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May 28, 2014

Board of Directors
Michigan City Housing Authority
621 E. Michigan Blvd.
Michigan City, IN 46360

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 Michigan City Housing Authority, 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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

TWELVE MONTHS ENDED SEPTEMBER 30, 2009

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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PAMELA J. SIMPSON, C.P.A.

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Independent Auditor's Report

Board of Directors
Michigan City Housing Authority
Michigan City, Indiana

I have audited the accompanying financial statements of Michigan City Housing Authority, 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 Michigan City Housing Authority, 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 6, 2010, on my consideration of the Michigan City Housing Authority'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 15, 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 Michigan City Housing Authority, 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 Michigan City Housing Authority. 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 Michigan City Housing Authority. 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 material respects in relation to the financial statements taken as a whole.



Certified Public Accountant

Decatur, Illinois
April 6, 2010

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

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The Housing Authority of the City of Michigan City, Indiana (“the Authority”) Management’s Discussion and Analysis Report is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (it’s ability to address the next and subsequent year challenges) and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis will be presented at the beginning of the basic financial statement each year.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, it should be read in conjunction with the Authority’s basic financial statements.

FINANCIAL HIGHLIGHTS

- ❖ The Authority’s net assets reflect only a slight change in 2008. Since the Authority engages only in business-type activities, the decrease is all but one of the categories of business-type net assets. Net Assets were \$5.8 million and \$5.0 million for 2008 and 2009 respectively.
- ❖ Business-type activities revenue for 2009 was \$2,806,812.
- ❖ The total expenses of all Authority programs increased by \$429,050 (or 13%). Total expenses were \$3.2 million and \$3.6 million for 2008 and 2009 respectively.
- ❖ The Authority had \$687,527 in Tenant Revenue, \$1,896,412 in HUD PHA Operating Grants and \$141,212 of HUD Capital Grants for the year ended September 30, 2009.
- ❖ Authority investments increased by \$2,698 (or 2%) during the year. Total investments on September 30, 2009 were \$112,575.

FINANCIAL CONTACT

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority’s Executive Director.

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Of Michigan City, Indiana
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HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

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USING THIS ANNUAL REPORT

The following is provided to outline the contents of the Authority's Management Discussion and Analysis Report. This report precedes and is required supplementary information to the Authority's basic financial statements for the annual period ending September 30, 2009.

❖ **Financial Statement Overview**

- Authority-Wide Financial Statements
- Fund Financial Statements
- The Authority's Fund

❖ **Authority-wide Statements**

- Table 1 – Statement of Net Assets and Statement Analysis
- Table 2 – Changes in Unrestricted Net Assets and Analysis
- Table 3- Statement of Revenues, Expenditures and Changes in Net Assets and Analysis Change
- Table 4-Capital Assets at Year End
- Table 5-Changes in Capital Assets
- Table 6-Outstanding Debt at Year End

❖ **Economic Factors Affecting the Authority**

❖ **Overview of Budgets**

❖ **MD&A Financial Contact**

The primary focus of the Authority's financial statements is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow reader to address relevant questions, broaden a basis for comparison (year to year, budget to actual) and enhance the Authority's accountability.

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

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Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net assets") is designed to represent the net available liquid(non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets on which constraints are placed by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, depreciation and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flow is included in the basic financial statements, which discloses net cash provided by or used for: operating activities, non-capital financing activities, and capital and related financing activities.

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

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Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Funds

Business Type Funds

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant Funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Turnkey III Homeownership – Under Turnkey III Homeownership program, the Authority encourages self-sufficiency through homeownership. The housing units in this program are owned by the PHA. During the period of tenancy, the family made "mortgage" payments based on their income and maintained their own property. In Turnkey III, the PHA compensates the family by crediting certain amounts budgeted for maintenance to family equity accounts. A non-routine maintenance reserve is established for each unit. When the family's income and equity accounts increased to the point where it could obtain permanent financing for the unit or when the equity account equaled the unamortized debt and closing costs, ownership is passed to the family. Turnkey homes are amortized over a thirty year period.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Business Activities – Some rents of some residential units are subsidized by HUD under the Section 8 Housing Choice Voucher Program. All such assistance is "voucher based", i.e.; the subsidy is committed by HUD for the assisted participant contractually for a determined period. Business Activity provides rental housing in connection with the development of owned rental housing financed with any type of construction or permanent financing, including the applicable FHA Multifamily Mortgage Insurance Programs.

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

| | 2009 | 2008 | Variance | Percentage Change |
|--------------------------------|------------------|------------------|------------------|------------------------------|
| Cash | 915,421 | 1,224,012 | (308,591) | -25.2% |
| Other Current Assets | 542,581 | 1,138,211 | (595,630) | -52.3% |
| Capital Assets | 3,823,317 | 3,811,083 | 12,234 | 0.3% |
| Non Current Assets | 0 | 0 | 0 | 0.0% |
| Total Assets | 5,281,319 | 6,173,306 | (891,987) | -14.4% |
| Current Liabilities | 193,611 | 304,746 | (111,135) | -36.5% |
| Long Term Liabilities | 113,156 | 53,349 | 59,807 | 112.1% |
| Total Liabilities | 306,767 | 358,095 | (51,328) | -14.3% |
| Net Invested in Capital Assets | 3,823,317 | 3,811,083 | 12,234 | 0.3% |
| Restricted Net Assets | 0 | 177,474 | (177,474) | -100.0% |
| Unrestricted Net Assets | 1,151,235 | 1,826,654 | (675,419) | -37.0% |
| Total Net Assets | 4,974,552 | 5,815,211 | (840,659) | -14.5% |

Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash and accounts receivable) decreased due to the unavailability of excess operating revenues.

Capital assets stayed consistent. The increase is primarily attributable to the current year transfer of property, depreciation and amortization. For more detail see "Capital Assets and Debt Administration" below.

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

Analysis of Entity Wide Revenues

The Authority administers the following programs and the grants revenues generated from these programs during Fiscal Year Ending 2009 were as follows:

| <u>Program</u> | <u>Revenues Generated</u> |
|-------------------------------------|---------------------------|
| Low Income Public Housing | \$1,053,499 |
| Section 8 Vouchers | \$1,349,429 |
| Capital Funds | \$ 203,368 |
| Resident Opportunity and Supportive | \$ 41,421 |
| Business Activities | \$ 152,159 |
| State and Local | \$ 2,691 |
| CDBG | \$ 4,245 |

Statement of Change of Unrestricted Net Assets

The following table presents details on the change in Unrestricted Net Assets

TABLE 2

CHANGE OF UNRESTRICTED NET ASSESTS

| | |
|----------------------------------|---------------------|
| Unrestricted Net Assets 09/30/08 | \$ 1.8 |
| Results of Operations | (0.8) |
| Adjustments: | |
| Depreciation (1) | 0.5 |
| Transfer from MCHDI | (0.3) |
| Adjusted Results from Operations | <u>(0.6)</u> |
| Unrestricted Net Assets 09/30/09 | <u><u>\$1.2</u></u> |

Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

While the results of operations are a significant measure of the Authority's activities, the analysis of the change in Unrestricted Net Assets provides a clearer understanding of the Authority's financial stability.

**HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009**

Statement of Revenues, Expenses and Changes in Net Assets

The following compares the revenues and expenses for the current and previous year. The Authority is engaged only in Business-Type Activities.

