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February 11, 2013

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

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2008 to September 30, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Bloomington, as of September 30, 2009 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2009

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

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

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

I have audited the accompanying financial statements of Housing Authority of the City of Bloomington, as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

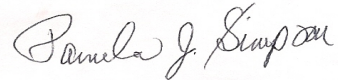
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Housing Authority of the City of Bloomington, as of September 30, 2009 and the respective changes in financial position and cash flows for the year end in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 9, 2010, on my consideration of the Housing Authority of the City of Bloomington's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6, are not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements of the Housing Authority of the City of Bloomington, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Housing Authority of the City of Bloomington. The accompanying financial data schedule and other additional statements and schedules listed as supplemental data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority of the City of Bloomington. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all materials respects in relation to the financial statements taken as a whole.

Handwritten signature of Pamela J. Simpson in black ink.

Certified Public Accountant

Decatur, Illinois
April 9, 2010

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2009

The management of the Bloomington Housing Authority (PHA) offers this narrative overview and analysis of its audited financial statements for fiscal year ended September 30, 2009. The goal is for the reader to better understand the Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS:

- The assets of the PHA exceed its liabilities as of September 30, 2009 by \$8,889,351 (Net Assets).
- The PHA's investment in Capital Assets-net of related debt as of September 30, 2009 was \$5,979,879.
- The PHA's total revenue for the fiscal year end September 30, 2009 was \$10,608,031.
- The PHA's total expenses for the fiscal year end September 30, 2009 was \$10,469,383.
- Therefore, the PHA's total revenues exceed its' total expenses by \$138,648.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

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

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2009

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Cash & Investments	2,950,433	4,487,041	(1,536,608)
Other Current Assets	177,576	127,908	49,668
Other Assets	39,233	71,046	(31,813)
Capital Assets	8,876,770	7,454,979	1,421,791
Total Assets	12,044,012	12,140,974	(96,962)
Current Liabilities	330,038	418,722	(88,684)
Long Term Liabilities	2,824,623	2,985,779	(161,156)
Total Liabilities	3,154,661	3,404,501	(249,840)
Invested in Capital Assets	5,979,879	4,478,578	1,501,301
Restricted Net Assets	1,026,802	2,616,045	(1,589,243)
Unrestricted Assets	1,882,670	1,641,851	240,819
Total Net Assets	8,889,351	8,736,474	152,877

The decrease in cash is due, in part, to the following: (1) Completion of the Energy Performance Contract . This included installation of energy efficient thermostats, toilets, lighting, etc. (2) Completion of the Capital Fund Finance Program (CFFP) which encompassed interior and exterior renovations of 56 units at the Rev. Butler complex. (3) The decrease in investment income for FY 2009 has been a major factor in reduced cash flow.

The increase in other current assets is partly due to the following: (1) A decrease in the allowance for doubtful accounts-tenants. (2) An increase in accounts receivable because the number of vacancies from renovations was much less in FY 2009. (3) the implementation of Enterprise Income Verification (EIV) for all programs has allowed us to book and collect more fraud recovery from tenants/clients.

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

The decrease in current liabilities as well as long term liabilities is due to the following: (1) principal payments of current debt related to the Energy Performance Contract and CFFP.

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2009

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

	<u>Year Ending September 30</u>		<u>Increase</u>
	<u>2009</u>	<u>2008</u>	<u>(Decrease)</u>
REVENUE			
Tenant Revenue	638,802	585,345	53,457
HUD Operating and Capital Grants	9,549,721	9,777,641	(227,920)
Other Governmental Grants	138,504	261,108	(122,604)
Interest-Unrestricted	28,880	92,057	(63,177)
Interest-Restricted	20,457	110,326	(89,869)
Other Revenue	154,892	68,775	86,117
Fraud Recovery	85,807	55,916	29,891
Gain(Loss) on Sale of Asset	(9,032)	5,004	(14,036)
Total Revenue	10,608,031	10,956,172	(348,141)
EXPENSES			
Administrative expenses	1,182,218	1,005,747	176,471
Tenant Services	68,258	121,651	(53,393)
Utilities	413,867	461,985	(48,118)
Ordinary Maintenance	527,843	503,505	24,338
Protective Services	-	-	-
General Expenses	238,573	122,464	116,109
Interest Expense	140,316	136,892	3,424
Housing Assistance Payments	7,194,152	7,443,075	(248,923)
Extraordinary Maintenance	59,373	84,874	(25,501)
Depreciation	628,192	463,265	164,927
Casualty Losses	16,591	-	16,591
Total Expenses	10,469,383	10,343,458	125,925
Excess of Revenue Over Expenses	138,648	\$ 612,714	

The increase in tenant revenue is because of fewer vacancies in both complexes due to the completion of major renovations.

