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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, 2011 to September 30, 2012. 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, 2012 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, 2012

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

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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 the Michigan City Housing Authority, as of and for the year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Michigan City Housing Authority's management. My responsibility is to express opinions on these 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 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 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 opinions.

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, 2012 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 March 1, 2013 on my consideration of the Michigan City Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 11 and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial systems. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Michigan City Housing Authority. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Decatur, Illinois
March 1, 2013



Certified Public Accountant

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2012

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 2012. Since the Authority engages only in business-type activities, the decrease is all the categories of business-type net assets. Net Assets were \$5.3 million and \$4.9 million for 2011 and 2012 respectively.
- ❖ Business-type activities revenue for 2012 was \$3,232,673.
- ❖ The total expenses of all Authority programs increased by \$99,468 (or 2.88%). Total expenses were \$3.4 million and \$3.5 million for 2011 and 2012 respectively.
- ❖ The Authority had \$712,620 in Tenant Revenue, \$1,865,177 in HUD PHA Operating Grants and \$415,708 of HUD Capital Grants for the year ended September 30, 2012.
- ❖ Authority investments unrestricted increased by \$3,890 (or 100%) during the year. Total investments on September 30, 2012 were \$10,660.

FINANCIAL CONTACT

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

Mrs. Lenda J. Wilson
The Housing Authority of the City
Of Michigan City, Indiana
621 East Michigan Boulevard
Michigan City, Indian 46360
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HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2012

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, 2012.

❖ **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, 2012

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 one 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, 2012

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 or 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 is 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, 2012

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

	2012	2011	Variance	Percentage Change
Cash	826,835	1,095,631	(268,796)	-24.5%
Other Current Assets	290,189	358,654	(68,465)	-19.1%
Capital Assets	3,977,379	3,898,831	78,548	2.0%
Non Current Assets	225,245	247,770	(22,525)	-9.1%
Total Assets	5,319,648	5,600,886	(281,238)	-50.7%
Current Liabilities	241,374	160,425	80,949	50.5%
Non Current Liabilities	121,618	112,463	9,155	8.1%
Long Term Liabilities	0	0	0	0.0%
Total Liabilities	362,992	272,888	90,104	58.6%
Net Invested in Capital Assets	3,977,379	3,898,831	78,548	2.0%
Restricted Net Assets	148,719	398,881	(250,162)	-62.7%
Unrestricted Net Assets	830,558	1,030,286	(199,728)	-19.4%
Total Net Assets	4,956,656	5,327,998	(371,342)	-80.1%

Major Factors Affecting the Statement of Net Assets

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

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" following.

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2012

Analysis of Entity Wide Revenues

The Authority administers the following programs and the grants revenues generated from these programs during Fiscal Year Ending 2012 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$ 826,614
Section 8 Vouchers	\$ 1,462,252
Capital Funds	\$ 733,561
Resident Opportunity and Supportive	\$ 43,255
Business Activities	\$ 166,991

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 09/30/11	\$ 1.0
Results of Operations	(0.3)
Adjustments:	
Depreciation (1)	0.3
Restricted	(0.2)
Adjusted Results from Operations	<u>(0.2)</u>
Unrestricted Net Assets 09/30/12	<u><u>\$0.8</u></u>

(1) 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, 2012

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
Major Factors Affecting the Change in Net Assets

	2012	2011	Variance	Percentage Change
Total Tenant Revenue	712,620	712,155	465	.07%
HUD Operating Grants	1,865,177	2,303,695	(438,518)	-19.04%
HUD Capital Grants	415,708	235,693	180,015	76.38%
Other Grants	0	8,333	(8,333)	-100%
Investment income	996	2,419	(1,423)	-58.83%
Fraud Recovery	2,464	1,600	864	54%
Other Revenue	235,339	193,761	41,578	21.46%
Gain (Loss) on Sale of Fixed Assets	369	737	(368)	-49.93%
Total Revenue	3,232,673	3,458,393	(225,720)	-6.53%
	2,012	2,011	Variance	Percentage Change
Administrative	555,046	550,988	4,058	.074%
Tenant Services	72,796	58,941	13,855	23.51%
Utilities	326,074	345,590	(19,516)	-5.65%
Maintenance	500,573	484,531	16,042	3.31%
Protective Services	26,685	24,268	2,417	9.96%
Insurance Premiums	82,539	82,577	(38)	-.05%
General Expense	27,404	66,826	(39,422)	-58.99%
Extraordinary Maintenance	13,487	7,767	5,720	73.64%
Causality Losses-Non-capitalized	1,107	1800	(693)	-38.50%
Housing Assistance Payment	1,568,264	1,473,393	94,871	6.44%
Depreciation Expense	373,655	351,481	22,174	6.31%
Total Expense	3,547,630	3,448,162	99,468	2.88%

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2012

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 98% and a Turnkey III occupancy rate of 99%.

While the Authority's Low Rent and Section 8 Programs incurred HUD funding recapture cuts during the period, Capital Grant funding of capital improvements had some increased draws during the year but reduction in budget for upcoming grant year.