TABLE 3

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS

| | <u>2009</u> | <u>2008</u> | <u>Net Change</u> | <u>Percentage Change</u> |
|-------------------------------|-------------------------|-------------------------|------------------------|--------------------------|
| <u>Revenues</u> | | | | |
| Total Tenant Revenue | 687,527 | 638,147 | 49,380 | 8% |
| HUD Operating Grants | 1,896,412 | 1,886,736 | 9,676 | 1% |
| HUD Capital Grants | 141,212 | 347,828 | -206,616 | -59% |
| Other Grants | 2,691 | 44,574 | -41,883 | -94% |
| Investment Income | 8,338 | 24,976 | -16,638 | -67% |
| Fraud Recovery | 120 | 2,746 | -2,626 | -96% |
| Other Revenue | 71,529 | 93,965 | -22,436 | -24% |
| Gain (Loss) on Sale of Assets | -1,017 | 13,158 | -14,175 | -108% |
| Total Revenue | <u>2,806,812</u> | <u>3,052,130</u> | <u>-245,318</u> | <u>-8%</u> |
| <u>Expenses</u> | | | | |
| Administrative | 618,012 | 590,811 | 27,201 | 5% |
| Tenant Services | 49,097 | 12,755 | 36,342 | 285% |
| Utilities | 387,586 | 347,573 | 40,013 | 12% |
| Maintenance | 547,298 | 451,219 | 96,079 | 21% |
| Protective Services | 32,586 | 30,857 | 1,729 | 6% |
| General Expense | 96,146 | 82,040 | 14,106 | 17% |
| Extraordinary Maintenance | 2,424 | 7,978 | -5,554 | -70% |
| Casualty Losses | -64 | 1,165 | -1,229 | -106% |
| Housing Assistance Payments | 1,407,947 | 1,144,149 | 263,798 | 23% |
| Depreciation Expense | 475,750 | 519,185 | -43,435 | -8% |
| Total Expenses | <u>3,616,782</u> | <u>3,187,732</u> | <u>429,050</u> | <u>14%</u> |
| Net Income (Loss) | <u>-809,970</u> | <u>-135,602</u> | <u>-674,368</u> | <u>-</u> |

Major Factors Affecting the Change in Net Assets

Tenant revenue increased. This increase was primarily due to the change in the property transfer, economic environment and plant relocation and the efforts of staff in maintaining a public housing occupancy rate of 99% and a Turnkey III occupancy rate of 97%.

While the Authority's Low Rent and Section 8 Programs incurred no HUD funding cuts during the period, Capital Grant funding of high end capital improvements had some cuts.

Total expenses increased \$429.1 thousand. This increase was primarily due to HAP expenses.

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION)

As of year-end, the Authority had \$3.8 million invested in a variety of capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) from the prior year-end.

TABLE 4
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

| | <u>2009</u> | <u>2008</u> | <u>Variance</u> | <u>Percentage Change</u> |
|----------------------------|-------------------------|-------------------------|----------------------|------------------------------|
| Land and land rights | 421,091 | 417,611 | 3,480 | 0.8% |
| Building | 14,876,463 | 14,571,828 | 304,635 | 2.1% |
| Equipment - Administrative | 390,064 | 209,419 | 180,645 | 86.3% |
| Equipment Dwelling | 286,108 | 449,148 | -163,040 | -36.3% |
| Leasehold Improvements | 968,838 | 951,820 | 17,018 | 1.8% |
| Construction in Progress | 211,763 | 11,610 | 200,153 | 1724.0% |
| Total Fixed Assets | <u>17,154,327</u> | <u>16,611,436</u> | <u>542,891</u> | <u>3.3%</u> |
| Accumulated Depreciation | <u>-13,331,010</u> | <u>-12,800,353</u> | <u>-530,657</u> | <u>4.1%</u> |
| Net Fixed Assets | <u><u>3,823,317</u></u> | <u><u>3,811,083</u></u> | <u><u>12,234</u></u> | <u><u>0.3%</u></u> |

Change in Capital Assets

The following reconciliation summarizes the change in Capital Assets:

TABLE 5
CHANGE IN CAPITAL ASSETS:

| | <u>Business-Type Activities</u> |
|---------------------|---------------------------------|
| Beginning Balance | \$ 3,811,083 |
| Transfer from MCHDI | 296,109 |
| Additions | 162,875 |
| Retirements | (4,067) |
| Adjustments | 33,067 |
| Depreciation | <u>(475,750)</u> |
| Total | <u><u>\$ 3,823,317</u></u> |

This year's major additions from Business-Type Activities are:

| | |
|---------------------------|------------|
| Capital Improvements | \$ 141,212 |
| Equipment Purchases | \$ 14,763 |
| Betterments and Additions | \$ 6,900 |

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2009

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Debt Outstanding

As of year-end, the Authority had \$0 in debt (mortgages, notes, etc.) outstanding.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- ❖ The uncertainty in the level of Federal funding available from the Department of Housing and Urban Development
- ❖ Local labor supply and demand, which can affect salary and wage rates
- ❖ Local inflation, recession and employment trends, which can affect resident incomes and therefore the amount of rental income and vacancy rates
- ❖ Inflationary pressure on utility rates, supplies and other costs

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|---------------|
| Cash | \$ 865,897 |
| Accounts receivable | 385,536 |
| Accrued interest receivable | 764 |
| Investments | 112,575 |
| Inventory | 22,314 |
| Deferred charges | <u>21,392</u> |

Total Current Assets \$ 1,408,478

RESTRICTED ASSETS

| | |
|------|------------------|
| Cash | \$ <u>49,524</u> |
|------|------------------|

Total Restricted Assets \$ 49,524

CAPITAL ASSETS

| | |
|--------------------------------|--------------------|
| Land, buildings and equipment | \$ 17,154,327 |
| Less: Accumulated depreciation | <u>-13,331,010</u> |

Net Capital Assets \$ 3,823,317

Total Assets \$ 5,281,319

LIABILITIES

CURRENT LIABILITIES

| | |
|---------------------|--------------|
| Accounts payable | \$ 163,858 |
| Accrued liabilities | 26,780 |
| Deferred revenues | <u>2,973</u> |

Total Current Liabilities \$ 193,611

NONCURRENT LIABILITIES

| | |
|-------------------------------|---------------|
| Accrued liabilities | \$ 63,632 |
| Trust and deposit liabilities | 20,178 |
| FSS escrow | <u>29,346</u> |

Total Noncurrent Liabilities \$ 113,156

NET ASSETS

| | |
|----------------------------|------------------|
| Invested in capital assets | \$ 3,823,317 |
| Unrestricted | <u>1,151,235</u> |

Total Net Assets \$ 4,974,552

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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Operating Income

| | |
|-------------------------------------|-------------------------|
| Tenant rental revenue | \$ 667,991 |
| Tenant revenue - other | <u>19,536</u> |
| Total Rental Income | \$ 687,527 |
| HUD grants - operating | 1,896,412 |
| Other governmental grants | 2,691 |
| Fraud recovery | 120 |
| Other revenue | 71,529 |
| Gain (loss) on sale of fixed assets | <u>-1,017</u> |
| Total Operating Income | <u>\$ 2,657,262</u> |

Operating Expenses

| | |
|------------------------------------|-------------------------|
| Administration | \$ 618,012 |
| Tenant services | 49,097 |
| Utilities | 387,586 |
| Ordinary maintenance and operation | 547,298 |
| Protective services | 32,586 |
| General expense | 96,146 |
| Extraordinary maintenance | 2,424 |
| Housing assistance payments | 1,407,947 |
| Depreciation | <u>475,750</u> |
| Total Operating Expenses | <u>\$ 3,616,846</u> |
| Net Operating Income (Loss) | <u>\$ -959,584</u> |

Nonoperating Income (Expense)

| | |
|-------------------------------|-------------------------|
| HUD grants - capital | \$ 141,212 |
| Interest income | 8,338 |
| Casualty losses | <u>64</u> |
| Total Nonoperating Income | <u>\$ 149,614</u> |
| Changes in net assets | \$ -809,970 |
| Net assets, beginning of year | 5,815,211 |
| Prior period adjustments | <u>-30,689</u> |
| Net assets, end of year | <u>\$ 4,974,552</u> |