The decrease in Housing and Urban Development (HUD) Operating & Capital Grants is primarily due to the following: (1) the public housing operating fund program was only funded at 88.4% of eligibility.

The decrease in interest income, both restricted and non-restricted, are due to the following: (1) a decrease in the amount of cash invested because of the completion of major projects (2) a decrease in interest rates by financial institutions.

BLOOMINGTON HOUSING AUTHORITY
Bloomington, Indiana
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING SEPTEMBER 30, 2009

The increase in other revenue includes (1) decreased vacancies (2) developer fees earned from our FHLB grant which was closed out in FY2008 but the fees were not recognized until FY2009.

The increase in fraud recovery is due, as mentioned above, to the implementation of the EIV system.

The increase in Administrative expenses is due to the following: (1) an increase in health care expenses (2) additional staff for our Section 8 and maintenance departments.

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

The increase in ordinary maintenance is mainly due to the following: (1) plumbing issues brought on by the deterioration of pipes.

The increase in general expenses is partly due to the following: (1) two casualty losses in our Amps because of a car accident into a unit and unit fire.

The decrease in Housing assistance payments (HAP) is due to increased self sufficiency of our clientele, which means they are paying a higher percentage of their own rent.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2009**

ASSETS

CURRENT ASSETS

Cash	\$ 1,829,874
Accounts receivable (interfund eliminated)	105,738
Accrued interest	816
Inventory	43,338
Deferred charges	<u>27,684</u>

Total Current Assets \$ 2,007,450

RESTRICTED ASSETS

Cash	<u>\$ 1,120,559</u>
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Total Restricted Assets \$ 1,120,559

CAPITAL ASSETS

Land, buildings and equipment	\$ 15,387,397
Less: Accumulated depreciation	<u>-6,510,627</u>

Net Capital Assets \$ 8,876,770

OTHER ASSETS

Other (net of amortization)	<u>\$ 39,233</u>
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Total Assets \$ 12,044,012

LIABILITIES

CURRENT LIABILITIES

Accounts payable (interfund eliminated)	\$ 104,109
Notes payable	155,445
Accrued liabilities	51,393
Deferred revenue	<u>19,091</u>

Total Current Liabilities \$ 330,038

NONCURRENT LIABILITIES

Notes payable	\$ 2,741,446
Accrued liabilities	2,420
Trust and deposit liabilities	<u>80,757</u>

Total Noncurrent Liabilities \$ 2,824,623

NET ASSETS

Invested in capital assets	\$ 5,979,879
Restricted	1,026,802
Unrestricted	<u>1,882,670</u>

Total Net Assets \$ 8,889,351

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

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

**STATEMENT OF REVENUE AND EXPENDITURES - PROPRIETARY FUNDS
AND CHANGES IN NET ASSETS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

<u>Operating Income</u>	
Tenant rental revenue	\$ 552,471
Tenant revenue - other	<u>86,331</u>
Total Rental Revenue	\$ 638,802
HUD grants - operating	9,146,033
Other government grants	138,504
Fraud recovery	85,807
Other revenue	154,892
Gain (loss) on sale of fixed assets	<u>-9,032</u>
Total Operating Income	<u>\$ 10,155,006</u>
<u>Operating Expenses</u>	
Administration	\$ 1,182,218
Tenant services	68,258
Utilities	413,867
Ordinary maintenance and operation	527,843
General expense	238,573
Extraordinary maintenance	59,373
Casualty losses	16,591
Housing assistance payments	7,194,152
Depreciation	<u>628,192</u>
Total Operating Expenses	<u>\$ 10,329,067</u>
Net Operating Income (Loss)	<u>\$ -174,061</u>
<u>Nonoperating Income (Expense)</u>	
Interest expense	\$ -140,316
Interest income	<u>49,337</u>
Total Nonoperating Income (Expense)	<u>\$ -90,979</u>
<u>Capital Contributions</u>	
Capital fund grants	<u>\$ 403,688</u>
Total Capital Contributions	<u>\$ 403,688</u>
Changes in net assets	\$ 138,648
Net assets, beginning of year	8,736,474
Prior year adjustments	<u>14,229</u>
Net assets, end of year	<u>\$ 8,889,351</u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

Operating Activities

Operating grants	\$ 9,279,343
Tenant revenue	639,371
Other revenue	231,667
Housing assistance payments	-7,194,152
Payments to employees	-887,065
Payments to suppliers and contractors	<u>-1,719,544</u>

Net Cash Provided (Used) by Operating Activities \$ 349,620

Investing Activities

Investments (purchased) redeemed	\$ 2,400,696
Interest income	<u>52,042</u>

Net Cash Provided (Used) by Investing Activities \$ 2,452,738

Capital and Related Financing Activities

HUD grants - capital	\$ 403,688
(Additions) to fixed assets	-2,049,983
Interest expense	-141,419
Issuance (retirement) of debt	<u>-150,556</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -1,938,270