Total expenses increased \$99.4 thousand dollars. This increase was primarily due an increase in maintenance costs and to insufficient funding to support full lease up of base line units in our Section 8 Housing Choice Voucher Program.

CAPITAL ASSETS AT YEAR END (NET OF DEPRECIATION)

As of year-end, the Authority had \$4.0 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

	2012	2011	Variance	Percentage Change
Land and land rights	421,091	421,091	0	0%
Building	15,645,977	14,707,495	938,482	6%
Equipment - Administrative	501,761	498,203	3,558	1%
Equipment Dwelling	188,525	188,104	421	0%
Leasehold Improvements	955,624	950,824	4,800	1%
Construction in Progress	510,891	1,007,289	(496,398)	-49%
Total Fixed Assets	18,223,869	17,773,003	450,866	3%
Accumulated Depreciation	-14,246,490	-13,874,172	(372,318)	3%
Net Fixed Assets	3,977,379	3,898,831	78,548	2%

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
 Year Ending September 30, 2012

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	\$ 3,898,831
Additions	452,259
Retirements	(56)
Adjustments	0
Depreciation	<u>(373,655)</u>
Total	<u>\$ 3,977,379</u>

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

Capital Improvements	\$ 415,708
Equipment Purchases	\$ 3,979
Betterments and Additions	\$ 32,572

Debt Outstanding

As of year-end, the Authority had no 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, 2012**

ASSETS

CURRENT ASSETS

Cash	\$ 612,351
Accounts receivable (interfund eliminated)	202,588
Notes receivable	22,525
Investments	4,248
Inventory (net)	19,322
Deferred charges	<u>35,094</u>

Total Current Assets \$ 896,128

RESTRICTED ASSETS

Cash	\$ 214,484
Investments	<u>6,412</u>

Total Restricted Assets \$ 220,896

CAPITAL ASSETS

Land, buildings and equipment	\$ 18,223,869
Less: Accumulated depreciation	<u>-14,246,490</u>

Net Capital Assets \$ 3,977,379

NONCURRENT ASSETS

Notes receivables	\$ <u>225,245</u>
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Total Assets \$ 5,319,648

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 95,382
Accrued liabilities	83,425
Deferred revenues	<u>62,567</u>

Total Current Liabilities \$ 241,374

NONCURRENT LIABILITIES

Accrued compensated absences	\$ 100,712
Trust and deposit liabilities	14,494
FSS escrow	<u>6,412</u>

Total Noncurrent Liabilities \$ 121,618

NET ASSETS

Invested in capital assets	\$ 3,977,379
Restricted	148,719
Unrestricted net assets	<u>630,558</u>

Total Net Assets \$ 4,956,656

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, 2012**

Operating Income

Tenant rental revenue	\$ 675,008
Tenant revenue - other	<u>37,612</u>
 Total Rental Income	 \$ 712,620
 HUD grants - operating	 1,865,177
Fraud recovery	2,464
Other revenue	235,339
Gain (loss) on sale of fixed assets	<u>369</u>
 Total Operating Income	 <u>\$ 2,815,969</u>

Operating Expenses

Administration	\$ 555,046
Tenant services	72,796
Utilities	326,074
Ordinary maintenance and operation	500,573
Protective services	26,685
General expense	109,943
Extraordinary maintenance	13,487
Casualty losses	1,107
Housing assistance payments	1,568,264
Depreciation	<u>373,655</u>
 Total Operating Expenses	 <u>\$ 3,547,630</u>
 Net Operating Income (Loss)	 <u>\$ -731,661</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 415,708
Interest income	<u>996</u>
 Total Nonoperating Income	 <u>\$ 416,704</u>
 Changes in net assets	 \$ -314,957
Net assets, beginning of year	5,327,998
Prior period adjustments	<u>-56,385</u>
 Net assets, end of year	 <u>\$ 4,956,656</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, 2012**

Operating Activities

Operating grants	\$ 2,154,257
Rental revenue	716,946
Other revenue	238,172
Housing assistance payments	-1,568,264
Payments to employees	-614,022
Payments to suppliers and contractors	<u>-1,157,307</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -230,218</u>

Investing Activities

Investments (purchased) redeemed	\$ -3,079
Interest income	<u>996</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -2,083</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 415,708
(Additions) deletions to fixed assets	<u>-452,203</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -36,495</u>

Net Change in Cash	\$ -268,796
Cash Balance at September 30, 2011	<u>1,095,631</u>
Cash Balance at September 30, 2012	<u><u>\$ 826,835</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, 2012**

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

Net operating income (loss)	\$ -731,661
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Adjustment to net assets	-56,385
Depreciation	373,655
(Increase) decrease in accounts receivable	108,787
(Increase) decrease in deferred charges	-9,466
(Increase) decrease in other assets	-5,252
Increase (decrease) in accounts payable	-12,471
Increase (decrease) in accrued liabilities	49,633
Increase (decrease) in deferred revenues	58,410
Increase (decrease) in other liabilities	<u>-5,468</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -230,218</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012**

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 Mayor, 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 currently has no component units.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(b) Method of Accounting -

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

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

(c) 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.

