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July 21, 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, 2012 to September 30, 2013. 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, 2013 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, 2013

**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, 2013, and the related notes to the financial statements, which collectively comprise the Michigan City Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Michigan City Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Michigan City Housing Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Michigan City Housing Authority, as of September 30, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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 statements. 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.

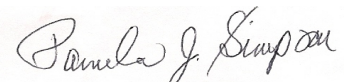
Report on Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Michigan City Housing Authority's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 43 to 47 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 21, 2014 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, grant agreements, and 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 the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Certified Public Accountant

Decatur, Illinois
March 21, 2014

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2013

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 position reflect only a slight change in 2013. Since the Authority engages only in business-type activities, the decrease is all the categories of business-type net position. Net Position were \$4.9 million and \$4.8 million for 2012 and 2013 respectively.
- ❖ Business-type activities revenue for 2013 was \$3,409,574.
- ❖ The total expenses of all Authority programs increased by \$52,052 (or 1.5%). Total expenses were \$3.5 million and \$3.6 million for 2012 and 2013 respectively.
- ❖ The Authority had \$731,101 in Tenant Revenue, \$2,340,536 in HUD PHA Operating Grants and \$75,717 of HUD Capital Grants for the year ended September 30, 2013.
- ❖ Authority investments unrestricted decreased by \$358 (or 8.4%) during the year. Total investment income on September 30, 2013 was \$721.

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

Executive Director
The Housing Authority of the City
Of Michigan City, Indiana
621 East Michigan Boulevard
Michigan City, Indian 46360
(219) 872-7287 fax: (219) 873-7700

HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2013

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, 2013.

❖ **Financial Statement Overview**

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

❖ **Authority-wide Statements**

- Table 1 – Statement of Net Position and Statement Analysis
- Table 2 – Changes in Unrestricted Net Position and Analysis
- Table 3- Statement of Revenues, Expenses and Changes in Fund Net Position 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, 2013**

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 Position, which is similar to a Balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal “Net Position”, 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 Position (the “Unrestricted”) is designed to represent the net available liquid(non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) are reported in three broad categories:

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

Unrestricted: Consists of Net Position that do not meet the definition of “Net Investment in Capital Assets”, or “Restricted”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (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 Position is the “Change in Net Position”, 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, 2013

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, 2013**

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

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

TABLE 1

STATEMENT OF NET POSITION

	<u>2013</u>	<u>2012</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	926,317	826,835	99,482	12%
Other Current Assets	135,799	290,189	(154,390)	-53%
Capital Assets	3,787,272	3,977,379	(190,107)	-5%
Noncurrent Assets	202,720	225,245	(22,525)	-10%
Total Assets	5,052,108	5,319,648	(267,540)	-5%
Deferred Outflows of Resources	12,070	0	12,070	0%
TOTAL	5,064,178	5,319,648	(255,470)	-5%
Current Liabilities	149,627	241,374	(91,747)	-38%
Noncurrent Liabilities	102,498	121,618	(19,120)	-16%
Total Liabilities	252,125	362,992	(110,867)	-31%
Deferred Inflows of Resources	18,471	0	18,471	0%
Net Investment in Capital Assets	3,787,272	3,977,379	(190,107)	-5%
Restricted	115,754	148,719	(32,965)	-22%
Unrestricted	890,556	830,558	59,998	7%
Total Net Position	4,793,582	4,956,656	(163,074)	-3%
TOTAL	5,064,178	5,319,648	(255,470)	-5%

Major Factors Affecting the Statement of Net Position

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

Capital assets stayed consistent. The decrease 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, 2013**

Analysis of Entity Wide Revenues

The Authority administers the following programs and the grants revenues generated from these programs during Fiscal Year Ending 2013 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing	\$ 963,984
Section 8 Vouchers	\$ 1,904,241
Capital Funds	\$ 328,228
Resident Opportunity and Supportive	\$ 40,548
Business Activities	\$ 172,573

Statement of Change of Unrestricted Net Position

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

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 09/30/12	\$ 0.8
Results of Operations	(0.1)
Adjustments:	
Depreciation (1)	.3
Restricted	(0.1)
Adjusted Results from Operations	<u>0.1</u>
Unrestricted Net Position 09/30/13	<u><u>\$0.9</u></u>

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

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

**HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2013**

Statement of Revenues, Expenses and Changes in Net Position

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

TABLE 3

: Factors Affecting the Change in Net Position

	2013	2012	Variance	Percentage Change
Total Tenant Revenue	731,101	712,620	18,481	2.59%
HUD Operating Grants	2,340,536	1,865,177	475,359	25.49%
HUD Capital Grants	75,717	415,708	-339,991	-81.79%
Other Grants	0	0	0	0.00%
Investment income	721	996	-275	-27.61%
Fraud Recovery	7,478	2,464	5,014	203.49%
Other Revenue	254,021	235,339	18,682	7.94%
Gain (Loss) on Sale of Fixed Assets	0	369	-369	-100.00%
Total Revenue	3,409,574	3,232,673	176,901	5.47%