Net Change in Cash \$ 864,088

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

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

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

Net operating income (loss)	\$ -174,061
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	628,192
Adjustment to net assets	14,229
(Increase) decrease in accounts receivable	-37,344
(Increase) decrease in deferred charges	101
(Increase) decrease in inventory	-15,130
(Increase) decrease in other assets	31,813
Increase (decrease) in accounts payable	-99,010
Increase (decrease) in accrued liabilities	-22,000
Increase (decrease) in deferred revenues	-625
Increase (decrease) in other liabilities	<u>23,455</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 349,620</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the City of Bloomington was established by the City of Bloomington pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Bloomington and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the City of Bloomington is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

During the preparation of financial statements, the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses, although no formal policy has been adopted.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- * Low Rent Public Housing (Amps and COCC)
- * Housing Choice Vouchers
- * Section 8 Single Room Occupancy
- * Capital Fund Program
- * CDBG

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

Proprietary Fund Types:

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

(e) Cash and Cash Equivalents -

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(f) Interprogram Receivables and Payables

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

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2009, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) Fixed Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Fixed Assets - Continued

Land, buildings and equipment contains the following:

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

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

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

(k) Income Tax -

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

(l) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (m) The Housing Authority adopts a budget annually. The budget and any subsequent revisions are submitted to the Board for approval.
- (n) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Investments

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

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

Custodial Credit Risk

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Projects	\$ 905,549	\$ 959,455
Central Office Cost Center	601,895	601,895
Stimulus Grant	13,000	13,000
Voucher	<u>1,429,989</u>	<u>1,436,582</u>
Total	<u>\$ 2,950,433</u>	<u>\$ 3,010,932</u>

Note 3 - Compensated Absences

Sick Leave

Regular full time employees will be allowed 6.42 hours of sick leave for each month worked beginning on date of employment. Regular part time employees will be allowed 3.5 hours. Employees may not begin using accrued sick time until the successful completion of their introductory period. Sick time may be accumulated to a maximum of 420 hours (hired prior to January 1, 2008) and 210 hours (hired after December 31, 2006) and may be taken in one-hour increments.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 3 - Compensated Absences (Continued)

Vacation

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

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

Employees' (hired prior to January 1, 2008) vacation time will be earned according to the following guidelines:

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its regular full-time and part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Housing Authority to contribute 10% of covered wages. Housing Authority contributions forfeited by employees who leave employment prior to vesting are used to reduced current costs and contribution requirements. Pension plan contributions made for the fiscal year ended September 30, 2009 were \$83,322.

Note 5 - Accounts Receivable

Accounts receivable consists of the following accounts:

Tenants accounts receivable (net)	\$ 17,109
Fraud recovery (net)	75,910
Accounts receivable - HUD	7,009
Accounts receivable - other	<u>5,710</u>
Subtotal	\$ 105,738
Interfund	<u>180,330</u>
Total	<u>\$ 286,068</u>

Note 6 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	<u>\$ 27,684</u>
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**HOUSING AUTHORITY OF THE CITY OF BLOOMINGTON
BLOOMINGTON, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 7 - Fixed Assets

Balance as of September 30, 2009	\$ 8,876,770
Balance as of September 30, 2008	<u>7,454,979</u>
Net Increase (Decrease)	<u>\$ 1,421,791</u>

Reconciliation

Property betterments and additions	\$ 2,029,592
Disposals	-9,832
Reclassification of bond interest	29,470
Prior year fixed assets not reported	753
Current year depreciation expense	<u>-628,192</u> *
Net Increase (Decrease)	<u>\$ 1,421,791</u>

<u>Analysis</u>	<u>10/01/08 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/09 Balance</u>
Land	\$ 934,929	\$ 0	\$ 0	\$ 934,929
Buildings	7,069,104	3,401,978	0	10,471,082
Equipment and furniture	351,303	22,190	19,642	353,851
Leasehold improvements	3,143,065	25,528	0	3,168,593
Construction in progress	<u>1,848,526</u>	<u>0</u>	<u>1,389,584</u>	<u>458,942</u>
Total	\$ 13,346,927	\$ 3,449,696	\$ 1,409,226	\$ 15,387,397
Accumulated depreciation	<u>-5,891,948</u>	<u>9,810</u>	<u>628,489</u> *	<u>-6,510,627</u>
Net Assets	<u>\$ 7,454,979</u>	<u>\$ 3,459,506</u>	<u>\$ 2,037,715</u>	<u>\$ 8,876,770</u>