(d) Funds -

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

- * Low Rent Public Housing
- * Capital Fund Program
- * Housing Choice Vouchers
- * ROSS
- * Business Activities
- * State and Local
- * CDBG/Entitlement Grants

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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(e) 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.

(f) Interprogram Receivables and Payables

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

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at September 30, 2012, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) Fixed Assets -

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

If the initial cost of a piece of equipment and/or other personal property is 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.

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	15	years

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) 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."

(l) Income Tax -

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

(m) 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.

- (n) The Housing Authority adopts a budget annually. The budget is submitted to the Board of Commissioners for approval. Subsequent budget revisions may also be required to be submitted for approval.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) 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.
- (p) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled 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.
- (q) Rental income is recognized as rents become due.
- (r) 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, 2012
(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	\$ 347,274	\$ 347,248
ROSS	9,052	9,052
Low Rent	267,680	298,482
Voucher	<u>202,829</u>	<u>203,381</u>
Total	<u>\$ 826,835</u>	<u>\$ 858,163</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(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	\$ 2,664	\$ 2,664
Voucher	<u>7,996</u>	<u>7,996</u>
Total	<u>\$ 10,660</u>	<u>\$ 10,660</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 deferred contribution 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 \$51,352 for the year ended September 30, 2012. The related total annual payroll expense was \$630,269.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(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:

Accounts receivable - HUD	\$ 189,841
Accounts receivable - related party	5,728
Tenants accounts receivable	16,596
Allowance for doubtful accounts	<u>-9,577</u>
Subtotal	\$ 202,588
Interfund	<u>48,303</u>
Total	<u>\$ 250,891</u>

Note 7 - Investments

At September 30, 2012 investments consist of the following:

<u>Low Rent</u>	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Savings	Varies	<u>\$ 10,660</u>	<u>\$ 10,660</u>

Note 8 - Deferred Charges

This classification includes the following accounts:

Prepaid insurance	\$ 25,665
Other prepaid	<u>9,429</u>
Total	<u>\$ 35,094</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 9 - Fixed Assets

Balance as of September 30, 2012	\$ 3,977,379
Balance as of September 30, 2011	<u>3,898,831</u>
Net Increase (Decrease)	<u>\$ 78,548</u>

Reconciliation

Property betterments and additions	\$ 448,280
Replacement of equipment	3,979
Adjustment to basis and disposals	-56
Current year depreciation expense	<u>-373,655</u> *
Net Increase (Decrease)	<u>\$ 78,548</u>

Analysis

	10/01/2011 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	09/30/2012 <u>Balance</u>
Land	\$ 421,091	\$ 0	\$ 0	\$ 421,091
Buildings	14,707,495	939,875	1,393	15,645,977
Equipment and furniture	686,307	3,979	0	690,286
Leasehold improvements	950,824	4,800	0	955,624
Construction in progress	<u>1,007,286</u>	<u>415,708</u>	<u>912,103</u>	<u>510,891</u>
Total	\$ 17,773,003	\$ 1,364,362	\$ 913,496	\$ 18,223,869
Accumulated depreciation	<u>-13,874,172</u>	<u>-373,655</u> *	<u>-1,337</u>	<u>-14,246,490</u>
Total	<u>\$ 3,898,831</u>	<u>\$ 990,707</u>	<u>\$ 912,159</u>	<u>\$ 3,977,379</u>

*Current year depreciation expense recognized.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 47,038
Tenants security deposits	<u>48,344</u>
Subtotal	\$ 95,382
Interfund	<u>48,303</u>
Total	<u>\$ 143,685</u>

Note 11 - Accrued Liabilities

Accrued liabilities consists of the following:

Current Portion:

Accrued wage/payroll taxes payable	\$ 39,794
Accrued compensated absences	11,190
Other current liabilities	10,362
Accrued liabilities - other	<u>22,079</u>
Total Current	\$ 83,425

Noncurrent Portion:

Accrued compensated absences	<u>100,712</u>
Total	<u>\$ 184,137</u>

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of September 30, 2012:

	10/01/2011			09/30/2012
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Accrued compensated absences	\$ 86,089	\$ 14,623	\$ 0	\$ 100,712
Trust and deposit liabilities	19,151	0	4,657	14,494
FSS escrow	<u>7,223</u>	<u>0</u>	<u>811</u>	<u>6,412</u>
Total	<u>\$ 112,463</u>	<u>\$ 14,623</u>	<u>\$ 5,468</u>	<u>\$ 121,618</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2012
(CONTINUED)**

Note 13 - Deferred Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$	716
Deferred grant revenue		<u>61,851</u>
 Total		 <u>\$ 62,567</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.

