
<u>U.S. Department of HUD</u>			
Public and Indian Housing			
<u>Major - Direct Program</u>			
2014	Low Rent Program	14.850a	\$ <u>206,958.00</u>
Low Income Public Housing			
<u>Nonmajor - Direct Program</u>			
2014	Housing Choice Vouchers	14.871	\$ <u>607,868.36</u>
Public and Indian Housing			
<u>Major - Direct Program</u>			
2014	Capital Fund program	14.872	\$ <u>249,808.84</u>
Total			\$ <u>1,064,635.20</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, 2014

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-10</u>
Funds approved	\$ 228,332.00
Funds expended	<u>228,332.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 228,332.00
Funds expended	<u>228,332.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated April 3, 2014 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2014.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS

March 31, 2014

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-11</u>
Funds approved	\$ 185,132.00
Funds expended	<u>185,132.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 185,132.00
Funds expended	<u>185,132.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated April 3, 2014 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2014.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS

March 31, 2014

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-12</u>
Funds approved	\$ 171,371.00
Funds expended	<u>171,371.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 171,371.00
Funds expended	<u>171,371.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated April 3, 2014 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2014.
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: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$300	\$12,303	\$12,603		\$12,603
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$11,465	\$11,465		\$11,465
114 Cash - Tenant Security Deposits	\$6,465		\$6,465		\$6,465
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$6,765	\$23,768	\$30,533		\$30,533
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$62,049		\$62,049		\$62,049
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$3,568		\$3,568		\$3,568
126 Accounts Receivable - Tenants	\$1,518		\$1,518		\$1,518
126.1 Allowance for Doubtful Accounts - Tenants	-\$638		-\$638		-\$638
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery		\$15,877	\$15,877		\$15,877
128.1 Allowance for Doubtful Accounts - Fraud		-\$4,763	-\$4,763		-\$4,763
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$66,497	\$11,114	\$77,611		\$77,611
131 Investments - Unrestricted	\$28,431		\$28,431		\$28,431
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$8,389	\$2,604	\$10,993		\$10,993
143 Inventories	\$20,251		\$20,251		\$20,251

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
143.1 Allowance for Obsolete Inventories	-\$2,025		-\$2,025		-\$2,025
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$128,308	\$37,486	\$165,794		\$165,794
161 Land	\$167,665		\$167,665		\$167,665
162 Buildings	\$7,768,446		\$7,768,446		\$7,768,446
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$139,225	\$30,818	\$170,043		\$170,043
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$6,970,681	-\$30,818	-\$7,001,499		-\$7,001,499
167 Construction in Progress	\$237,940		\$237,940		\$237,940
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,342,595	\$0	\$1,342,595		\$1,342,595
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	\$1,342,595	\$0	\$1,342,595		\$1,342,595
190 Total Assets	\$1,470,903	\$37,486	\$1,508,389		\$1,508,389
200 Deferred Outflow of Resources					

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$1,470,903	\$37,486	\$1,508,389		\$1,508,389
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$25,380	\$324	\$25,714		\$25,714
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$5,334		\$5,334		\$5,334
322 Accrued Compensated Absences - Current Portion	\$30,270	\$2,826	\$33,096		\$33,096
324 Accrued Contingency Liability					
325 Accrued Interest Payable		\$196	\$196		\$196
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$12,291		\$12,291		\$12,291
341 Tenant Security Deposits	\$35,478		\$35,478		\$35,478
342 Unearned Revenue	\$29,298	\$2,748	\$32,046		\$32,046
343 Current Portion of Long-term Debt - Capital					
344 Current Portion of Long-term Debt - Operating Borrowings		\$7,589	\$7,589		\$7,589
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$35,855		\$35,855		\$35,855
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$173,916	\$13,683	\$187,599		\$187,599
351 Long-term Debt, Net of Current - Capital Projects/Mortgage					
352 Long-term Debt, Net of Current - Operating Borrowings		\$32,372	\$32,372		\$32,372
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$9,831	\$5,372	\$15,203		\$15,203