* Current year depreciation expense is \$628,192.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 8- Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 44,618
Tenants security deposits	52,361
HUD payable	<u>7,130</u>
Subtotal	\$ 104,109
Interfund	<u>180,330</u>
Total	<u>\$ 284,439</u>

Note 9 - Long Term Debt

On August 4, 1987, the U.S. Department of Housing and Urban Development (HUD) issued notice PIH 87-212 to implement the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (PL 99-272, enacted April 7, 1986). This notice states, in part, the following:

Project debt to HUD (HUD-held notes) will be forgiven after a debt forgiveness amendment to the consolidated Annual Contributions Contract has been executed by HUD and the Public Housing Authority and after the Actual Development Cost Certificate has been included in an audit and approved.

As a part of the HUD mandated GAAP conversion and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

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

	<u>Rate</u>	<u>Issue Date</u>	<u>Due Date</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Fannie Mae	4.75%	8/22/06	2/1/25	\$ 81,154	\$ 1,988,551	\$ 2,069,705
Bond Premium	-	-	2026	60	944	1,004
Energy Contract	2.89%	12/20/07	6/20/20	<u>74,231</u>	<u>751,951</u>	<u>826,182</u>
Total				<u>\$ 155,445</u>	<u>\$ 2,741,446</u>	<u>\$ 2,896,891</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 9 - Long Term Debt (Continued)

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

<u>Due Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 155,445	\$ 119,480
2011	161,556	113,368
2012	167,923	107,002
2013	174,555	100,370
2014	181,464	93,460
Thereafter	2,055,948	

Note 10 - Accrued Liabilities

Current Portion:

Accrued compensated absences	\$ 51,393
Total Current Portion	\$ 51,393

Noncurrent Portion:

Accrued compensated absences	2,420
Total	<u>\$ 53,813</u>

Note 11 - Trust and Deposit Liabilities

This classification consists of the following accounts:

FSS escrow accounts	<u>\$ 80,757</u>
---------------------	------------------

Note 12 - Summary of Long Term Liabilities

The change in long term liabilities for the year ended September 30, 2009 is summarized as:

	10/01/2008			09/30/2009
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Notes payable	\$ 2,911,413	\$ 0	\$ 169,967	\$ 2,741,446
Accrued liabilities	17,063	0	14,643	2,420
Trust and deposit liabilities	<u>57,303</u>	<u>23,454</u>	<u>0</u>	<u>80,757</u>
Total	<u>\$ 2,985,779</u>	<u>\$ 23,454</u>	<u>\$ 184,610</u>	<u>\$ 2,824,623</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ 11,596
Other deferred revenue	<u>7,495</u>
Total	<u>\$ 19,091</u>

Note 14 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is a variable rate set by HUD.

Note 15 - Contingencies

Federal Grants

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

Note 16 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment to HUD payable	\$ 1,508
Adjustment for fraud recovery	11,968
Prior year transfer	<u>753</u>
	<u>\$ 14,229</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2009
(CONTINUED)**

Note 17 - Risk Management

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

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

Note 18 - Economic Dependency

The Housing Authority received most of its revenue (90%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Public and Indian Housing*	14.850a	C-894	FYE 09/30/09	\$ 1,077,100	\$ 1,077,100	\$ 1,077,100
Lower Income Housing Assistance Program - Single Room Occupancy	14.249	C-2013	FYE 09/30/09	\$ 18,606	\$ 18,606	\$ 18,606
Housing Choice Voucher Program*	14.871	C-2013	FYE 09/30/09	\$ 7,764,477	\$ 7,764,477	\$ 7,764,477
Public Housing - Capital Fund*	14.872	C-894	FYE 09/30/09	\$ 1,594,480	\$ 471,689	\$ 471,689
Capital Fund Stimulus Grant	14.885	C-894	FYE 09/30/09	\$ 662,430	\$ 217,849	\$ 217,849
Total Federal Assistance				<u>\$ 11,117,093</u>	<u>\$ 9,549,721</u>	<u>\$ 9,549,721</u>
<u>Flow Through from Local Sources</u>						
Community Development Block/Entitlement Grants	14.218	*	FYE 09/30/09	\$ 88,783	\$ 88,783	\$ 88,783
Total Assistance				<u>\$ 11,205,876</u>	<u>\$ 9,638,504</u>	<u>\$ 9,638,504</u>

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED SEPTEMBER 30, 2009**

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

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P022501-06**

1. The Actual Modernization Costs of Phase IN36P022501-06 are as follows:

Funds approved	\$ 520,885
Funds expended	<u>520,885</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Project notes, non-HUD	\$ 520,885
Funds expended	<u>520,885</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated August 28, 2009, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

I have audited the financial statements of the Housing Authority of the City of Bloomington as of and for the year ended September 30, 2009, which collectively comprise the Housing Authority of the City of Bloomington's basic financial statements and have issued my report thereon dated April 9, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

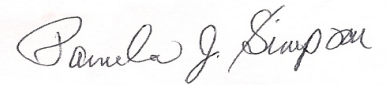
Compliance and Other Matters

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

I noted certain matters that we reported to management of Housing Authority of the City of Bloomington, in a separate letter dated April 9, 2010.