	2013	2012	Variance	Percentage Change
Administrative	476,336	555,046	-78,710	-14.18%
Tenant Services	54,145	72,796	-18,651	-25.62%
Utilities	313,981	326,074	-12,093	-3.71%
Maintenance	399,462	500,573	-101,111	-20.20%
Protective Services	52,972	26,685	26,287	98.51%
Insurance Premiums	82,543	82,539	4	0.00%
General Expense	13,952	27,404	-13,452	-49.09%
Extraordinary Maintenance	60,588	13,487	47,101	349.23%
Causality Losses-Noncapitalized	903	1,107	-204	-18.43%
Housing Assistance Payment	1,794,283	1,568,264	226,019	14.41%
Depreciation Expense	350,517	373,655	-23,138	-6.19%
Total Expense	3,599,682	3,547,630	52,052	1.47%

**HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2013**

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 cuts during the period, Capital Grant funding of high capital improvements had some cuts.

Total expenses increased \$52,052. This increase was primarily due increase in protective services 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 \$3.8 million invested in a variety of capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) from the prior year-end.

TABLE 4

	2013	2012	Variance	Percentage Change
Land and land rights	421,091	421,091	0	0%
Building	16,113,789	15,645,977	467,812	3%
Equipment - Administrative	499,902	501,761	(1,859)	0%
Equipment Dwelling	188,525	188,525	0	0%
Leasehold Improvements	955,624	955,624	0	0%
Construction in Progress	200,898	510,891	(309,993)	-61%
Total Fixed Assets	18,379,829	18,223,869	155,960	1%
Accumulated Depreciation	-14,592,557	-14,246,490	346,067	-2%
Net Fixed Assets	3,787,272	3,977,379	(190,107)	-5%

**HOUSING AUTHORITY OF MICHIGAN CITY, INDIANA
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ending September 30, 2013**

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	\$ 3,977,379
Additions	160,410
Adjustments:	
Depreciation	(350,517)
Total	<u>\$ 3,787,272</u>

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

Capital Improvements	\$ 75,717
Equipment Purchases	\$ 2,591
Betterments and Additions	\$ 82,102

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 FUND NET POSITION - PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2013**

ASSETS

Cash - operating	\$ 747,916
Cash - restricted	178,401
Accounts receivable, net	48,112
Notes receivable	225,245
Investments	11,706
Inventory, net	18,138
Prepaid expenses	35,318
Capital assets:	
Land, land improvements and construction in progress	\$ 621,989
Other capital assets, net of depreciation	<u>3,165,283</u>
Total Capital Assets	<u>\$ 3,787,272</u>
Total Assets	<u>\$ 5,052,108</u>

DEFERRED OUTFLOWS OF RESOURCES (Note 10) \$ 12,070

TOTAL \$ 5,064,178

LIABILITIES

Accounts payable	\$ 68,870
Other liabilities	76,413
Unearned revenues	4,344
Noncurrent liabilities:	
Earned compensated absences	87,241
Trust and deposit liabilities	7,800
FSS escrow	<u>7,457</u>
Total Liabilities	<u>\$ 252,125</u>

DEFERRED OUTFLOWS OF RESOURCES (Note 17) \$ 18,471

NET POSITION

Net investment in capital assets	\$ 3,787,272
Restricted	115,754
Unrestricted	<u>890,556</u>
Total Net Position	<u>\$ 4,793,582</u>
TOTAL	<u>\$ 5,064,178</u>

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Operating Income

Tenant rental revenue	\$ 697,507
Tenant revenue - other	<u>33,594</u>
 Total Rental Income	 \$ 731,101
 HUD grants - operating	 2,340,536
Fraud recovery	7,478
Other revenue	<u>254,021</u>
 Total Operating Income	 <u>\$ 3,333,136</u>

Operating Expenses

Administration	\$ 476,336
Tenant services	54,145
Utilities	313,981
Ordinary maintenance and operation	399,462
Protective services	52,972
General expense	96,495
Extraordinary maintenance	60,588
Housing assistance payments	1,794,283
Depreciation	<u>350,517</u>
 Total Operating Expenses	 <u>\$ 3,598,779</u>
 Net Operating Income (Loss)	 <u>\$ -265,643</u>

Nonoperating Income (Expense)

HUD grants - capital	\$ 75,717
Casualty losses	-903
Interest income	<u>721</u>
 Total Nonoperating Income	 <u>\$ 75,535</u>
 Changes in net position	 \$ -190,108
Net position, beginning of year	4,956,656
Prior period adjustments	<u>27,034</u>
 Net position, end of year	 <u>\$ 4,793,582</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, 2013**

Operating Activities

Operating grants	\$ 2,474,927
Rental revenue	735,661
Other revenue	261,499
Housing assistance payments	-1,794,283
Payments to employees	-546,026
Payments to suppliers and contractors	<u>-946,375</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 185,403</u>

Investing Activities

Investments (purchased) redeemed	\$ -1,046
Interest income	<u>721</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ -325</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 75,717
Casualty losses	-903
(Additions) deletions to fixed assets	<u>-160,410</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -85,596</u>

