



August 9, 2010

Board of Commissioners  
Huntsville Housing Authority  
200 Washington Street  
Huntsville, AL 35801

This letter is to provide you with information about significant matters related to our audit of the financial statements of Huntsville Housing Authority (the Authority) for the year ended March 31, 2010. It is intended solely for management and should not be used by anyone other than this specified party.

We have provided a separate letter, dated August 9, 2010, concerning the internal control conditions that we noted during our audit.

The following are our observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process.

**Auditor's Responsibilities Under Generally Accepted Auditing Standards.** Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that have been prepared by management with your oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve you or management of your responsibilities.

**Significant Issues Discussed With Management Prior to Retention.** We discuss various matters with management each year prior to retention as the Authority's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

**Consultations With Other Accountants.** We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.

**Qualitative Aspects of Accounting Practices.**

*Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

The Authority adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and reporting standards for pollution (including contamination) remediation obligations, which are obligations

to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as soil assessment and cleanups. The Authority recorded an expense of \$300,000 related to soil contamination clean-up.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

*Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

*Financial Statement Disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

**Difficulties Encountered in Performing the Audit.** There were no significant difficulties in dealing with management related to the performance of our audit.

**Corrected Misstatements.** There were no misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Representations from Management.** We have requested the representations from management that are shown in the attached Exhibit.

**Disagreements With Management.** There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Authority's financial statements or our report on those financial statements.

Please contact J. Michael Stephens if you have any questions regarding the matters included in this letter.

*Clifton Henderson LLP*



August 9, 2010

*Growing Communities One Family At A Time*

**Charley S. Burruss**  
Chairman

**R. Thomas Beason**  
Vice Chairman

**Dorothy A. Ford**  
Commissioner

**Leon D. Fountain**  
Commissioner

**Phillip L. Redrick, Ph.D.**  
Commissioner

**Michael O. Lundy**  
Executive Director/CEO

Clifton Gunderson LLP  
9515 Deereco Road, Suite 500  
Timonium, MD 21093

We are providing this letter in connection with your audit of the basic financial statements of Huntsville Housing Authority as of March 31, 2010 and for the year then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly the financial position and changes in financial position and cash flows of Huntsville Housing Authority in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position and changes in financial position and cash flows, where applicable of Huntsville Housing Authority in conformity with accounting principles generally accepted in the United States of America. Although Clifton Gunderson may have made suggestions as to the form and content of the financial statements or even prepared them in whole or in part, we acknowledge our responsibility for the review and approval of the financial statement amounts and disclosures, and understand the financial statements remain the representations of our management.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of August 9, 2010 the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:

- (1) Statutory, regulatory or contractual provisions or requirements.
  - (2) Financial reporting practices that could have a material effect on the financial statements.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements except for instances of noncompliance with grant contract provisions, laws, and regulations included in the Schedule of Findings and Questioned Costs and your report on compliance with laws and regulations related to federal award programs, as applicable.
4. We have followed applicable laws and regulations in adopting, approving and amending budgets.
5. The financial statements properly disclose all related organizations.
6. With respect to the financial statements we acknowledge the following:
  - a. The financial statements properly classify all programs and activities.
  - b. The Authority maintains only one fund.
  - c. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
  - d. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - e. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  - f. Interfund, internal, and intra-activity and balances have been appropriately classified and reported.
  - g. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - h. Special and extraordinary items have been appropriately classified and reported.
  - i. The management's discussion and analysis, which is required supplementary information (RSI), is measured and presented within prescribed guidelines.

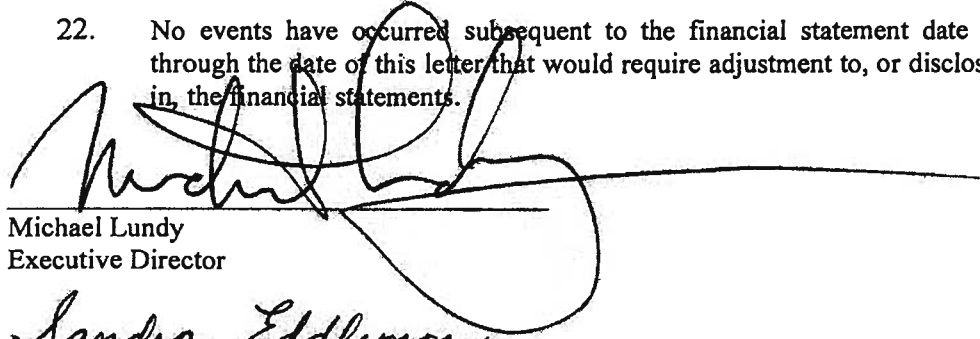
7. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
8. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
9. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances.
12. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions and related amounts receivable or payable, including revenues, expenditures, loans, transfers, leasing arrangements, and guarantees.
  - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.
  - c. Guarantees, whether written or oral, under which the entity is contingently liable.
  - d. Agreements to repurchase assets previously sold.
  - e. Estimates that might be subject to material change within one year from the date of the financial statements. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

13. There are no:
  - a. Violations or possible violations of budget ordinances, or laws or regulations (including those pertaining to adopting or amending budgets, tax or debt limits, and federal, state or local environmental laws and regulations) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.
14. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, except as has been made known to you and disclosed in the financial statements.
15. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.
16. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
17. We are responsible for our depreciation schedules used for long-lived assets and have determined the methods and rates of depreciation and salvage values used in the calculations.
18. With respect to federal award programs:
  - a. We are responsible for complying, and have complied, with the requirements of Circular A-133.
  - b. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included all expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
  - d. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable


assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.

- e. We have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
- f. We have made available all contracts and grant agreements related to federal programs (including amendments, if any) and any related correspondence that has taken place with federal agencies or pass-through entities.
- g. We have complied, in all material respects, with the compliance requirements in connection with federal awards except as we have disclosed to you.
- h. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- i. Our interpretations of any compliance requirements that have varying interpretations have been provided to you.
- j. We have made available all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with that presented in the schedule of expenditures of federal awards.
- l. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- m. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133, as applicable.
- n. We have made available to you all audit or monitoring reports, if any, received from funding sources.
- o. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies, including all management decisions.

- p. We have accurately completed the appropriate sections of the data collection form and we are responsible for preparing and implementing a corrective action plan for each audit finding.
  - q. We have disclosed all contracts or other agreements with the service organizations.
  - r. We have disclosed all communications from the service organization relating to noncompliance at the service organization.
  - s. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
  - t. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and/or material weaknesses, have occurred subsequent to the date as of which compliance is audited.
19. We are responsible for the preparation and electronic submission of the annual financial information required under the uniform annual financial reporting standards for HUD's Public Housing, Section 8 housing, other assisted housing and multifamily insured housing programs.
20. We are responsible for establishing and maintaining effective internal control over financial reporting.
21. We are responsible for the Huntsville Housing Authority's compliance with grant provisions, laws and regulations applicable to it; and we have identified, and disclosed to you, all grant provisions, laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have complied with all aspects of grant provisions, laws, regulations, and contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.



Michael Lundy  
Executive Director



Sandra Eddlemon  
Director of Finance/CFO