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

Decatur, Illinois
April 9, 2010



Certified Public Accountant

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

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

Compliance

I have audited the compliance of Housing Authority of the City of Bloomington with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Housing Authority of the City of Bloomington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Housing Authority of the City of Bloomington's management. My responsibility is to express an opinion on Housing Authority of the City of Bloomington's compliance based on my audit.

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

In my opinion, Housing Authority of the City of Bloomington complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of Housing Authority of the City of Bloomington is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Housing Authority of the City of Bloomington's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Bloomington's internal control over compliance.

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

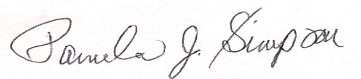
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

In addition, I noticed other matters involving the internal control and its operation that I have reported to management of Housing Authority of the City of Bloomington in a separate letter dated April 9, 2010.

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

Decatur, Illinois
April 9, 2010


Certified Public Accountant

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2008 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section I - Summary of Auditor's Results

Low Risk Auditee X yes _____ no

Financial Statements

Type of auditor's report: Unqualified

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

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major programs:

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

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

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

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

Major Programs: (Threshold \$300,000)

CFDA Number(s)

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

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

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

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Jennifer J. Osterholt, Executive Director, during the audit or at an exit conference held April 9, 2010.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Jennifer J. Osterholt, Executive Director, during the audit or at an exit conference held April 9, 2010.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2009**

<u>Amp 1</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Buildings	1400.07	\$ 86,753.56		1400.07
Transfer in	----		\$ 86,753.56	2802.508
(To reclassify construction payments made with CDBG money)				
(2)				
Collection losses	4570	\$ 4,707.01		2810.512
Allowance for doubtful - fraud	1129.01		\$ 4,707.01	1129.01
(To adjust to schedule)				
<u>Amp 2</u>				
(1)				
Buildings	1400.07	\$ 2,029.44		1400.07
Transfer in	----		\$ 2,029.44	2802.508
(To reclassify construction payments made with CDBG money)				
(2)				
Collection losses	4570	\$ 505.73		2810.512
Allowance for doubtful - fraud	1129.01		\$ 505.73	1129.01
(To adjust to schedule)				
<u>Voucher</u>				
(1)				
FSS liability	2182	\$ 146.53		2182
HAP	4715		\$ 146.53	2810.001
(To adjust liability for participant removed from program 8/1/09)				
(2)				
Fraud recovery - HUD	3450	\$ 4,349.71		2810.001
Fraud recovery - PHA	3450.01	4,349.71		2810.002
Allowance for doubtful	1121.01		\$ 8,599.42	1121.01
(To correct estimate of allowance for doubtful accounts)				
<u>SRO</u>				
(1)				
HUD subsidy	3410	\$ 1,508.00		2810.512
Unrestricted	2810.512		\$ 1,508.00	2810.512
(To correct subsidy per prior year HUD payable)				