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$9,831	\$37,744	\$47,575		\$47,575
300 Total Liabilities	\$183,747	\$51,427	\$235,174		\$235,174
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$1,342,595		\$1,342,595		\$1,342,595
511.4 Restricted Net Position		\$11,465	\$11,465		\$11,465
512.4 Unrestricted Net Position	-\$55,439	-\$25,406	-\$80,845		-\$80,845
513 Total Equity - Net Assets / Position	\$1,287,156	-\$13,941	\$1,273,215		\$1,273,215
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets /	\$1,470,903	\$37,486	\$1,508,389		\$1,508,389

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$408,527		\$408,527		\$408,527
70400 Tenant Revenue - Other	\$124,216		\$124,216		\$124,216
70500 Total Tenant Revenue	\$532,743	\$0	\$532,743	\$0	\$532,743
70600 HUD PHA Operating Grants	\$392,523	\$621,954	\$1,014,477		\$1,014,477
70610 Capital Grants	\$64,244		\$64,244		\$64,244
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	\$42	\$5	\$47		\$47
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$23,111	\$4,183	\$27,294		\$27,294
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$1,012,663	\$626,142	\$1,638,805	\$0	\$1,638,805
91100 Administrative Salaries	\$147,141	\$30,419	\$177,560		\$177,560

Housing Authority of the City of Bedford (IN031)
 BEDFORD, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
91200 Auditing Fees	\$3,523	\$1,387	\$4,910		\$4,910
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$67,217	\$5,186	\$72,403		\$72,403
91600 Office Expenses	\$51,780	\$5,947	\$57,727		\$57,727
91700 Legal Expense	\$1,189	\$85	\$1,274		\$1,274
91800 Travel	\$1,934	\$415	\$2,349		\$2,349
91810 Allocated Overhead					
91900 Other	\$10,796	\$2,103	\$12,899		\$12,899
91000 Total Operating - Administrative	\$283,680	\$45,542	\$329,122	\$0	\$329,122
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$2,820		\$2,820		\$2,820
92500 Total Tenant Services	\$2,820	\$0	\$2,820	\$0	\$2,820
93100 Water	\$53,657		\$53,657		\$53,657
93200 Electricity	\$124,688		\$124,688		\$124,688
93300 Gas	\$55,554		\$55,554		\$55,554
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: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
93800 Other Utilities Expense					
93000 Total Utilities	\$233,899	\$0	\$233,899	\$0	\$233,899
94100 Ordinary Maintenance and Operations - Labor	\$147,845		\$147,845		\$147,845
94200 Ordinary Maintenance and Operations - Materials and	\$82,757		\$82,757		\$82,757
94300 Ordinary Maintenance and Operations Contracts	\$78,590		\$78,590		\$78,590
94500 Employee Benefit Contributions - Ordinary Maintenance	\$66,043		\$66,043		\$66,043
94000 Total Maintenance	\$375,235	\$0	\$375,235	\$0	\$375,235
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$34,552		\$34,552		\$34,552
96120 Liability Insurance	\$3,110		\$3,110		\$3,110
96130 Workmen's Compensation	\$5,117		\$5,117		\$5,117
96140 All Other Insurance	\$556		\$556		\$556
96100 Total Insurance Premiums	\$43,335	\$0	\$43,335	\$0	\$43,335
96200 Other General Expenses		\$439	\$439		\$439
96210 Compensated Absences	\$35,673	\$2,466	\$38,139		\$38,139
96300 Payments in Lieu of Taxes	\$12,291		\$12,291		\$12,291
96400 Bad debt - Tenant Rents	\$19,891		\$19,891		\$19,891
96500 Bad debt - Mortgages					

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
96600 Bad debt - Other		\$1,781	\$1,781		\$1,781
96800 Severance Expense					
96000 Total Other General Expenses	\$67,855	\$4,686	\$72,541	\$0	\$72,541
96710 Interest of Mortgage (or Bonds) Payable		\$2,278	\$2,278		\$2,278
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$2,278	\$2,278	\$0	\$2,278
96900 Total Operating Expenses	\$1,006,724	\$52,506	\$1,059,230	\$0	\$1,059,230
97000 Excess of Operating Revenue over Operating Expenses	\$5,939	\$573,636	\$579,575	\$0	\$579,575
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments		\$551,635	\$551,635		\$551,635
97350 HAP Portability-In		\$3,727	\$3,727		\$3,727
97400 Depreciation Expense	\$282,855		\$282,855		\$282,855
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$1,289,579	\$607,868	\$1,897,447	\$0	\$1,897,447
10010 Operating Transfer In	\$169,099		\$169,099	-\$169,099	\$0
10020 Operating transfer Out	-\$169,099		-\$169,099	\$169,099	\$0