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

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, 2012
(CONTINUED)**

Note 18 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Adjustment to prior year hard/soft costs in capital funds	\$ <u>-56,385</u>
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Note 19 Contracts/Commitments

As of September 30, 2012, the Housing Authority had entered into the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-10	\$ 263,882	\$ 213,027
RHF 501-08	87,871	12,154
RHF 501-09	79,769	0
RHF 501-10	80,117	0
RHF 501-11	66,164	0
RHF 501-12	<u>61,250</u>	<u>0</u>
Total	<u>\$ 639,053</u>	<u>\$ 225,181</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.

Note 22 - Pending and Threatened Litigation

The Housing Authority has one pending personal injury case pending that has been referred to legal counsel and the insurance carrier. The matter is in the early stages of discovery and the outcome cannot be reasonably predicted.

SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2012**

<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 09/30/12	\$ 207,327	\$ 207,327	\$ 207,327
Public Housing - Capital Fund*	14.872	C-933	FYE 09/30/12	\$ 1,444,272	\$ 733,561	\$ 733,561
Housing Choice Voucher Program*	14.871	C-2057V	FYE 09/30/12	\$ 1,296,742	\$ 1,296,742	\$ 1,296,742
ROSS Grant	14.870	C-2057V	FYE 09/30/12	\$ 42,616	\$ 43,255	\$ 43,255
Total Housing Assistance				<u>\$ 2,990,957</u>	<u>\$ 2,280,885</u>	<u>\$ 2,280,885</u>

*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P019501-11**

1. The Actual Modernization Costs of Phase IN36P019501-11 are as follows:

Funds approved	\$ 217,853
Funds expended	<u>217,853</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 217,853
Funds expended	<u>217,853</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated February 21, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36R019501-04**

1. The Actual Modernization Costs of Phase IN36R019501-04 are as follows:

Funds approved	\$	118,768
Funds expended		<u>118,768</u>
Excess of Funds Approved	\$	<u>0</u>
Funds advanced	\$	118,768
Funds expended		<u>118,768</u>
Excess of Funds Advanced	\$	<u>0</u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated February 21, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36R019501-05**

1. The Actual Modernization Costs of Phase IN36R019501-05 are as follows:

Funds approved	\$ 90,255
Funds expended	<u>90,255</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 90,255
Funds expended	<u>90,255</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated February 21, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36R019501-06**

1. The Actual Assistance Award of Phase IN36R019501-06 are as follows:

Funds approved	\$	87,573
Funds expended		<u>87,573</u>
Excess of Funds Approved	\$	<u> 0</u>
Funds advanced	\$	87,573
Funds expended		<u>87,573</u>
Excess of Funds Advanced	\$	<u> 0</u>

2. The distribution of costs by project, as shown on the final Statement of Assistance Award, dated February 21, 2013, accompanying the Actual Assistance Award submitted to HUD for approval, is in agreement with the PHA's records.
3. All costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36R019501-07**

1. The Actual Assistance Award of Phase IN36R019501-07 are as follows:

Funds approved	\$	89,114
Funds expended		<u>89,114</u>
Excess of Funds Approved	\$	<u><u>0</u></u>
Funds advanced	\$	89,114
Funds expended		<u>89,114</u>
Excess of Funds Advanced	\$	<u><u>0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Assistance Award, dated February 21, 2013, accompanying the Actual Assistance Award submitted to HUD for approval, is in agreement with the PHA's records.
3. All costs have been paid and all related liabilities have been discharged through payment.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL ASSISTANCE AWARD
PHASE IN019RFS078A010**

1. The Actual Assistance Award of Phase IN019RFS065A009 are as follows:

Funds approved	\$ 42,616
Funds expended	<u>42,616</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 42,616
Funds expended	<u>42,616</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Assistance Award, dated December 3, 2012, accompanying the Actual Assistance Award submitted to HUD for approval, is in agreement with the PHA's records.
3. All costs have been paid and all related liabilities have been discharged through payment.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Michigan City Housing Authority
Michigan City, Indiana

I have audited the financial statements of Michigan City Housing Authority as of and for the year ended September 30, 2012, and have issued my report thereon dated January 16, 2013. 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

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

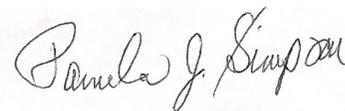
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. I identified no deficiencies in internal control over financial reporting, that I consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Michigan City Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 such 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 I reported to the management the Michigan City Housing Authority in a separate letter dated March 1, 2013.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Pamela J. Simpson in cursive script.