Net Change in Cash	\$ 99,482
Cash Balance at September 30, 2012	<u>826,835</u>
Cash Balance at September 30, 2013	<u><u>\$ 926,317</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, 2013**

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

Net operating income (loss)	\$ -265,643
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Adjustment to net position	27,034
Depreciation	350,517
(Increase) decrease in accounts receivable	154,476
(Increase) decrease in prepaid expenses	-224
(Increase) decrease in inventories	1,184
(Increase) decrease in other assets	22,525
(Increase) decrease in deferred outflows	-12,070
Increase (decrease) in accounts payable	-26,512
Increase (decrease) in other liabilities	-20,483
Increase (decrease) in unearned revenues	-58,223
Increase (decrease) in FSS escrow	1,045
Increase (decrease) in trust and deposit liabilities	-6,694
Increase (decrease) in deferred inflows	<u>18,471</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 185,403</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

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, 2013
(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

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 Net Investment in Capital Assets, Restricted and Unrestricted.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(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, 2013, 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, 2013
(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, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(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.
- (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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

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

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

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

Category 3 - Deposits which are not collateralized or insured.

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

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Business Activities	\$ 483,028	\$ 483,028
Low Rent	260,560	267,591
Voucher	<u>182,729</u>	<u>183,581</u>
Total	<u>\$ 926,317</u>	<u>\$ 934,200</u>

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	\$ 3,705	\$ 3,705
Voucher	<u>8,001</u>	<u>8,001</u>
Total	<u>\$ 11,706</u>	<u>\$ 11,706</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

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 \$49,770 for the year ended September 30, 2013. The related total annual payroll expense was \$532,604.

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 - miscellaneous	\$ 39,507
Tenants accounts receivable	11,814
Allowance for doubtful accounts - tenants	-3,209
Fraud recovery	11,648
Allowance for doubtful accounts - fraud	<u>-11,648</u>
Subtotal	\$ 48,112
Interfund	<u>63,416</u>
Total	<u><u>\$ 111,528</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

Note 7 - Investments

At September 30, 2013 investments consist of the following:

	<u>Rate</u>	<u>Cost</u>	<u>Fair Value</u>
Checking - interest bearing	0.05%	<u>\$ 11,706</u>	<u>\$ 11,706</u>

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 26,108
Other prepaid	<u>9,210</u>
Total	<u>\$ 35,318</u>

Note 9 - Capital Assets

Balance as of September 30, 2013	\$ 3,787,272
Balance as of September 30, 2012	<u>3,977,379</u>
Net Increase (Decrease)	<u>\$ -190,107</u>

Reconciliation

Property betterments and additions	\$ 157,819
Replacement of equipment	2,591
Current year depreciation expense	<u>-350,517</u> *
Net Increase (Decrease)	<u>\$ -190,107</u>

Analysis

	<u>10/01/2012 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>09/30/2013 Balance</u>
Land	\$ 421,091	\$ 0	\$ 0	\$ 421,091
Buildings	15,645,977	467,812	0	16,113,789
Equipment and furniture	690,286	2,591	4,450	688,427
Leasehold improvements	955,624	0	0	955,624
Construction in progress	<u>510,891</u>	<u>75,717</u>	<u>385,710</u>	<u>200,898</u>
Total	\$ 18,223,869	\$ 546,120	\$ 390,160	\$ 18,379,829
Accumulated depreciation	<u>-14,246,490</u>	<u>4,450</u>	<u>350,517</u> *	<u>-14,592,557</u>
Total	<u>\$ 3,977,379</u>	<u>\$ 550,570</u>	<u>\$ 740,677</u>	<u>\$ 3,787,272</u>

*Current year depreciation expense recognized.

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

Note 10 - Deferred Outflows of Resources

HUD operating subsidy	\$ <u>12,070</u>
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Note 11 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 14,076
Accounts payable - HUD interest	101
Tenants security deposits	50,862
Contract retentions	<u>3,831</u>
 Subtotal	 \$ 68,870
 Interfund	 <u>63,416</u>
 Total	 <u>\$ 132,286</u>

Note 12 - Notes Payable

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

Note 13 - Other Liabilities

Other liabilities consists of the following:

Current Portion:

Wage/payroll taxes payable	\$ 41,339
Earned compensated absences	9,694
Utilities payable	<u>25,380</u>
 Total Current	 \$ 76,413

Noncurrent Portion:

Earned compensated absences	<u>87,241</u>
 Total	 <u>\$ 163,654</u>

Note 14 - Trust and Deposit Liabilities

This classification consists of the following:

Homebuyers earned payments/nonroutine maintenance	<u>\$ 7,800</u>
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Note 15 - Summary of Long Term Liabilities

A summary of long term liabilities as of September 30, 2013:

	10/01/2012			09/30/2013
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Earned compensated absences	\$ 100,712	\$ 0	\$ 13,471	\$ 87,241
Trust and deposit liabilities	14,494	0	6,694	7,800
FSS escrow	<u>6,412</u>	<u>1,045</u>	<u>0</u>	<u>7,457</u>
 Total	 <u>\$ 121,618</u>	 <u>\$ 1,045</u>	 <u>\$ 20,165</u>	 <u>\$ 102,498</u>

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

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

Note 16 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	\$ <u>4,344</u>
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Note 17 - Deferred Inflows of Resources

HUD - admin fees	\$ <u>18,471</u>
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Note 18 - 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 19 - 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 20 - Contingencies

Federal Grants

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

Note 21 - Prior Period Adjustments

Prior period adjustments posted directly to surplus are detailed below:

Prior year reclassification of security expenses to CFP	\$ <u>27,034</u>
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**MICHIGAN CITY HOUSING AUTHORITY
MICHIGAN CITY, INDIANA**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED SEPTEMBER 30, 2013
(CONTINUED)**

Note 22 Contracts/Commitments

As of September 30, 2013, the Housing Authority had entered into the following pending construction projects in progress:

	Funds <u>Approved</u>	Funds Expended <u>To Date</u>
CFP 501-13	\$ 205,197	\$ 0
RHF 502-09	79,769	0
RHF 502-10	80,117	0
RHF 502-11	66,164	0
RHF 502-12	61,250	0
RHF 502-13	<u>62,475</u>	<u>0</u>
Total	<u>\$ 554,972</u>	<u>\$ 0</u>

Note 23 - 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 24 - Economic Dependency

The Housing Authority received most of its revenue (71%) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 25 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	\$ 95,786
Turnkey reserve	<u>19,968</u>
Total	<u>\$ 115,754</u>

SUPPLEMENTAL DATA

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

<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 09/30/13	\$ <u>368,585</u>	\$ <u>368,585</u>	\$ <u>368,585</u>
Public Housing - Capital Fund	14.872	C-933	FYE 09/30/13	\$ <u>1,108,381</u>	\$ <u>328,228</u>	\$ <u>328,228</u>
Housing Choice Voucher Program*	14.871	C-2057V	FYE 09/30/13	\$ <u>1,678,892</u>	\$ <u>1,678,892</u>	\$ <u>1,678,892</u>
ROSS Grant	14.870	C-2057V	FYE 09/30/13	\$ <u>43,894</u>	\$ <u>40,548</u>	\$ <u>40,548</u>
Total Housing Assistance				\$ <u>3,199,752</u>	\$ <u>2,416,253</u>	\$ <u>2,416,253</u>

*Denotes major program.

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

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IN36P019501-10**

1. The Actual Modernization Costs of Phase IN36P019501-10 are as follows:

Funds approved	\$ 263,882
Funds expended	<u>263,882</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 263,882
Funds expended	<u>263,882</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 July 15, 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 IN36P019501-12**

1. The Actual Modernization Costs of Phase IN36P019501-12 are as follows:

Funds approved	\$	201,656
Funds expended		<u>201,656</u>
Excess of Funds Approved	\$	<u>0</u>
Funds advanced	\$	201,656
Funds expended		<u>201,656</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 March 21, 2014, 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 IN36R019501-08**

1. The Actual Modernization Costs of Phase IN36R019501-08 are as follows:

Funds approved	\$ 87,871
Funds expended	<u>87,871</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	\$ 87,871
Funds expended	<u>87,871</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 IN019RFS122A011**

1. The Actual Modernization Costs of Phase IN019RFS122A011 are as follows:

Funds approved	\$	43,894
Funds expended		<u>43,894</u>
Excess of Funds Approved	\$	<u><u>0</u></u>
Funds advanced	\$	43,894
Funds expended		<u>43,894</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 October 17, 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.



**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 in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Michigan City Housing Authority, which comprise the statement of net position as of September 30, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Michigan City Housing Authority's basic financial statements and have issued my report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Michigan City Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Michigan City Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Michigan City Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

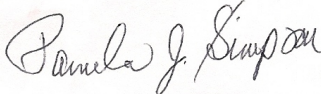
As part of obtaining reasonable assurance about whether the Michigan City Housing Authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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 of the Michigan City Housing Authority in a separate letter dated March 21, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Michigan City Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Michigan City Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Decatur, Illinois
March 21, 2014



Certified Public Accountant



**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Commissioners
Michigan City Housing Authority
Michigan City, Indiana

Report on Compliance for Each Major Program

I have audited the 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 the Michigan City Housing Authority's major federal programs for the year ended September 30, 2013. The 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Michigan City Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. 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 (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 material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major program. However, my audit does not provide a legal determination of the Michigan City Housing Authority's compliance.

Opinion on Each Major Program

In my opinion, the 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, 2013.

Other Matters

The results of my auditing procedures disclosed no material instances of noncompliance which are to be reported in accordance with *OMB Circular A-133*.

I noted certain matters that I reported to the management of the Michigan City Housing Authority in a separate letter dated March 21, 2014.