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)		-\$43,029	-\$43,029		-\$43,029
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	-\$43,029	-\$43,029	\$0	-\$43,029
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$276,916	-\$24,756	-\$301,671	\$0	-\$301,671
11020 Required Annual Debt Principal Payments	\$0	\$5,039	\$5,039		\$5,039
11030 Beginning Equity	\$1,564,072	\$10,814	\$1,574,886		\$1,574,886
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0		\$0		\$0
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity		-\$25,406	-\$25,406		-\$25,406
11180 Housing Assistance Payments Equity		\$11,465	\$11,465		\$11,465

Housing Authority of the City of Bedford (IN031)

BEDFORD, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2014

	Project Total	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
11190 Unit Months Available	1932	1883	3815		3815
11210 Number of Unit Months Leased	1840	1687	3537		3537
11270 Excess Cash	-\$154,744		-\$154,744		-\$154,744
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$64,244		\$64,244		\$64,244
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

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, 2014, 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 October 9, 2014.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. The deficiency is shown on page 7.

Compliance and Other Matters

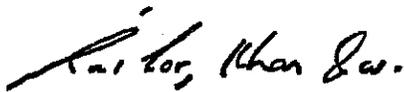
As part of obtaining reasonable assurance about whether the Housing Authority of the City of Bedford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs. The deficiency is shown 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
October 9, 2014

**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, 2014. 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, 2014.

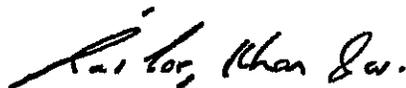
Report on Internal Control Over Compliance

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

October 9, 2014

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

March 31, 2014

The prior audit report for the year ended March 31, 2013 contained no significant deficiencies.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2014

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
14-850a	Public and Indian Housing
14-872	Public and Indian Housing - Capital Fund Program

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, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended March 31, 2014 disclosed the following Financial Statement audit finding:

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, 2014:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Overrun</u>
Administrative Expenses	\$ 287,516.00	\$ 579,387.13	\$ 291,871.13
Utilities Expense	186,491.00	233,898.66	47,407.66
Maintenance Expense	268,007.00	375,052.96	107,045.96
Total Operating Expenses	1,536,010.00	1,824,258.97	288,248.97

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, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

1. Budget Overruns (Continued)

Management's Response:

Again this fiscal year the state of internal budgeting for the Authority was Directly affected by funding made available by the Department of Housing and Urban Development. Subsidy cuts, decreased proration and recaptures were the primary factors that contributed to the overrun of the annual budget. The agency did submit a budget revision to HUD at the 2014 FYE.

Clearly, since the Congressional sequestration of federal funds in 2012, public housing agencies across the nation have had similar budgeting issues. Without major budget cuts to staffing and capital needs (which seemingly are the budget line-items that could be adjusted to make a significant difference), the BHA has found no other alternative sources of revenue to make up the deficits.

Action Plan:

As a result of the budget issues (overruns) the Authority received a status of substandard on the annual FASS (Financial Assessment Sub-System) component within scoring of the annual PHAS (Public Housing Assessment System).

Subsequently the Authority was required to establish and submit to HUD a Corrective Action Plan (CAP) for addressing this financial situation. The CAP was submitted to HUD in May, 2014 and was approved by the Indianapolis HUD Field Office (FO).

Since May the Authority has been facilitated by staff in the FO by being required to submit monthly updates to the approved CAP.

HOUSING AUTHORITY OF THE CITY OF BEDFORD

Bedford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

March 31, 2014

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended March 31, 2014 disclosed no Federal Awards audit findings.