Certified Public Accountant

Decatur, Illinois
March 1, 2013

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on 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 Michigan City Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Michigan City Housing Authority's major federal programs for the year ended September 30, 2012. 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. 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 requirement 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

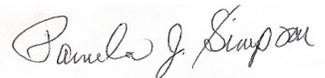
Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Michigan City Housing Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The purpose of this report is solely to describe the scope of my testing of compliance with the types of compliance requirements applicable to each of Michigan City Housing Authority's major programs and my testing of internal control over compliance and the results of my testing, and to provide an opinion on Michigan City Housing Authority's compliance but not to provide an opinion on the effectiveness of Michigan City Housing Authority's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Michigan City Housing Authority's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois
March 1, 2013

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

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended September 30, 2011 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report: Unqualified

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

* Significant deficiency (ies) identified? _____ yes X_____ none reported

Noncompliance material to financial statements noted? _____ yes X_____ no

Federal Awards

Internal control over major programs:

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

* Significant deficiency (ies) identified? _____ 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 OMB Circular A-133? _____ yes X_____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program
14.872	Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X_____ yes _____ no

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

CURRENT FINDINGS AND RECOMMENDATIONS

Section II - Financial Statement Findings

There were no financial statement audit findings discussed with Lenda J. Wilson, Executive Director and members of the Board of Commissioners, during the course of the audit and at an exit conference held March 1, 2013.

Section III - Federal Award Findings

There were no federal award audit findings discussed with Lenda J. Wilson, Executive Director and members of the Board of Commissioners, during the course of the audit and at an exit conference held March 1, 2013.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2012**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
General fund	1111.11	\$ 2,030.00		1111.11
Staff training	4140		\$ 30.00	2841
General fund - medical reimb.	1111.12		2,000.00	1111.12
(To reverse checks #94191 & 94192 recorded on at 09/30/2012; checks were actually written in October 2012)				
(2)				
Net Capital assets	2701	\$ 5,127.00		2701
Net assets - unrestricted	2841	51,208.67		2841
ROSS grants received - cy	n/a	9,051.79		2841
CFP grants received - cy	n/a		\$ 9,051.79	2841
CFP grants received - cy	8029.2		5,127.00	2701
Computer software and support	4190.2		35,146.97	2841
Ten Serv - con costs - training	4230		400.00	2841
Protective services - contract costs	4480		14,569.41	2841
Employee benefits - protective svcs	4482		1,092.29	2841
(To reverse JV #1725; soft cost were already recorded in FY 2011)				
(3)				
Deferred charges - materials	1260	\$ 9,670.70		
Materials	4420		\$ 9,117.88	
Allowance for obsolete inventory	1275		552.82	
(To adjust to year end inventory report for FY 2012)				
(4)				
Travel	4150		\$ 3,172.88	
Training	4110	\$ 3,172.88		
(To reclassify tuition reimbursement to training)				
(5)				
Prepaid software/tech fees	1290.19	\$ 1,513.89		
Administrative contracts	4190.19		\$ 1,513.89	
(To annualize software contract for Tenmast that runs from April 2012 to March 2013)				
<u>Business Activities</u>				
(1)				
Pet security deposits	2114.1	\$ 358.00		2114.10
Other income	3690		\$ 358.00	3690
General fund restricted sec dep	1111.11R	358.00		1111.11R
Sec dep funds held - gen'l fund	1114.11R		358.00	1114.11R
(To adjust pet security deposit liability per analysis)				

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2012**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Admin salary	4110	\$ 2,839.26		2826.1
Accrued absence - ST	2135.1		\$ 283.92	2135.1
Accrued absence - LT	2135.2		2,555.34	2135.2
(To record change in accrued absence - AJE not previously posted)				

Housing Authority of the City of Michigan City (IN019)