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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Operating Activities

| | |
|--|------------------|
| Operating grants | \$ 2,079,240 |
| Rental revenue | 683,176 |
| Other revenue | 70,632 |
| Housing assistance payments | -1,407,947 |
| Payments to employees | -663,862 |
| Payments to suppliers and contractors | <u>-728,751</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 32,488</u> |

Investing Activities

| | |
|--|-----------------|
| Investments (purchased) redeemed | \$ -2,698 |
| Interest income | <u>8,327</u> |
| Net Cash Provided (Used) by Investing Activities | <u>\$ 5,629</u> |

Capital and Related Financing Activities

| | |
|---|--------------------|
| HUD grants - capital | \$ 141,212 |
| (Additions) deletions to fixed assets | -487,984 |
| Casualty losses | <u>64</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>\$ -346,708</u> |

| | |
|------------------------------------|--------------------------|
| Net Change in Cash | \$ -308,591 |
| Cash Balance at September 30, 2008 | <u>1,224,012</u> |
| Cash Balance at September 30, 2009 | <u><u>\$ 915,421</u></u> |

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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, 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) | \$ -959,584 |
| Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities: | |
| Adjustment to net assets | -30,689 |
| Depreciation | 475,750 |
| (Increase) decrease in accounts receivable | 598,401 |
| (Increase) decrease in deferred charges | 2,879 |
| (Increase) decrease in other assets | -2,941 |
| Increase (decrease) in accounts payable | -74,730 |
| Increase (decrease) in accrued liabilities | 7,908 |
| Increase (decrease) in deferred revenues | 1,658 |
| Increase (decrease) in other liabilities | <u>13,836</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 32,488</u> |

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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Michigan City Housing Authority was established by the City of Michigan City 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 Michigan City 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.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Michigan City Housing Authority is a separate reporting entity. The Housing Authority has no component units.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(b) Michigan City Housing Development, Inc. -

The Michigan City Housing Development, Inc. was established by the Michigan City Housing Authority as a not-for-profit corporation.

The general purpose of this corporation is to advocate for and provide affordable housing, whether by rental or sale to individuals and families of low to moderate income pursuant to economic guidelines established by the United States Department of Housing and Urban Development. Educational services shall be provided prospective members of such identifiable groups for the purposes of teaching the principles of a home purchase and ownership to include asset management, home loan financing, income budgeting, home inspection and maintenance and such topics as deemed necessary to ensure initial and continued home ownership or home rental and such other lawful activity as granted by statute to a not-for-profit corporation pursuant to *Indiana Code § 23-17-4-1(a)*. Such corporation is organized exclusively for charitable and educational purposes and is governed by a separate Board of Directors.

During the prior fiscal year, all of the assets and related liabilities owned and operated as a separate not-for-profit entity, Michigan City Housing Development, Inc. was removed from the financial statements of the Housing Authority. However, during the current fiscal year several properties were transferred back to the Housing Authority per instruction from the Department of Housing and Urban Development.

(c) 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.

(d) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(e) 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
- * Housing Choice Vouchers
- * ROSS
- * Capital Fund Program
- * Business Activities
- * State and Local
- * 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.

(f) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(g) 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.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(h) 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.

(i) Inventories and Materials -

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

(j) Investments -

Investments are stated at cost which approximates market.

(k) 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 five hundred dollars (\$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.

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.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

(k) Fixed Assets - (continued)

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 | 3-7 | years |
| Leasehold improvements | 10-20 | years |

(l) Net Assets -

GASB Statement 34 requires the classification of net assets into three components as defined below:

- 1) Invested in capital assets, net of related debt - this component of net assets consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues and unamortized debt expense reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted - this component of net assets consist of constraints placed on net assets use through external constraints imposed by creditors, contributors or laws and regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(m) Income Tax -

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

(n) Annual Contributions/Subsidies and Other Grants

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

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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 1 - Summary of Significant Accounting Policies

- (o) The Housing Authority adopts a budget annually. The budgets is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.
- (p) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (q) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disables residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (r) Rental income is recognized as rents become due.
- (s) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

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

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

Custodial Credit Risk

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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 2 - Cash and Investments (Continued)

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.

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> |
|---------------------|---------------------|---------------------|
| Business Activities | \$ 123,033 | \$ 123,033 |
| Low Rent | 635,911 | 646,651 |
| Voucher | <u>156,477</u> | <u>159,426</u> |
| Total | <u>\$ 915,421</u> | <u>\$ 929,110</u> |

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 2 - Cash and Investments (Continued)

Similar to cash deposits, investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Investments that are insured, registered or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.
- Category 2 - Investments which are uninsured and unregistered held by the counter-party's trust department or agent in the Housing Authority's name.
- Category 3 - Uninsured or unregistered investments held by the counter-party, its trust or its agent, but not in the Housing Authority's name.

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

| <u>Program</u> | <u>Book Balance</u> | <u>Market Value</u> |
|----------------|--------------------------|--------------------------|
| Low Rent | \$ 2,000 | \$ 2,000 |
| Voucher | <u>110,575</u> | <u>110,575</u> |
| Total | <u><u>\$ 112,575</u></u> | <u><u>\$ 112,575</u></u> |

Note 3 - Compensated Absences

All full time employees shall receive a paid vacation. Paid vacations will be granted to employees according to years of service. Vacation time may not be accumulated from one year to the next, and must be used within twelve (12) months after vesting. Employees will be paid at termination of employment for accumulated vacation credits, except under certain conditions.

Sick leave will accrue at the rate of one day per month or twelve days per year from the date non-probational status and may accumulate up to a maximum of sixty (60) days.

Note 4 - Defined Contribution Plan

The Housing Authority provides a pension plan for eligible full time employees. The Authority's contribution to the plan is a percent of each employee's annual compensation, and the Authority accounts for pension cost as incurred. Pension contributions totaled \$40,332 for the year ended September 30, 2009. Total annual payroll expense was \$638,812.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Accounts Receivable

Accounts receivable consists of the following accounts:

| | |
|-----------------------------|--------------------------|
| Tenants accounts receivable | \$ 14,231 |
| Fraud recovery | 74 |
| Accounts receivable - MCHDI | 286,140 |
| Accounts receivable - HUD | 84,737 |
| Accounts receivable - other | <u>354</u> |
| Subtotal | \$ 385,536 |
| Interfund | <u>290,344</u> |
| Total | <u><u>\$ 675,880</u></u> |

Note 7 - Investments

At September 30, 2009 investments consist of the following:

| <u>Low Rent</u> | <u>Rate</u> | <u>Cost</u> | <u>Fair Value</u> |
|------------------------|-------------|--------------------------|--------------------------|
| Certificate of deposit | 2.0% | \$ 2,000 | \$ 2,000 |
| <u>Voucher</u> | | | |
| Certificate of deposit | 2.47% | <u>110,575</u> | <u>110,575</u> |
| Total | | <u><u>\$ 112,575</u></u> | <u><u>\$ 112,575</u></u> |

Note 8 - Deferred Charges

This classification includes the following accounts:

| | |
|-------------------|-------------------------|
| Prepaid insurance | \$ 20,934 |
| Other | <u>458</u> |
| Total | <u><u>\$ 21,392</u></u> |

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 9 - Fixed Assets

| | |
|----------------------------------|------------------|
| Balance as of September 30, 2009 | \$ 3,823,317 |
| Balance as of September 30, 2008 | <u>3,811,083</u> |
| Net Increase (Decrease) | <u>\$ 12,234</u> |

Reconciliation

| | |
|---|-------------------|
| Property betterments and additions | \$ 162,875 |
| Transfer from MCHDI (see note 16) | 296,109 |
| CDBG work in process | 20,634 |
| Loss from disposal of non-expendable property | -4,067 |
| Adjustment to accumulated depreciation | 12,433 |
| Current year depreciation expense | <u>-475,750</u> * |
| Net Increase (Decrease) | <u>\$ 12,234</u> |