Report on Internal Control Over Compliance

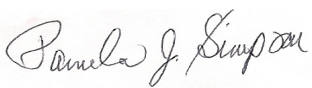
Management of the Michigan City Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Michigan City Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program 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 the 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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 *material weaknesses* or *significant deficiencies*. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of my testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Decatur, Illinois
March 21, 2014


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, 2012 contained no findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

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 21, 2014.

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 21, 2014.

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

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2013**

<u>Low Rent</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
Prepaid software/tech fees	1290.19	\$ 1,671.39		1290.19
Administrative contracts	4190.19		\$ 1,671.39	2841
(To adjust prepaid software contract for Tenmast that runs from 04/01/2013 to 03/31/2014)				
(2)				
Administrative contracts	4190.19	\$ 2,000.00		2841
Materials	4420	568.85		2841
Employee benefits - admin	4182	1,648.43		2841
Employee benefits - maintenance	4433	2,372.12		2841
Vendors and contractors	2111		\$ 6,589.40	2111
(To record additional payables @ 09/30/2013)				
(3)				
Deferred credits - excess grant funds	2290.G	\$ 50,855.05		2290.G
Management improvements	1408.ZK	50,855.05		2841
ZK advances - contra - comp grant	99390	50,855.05		2841
Protective services - labor	4460		\$ 20,395.00	2841
Protective services - contract costs	4480		3,426.00	2841
Net assets - unrestricted	2841		27,034.05	2841
CFP grants received - current year	8029.2		50,855.05	2841
ZK advances	99220		50,855.05	2841
(To reclassify current and prior year security expenses that should have been charged to CFP 2010 grant)				
<u>Housing Choice Vouchers</u>				
(1)				
Allowance for doubtful - fraud	1121	\$ 350.00		1121
Fraud recovery	1122		\$ 350.00	1122
(To adjust to detail/summary schedule)				
(2)				
FSS escrow funds to be transferred	1166R	\$ 3,889.36		1166R
Investments - unrestricted	----	3,889.36		----
Reclassified to restricted	1111.11R		\$ 3,889.36	1111.11R
Investments - FSS escrow	1166		3,889.36	1166
(To reclassify the proper placement of accounts)				

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: 09/30/2013

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$193,089	\$467,884	\$86,943		\$747,916		\$747,916
112 Cash - Restricted - Modernization and Development	\$0	\$0	\$0		\$0		\$0
113 Cash - Other Restricted	\$27,409	\$0	\$95,786		\$123,195		\$123,195
114 Cash - Tenant Security Deposits	\$37,500	\$13,362	\$0		\$50,862		\$50,862
115 Cash - Restricted for Payment of Current Liabilities	\$2,562	\$1,782	\$0		\$4,344		\$4,344
100 Total Cash	\$260,560	\$483,028	\$182,729	\$0	\$926,317	\$0	\$926,317
121 Accounts Receivable - PHA Projects	\$0	\$0	\$0		\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$2,522	\$0	\$0	\$9,548	\$12,070		\$12,070
124 Accounts Receivable - Other Government	\$0	\$0	\$0		\$0		\$0
125 Accounts Receivable - Miscellaneous	\$39,318	\$9	\$180		\$39,507		\$39,507
126 Accounts Receivable - Tenants	\$10,732	\$1,082	\$0		\$11,814		\$11,814
126.1 Allowance for Doubtful Accounts - Tenants	-\$2,405	-\$804	\$0		-\$3,209		-\$3,209
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$22,525	\$0	\$0		\$22,525		\$22,525
128 Fraud Recovery	\$0	\$0	\$11,648		\$11,648		\$11,648
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	-\$11,648		-\$11,648		-\$11,648
129 Accrued Interest Receivable	\$0	\$0	\$0		\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$72,592	\$287	\$180	\$9,548	\$92,707	\$0	\$92,707
131 Investments - Unrestricted	\$0	\$0	\$3,890		\$3,890		\$3,890
132 Investments - Restricted	\$3,705	\$0	\$4,111		\$7,816		\$7,816
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0		\$0		\$0
142 Prepaid Expenses and Other Assets	\$33,859	\$0	\$1,459		\$35,318		\$35,318
143 Inventories	\$19,093	\$0	\$0		\$19,093		\$19,093
143.1 Allowance for Obsolete Inventories	-\$955	\$0	\$0		-\$955		-\$955
144 Inter Program Due From	\$63,416	\$0	\$0		\$63,416	-\$63,416	\$0
145 Assets Held for Sale	\$0	\$0	\$0		\$0		\$0
150 Total Current Assets	\$452,370	\$483,315	\$192,369	\$9,548	\$1,137,602	-\$63,416	\$1,074,186
161 Land	\$367,457	\$53,634	\$0		\$421,091		\$421,091
162 Buildings	\$14,773,472	\$1,339,923	\$394		\$16,113,789		\$16,113,789
163 Furniture, Equipment & Machinery - Dwellings	\$183,630	\$4,895	\$0		\$188,525		\$188,525
164 Furniture, Equipment & Machinery - Administration	\$423,900	\$1,685	\$74,317		\$499,902		\$499,902
165 Leasehold Improvements	\$938,606	\$17,018	\$0		\$955,624		\$955,624
166 Accumulated Depreciation	-\$14,028,372	-\$490,635	-\$73,550		-\$14,592,557		-\$14,592,557
167 Construction in Progress	\$200,898	\$0	\$0		\$200,898		\$200,898
168 Infrastructure	\$0	\$0	\$0		\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,859,591	\$926,520	\$1,161	\$0	\$3,787,272	\$0	\$3,787,272
171 Notes, Loans and Mortgages Receivable - Non-Current	\$202,720	\$0	\$0		\$202,720		\$202,720
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0	\$0	\$0		\$0		\$0
173 Grants Receivable - Non Current	\$0	\$0	\$0		\$0		\$0
174 Other Assets	\$0	\$0	\$0		\$0		\$0
176 Investments in Joint Ventures	\$0	\$0	\$0		\$0		\$0
180 Total Non-Current Assets	\$3,062,311	\$926,520	\$1,161	\$0	\$3,989,992	\$0	\$3,989,992
190 Total Assets	\$3,514,681	\$1,409,835	\$193,530	\$9,548	\$5,127,594	-\$63,416	\$5,064,178