MICHIGAN CITY, IN

Entity Wide Balance Sheet Summary

Division Type: Audited/A-133

Fiscal Year End: 09/30/2012

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$146,517	\$333,952	\$74,128		\$9,052		\$563,649		\$563,649
112 Cash - Restricted - Capital Development									
113 Cash - Other	\$34,512		\$128,701				\$163,213		\$163,213
114 Cash - Tenant Security	\$35,380	\$13,322					\$48,702		\$48,702
115 Cash - Restricted for Current Liabilities	\$51,271						\$51,271		\$51,271
100 Total Cash	\$267,680	\$347,274	\$202,829	\$0	\$9,052	\$0	\$826,835	\$0	\$826,835
121 Accounts Receivable - All									
122 Accounts Receivable - Other Projects	\$188,841		\$1,000				\$189,841		\$189,841
124 Accounts Receivable - Management									
125 Accounts Receivable - Others	\$5,728	\$0					\$5,728		\$5,728
126 Accounts Receivable - Fees	\$9,917	\$6,679					\$16,596		\$16,596
126.1 Allowance for doubtful tenants	-\$2,898	-\$6,679					-\$9,577		-\$9,577
126.2 Allowance for doubtful Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
127 Notes, Loans & Mortgage Payable - Current	\$22,525						\$22,525		\$22,525
128 Fraud Recovery									
128.1 Allowance for doubtful Fraud									
129 Accrued Interest Receivable									
120 Total Receivables, excluding for Doubtful Accounts	\$224,113	\$0	\$1,000	\$0	\$0	\$0	\$225,113	\$0	\$225,113
131 Investments - Equity	\$359		\$3,889				\$4,248		\$4,248
132 Investments - Debt	\$2,305		\$4,107				\$6,412		\$6,412
135 Investments - Debt against Current Liability									
142 Prepaid Expenses	\$33,913		\$1,181				\$35,094		\$35,094
143 Inventories	\$20,339						\$20,339		\$20,339
143.1 Allowance for Obsolete	-\$1,017						-\$1,017		-\$1,017
144 Inter Program Refund	\$48,303						\$48,303	-\$48,303	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$595,995	\$347,274	\$213,006	\$0	\$9,052	\$0	\$1,165,327	-\$48,303	\$1,117,024
161 Land	\$367,457	\$53,634					\$421,091		\$421,091
162 Buildings	\$14,305,660	\$1,339,923	\$394				\$15,645,977		\$15,645,977
163 Furniture, Equipment - Buildings	\$183,630	\$4,895					\$188,525		\$188,525
164 Furniture, Equipment - Administration	\$425,759	\$1,685	\$74,317				\$501,761		\$501,761
165 Leasehold Improvements	\$938,606	\$17,018					\$955,624		\$955,624
166 Accumulated Depreciation	-\$13,717,904	-\$455,534	-\$73,052				-\$14,246,490		-\$14,246,490
167 Construction in Progress	\$510,891						\$510,891		\$510,891
168 Infrastructure	\$0	\$0					\$0		\$0
160 Total Capital Assets, net of Accumulated Depreciation	\$3,014,099	\$961,621	\$1,659	\$0	\$0	\$0	\$3,977,379	\$0	\$3,977,379
171 Notes, Loans & Mortgage Payable - Non-Current	\$225,245	\$0					\$225,245		\$225,245
172 Notes, Loans, & Mortgage Payable - Non-Current - Past Due	\$0	\$0					\$0		\$0
173 Grants Receivable - Other	\$0						\$0		\$0
174 Other Assets	\$0	\$0					\$0		\$0
176 Investments in Other Entities	\$0	\$0					\$0		\$0
180 Total Non-Current Assets	\$3,239,344	\$961,621	\$1,659	\$0	\$0	\$0	\$4,202,624	\$0	\$4,202,624
190 Total Assets	\$3,835,339	\$1,308,895	\$214,665	\$0	\$9,052	\$0	\$5,367,951	-\$48,303	\$5,319,648

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: 09/30/2012

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	2 State/Local	Subtotal	ELIM	Total
311 Bank Overdraft	\$0						\$0		\$0
312 Accounts Payable <= 90 Days	\$44,518	\$1,012	\$1,508				\$47,038		\$47,038
313 Accounts Payable >90 Days Past Due	\$0						\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$37,688	\$290	\$1,816				\$39,794		\$39,794
322 Accrued Compensated Absences - Current Portion	\$9,621	\$120	\$1,449				\$11,190		\$11,190
324 Accrued Contingency Liability	\$0						\$0		\$0
325 Accrued Interest Payable	\$0						\$0		\$0
331 Accounts Payable - HUD PHA Programs	\$0						\$0		\$0
332 Account Payable - PHA Projects	\$0						\$0		\$0
333 Accounts Payable - Other Government	\$0						\$0		\$0
341 Tenant Security Deposits	\$35,380	\$12,964					\$48,344		\$48,344
342 Deferred Revenues	\$51,271	\$300	\$1,944		\$9,052		\$62,567		\$62,567
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0						\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0						\$0		\$0
345 Other Current Liabilities	\$8,891	\$1,471					\$10,362		\$10,362
346 Accrued Liabilities - Other	\$22,079						\$22,079		\$22,079
347 Inter Program - Due To	\$0	\$9,827	\$38,476				\$48,303	-\$48,303	\$0
348 Loan Liability - Current	\$0	\$0					\$0		\$0
310 Total Current Liabilities	\$209,448	\$25,984	\$45,193	\$0	\$9,052	\$0	\$289,677	-\$48,303	\$241,374
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0						\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0						\$0		\$0
353 Non-current Liabilities - Other	\$16,799		\$4,107				\$20,906		\$20,906
354 Accrued Compensated Absences - Non Current	\$86,589	\$1,081	\$13,042				\$100,712		\$100,712
355 Loan Liability - Non Current	\$0	\$0					\$0		\$0
356 FASB 5 Liabilities	\$0						\$0		\$0
357 Accrued Pension and OPEB Liabilities	\$0						\$0		\$0
350 Total Non-Current Liabilities	\$103,388	\$1,081	\$17,149	\$0	\$0	\$0	\$121,618	\$0	\$121,618
300 Total Liabilities	\$312,836	\$27,065	\$62,342	\$0	\$9,052	\$0	\$411,295	-\$48,303	\$362,992
508.1 Invested In Capital Assets, Net of Related Debt	\$3,014,099	\$961,621	\$1,659				\$3,977,379		\$3,977,379
511.1 Restricted Net Assets	\$20,018		\$128,701				\$148,719		\$148,719
512.1 Unrestricted Net Assets	\$488,386	\$320,209	\$21,963	\$0	\$0	\$0	\$830,558		\$830,558
513 Total Equity/Net Assets	\$3,522,503	\$1,281,830	\$152,323	\$0	\$0	\$0	\$4,956,656	\$0	\$4,956,656
600 Total Liabilities and Equity/Net Assets	\$3,835,339	\$1,308,895	\$214,665	\$0	\$9,052	\$0	\$5,367,951	-\$48,303	\$5,319,648