Analysis

| | 10/01/2008 <u>Balance</u> | Additions/ <u>Transfers</u> | Deletions/ <u>Transfers</u> | 09/30/2009 <u>Balance</u> |
|--------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
| Land | \$ 417,611 | \$ 3,480 | \$ 0 | \$ 421,091 |
| Buildings | 14,571,828 | 304,635 | 0 | 14,876,463 |
| Equipment and furniture | 658,567 | 21,672 | 4,067 | 676,172 |
| Leasehold improvements | 951,820 | 17,018 | 0 | 968,838 |
| Construction in progress | <u>11,610</u> | <u>200,153</u> | <u>0</u> | <u>211,763</u> |
| Total | \$ 16,611,436 | \$ 546,958 | \$ 4,067 | \$ 17,154,327 |
| Accumulated depreciation | <u>-12,800,353</u> | <u>12,433</u> * | <u>543,090</u> | <u>-13,331,010</u> |
| Total | <u>\$ 3,811,083</u> | <u>\$ 559,391</u> | <u>\$ 547,157</u> | <u>\$ 3,823,317</u> |

*Current year depreciation expense recognized.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 10 - Accounts Payable

This classification includes the following accounts:

| | |
|---------------------------|--------------------------|
| Vendors and contractors | \$ 49,450 |
| Tenants security deposits | 46,491 |
| Accounts payable - MCDHI | 67,004 |
| Accounts payable - other | <u>913</u> |
| Subtotal | \$ 163,858 |
| Interfund | <u>290,344</u> |
| Total | <u><u>\$ 454,202</u></u> |

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

| | |
|--|--------------|
| Accrued salaries/wages and payroll taxes | \$ 19,710 |
| Accrued compensated absences | <u>7,070</u> |
| Total Current | \$ 26,780 |

Noncurrent Portion:

| | |
|------------------------------|-------------------------|
| Accrued compensated absences | <u>63,632</u> |
| Total | <u><u>\$ 90,412</u></u> |

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of September 30, 2009:

| | 10/01/2008 | | | 09/30/2009 |
|-------------------------------|-------------------------|-------------------------|--------------------|--------------------------|
| | <u>Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> |
| Accrued compensated absences | \$ 35,350 | \$ 28,282 | \$ 0 | \$ 63,632 |
| Trust and deposit liabilities | 0 | 20,178 | 0 | 20,178 |
| FSS escrow | <u>17,999</u> | <u>11,347</u> | <u>0</u> | <u>29,346</u> |
| Total | <u><u>\$ 53,349</u></u> | <u><u>\$ 59,807</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 113,156</u></u> |

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, 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 | \$ 2,664 |
| Deferred revenue - other | <u>309</u> |
| Total | <u>\$ 2,973</u> |

Note 14 - 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 at September 30, 1999 and the above referenced notice, all HUD-held notes were recorded as debt forgiveness during a prior fiscal year.

The basis for this allocation was the number of units in each program. Management considers this to be an equitable method of allocation.

Note 15 - Administrative Fee

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

Note 16 - Allocation of Costs

The PHA allocated expenses not attributable to a specific program to all programs under management.

Note 17 - 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.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

Note 18 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

| | |
|--|-------------------|
| Transfer from MCHDI (see Note 16) | \$ -63,538 |
| Correction to Turnkey reserves | -218 |
| CDBG WIP capitalized in fiscal year | 20,634 |
| Adjustment to accumulated depreciation | <u>12,433</u> |
| | <u>\$ -30,689</u> |

Note 19 Contracts/Commitments

As of September 30, 2009, the Housing Authority had entered into the following pending construction projects in progress:

| | <u>Funds Approved</u> | <u>Funds Expended To Date</u> |
|------------|---------------------------|-----------------------------------|
| CFP 501-08 | \$ 259,101 | \$ 185,756 |
| RHF 501-05 | 90,255 | 0 |
| RHF 501-06 | <u>87,573</u> | <u>0</u> |
| Total | <u>\$ 436,929</u> | <u>\$ 185,756</u> |

Note 20 - 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 or the risk pool coverage in the current or past three years.

Note 21 - Economic Dependency

The Housing Authority received most of its revenue (73%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

SUPPLEMENTAL DATA

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, 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-933 | FYE 09/30/09 | \$ 449,154 | \$ 449,154 | \$ 449,154 |
| Public Housing - Capital Fund | 14.872 | C-933 | FYE 09/30/09 | \$ 644,811 | \$ 203,368 | \$ 203,368 |
| Housing Choice Voucher Program* | 14.871 | C-2057V | FYE 09/30/09 | \$ 1,339,436 | \$ 1,339,436 | \$ 1,339,436 |
| ROSS Grant | 14.870 | C-2057V | FYE 09/30/09 | \$ 79,170 | \$ 41,421 | \$ 41,421 |
| <u>Flow Through from Local Sources</u> | | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | C-2057V | FYE 09/30/09 | \$ 75,000 | \$ 4,245 | \$ 4,245 |
| Total Housing Assistance | | | | <u>\$ 2,587,571</u> | <u>\$ 2,037,624</u> | <u>\$ 2,037,624</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.

PAMELA J. SIMPSON, C.P.A.

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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
Michigan City Housing Authority
Michigan City, Indiana

I have audited the financial statements of the governmental activities of Michigan City Housing Authority as of and for the year ended September 30, 2009, which collectively comprise the Michigan City Housing Authority's basic financial statements and have issued my report thereon dated April 6, 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 Michigan City Housing Authority'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 Michigan City Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Michigan City Housing Authority'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 Michigan City Housing Authority'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 Michigan City Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Michigan City Housing Authority'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 Michigan City Housing Authority'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 Michigan City Housing Authority'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 Michigan City Housing Authority, in a separate letter dated April 6, 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 6, 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
Michigan City Housing Authority
Michigan City, Indiana

Compliance

I have audited the compliance of Michigan City Housing Authority 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. Michigan City Housing Authority'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 Michigan City Housing Authority's management. My responsibility is to express an opinion on Michigan City Housing Authority'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 Michigan City Housing Authority'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 Michigan City Housing Authority's compliance with those requirements.

In my opinion, Michigan City Housing Authority 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 Michigan City Housing Authority 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 Michigan City Housing Authority'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 Michigan City Housing Authority'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.

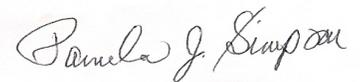
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 Michigan City Housing Authority in a separate letter dated April 6, 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 6, 2010



Certified Public Accountant

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

STATUS OF PRIOR AUDIT FINDINGS

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

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, 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 _____ yes X no

Financial Statements

Type of auditor's report: Unqualified

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

* Reportable condition(s) 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

* Reportable condition(s) 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 Choice Voucher Program | 14.871 |

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no audit findings discussed with Lenda J. Wilson, Executive Director and members of the Board of Commissioners, during the course of the audit or at an exit conference held March 26, 2010.

Section III - Federal Award Findings

There were no audit findings discussed with Lenda J. Wilson, Executive Director and members of the Board of Commissioners, during the course of the audit or at an exit conference held March 26, 2010.