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: 09/30/2013

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
311 Bank Overdraft	\$0	\$0	\$0		\$0		\$0
312 Accounts Payable <= 90 Days	\$12,525	\$105	\$1,445		\$14,076		\$14,076
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$0		\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$39,370	\$117	\$1,852		\$41,339		\$41,339
322 Accrued Compensated Absences - Current Portion	\$7,965	\$92	\$1,637		\$9,694		\$9,694
324 Accrued Contingency Liability	\$0	\$0	\$0		\$0		\$0
325 Accrued Interest Payable	\$0	\$0	\$0		\$0		\$0
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$101		\$101		\$101
332 Account Payable - PHA Projects	\$0	\$0	\$0		\$0		\$0
333 Accounts Payable - Other Government	\$0	\$0	\$0		\$0		\$0
341 Tenant Security Deposits	\$37,500	\$13,362	\$0		\$50,862		\$50,862
342 Deferred Revenues	\$2,562	\$1,782	\$18,471		\$22,815		\$22,815
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0	\$0		\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0	\$0	\$0		\$0		\$0
345 Other Current Liabilities	\$3,831	\$0	\$0		\$3,831		\$3,831
346 Accrued Liabilities - Other	\$25,245	\$135	\$0		\$25,380		\$25,380
347 Inter Program - Due To	\$0	\$12,869	\$40,999	\$9,548	\$63,416	-\$63,416	\$0
348 Loan Liability - Current	\$0	\$0	\$0		\$0		\$0
310 Total Current Liabilities	\$128,998	\$28,463	\$64,505	\$9,548	\$231,514	-\$63,416	\$168,098
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$0		\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0	\$0	\$0		\$0		\$0
353 Non-current Liabilities - Other	\$11,146	\$0	\$4,111		\$15,257		\$15,257
354 Accrued Compensated Absences - Non Current	\$71,581	\$831	\$14,729		\$87,241		\$87,241
355 Loan Liability - Non Current	\$0	\$0	\$0		\$0		\$0
356 FASB 5 Liabilities	\$0	\$0	\$0		\$0		\$0
357 Accrued Pension and OPEB Liabilities	\$0	\$0	\$0		\$0		\$0
350 Total Non-Current Liabilities	\$82,827	\$831	\$18,840	\$0	\$102,498	\$0	\$102,498
300 Total Liabilities	\$211,825	\$29,294	\$83,345	\$9,548	\$334,012	-\$63,416	\$270,596
508.1 Invested in Capital Assets, Net of Related Debt	\$2,859,591	\$926,520	\$1,161		\$3,787,272		\$3,787,272
511.1 Restricted Net Assets	\$19,968	\$0	\$95,786		\$115,754		\$115,754
512.1 Unrestricted Net Assets	\$423,297	\$454,021	\$13,238	\$0	\$890,556		\$890,556
513 Total Equity/Net Assets	\$3,302,856	\$1,380,541	\$110,185	\$0	\$4,793,582	\$0	\$4,793,582
600 Total Liabilities and Equity/Net Assets	\$3,514,681	\$1,409,835	\$193,530	\$9,548	\$5,127,594	-\$63,416	\$5,064,178