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

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	Project Total	14 871 Housing Choice Vouchers	14 249 Section 8 Moderate Rehabilitation Single Room Occupancy	14 218 Community Development Block Grants/Entitlement Grants	14 885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$589,060	\$586,558			\$13,000	\$601,895	\$1,777,513		\$1,777,513
112 Cash - Restricted - Modernization and Development	\$264,128						\$277,128		\$277,128
113 Cash - Other Restricted	\$52,361	\$843,431					\$843,431		\$843,431
114 Cash - Tenant Security Deposits	\$52,361						\$52,361		\$52,361
115 Cash - Restricted for Payment of Current Liabilities	\$905,549	\$1,429,989	\$0	\$0	\$13,000	\$601,895	\$2,950,433	\$0	\$2,950,433
100 Total Cash									
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$7,009						\$7,009		\$7,009
124 Accounts Receivable - Other Government		\$5,710					\$5,710		\$5,710
125 Accounts Receivable - Miscellaneous									
126 Accounts Receivable - Tenants	\$24,843						\$24,843		\$24,843
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,734	\$0					-\$7,734		-\$7,734
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0					\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery	\$22,889	\$77,214					\$99,803		\$99,803
128.1 Allowance for Doubtful Accounts - Fraud	-\$13,579	-\$10,314					-\$23,893		-\$23,893
129 Accrued Interest Receivable	\$524					\$292	\$816		\$816
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$33,852	\$72,610	\$0	\$0	\$0	\$292	\$106,554	\$0	\$106,554
131 Investments - Unrestricted									
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$24,073	\$2,462				\$1,149	\$27,684		\$27,684
143 Inventories	\$43,338						\$43,338		\$43,338
143.1 Allowance for Obsolete Inventories	\$0						\$0		\$0
144 Inter-Program Due From	\$138,796		\$6,528			\$35,006	\$180,330	-\$180,330	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$1,145,408	\$1,505,061	\$6,528	\$0	\$13,000	\$638,342	\$3,308,339	-\$180,330	\$3,128,009
161 Land	\$899,869					\$35,060	\$934,929		\$934,929
162 Buildings	\$10,343,047					\$128,035	\$10,471,082		\$10,471,082
163 Furniture, Equipment & Machinery - Dwellings	\$17,605					\$951	\$18,556		\$18,556
164 Furniture, Equipment & Machinery - Administration	\$201,696	\$37,523				\$96,076	\$335,295		\$335,295
165 Leasehold Improvements	\$3,168,593						\$3,168,593		\$3,168,593
166 Accumulated Depreciation	-\$6,312,451	-\$11,501				-\$186,675	-\$6,510,627		-\$6,510,627
167 Construction in Progress	\$458,942						\$458,942		\$458,942
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,777,301	\$26,022	\$0	\$0	\$0	\$73,447	\$8,876,770	\$0	\$8,876,770
171 Notes, Loans and Mortgages Receivable - Non-Current									
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due									
173 Grants Receivable - Non-Current									
174 Other Assets	\$39,233						\$39,233		\$39,233
176 Investments in Joint Ventures									
180 Total Non-Current Assets	\$8,816,534	\$26,022	\$0	\$0	\$0	\$73,447	\$8,916,003	\$0	\$8,916,003
190 Total Assets	\$9,961,942	\$1,531,083	\$6,528	\$0	\$13,000	\$711,789	\$12,224,342	-\$180,330	\$12,044,012

Housing Authority of the City of Bloomington (IN022)
 BLOOMINGTON, IN
 Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.218 Community Development Block Grants/Entitlement Grants	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
311 Bank Overdraft					\$5,505	\$631	\$44,618		\$44,618
312 Accounts Payable <= 90 Days	\$37,839	\$643							
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$17,260	\$13,905			\$20,228		\$51,393		\$51,393
322 Accrued Compensated Absences - Current Portion									
324 Accrued Contingency Liability									
325 Accrued Interest Payable			\$7,130				\$7,130		\$7,130
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$52,361						\$52,361		\$52,361
342 Deferred Revenues	\$11,596				\$7,495		\$19,091		\$19,091
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$155,445						\$155,445		\$155,445
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities									
346 Accrued Liabilities - Other									
347 Inter Program - Due To	\$75,150	\$58,371				\$46,809	\$180,330	-\$180,330	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$349,651	\$72,919	\$7,130	\$0	\$13,000	\$67,668	\$510,368	-\$180,330	\$330,038
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,741,446						\$2,741,446		\$2,741,446
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other		\$80,757					\$80,757		\$80,757
354 Accrued Compensated Absences - Non Current		\$905				\$1,512	\$2,420		\$2,420
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$2,741,446	\$81,665	\$0	\$0	\$0	\$1,512	\$2,824,623	\$0	\$2,824,623
300 Total Liabilities	\$3,091,097	\$154,584	\$7,130	\$0	\$13,000	\$69,180	\$3,334,991	-\$180,330	\$3,154,661
508.1 Invested in Capital Assets, Net of Related Debt	\$5,880,410	\$26,022	\$0	\$0	\$0	\$73,447	\$5,979,879		\$5,979,879
509.2 Fund Balance Reserved									
511.2 Unreserved, Designated Fund Balance									
511.1 Restricted Net Assets	\$264,123	\$762,674					\$1,026,802		\$1,026,802
512.1 Unrestricted Net Assets	\$726,307	\$587,803	-\$602	\$0	\$0	\$569,162	\$1,882,670		\$1,882,670
512.2 Unreserved, Undesignated Fund Balance									
513 Total Equity/Net Assets	\$6,870,845	\$1,376,499	-\$602	\$0	\$0	\$642,609	\$8,889,351	\$0	\$8,889,351
600 Total Liabilities and Equity/Net Assets	\$9,961,942	\$1,531,083	\$6,528	\$0	\$13,000	\$711,789	\$12,224,342	-\$180,330	\$12,044,012