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

| <u>Low Rent</u> | <u>Audit Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting Account Number</u> |
|-----------------------------------|---------------------------------|--------------|---------------|-----------------------------------|
| (1) | | | | |
| Vendor payable | 2111 | \$ 31,414.42 | | 2111 |
| Legal expense | 101-4130 | | \$ 904.75 | 2841 |
| Staff training | 101-4140 | | 150.00 | 2841 |
| Travel | 101-4150 | | 498.11 | 2841 |
| Accounting fees | 101-4170 | | 640.49 | 2841 |
| Employee benefit contrib - admin | 101-4182 | | 686.75 | 2841 |
| Employee benefit contrib - admin | 101-4182.1 | | 253.84 | 2841 |
| Telephone | 101-4190.13 | | 29.38 | 2841 |
| Postage | 101-4190.3 | | 194.88 | 2841 |
| Forms/office supplies | 101-4190.17 | | 8.42 | 2841 |
| Miscellaneous sundry expense | 101-4190.18 | | 1,074.46 | 2841 |
| Water | 101-4310 | | 1,804.74 | 2841 |
| Electricity | 101-4320 | | 2,951.12 | 2841 |
| Gas | 101-4330 | | 5,988.85 | 2841 |
| Sewer | 101-4390 | | 3,900.64 | 2841 |
| Materials | 101-4420 | | 2,438.73 | 2841 |
| Contract costs | 101-4430 | | 1,772.15 | 2841 |
| Employee benefits contrib - main | 101-4433 | | 784.76 | 2841 |
| Other general expense | 101-4590 | | 4.45 | 2841 |
| Legal expense | 104-4130 | | 82.25 | 2841 |
| Accounting fees | 104-4170 | | 58.22 | 2841 |
| Employee benefits contrib - admin | 104-4182 | | 33.21 | 2841 |
| Telephone | 104-4190.13 | | 2.64 | 2841 |
| Postage | 104-4190.3 | | 17.54 | 2841 |
| Miscellaneous sundry expense | 104-4190.18 | | 95.78 | 2841 |
| Materials | 104-4420 | | 111.66 | 2841 |
| Contract costs | 104-4430 | | 23.18 | 2841 |
| Employee benefits contrib - main | 104-4433 | | 29.64 | 2841 |
| Legal expense | 105-4130 | | 188.00 | 2841 |
| Accounting fees | 105-4170 | | 133.09 | 2841 |
| Employee benefits contrib - admin | 105-4182 | | 77.48 | 2841 |
| Telephone | 105-4190.13 | | 6.17 | 2841 |
| Postage | 105-4190.3 | | 40.92 | 2841 |
| Miscellaneous sundry expense | 105-4190.18 | | 223.51 | 2841 |
| Materials | 105-4420 | | 27.21 | 2841 |
| Contract costs | 105-4430 | | 52.98 | 2841 |
| Employee benefit contrib - main | 105-4433 | | 69.15 | 2841 |
| Accounts payable - Voucher | 1129.7 | | 1,972.04 | 1129.7 |
| Accounts payable - MCHDI | 2119.04 | | 2,641.66 | 2119.04 |
| Accounts payable - BA | 1129.5 | | 1,441.57 | 1129.5 |

(To reverse prior year vendor payable still on books)

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

| <u>Low Rent</u> | <u>Audit Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting Account Number</u> |
|--|---------------------------------|--------------|---------------|-----------------------------------|
| (2) | | | | |
| Collection losses | 4570 | \$ 12,739.27 | | 2841 |
| Allowance for doubtful - tenants | 101-1122.1 | | \$ 11,100.92 | 1122.1 |
| Allowance for doubtful - tenants | 105-1122.1 | | 1,638.35 | 1122.1 |
| (To adjust the allowance accounts to policy maintained by the H/A) | | | | |
| (3) | | | | |
| Accounts receivable - HUD | 1125.H | \$ 11,600.00 | | 1125.H |
| CFP grants received - CY | 8029.2 | 11,610.00 | | 2841 |
| Net assets - unrestricted | 2841 | | \$ 23,210.00 | 2841 |
| (To adjust accounts for RHF '04; no money had been received on the grant as of 09/30/2009) | | | | |
| (4) | | | | |
| Administrative wages | 101-4110 | \$ 2,093.41 | | 2841 |
| Maintenance wages | 101-4410 | 3,922.34 | | 2841 |
| Administrative wages | 104-4110 | 30.79 | | 2841 |
| Maintenance wages | 104-4410 | 27.01 | | 2841 |
| Administrative wages | 105-4110 | 89.55 | | 2841 |
| Maintenance wages | 105-4410 | 63.03 | | 2841 |
| Accrued wages | 2135 | | \$ 6,226.13 | 2135 |
| (To setup accrued wages per audit) | | | | |
| (5) | | | | |
| PILOT | 4520 | | \$ 1,526.82 | 2841 |
| Accrued liabilities PILOT | 2137 | \$ 1,526.82 | | 2137 |
| PILOT | 4520 | | 3,388.13 | 2841 |
| Accrued liabilities PILOT | 2137 | 3,388.13 | | 2137 |
| (To reverse PILOT set up based on letter for forgiveness) | | | | |
| (6) | | | | |
| Net assets - unrestricted | 2841 | \$ 2,373.27 | | 2841 |
| Prior year adjustment - res. rec. | 6010 | | \$ 2,373.27 | 2841 |
| (To post prior year adjustment to equity) | | | | |

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

| <u>Voucher</u> | <u>Audit Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting Account Number</u> |
|---|---------------------------------|--------------|---------------|-----------------------------------|
| (1) | | | | |
| Deferred revenue | 2290 | \$ 1,947.00 | | 2290 |
| Unrestricted surplus | 2826.1 | 853.00 | | 2826.1 |
| Accounts payable - HUD | 2118 | | \$ 2,800.00 | 2118 |
| (To post prior year audit adjustment for HUD payable) | | | | |
| (2) | | | | |
| Deferred revenue | 2290 | | \$ 1,947.00 | 2290 |
| A/c received - admin | 3412 | \$ 1,947.00 | | 2826.1 |
| (To reverse JV1032) | | | | |
| (3) | | | | |
| Accounts payable - LR | 2119.1 | \$ 1,972.04 | | 2119.1 |
| Postage | 4190.3 | | \$ 136.41 | 2826.1 |
| Employee benefit contrib - admin | 4182 | | 198.18 | 2826.1 |
| Sundry | 4190.5 | | 671.49 | 2826.1 |
| Accounting fees | 4170 | | 704.70 | 2826.1 |
| Telephone | 4185 | | 20.56 | 2826.1 |
| Travel | 4150 | | 90.70 | 2826.1 |
| Training | 4140 | | 150.00 | 2826.1 |
| (To reverse prior year vendor payable on LR) | | | | |
| (4) | | | | |
| Accounts payable - HUD | 2118 | \$ 2,800.00 | | 2118 |
| A/c received - admin | 3412 | | \$ 2,800.00 | 2826.1 |
| (To reverse 3 rd quarter admin payable settle during year) | | | | |
| (5) | | | | |
| Admin wages | 4110 | \$ 992.95 | | 2826.1 |
| Accrued wages | 2135 | | \$ 992.95 | 2135 |
| (To set up accrued wages per audit) | | | | |

**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

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

| <u>Business Activities</u> | <u>Audit Account Number</u> | <u>Debit</u> | <u>Credit</u> | <u>Posting Account Number</u> |
|---|---------------------------------|--------------|---------------|-----------------------------------|
| (1) | | | | |
| Accounts payable - LR | 2119.1 | \$ 1,441.57 | | 2119.1 |
| Water | 4310 | | \$ 15.63 | 2841 |
| Sewer | 4390 | | 20.96 | 2841 |
| Contract costs | 4430 | | 99.95 | 2841 |
| Accounting | 4170 | | 100.00 | 2841 |
| Materials | 4420 | | 1,205.03 | 2841 |
| (To reverse prior year vendor payable on LR) | | | | |
| (2) | | | | |
| Maintenance wages | 4410 | \$ 601.26 | | 2841 |
| Accrued wages | 2135 | | \$ 601.26 | 2135 |
| (To set up accrued wages per audit) | | | | |
| (3) | | | | |
| Collection loss | 4570 | \$ 952.19 | | 2841 |
| Allowance for doubtful accounts | 1122.1 | | \$ 952.19 | 1122.1 |
| (To adjust allowance account per PHA policy) | | | | |
| (4) | | | | |
| Dwelling rent | 3110 | \$ 2,928.00 | | 2841 |
| Tenants accounts receivable | 1122 | | \$ 2,928.00 | 1122 |
| (To correct receivable and rent charges to unit 11-02 that was vacated @ 05-09 but the rent roll was not corrected) | | | | |
| <u>CDBG</u> | | | | |
| (1) | | | | |
| CDBG grants received - CY | 8029.3 | \$ 20,633.68 | | 2841 |
| Net assets - unrestricted | 2841 | | \$ 20,633.68 | 2841 |
| (To correct prior year WIP not capitalized) | | | | |