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: 09/30/2013

	Project Total	1 Business Activities	14.671 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$526,393	\$171,114	\$0		\$697,507		\$697,507
70400 Tenant Revenue - Other	\$32,845	\$749	\$0		\$33,594		\$33,594
70500 Total Tenant Revenue	\$559,238	\$171,863	\$0	\$0	\$731,101	\$0	\$731,101
70600 HUD PHA Operating Grants	\$621,096	\$0	\$1,678,892	\$40,548	\$2,340,536		\$2,340,536
70610 Capital Grants	\$75,717	\$0	\$0		\$75,717		\$75,717
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	\$0	\$0	\$0		\$0		\$0
71100 Investment Income - Unrestricted	\$250	\$418	\$53		\$721		\$721
71200 Mortgage Interest Income	\$0	\$0	\$0		\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0		\$0		\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0		\$0		\$0
71400 Fraud Recovery	\$0	\$0	\$7,478		\$7,478		\$7,478
71500 Other Revenue	\$35,911	\$292	\$217,818		\$254,021		\$254,021
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0		\$0		\$0
72000 Investment Income - Restricted	\$0	\$0	\$0		\$0		\$0
70000 Total Revenue	\$1,292,212	\$172,573	\$1,904,241	\$40,548	\$3,409,574	\$0	\$3,409,574
91100 Administrative Salaries	\$164,697	\$143	\$69,222		\$234,062		\$234,062
91200 Auditing Fees	\$0	\$0	\$0		\$0		\$0
91300 Management Fee	\$0	\$0	\$0		\$0		\$0
91310 Book-keeping Fee	\$0	\$0	\$0		\$0		\$0
91400 Advertising and Marketing	\$100	\$0	\$0		\$100		\$100
91500 Employee Benefit contributions - Administrative	\$69,559	\$0	\$34,701		\$104,260		\$104,260
91600 Office Expenses	\$29,796	\$0	\$10,240		\$40,036		\$40,036
91700 Legal Expense	\$8,941	\$0	\$0		\$8,941		\$8,941
91800 Travel	\$580	\$0	\$0		\$580		\$580
91810 Allocated Overhead	\$0	\$0	\$0		\$0		\$0
91900 Other	\$59,047	\$17,039	\$12,271		\$88,357		\$88,357
91000 Total Operating - Administrative	\$332,720	\$17,182	\$126,434	\$0	\$476,336	\$0	\$476,336
92000 Asset Management Fee	\$0	\$0	\$0		\$0		\$0
92100 Tenant Services - Salaries	\$0	\$0	\$9,195	\$30,600	\$39,795		\$39,795
92200 Relocation Costs	\$0	\$0	\$0		\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$2,353	\$9,948	\$12,301		\$12,301
92400 Tenant Services - Other	\$2,049	\$0	\$0		\$2,049		\$2,049
92500 Total Tenant Services	\$2,049	\$0	\$11,548	\$40,548	\$54,145	\$0	\$54,145
93100 Water	\$29,533	\$194	\$0		\$29,727		\$29,727
93200 Electricity	\$107,947	\$165	\$0		\$108,112		\$108,112
93300 Gas	\$127,993	\$239	\$0		\$128,232		\$128,232
93400 Fuel	\$0	\$0	\$0		\$0		\$0
93500 Labor	\$0	\$0	\$0		\$0		\$0
93600 Sewer	\$47,712	\$198	\$0		\$47,910		\$47,910
93700 Employee Benefit Contributions - Utilities	\$0	\$0	\$0		\$0		\$0
93800 Other Utilities Expense	\$0	\$0	\$0		\$0		\$0
93000 Total Utilities	\$313,185	\$796	\$0	\$0	\$313,981	\$0	\$313,981
94100 Ordinary Maintenance and Operations - Labor	\$203,199	\$5,436	\$0		\$208,635		\$208,635
94200 Ordinary Maintenance and Operations - Materials and Other	\$34,112	\$3,403	\$5,659		\$43,174		\$43,174
94300 Ordinary Maintenance and Operations Contracts	\$36,732	\$8,398	\$0		\$45,130		\$45,130
94500 Employee Benefit Contributions - Ordinary Maintenance	\$100,437	\$2,086	\$0		\$102,523		\$102,523
94000 Total Maintenance	\$374,480	\$19,323	\$5,659	\$0	\$399,462	\$0	\$399,462