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	Project Total	14.671 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.218 Community Development Block Grants/Entitlement Grants	14.865 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$552,471						\$552,471		\$552,471
70400 Tenant Revenue - Other	\$86,331						\$86,331		\$86,331
70500 Total Tenant Revenue	\$638,802	\$0	\$0	\$0	\$0	\$0	\$638,802	\$0	\$638,802
70600 HUD PHA Operating Grants	\$1,359,075	\$7,764,477	\$18,606		\$3,875		\$9,146,033		\$9,146,033
70610 Capital Grants	\$189,714				\$213,974		\$403,688		\$403,688
70710 Management Fee						\$439,077	\$439,077	-\$439,077	\$0
70720 Asset Management Fee						\$23,280	\$23,280	-\$23,280	\$0
70730 Book Keeping Fee						\$152,828	\$152,828	-\$152,828	\$0
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$615,185	\$615,185	-\$615,185	\$0
70800 Other Government Grants	\$19,609	\$30,112		\$88,783			\$138,504		\$138,504
71100 Investment Income - Unrestricted	\$13,547	\$12,180				\$3,153	\$28,860		\$28,860
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery	\$17,592	\$88,215					\$95,807		\$95,807
71500 Other Revenue	\$114,479	\$38,212				\$2,201	\$154,892		\$154,892
71600 Gain or Loss on Sale of Capital Assets	-\$9,032						-\$9,032		-\$9,032
72000 Investment Income - Restricted	\$4,980	\$15,477					\$20,457		\$20,457
70000 Total Revenue	\$2,346,766	\$7,826,673	\$18,606	\$88,783	\$217,849	\$620,539	\$11,223,216	-\$615,185	\$10,608,031
91100 Administrative Salaries	\$169,066	\$213,713	\$5,009		\$3,875	\$214,131	\$605,794		\$605,794
91200 Auditing Fees	\$4,668	\$1,334				\$1,334	\$7,336		\$7,336
91300 Management Fee	\$238,773						\$238,773	-\$439,077	-\$200,304
91310 Book-keeping Fee	\$27,638	\$125,190					\$152,828	-\$152,828	\$0
91400 Advertising and Marketing	\$14	\$335				\$19	\$368		\$368
91500 Employee Benefit Contributions - Administrative	\$57,990	\$99,151	\$384			\$96,269	\$253,784		\$253,784
91600 Office Expenses	\$10,037	\$55,201				\$40,313	\$105,551		\$105,551
91700 Legal Expense	\$10,705	\$1,982				\$2,321	\$15,008		\$15,008
91800 Travel	\$7,319	\$4,993				\$13,463	\$25,775		\$25,775
91810 Allocated Overhead									
91900 Other	\$33,695	\$97,183				\$37,724	\$168,602		\$168,602
91000 Total Operating - Administrative	\$559,895	\$999,082	\$5,393	\$0	\$3,875	\$405,574	\$1,573,819	-\$691,905	\$981,914
92000 Asset Management Fee	\$23,280	\$200,304					\$223,584	-\$23,280	\$200,304
92100 Tenant Services - Salaries									
92200 Relocation Costs	\$8,874						\$8,874		\$8,874
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other	\$6,492						\$6,492		\$6,492
92500 Total Tenant Services	\$15,366	\$0	\$0	\$0	\$0	\$52,892	\$68,258	\$0	\$68,258

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	Project Total	14.871 Housing Choice Vouchers	14.245 Section 8 Moderate Rehabilitation Single Room Occupancy	14.218 Community Development Block Grants/Entitlement Grants	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
93100 Water	\$39,761						\$39,761		\$39,761
93200 Electricity	\$169,614						\$169,614		\$169,614
93300 Gas	\$149,578						\$149,578		\$149,578
93400 Fuel									
93500 Labor									
93600 Sewer	\$54,914						\$54,914		\$54,914
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93900 Total Utilities	\$413,867	\$0	\$0	\$0	\$0	\$0	\$413,867	\$0	\$413,867
94100 Ordinary Maintenance and Operations - Labor	\$161,556						\$161,556		\$161,556
94200 Ordinary Maintenance and Operations - Materials and Other	\$107,426						\$107,426		\$107,426
94300 Ordinary Maintenance and Operations Contracts	\$183,539					\$1,029	\$184,568		\$184,568
94500 Employee Benefit Contributions - Ordinary Maintenance	\$74,293						\$74,293		\$74,293
94000 Total Maintenance	\$526,814	\$0	\$0	\$0	\$0	\$1,029	\$527,843	\$0	\$527,843
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$50,524					\$241	\$50,765		\$50,765
96120 Liability Insurance	\$11,990						\$11,990		\$11,990
96130 Workmen's Compensation	\$3,907	\$3,294				\$2,235	\$9,436		\$9,436
96140 All Other Insurance	\$3,161	\$2,376				\$1,707	\$7,244		\$7,244
96100 Total Insurance Premiums	\$69,582	\$5,670	\$0	\$0	\$0	\$4,183	\$79,435	\$0	\$79,435
96200 Other General Expenses	\$4,636						\$4,636		\$4,636
96210 Compensated Absences	\$35,142	\$31,919				\$30,654	\$97,715		\$97,715
96300 Payments in Lieu of Taxes									
96400 Bad debt - Tenant Rents	\$25,711						\$25,711		\$25,711
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$60,853	\$36,555	\$0	\$0	\$0	\$30,654	\$128,062	\$0	\$128,062
96710 Interest of Mortgage (or Bonds) Payable	\$137,974						\$137,974		\$137,974
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs	\$2,342						\$2,342		\$2,342
96700 Total Interest Expense and Amortization Cost	\$140,316	\$0	\$0	\$0	\$0	\$0	\$140,316	\$0	\$140,316
96900 Total Operating Expenses	\$1,809,973	\$841,611	\$5,393	\$0	\$3,875	\$494,332	\$3,155,184	-\$815,185	\$2,539,999
97000 Excess of Operating Revenue over Operating Expenses	\$538,793	\$7,087,062	\$13,213	\$98,783	\$213,974	\$126,207	\$8,066,032	\$0	\$8,066,032