Housing Authority of the City of Michigan City (IN019)
MICHIGAN CITY, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

| | Project Total | 14,871 Housing Choice Vouchers | 2 State/Local | 1 Business Activities | 14,870 Resident Opportunity and Supportive Services | 14,218 Community Development Block Grants/Entitlement Grants | Subtotal | ELIM | Total |
|---|---------------|--------------------------------|---------------|-----------------------|---|--|---------------|------------|---------------|
| 111 Cash - Unrestricted | \$560,772 | \$127,131 | | \$111,563 | | | \$819,406 | | \$819,406 |
| 112 Cash - Restricted - Modernization and Development | \$20,178 | \$29,346 | | | | | \$49,524 | | \$49,524 |
| 113 Cash - Other Restricted | \$35,021 | | | \$11,470 | | | \$46,491 | | \$46,491 |
| 114 Cash - Tenant Security Deposits | | | | | | | | | |
| 115 Cash - Restricted for Payment of Current Liabilities | \$635,911 | \$158,477 | \$0 | \$123,033 | \$0 | \$0 | \$915,421 | \$0 | \$915,421 |
| 100 Total Cash | | | | | | | | | |
| 121 Accounts Receivable - PHA Projects | \$77,676 | | | | \$7,061 | | \$84,737 | | \$84,737 |
| 122 Accounts Receivable - HUD Other Projects | | | | | | | | | |
| 124 Accounts Receivable - Other Government | \$354 | | | \$286,140 | | | \$286,494 | | \$286,494 |
| 125 Accounts Receivable - Miscellaneous | \$35,544 | | | \$4,339 | | | \$39,883 | | \$39,883 |
| 126 Accounts Receivable - Tenants | \$-82,569 | \$0 | \$0 | \$-3,083 | \$0 | \$0 | \$-85,652 | | \$-85,652 |
| 126.1 Allowance for Doubtful Accounts - Tenants | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | | \$0 |
| 126.2 Allowance for Doubtful Accounts - Other | | | | | | | | | |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | | | | |
| 128 Fraud Recovery | \$74 | | | | | | \$74 | | \$74 |
| 128.1 Allowance for Doubtful Accounts - Fraud | \$0 | | | | | | \$0 | | \$0 |
| 129 Accrued Interest Receivable | \$764 | | | | | | \$764 | | \$764 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$91,005 | \$838 | \$0 | \$287,396 | \$7,061 | \$0 | \$386,300 | \$0 | \$386,300 |
| 131 Investments - Unrestricted | \$2,000 | \$110,575 | | | | | \$112,575 | | \$112,575 |
| 132 Investments - Restricted | | | | | | | | | |
| 135 Investments - Restricted for Payment of Current Liability | \$17,274 | \$3,080 | | \$1,038 | | | \$21,392 | | \$21,392 |
| 142 Prepaid Expenses and Other Assets | \$23,488 | | | | | | \$23,488 | | \$23,488 |
| 143 Inventories | \$-1,174 | | | | | | \$-1,174 | | \$-1,174 |
| 143.1 Allowance for Obsolete Inventories | \$290,035 | | \$309 | | | | \$290,344 | \$-290,344 | \$0 |
| 144 Inter Program Due From | | | | | | | | | |
| 145 Assets Held for Sale | \$1,056,539 | \$270,970 | \$309 | \$411,467 | \$7,061 | \$0 | \$1,746,346 | \$-290,344 | \$1,456,002 |
| 150 Total Current Assets | \$367,457 | \$394 | | \$53,634 | | | \$421,091 | | \$421,091 |
| 161 Land | \$13,516,740 | \$394 | | \$1,359,329 | | | \$14,876,463 | | \$14,876,463 |
| 162 Buildings | \$206,447 | \$74,317 | | \$5,344 | | | \$286,108 | | \$286,108 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$390,064 | | | | | | \$390,064 | | \$390,064 |
| 164 Furniture, Equipment & Machinery - Administration | \$951,820 | | | \$17,018 | | | \$968,838 | | \$968,838 |
| 165 Leasehold Improvements | \$-12,909,904 | \$-67,292 | | \$-353,814 | | | \$-13,331,010 | | \$-13,331,010 |
| 166 Accumulated Depreciation | \$145,660 | | | | | \$66,103 | \$211,763 | | \$211,763 |
| 167 Construction in Progress | | | | | | | | | |
| 168 Infrastructure | | | | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$2,688,284 | \$7,419 | \$0 | \$1,081,511 | \$0 | \$66,103 | \$3,823,317 | \$0 | \$3,823,317 |
| 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 | | | | | | | | | |
| 178 Investments in Joint Ventures | | | | | | | | | |
| 180 Total Non-Current Assets | \$2,688,284 | \$7,419 | \$0 | \$1,081,511 | \$0 | \$66,103 | \$3,823,317 | \$0 | \$3,823,317 |
| 190 Total Assets | \$3,726,823 | \$278,389 | \$309 | \$1,492,978 | \$7,061 | \$66,103 | \$5,571,663 | \$-290,344 | \$5,281,319 |

Housing Authority of the City of Michigan City (IN019)
MICHIGAN CITY, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2009

| | Project Total | 14,871 Housing Choice Vouchers | 2 State/Local | 1 Business Activities | 14,870 Resident Opportunity and Supportive Services | 14,218 Community Development Block Grants/Entitlement Grants | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|---------------|--------------------------|--|---|-------------|------------|-------------|
| 311 Bank Overdraft | | | | | | | | | |
| 312 Accounts Payable <= 90 Days | \$42,491 | \$5,002 | | \$1,957 | | | \$49,450 | | \$49,450 |
| 313 Accounts Payable >90 Days Past Due | | | | | | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | \$18,116 | \$993 | | \$601 | | | \$19,710 | | \$19,710 |
| 322 Accrued Compensated Absences - Current Portion | \$5,946 | \$920 | | \$204 | | | \$7,070 | | \$7,070 |
| 324 Accrued Contingency Liability | | | | | | | | | |
| 325 Accrued Interest Payable | | | | | | | | | |
| 331 Accounts Payable - HUD PHA Programs | | | | | | | | | |
| 332 Account Payable - PHA Projects | \$67,004 | | | | | | \$67,004 | | \$67,004 |
| 333 Accounts Payable - Other Government | | | | | | | | | |
| 341 Tenant Security Deposits | \$35,021 | | | \$11,470 | | | \$46,491 | | \$46,491 |
| 342 Deferred Revenues | \$2,607 | | \$309 | \$57 | | | \$2,973 | | \$2,973 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | | | | | | | | | |
| 344 Current Portion of Long-term Debt - Operating Borrowings | | | | | | | | | |
| 345 Other Current Liabilities | \$913 | | | | | | \$913 | | \$913 |
| 346 Accrued Liabilities - Other | | | | | | | | | |
| 347 Inter Program - Due To | \$309 | \$194,888 | | \$68,066 | \$7,061 | | \$290,344 | -\$290,344 | \$0 |
| 348 Loan Liability - Current | | | | | | | | | |
| 310 Total Current Liabilities | \$172,407 | \$201,903 | \$309 | \$102,375 | \$7,061 | \$0 | \$483,955 | -\$290,344 | \$193,611 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | | | | | | |
| 352 Long-term Debt, Net of Current - Operating Borrowings | | | | | | | | | |
| 353 Non-current Liabilities - Other | \$20,178 | \$29,346 | | | | | \$49,524 | | \$49,524 |
| 354 Accrued Compensated Absences - Non Current | \$53,512 | \$6,281 | | \$1,839 | | | \$63,632 | | \$63,632 |
| 355 Loan Liability - Non Current | | | | | | | | | |
| 356 FASB 5 Liabilities | | | | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | | | | | | | | | |
| 350 Total Non-current Liabilities | \$73,690 | \$37,627 | \$0 | \$1,839 | \$0 | \$0 | \$113,156 | \$0 | \$113,156 |
| 300 Total Liabilities | \$246,097 | \$239,430 | \$309 | \$104,214 | \$7,061 | \$0 | \$597,111 | -\$290,344 | \$306,767 |
| 508.1 Invested in Capital Assets, Net of Related Debt | | | | | | | | | |
| 509.2 Fund Balance Reserved | \$2,668,284 | \$7,419 | | \$1,081,511 | | \$66,103 | \$3,823,317 | | \$3,823,317 |
| 511.2 Unreserved, Designated Fund Balance | | | | | | | | | |
| 511.1 Restricted Net Assets | | | | | | | | | |
| 512.1 Unrestricted Net Assets | \$812,442 | \$31,540 | \$0 | \$307,253 | \$0 | \$0 | \$1,151,235 | | \$1,151,235 |
| 512.2 Unreserved, Undesignated Fund Balance | | | | | | | | | |
| 513 Total Equity/Net Assets | \$3,460,726 | \$38,959 | \$0 | \$1,388,764 | \$0 | \$66,103 | \$4,974,552 | \$0 | \$4,974,552 |
| 600 Total Liabilities and Equity/Net Assets | \$3,726,823 | \$278,389 | \$309 | \$1,492,978 | \$7,061 | \$66,103 | \$5,571,663 | -\$290,344 | \$5,281,319 |