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: 09/30/2013

	Project Total	1 Business Activities	14,871 Housing Choice Vouchers	14,870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
95100 Protective Services - Labor	\$47,429	\$0	\$0		\$47,429		\$47,429
95200 Protective Services - Other Contract Costs	\$3,426	\$0	\$0		\$3,426		\$3,426
95300 Protective Services - Other	\$0	\$0	\$0		\$0		\$0
95500 Employee Benefit Contributions - Protective Services	\$2,117	\$0	\$0		\$2,117		\$2,117
95000 Total Protective Services	\$52,972	\$0	\$0	\$0	\$52,972	\$0	\$52,972
96110 Property Insurance	\$43,942	\$0	\$0		\$43,942		\$43,942
96120 Liability Insurance	\$1,137	\$0	\$0		\$1,137		\$1,137
96130 Workmen's Compensation	\$18,692	\$278	\$1,038		\$20,008		\$20,008
96140 All Other Insurance	\$15,431	\$0	\$2,025		\$17,456		\$17,456
96100 Total Insurance Premiums	\$79,202	\$278	\$3,063	\$0	\$82,543	\$0	\$82,543
96200 Other General Expenses	\$0	\$0	\$2,500		\$2,500		\$2,500
96210 Compensated Absences	\$809	\$0	\$1,874		\$2,683		\$2,683
96300 Payments in Lieu of Taxes	\$588	\$378	\$0		\$966		\$966
96400 Bad debt - Tenant Rents	\$6,999	\$804	\$0		\$7,803		\$7,803
96500 Bad debt - Mortgages	\$0	\$0	\$0		\$0		\$0
96600 Bad debt - Other	\$0	\$0	\$0		\$0		\$0
96800 Severance Expense	\$0	\$0	\$0		\$0		\$0
96000 Total Other General Expenses	\$8,396	\$1,182	\$4,374	\$0	\$13,952	\$0	\$13,952
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$0		\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0	\$0	\$0		\$0		\$0
96730 Amortization of Bond Issue Costs	\$0	\$0	\$0		\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,163,004	\$38,761	\$151,078	\$40,548	\$1,393,391	\$0	\$1,393,391
97000 Excess of Operating Revenue over Operating Expenses	\$129,208	\$133,812	\$1,753,163	\$0	\$2,016,183	\$0	\$2,016,183
97100 Extraordinary Maintenance	\$60,068	\$0	\$520		\$60,588		\$60,588
97200 Casualty Losses - Non-capitalized	\$903	\$0	\$0		\$903		\$903
97300 Housing Assistance Payments	\$0	\$0	\$1,588,990		\$1,588,990		\$1,588,990
97350 HAP Portability-In	\$0	\$0	\$205,293		\$205,293		\$205,293
97400 Depreciation Expense	\$314,918	\$35,101	\$498		\$350,517		\$350,517
97500 Fraud Losses	\$0	\$0	\$0		\$0		\$0
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense	\$0	\$0	\$0		\$0		\$0
90000 Total Expenses	\$1,538,893	\$73,862	\$1,946,379	\$40,548	\$3,599,682	\$0	\$3,599,682
10010 Operating Transfer In	\$252,511	\$0	\$0		\$252,511	-\$252,511	\$0
10020 Operating transfer Out	-\$252,511	\$0	\$0		-\$252,511	\$252,511	\$0
10030 Operating Transfers from/to Primary Government	\$0	\$0	\$0		\$0		\$0
10040 Operating Transfers from/to Component Unit	\$0	\$0	\$0		\$0		\$0
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss	\$0	\$0	\$0		\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0	\$0	\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0				\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0				\$0		\$0
10093 Transfers between Program and Project - In	\$0	\$0	\$0		\$0		\$0
10094 Transfers between Project and Program - Out	\$0	\$0	\$0		\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$246,681	\$98,711	-\$42,138	\$0	-\$190,108	\$0	-\$190,108

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: 09/30/2013

	Project Total	1 Business Activities	14,871 Housing Choice Vouchers	14,870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$3,522,503	\$1,281,830	\$152,323	\$0	\$4,956,656		\$4,956,656
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$27,034				\$27,034		\$27,034
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	\$0		\$14,399		\$14,399		\$14,399
11180 Housing Assistance Payments Equity			\$95,786		\$95,786		\$95,786
11190 Unit Months Available	2172	120	3444		5736		5736
11210 Number of Unit Months Leased	2127	119	3444		5690		5690
11270 Excess Cash	\$143,344				\$143,344		\$143,344
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$157,819				\$157,819		\$157,819
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$2,591				\$2,591		\$2,591
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, 2013, 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 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.

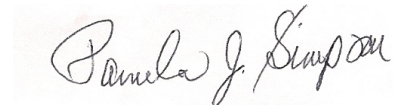
My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies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

1. During my review of the cash accounts, it was noted that PHA had outstanding checks that had been outstanding for more than one year in both the Low Rent and Vouchers programs. The Housing Authority should adopt a policy for investigating and clearing reconciling items on a monthly basis.
2. The PHA has a capitalization policy with a minimum capitalization limit of \$500, however it was noted that the detailed depreciation schedule has many older items under the minimum limit. The Housing Authority should review and reconcile the schedule annually to determine that all assets meet the criteria of the policy and that the assets are still usable and in the agency's possession.

3. 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.
4. Sound accounting practices require that the Housing Authority adopt a policy regarding the classification of cash and cash equivalents vs. investments. Generally accepted accounting procedures allow investments with a maturity date of six months or less at the time of purchase to be classified as cash equivalents (as opposed to investments) in your financial statements. The housing authority has not adopted a formal policy at this time, therefore, I recommend that the agency adopt a policy that coincides with their current practice.
5. The Medical Reimbursement account on Low Rent's general ledger is a checking account not earning interest. The PHA should review this account to determine if it must be an interest bearing account as required by HUD guidelines.
6. While reviewing the Security and Pet deposits, it was noted that a detailed subsidiary ledger is not being maintained or reconciled in the Business Activities program. All deposit accounts should be supported by a subsidiary ledger and reconciled monthly.
7. During the test of cash disbursements, the Housing Authority could not locate proof of the quotes obtained for a plumbing invoice and wheel chair ramp steps. Each purchase should have had three quotes according to procurement policy. The Housing Authority is reminded to obtain and retain all required bids and quotes in accordance with their own procurement policy.

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 21, 2014



Certified Public Accountant