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: 09/30/2012

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$511,935	\$163,073					\$675,008		\$675,008
70400 Tenant Revenue - Other	\$34,357	\$3,255					\$37,612		\$37,612
70500 Total Tenant Revenue	\$546,292	\$166,328	\$0	\$0	\$0	\$0	\$712,620	\$0	\$712,620
70600 HUD PHA Operating Grants	\$525,180		\$1,296,742		\$43,255		\$1,865,177		\$1,865,177
70610 Capital Grants	\$415,708						\$415,708		\$415,708
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue							\$0	\$0	\$0
70800 Other Government Grants									
71100 Investment Income - Unrestricted	\$330	\$311	\$23				\$664		\$664
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale		\$0					\$0		\$0
71310 Cost of Sale of Assets			\$0				\$0		\$0
71400 Fraud Recovery	\$0		\$2,464				\$2,464		\$2,464
71500 Other Revenue	\$72,289	\$358	\$162,692				\$235,339		\$235,339
71600 Gain or Loss on Sale of Capital Assets	\$375	-\$6					\$369		\$369
72000 Investment Income - Restricted	\$1		\$331				\$332		\$332
70000 Total Revenue	\$1,560,175	\$166,991	\$1,462,252	\$0	\$43,255	\$0	\$3,232,673	\$0	\$3,232,673
91100 Administrative Salaries	\$193,993		\$67,122				\$261,115		\$261,115
91200 Auditing Fees	\$7,520						\$7,520		\$7,520
91300 Management Fee									
91310 Book-keeping Fee			\$0				\$0		\$0
91400 Advertising and Marketing	\$456		\$68				\$524		\$524
91500 Employee Benefit contributions - Administrative	\$83,081		\$40,184				\$123,265		\$123,265
91600 Office Expenses	\$29,118		\$8,321				\$37,439		\$37,439
91700 Legal Expense	\$11,325	\$2,000	\$1,000				\$14,325		\$14,325
91800 Travel	\$5,329	\$48	\$46				\$5,423		\$5,423
91810 Allocated Overhead									
91900 Other	\$62,399	\$29,597	\$13,439				\$105,435		\$105,435
91000 Total Operating - Administrative	\$393,221	\$31,645	\$130,180	\$0	\$0	\$0	\$555,046	\$0	\$555,046
92000 Asset Management Fee									
92100 Tenant Services - Salaries			\$24,963		\$30,600		\$55,563		\$55,563
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services			\$3,869		\$12,655		\$16,524		\$16,524
92400 Tenant Services - Other	\$709						\$709		\$709
92500 Total Tenant Services	\$709	\$0	\$28,832	\$0	\$43,255	\$0	\$72,796	\$0	\$72,796

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: 09/30/2012

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	2 State/Local	Subtotal	ELIM	Total
93100 Water	\$34,492	\$57					\$34,549		\$34,549
93200 Electricity	\$124,884	\$41					\$124,925		\$124,925
93300 Gas	\$122,316	\$42					\$122,358		\$122,358
93400 Fuel									
93500 Labor		\$0	\$0				\$0		\$0
93600 Sewer	\$44,222	\$20					\$44,242		\$44,242
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93000 Total Utilities	\$325,914	\$160	\$0	\$0	\$0	\$0	\$326,074	\$0	\$326,074
94100 Ordinary Maintenance and Operations - Labor	\$271,536	\$5,567					\$277,103		\$277,103
94200 Ordinary Maintenance and Operations - Materials and Other	\$46,997	\$3,120	\$5,399				\$55,516		\$55,516
94300 Ordinary Maintenance and Operations Contracts	\$44,059	\$10,220					\$54,279		\$54,279
94500 Employee Benefit Contributions - Ordinary Maintenance	\$112,231	\$1,444					\$113,675		\$113,675
94000 Total Maintenance	\$474,823	\$20,351	\$5,399	\$0	\$0	\$0	\$500,573	\$0	\$500,573
95100 Protective Services - Labor	\$22,815						\$22,815		\$22,815
95200 Protective Services - Other Contract Costs	\$620	\$0					\$620		\$620
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services	\$3,250						\$3,250		\$3,250
95000 Total Protective Services	\$26,685	\$0	\$0	\$0	\$0	\$0	\$26,685	\$0	\$26,685
96110 Property Insurance	\$43,166						\$43,166		\$43,166
96120 Liability Insurance	\$1,545	\$0					\$1,545		\$1,545
96130 Workmen's Compensation	\$14,397						\$14,397		\$14,397
96140 All Other Insurance	\$21,406		\$2,025				\$23,431		\$23,431
96100 Total Insurance Premiums	\$80,514	\$0	\$2,025	\$0	\$0	\$0	\$82,539	\$0	\$82,539
96200 Other General Expenses			\$3,033				\$3,033		\$3,033
96210 Compensated Absences	\$13,673	\$0					\$13,673		\$13,673
96300 Payments in Lieu of Taxes	\$0	\$680					\$680		\$680
96400 Bad debt - Tenant Rents	\$8,089	\$1,929	\$0				\$10,018		\$10,018
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$21,762	\$2,609	\$3,033	\$0	\$0	\$0	\$27,404	\$0	\$27,404
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	\$1,323,628	\$54,765	\$169,469	\$0	\$43,255	\$0	\$1,591,117	\$0	\$1,591,117
97000 Excess of Operating Revenue over Operating Expenses	\$236,547	\$112,226	\$1,292,783	\$0	\$0	\$0	\$1,641,556	\$0	\$1,641,556