Housing Authority of the City of Michigan City (IN019)
MICHIGAN CITY, 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 | 2 State/Local | 1 Business Activities | 14,870 Resident Opportunity and Supportive Services | 14,218 Community Development Block Grants/Entitlement Grants | Subtotal | ELIM | Total |
|---|---------------|--------------------------------|---------------|-----------------------|---|--|-------------|------|-------------|
| 70300 Net Tenant Rental Revenue | \$515,062 | | | \$152,929 | | | \$667,991 | | \$667,991 |
| 70400 Tenant Revenue - Other | \$19,401 | | | \$135 | | | \$19,536 | | \$19,536 |
| 70500 Total Tenant Revenue | \$534,463 | \$0 | \$0 | \$153,064 | \$0 | \$0 | \$687,527 | \$0 | \$687,527 |
| 70600 HUD PHA Operating Grants | \$515,555 | \$1,339,436 | | | \$41,421 | | \$1,896,412 | | \$1,896,412 |
| 70610 Capital Grants | \$136,967 | | | | | \$4,245 | \$141,212 | | \$141,212 |
| 70700 Management Fee | | | | | | | | | |
| 70720 Asset Management Fee | | | | | | | | | |
| 70730 Book Keeping Fee | | | | | | | | | |
| 70740 Front Line Service Fee | | | | | | | | | |
| 70750 Other Fees | | | | | | | | | |
| 70700 Total Fee Revenue | | | | | | | \$0 | \$0 | \$0 |
| 70800 Other Government Grants | | | \$2,691 | | | | \$2,691 | | \$2,691 |
| 71100 Investment Income - Unrestricted | \$4,492 | \$3,223 | | \$342 | | | \$8,057 | | \$8,057 |
| 71200 Mortgage Interest Income | | | | | | | | | |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | | | | |
| 71400 Fraud Recovery | | \$120 | | | | | \$120 | | \$120 |
| 71500 Other Revenue | \$85,135 | \$6,394 | | | | | \$91,529 | | \$91,529 |
| 71600 Gain or Loss on Sale of Capital Assets | \$230 | | | -\$1,247 | | | -\$1,017 | | -\$1,017 |
| 72000 Investment Income - Restricted | \$25 | \$256 | | | | | \$281 | | \$281 |
| 70000 Total Revenue | \$1,256,867 | \$1,349,429 | \$2,691 | \$152,159 | \$41,421 | \$4,245 | \$2,806,812 | \$0 | \$2,806,812 |
| 81100 Administrative Salaries | \$197,937 | \$65,044 | | \$715 | | | \$263,696 | | \$263,696 |
| 81200 Auditing Fees | \$2,434 | \$811 | | | | | \$3,245 | | \$3,245 |
| 81300 Management Fee | | | | | | | | | |
| 81310 Book-keeping Fee | | | | | | | | | |
| 81400 Advertising and Marketing | \$380 | \$130 | | \$100 | | | \$620 | | \$620 |
| 91500 Employee Benefit Contributions - Administrative | \$75,057 | \$32,930 | | \$135 | | | \$108,122 | | \$108,122 |
| 91600 Office Expenses | \$33,839 | \$11,528 | | | | | \$45,367 | | \$45,367 |
| 91700 Legal Expense | \$6,912 | | | \$50 | | | \$6,962 | | \$6,962 |
| 91800 Travel | \$6,063 | \$4,292 | | | | | \$10,355 | | \$10,355 |
| 91810 Allocated Overhead | | | | | | | | | |
| 91800 Other | \$78,812 | \$43,804 | | \$37,029 | | | \$159,645 | | \$159,645 |
| 91000 Total Operating - Administrative | \$401,444 | \$176,539 | \$0 | \$38,029 | \$0 | \$0 | \$618,012 | \$0 | \$618,012 |
| 92000 Asset Management Fee | | | | | | | | | |
| 92100 Tenant Services - Salaries | | | | | | | | | |
| 92200 Relocation Costs | | | | | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | | | | | | | | | |
| 92400 Tenant Services - Other | \$4,985 | | \$2,691 | \$0 | \$4,307 | | \$7,676 | | \$7,676 |
| 92500 Total Tenant Services | \$4,985 | \$0 | \$2,691 | \$0 | \$4,307 | \$0 | \$49,097 | \$0 | \$49,097 |