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

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

	Project Total	14.671 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.218 Community Development Block Grants/Entitlement Grants	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$59,373						\$59,373		\$59,373
97200 Casualty Losses - Non-capitalized	\$16,591						\$16,591		\$16,591
97300 Housing Assistance Payments		\$7,181,246	\$12,906				\$7,194,152		\$7,194,152
97350 HAP Portability-In		\$25,673				\$13,407	\$25,673		\$25,673
97400 Depreciation Expense	\$610,225	\$4,560					\$628,192		\$628,192
97500 Fraud Losses		\$5,403					\$5,403		\$5,403
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense	\$2,496,162	\$8,058,493	\$18,299	\$0	\$3,875	\$507,739	\$11,094,568	-\$615,185	\$10,469,383
90000 Total Expenses									
10010 Operating Transfer In	\$306,542						\$306,542		\$306,542
10020 Operating Transfer Out	-\$217,799			-\$88,783			-\$306,542		-\$306,542
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$98,783	\$0	\$0	-\$88,783	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$58,613	\$129,820	\$307	\$0	\$213,974	\$112,800	\$138,648	\$0	\$138,648
11020 Required Annual Debt Principal Payments	\$136,034	\$0	\$0	\$0	\$0	\$0	\$136,034		\$136,034
11030 Beginning Equity	\$6,747,516	\$1,506,519	-\$2,417	\$0	\$0	\$485,056	\$8,736,474		\$8,736,474
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$181,942	\$0	\$1,508	\$0	-\$213,974	\$44,753	\$14,229		\$14,229
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity		\$613,825					\$613,825		\$613,825
11180 Housing Assistance Payments Equity		\$762,674					\$762,674		\$762,674
11190 Unit Months Available	3720	15408	144				19272		19272
11210 Number of Unit Months Leased	3685	15225	117				19027		19027
11270 Excess Cash	\$319,131						\$319,131		\$319,131
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$115,651					\$0	\$115,651		\$115,651
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$74,063					\$0	\$74,063		\$74,063
11650 Leasehold Improvements Purchases	\$0					\$0	\$0		\$0
11660 Infrastructure Purchases	\$0					\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0					\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0					\$0	\$0		\$0

PAMELA J. SIMPSON, C.P.A.

433 WEST PERSHING ROAD

DECATUR, ILLINOIS 62526

(217) 872-1908

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

In planning and performing my audit of the financial statements of Housing Authority of the City of Bloomington as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United State of America, I considered the Housing Authorities internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Bloomington's internal control. Accordingly, I do not express an opinion on the effectiveness of Housing Authority of the City of Bloomington's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

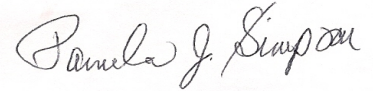
Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. As the Housing Authority continues to track fraud recovery receivables, you should adopt a policy or guideline that provides guidance used to determine when a receivable is valid and should be recorded. Those guidelines should incorporate the need to have either a a signed repayment agreement or court ordered judgement.
2. During the audit of cash disbursements, and all supporting documentation required per internal control policies, it was noted that one purchase was not supported by the lowest quote/bid. All purchases that are not awarded to the lowest quote/bid should be supported by full documentation or complete, written justification.

3. The documentation of the specific items tested for SEMAP quality control samples should include detailed and concise explanation of each item tested for each indicator listed.

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

Handwritten signature of Pamela J. Simpson in black ink.

Certified Public Accountant

Decatur, Illinois
April 9, 2010