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: 09/30/2012

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.218 Community Development Block Grants/Entitlement Grants	14.870 Resident Opportunity and Supportive Services	2 State/Local	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$13,487						\$13,487		\$13,487
97200 Casualty Losses - Non-capitalized	\$1,107						\$1,107		\$1,107
97300 Housing Assistance Payments	\$0		\$1,413,946				\$1,413,946		\$1,413,946
97350 HAP Portability-In			\$154,318				\$154,318		\$154,318
97400 Depreciation Expense	\$338,004	\$35,153	\$498				\$373,655		\$373,655
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$1,676,226	\$89,918	\$1,738,231	\$0	\$43,255	\$0	\$3,547,630	\$0	\$3,547,630
10010 Operating Transfer In	\$317,853						\$317,853	-\$317,853	\$0
10020 Operating transfer Out	-\$317,853						-\$317,853	\$317,853	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0					\$0		\$0
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$116,051	\$77,073	-\$275,979	\$0	\$0	\$0	-\$314,957	\$0	-\$314,957
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$3,591,819	\$1,204,757	\$428,302	\$96,826	\$0	\$6,294	\$5,327,998		\$5,327,998
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$46,735			-\$96,826		-\$6,294	-\$56,385		-\$56,385
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity			\$23,622				\$23,622		\$23,622
11180 Housing Assistance Payments Equity			\$128,701				\$128,701		\$128,701
11190 Unit Months Available	2112	240	3444				5796		5796
11210 Number of Unit Months Leased	2080	240	3171				5491		5491
11270 Excess Cash	\$186,193						\$186,193		\$186,193
11610 Land Purchases	\$0						\$0		\$0
11620 Building Purchases	\$359,373						\$359,373		\$359,373
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0						\$0		\$0
11650 Leasehold Improvements Purchases	\$0						\$0		\$0
11660 Infrastructure Purchases	\$0						\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0		\$0
13901 Replacement Housing Factor Funds	\$0						\$0		\$0

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, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's 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 judgments 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.

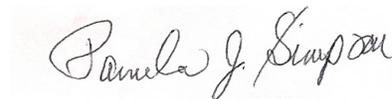
My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies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

1. 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 for indicators too. The workpapers used for the quality control checks should be expanded to adequately document all areas tested.
2. While reviewing insurance coverage, it was noted that the 'Building, Commercial and Property' as well as Workers' Compensation insurance was not allocated to all programs covered under the policies. The allocation of insurance premiums should be reviewed to assure that all expenses are properly charged and paid by covered programs.

3. At the end of the fiscal year, I noted that the Housing Authority had a substantial receivable from HUD related to capital funding and operating subsidy not drawn. The Housing Authority should be drawing Operating and Capital Fund Subsidy more timely in order to avoid losing interest and recording increased HUD receivables.
4. The listing of maintenance inventory for year end balances did not properly add down. While the discrepancies noted were not significant at year end, the PHA should monitor the maintenance inventory report at year end for any variances in the calculation associated with the total on the report.
5. The PHA is recording when cash is received from fraud recoveries but does not have the remaining receivable portion on the books. A subsidiary ledger should be maintained for all current, valid receivables.
6. During my review of the cash accounts, it was noted that PHA had outstanding checks that should be reviewed and written off in the Low Rent program.
7. Per the HUD depository agreement signed with all banks and HUD requirements, all Housing Authority accounts held by banks are to be interest bearing. It was noted that one account was not. The bank should be notified of the requirement.
8. PHA has a capitalization policy with a minimum capitalization limit of \$500, however it was noted that schedule has many older items under the minimum limit. PHA should review schedule and revise schedule appropriately to policy.
9. While reviewing payroll withholding accounts it was noted that PHA had failed to deposit some required deposits during the year. The PHA should make these deposits immediately and implement a system to reconcile all required deposits.
10. The PHA should monitor the FSS escrow deposits. Some deposits required could not be verified as made. PHA needs to develop uniform procedure in both FSS programs to monitor payments to be made by accounting department for these payments.

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
March 1, 2013



Certified Public Accountant