Housing Authority of the City of Michigan City (IN019)
MICHIGAN CITY, 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 | 2 State/Local | 1 Business Activities | 14,670 Resident Opportunity and Supportive Services | 14,218 Community Development Block Grants/Entitlement Grants | Subtotal | ELIM | Total |
|---|---------------|--------------------------------|---------------|-----------------------|---|--|-------------|------|-------------|
| 93100 Water | \$26,141 | | | \$200 | | | \$26,341 | | \$26,341 |
| 93200 Electricity | \$105,660 | | | \$404 | | | \$106,064 | | \$106,064 |
| 93300 Gas | \$209,505 | | | \$614 | | | \$210,119 | | \$210,119 |
| 93400 Fuel | | | | | | | | | |
| 93500 Labor | | | | | | | | | |
| 93600 Sewer | \$44,832 | | | \$230 | | | \$45,062 | | \$45,062 |
| 93700 Employee Benefit Contributions - Utilities | | | | | | | | | |
| 93800 Other Utilities Expense | | | | | | | | | |
| 93000 Total Utilities | \$386,138 | \$0 | \$0 | \$1,448 | \$0 | \$0 | \$387,586 | \$0 | \$387,586 |
| 94100 Ordinary Maintenance and Operations - Labor | \$293,795 | | | \$25,207 | | | \$319,002 | | \$319,002 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$78,207 | \$561 | | \$10,473 | | | \$89,241 | | \$89,241 |
| 94300 Ordinary Maintenance and Operations Contracts | \$38,883 | | | \$6,178 | | | \$45,061 | | \$45,061 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | \$69,433 | | | \$4,561 | | | \$73,994 | | \$73,994 |
| 94000 Total Maintenance | \$500,318 | \$561 | \$0 | \$46,419 | \$0 | \$0 | \$547,298 | \$0 | \$547,298 |
| 95100 Protective Services - Labor | \$31,447 | | | | | | \$31,447 | | \$31,447 |
| 95200 Protective Services - Other Contract Costs | | | | | | | | | |
| 95300 Protective Services - Other | | | | | | | | | |
| 95500 Employee Benefit Contributions - Protective Services | \$1,139 | | | \$0 | \$0 | \$0 | \$1,139 | | \$1,139 |
| 95000 Total Protective Services | \$32,586 | \$0 | \$0 | \$0 | \$0 | \$0 | \$32,586 | \$0 | \$32,586 |
| 96110 Property Insurance | \$37,071 | \$4,825 | | \$6,257 | | | \$48,153 | | \$48,153 |
| 96120 Liability Insurance | \$4,225 | \$1,033 | | \$452 | | | \$5,710 | | \$5,710 |
| 96130 Workmen's Compensation | \$6,759 | \$1,010 | | | | | \$7,769 | | \$7,769 |
| 96140 All Other Insurance | \$3,660 | \$1,032 | | | | | \$4,692 | | \$4,692 |
| 96100 Total Insurance Premiums | \$51,715 | \$7,900 | \$0 | \$6,709 | \$0 | \$0 | \$66,324 | \$0 | \$66,324 |
| 96200 Other General Expenses | \$1,841 | \$6,185 | | \$21 | | | \$8,047 | | \$8,047 |
| 96210 Compensated Absences | \$7,201 | | | | | | \$7,201 | | \$7,201 |
| 96300 Payments in Lieu of Taxes | | | | \$952 | | | \$952 | | \$952 |
| 96400 Bad debt - Tenant Rents | \$13,556 | | | \$66 | | | \$13,622 | | \$13,622 |
| 96500 Bad debt - Mortgages | | | | | | | | | |
| 96600 Bad debt - Other | | | | | | | | | |
| 96500 Severance Expense | | | | | | | | | |
| 96000 Total Other General Expenses | \$22,598 | \$8,185 | \$0 | \$1,039 | \$0 | \$0 | \$29,822 | \$0 | \$29,822 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | | | | | | |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | | | | | | |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 96900 Total Operating Expenses | \$1,399,784 | \$193,185 | \$2,691 | \$93,644 | \$41,421 | \$0 | \$1,730,725 | \$0 | \$1,730,725 |

Housing Authority of the City of Michigan City (IN019)
MICHIGAN CITY, 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 | 2 State/Local | 1 Business Activities | 14,870 Resident Opportunity and Supportive Services | 14,218 Community Development Block Grants/Entitlement Grants | Subtotal | ELIM | Total |
|---|---------------|--------------------------------|---------------|-----------------------|---|--|-------------|------|-------------|
| 97000 Excess of Operating Revenue over Operating Expenses | -\$142,917 | \$1,156,244 | \$0 | \$8,515 | \$0 | \$4,245 | \$1,076,087 | \$0 | \$1,076,087 |
| 97100 Extraordinary Maintenance | \$2,424 | | | | | | \$2,424 | | \$2,424 |
| 97200 Casualty Losses - Non-capitalized | -\$64 | | | | | | -\$64 | | -\$64 |
| 97300 Housing Assistance Payments | \$1,318,348 | | | | | | \$1,318,348 | | \$1,318,348 |
| 97350 HAP Parity-In | \$89,601 | | | | | | \$89,601 | | \$89,601 |
| 97400 Depreciation Expense | \$437,916 | \$2,593 | | \$5,241 | | | \$475,750 | | \$475,750 |
| 97500 Fraud Losses | | | | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | \$41,421 | \$0 | \$3,616,782 | \$0 | \$3,616,782 |
| 90000 Total Expenses | \$1,840,060 | \$1,603,725 | \$2,691 | \$128,865 | \$41,421 | \$0 | \$3,616,782 | \$0 | \$3,616,782 |
| 10010 Operating Transfer In | | | | | | | | | |
| 10020 Operating transfer Out | | | | | | | | | |
| 10030 Operating Transfers from/to Primary Government | | | | | | | | | |
| 10040 Operating Transfers from/to Component Unit | -\$64 | | | | | | | | |
| 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) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$683,183 | -\$254,296 | \$0 | \$23,274 | \$0 | \$4,245 | -\$809,970 | \$0 | -\$809,970 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 11030 Beginning Equity | \$4,092,928 | \$293,265 | \$0 | \$1,429,028 | \$0 | \$0 | \$5,815,211 | \$0 | \$5,815,211 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | -\$29,009 | | | -\$63,538 | | \$61,958 | -\$30,689 | | -\$30,689 |
| 11050 Changes in Compensated Absence Balance | | | | | | | | | |
| 11060 Changes in Contingent Liability Balance | | | | | | | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | | | | | | | |
| 11080 Changes in Special Term/Governance Benefits Liability | | | | | | | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents | | | | | | | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | | | | | | | |
| 11170 Administrative Fee Equity | | \$38,959 | | | | | \$38,959 | | \$38,959 |
| 11180 Housing Assistance Payments Equity | | \$0 | | | | | \$0 | | \$0 |
| 11210 Unit Months Available | 2112 | 3132 | 0 | 240 | | | 5484 | | 5484 |
| 11220 Number of Unit Months Leased | 2064 | 3018 | 0 | 233 | | | 5315 | | 5315 |
| 11270 Excess Cash | \$715,251 | | | | | | \$715,251 | | \$715,251 |
| 11610 Land Purchases | \$0 | | | | | | \$0 | | \$0 |
| 11620 Building Purchases | \$134,050 | | | | | | \$134,050 | | \$134,050 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$814 | | | | | | \$814 | | \$814 |
| 11640 Furniture & Equipment - Administrative Purchases | \$11,922 | | | | | | \$11,922 | | \$11,922 |
| 11650 Leasehold Improvements Purchases | \$0 | | | | | | \$0 | | \$0 |
| 11660 Infrastructure Purchases | \$0 | | | | | | \$0 | | \$0 |
| 13510 CFFP Debt Service Payments | \$0 | | | | | | \$0 | | \$0 |
| 13901 Replacement Housing Factor Funds | \$0 | | | | | | \$0 | | \$0 |

PAMELA J. SIMPSON, C.P.A.

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DECATUR, ILLINOIS 62526
(217) 872-1908**

Board of Commissioners
Michigan City Housing Authority
Michigan City, Indiana

In planning and performing my audit of the financial statements of Michigan City Housing Authority 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 Michigan City Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Michigan City Housing Authority'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. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999. During my review of current depositories, I noted that the housing authority did not have a current executed form from at least one financial institution holding agency funds. I recommend that the Authority execute new depository agreements with all new financial institutions and for any that have undergone ownership or name changes
2. While reviewing a sample of the PHA's purchasing it was noted that the PHA did not retain the documentation of quotes as required by their procurement policy. The housing authority should adopt a procedure/policy that outlines the preferred method of documenting and retaining all quotes obtained.

3. While auditing the SEMAP certification, it was noted that the workpapers documenting the responses to the certification questions did not adequately document that the quality control reviews tested the rent reasonableness component. The workpapers used for the quality control checks should be expanded to document that all areas are tested.
4. During the examination of 30 Section 8 Choice Voucher files, I noted that several files lacked the hard copy of rent comparability. The PHA's participant software automatically generates the comparability, but hard copies need to be retained in the files.

Additionally, the required written documentation of landlord's request for increases were not readily located.

The Housing Authority should make sure that all written documentation is retained.

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.

Decatur, Illinois
April 6, 2010


Certified Public Accountant