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May 19, 2009

Board of Commissioners
The Housing Authority of the
City of Mishawaka
P.O. Box 1347
Mishawaka, IN 46546

We have reviewed the audit report prepared by Velma Butler & Company, LTD., Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of The Housing Authority of City of Mishawaka, as of June 30, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

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

**INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION,
FOR THE YEAR ENDED JUNE 30, 2007,
INCLUDING SINGLE AUDIT REPORTS**

THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Development
The Housing Authority of the City of Mishawaka
Mishawaka, Indiana

U.S. Department of Housing and Urban
Development
Indianapolis Office, Public Housing Division
151 North Delaware
Indianapolis, Indiana 46204-2526

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Mishawaka, Indiana (the Authority), as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2006 financial statements and, in our report dated October 26, 2006; we expressed an unqualified opinion on those financial statements

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

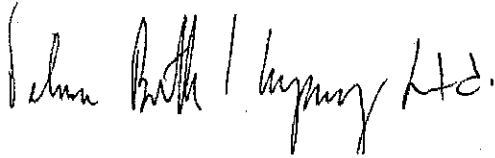
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Mishawaka, Indiana, as of June 30, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2007, on our consideration of the Authority's internal control structure over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our 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. 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 our audit.

In accordance with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, we have issued our report dated November 30, 2007, on compliance with requirements applicable to each major program and internal controls over compliance. That report is an integral part of an audit performed on the expenditures of federal awards and should be considered in assessing the results of our engagement.

The management's discussion and analysis on pages 3 - 7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

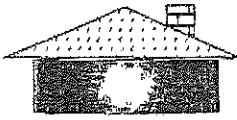
Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial data schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Authority. The financial data schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Velma Butler / Company Ltd.", written in dark ink.

Velma Butler & Company, Ltd.
Chicago, Illinois

November 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS



The Housing Authority,
City of Mishawaka

Colleen Olund, Executive Director
P.O. Box 1347 • Mishawaka, IN 46546-1347
Phone: (574) 258-1658 / Fax: (574) 258-1741
E-mail: house@michiana.org

November 30, 2007

To the Board of Commissioners of the
Mishawaka Housing Authority
Mishawaka, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Mishawaka, Indiana's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2007, with selective comparison to the financial performance for the fiscal year ended June 30, 2006. Please read it in conjunction with the Authority's financial statements, which follow this section.

We are pleased to submit the financial statements of the Housing Authority of the City of Mishawaka, Indiana for the year ended June 30, 2007. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the basic financial statements. The purpose of the financial statements is to provide complete and accurate financial information, which complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- The change in net assets for 2007 was \$(7,243). This represented an increase of \$283,599, from the change in net assets for 2006, of \$(290,842).
- Total revenues increased by \$254,004, primarily because grants received from HUD rose by \$267,760.
- Operating expenses decreased by \$29,596.
- Total assets at June 30, 2007 totaled \$10,219,613, compared to \$10,290,612, at June 30, 2006, a decrease of \$70,998.
- Total non-current assets totaled \$7,773,972 at June 30, 2007, a decrease of \$243,483, from the June 30, 2006 balance of \$8,017,455.
- Total liabilities decreased from \$369,209 at June 30, 2006 to \$222,861 at June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as a single enterprise fund whose operations include two separate and distinct housing activities. The Low Rent Housing program is funded by income-based rents received from residents and operating subsidies from HUD.

Under the Housing Choice Voucher Program, the Authority enters into housing assistance payment contracts with eligible landlords and HUD for the receipt of the rental subsidies. The Authority receives an administrative fee from HUD for operating this program.

The financial statements are presented in three sections: management's discussion and analysis (this section), the basic financial statements and supplementary information.

The management discussion and analysis section includes information on the past and future accomplishments of the Authority. It focuses on analysis of the financial statements and the improvements by the Authority's management.

The financial section provides both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. *Enterprise Funds* are used to account for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

Governmental funds are used to account for the Authority's special grant activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting with only current assets and current liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

All the Authority's activities for the current year were in the enterprise funds - low rent and section 8 housing choice vouchers.

The Statement of Net Assets reports the Authority's net assets and how they have changed from the previous year. Net assets are the difference between the Authority's assets and liabilities, which is one way to measure the Authority's financial health or position.

Additionally, the Authority is required to undergo an annual single audit in conformity with the provisions of the Single Audit Amendments of 1996 and the United States Office of Management and Budget's ("OMB") "Audits of State and Local Governments" as provided in OMB Circular A-133. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are issued with this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

Net assets represent the difference between total assets and total liabilities. As shown in Table 1, the Authority's total net assets at June 30, 2007 reached approximately \$10 million, a .6 percent increase compared to June 30, 2006, total net assets of about \$9.9 million.

Total assets are approximately \$10.2 million, while total liabilities decreased by 40 percent to approximately \$223 thousand.

Table 1
Mishawaka Housing Authority Net Assets
(in thousand dollars)

	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
Current Assets	\$ 2,446	\$ 2,273	7.6%
Non-current Assets	7,774	8,017	-3.0%
Total Assets	<u>\$ 10,220</u>	<u>\$ 10,290</u>	-0.7%
Total Current Liabilities	\$ 223	\$ 369	-39.6%
Invested in Capital Assets, Net	7,774	8,017	-3.0%
Unrestricted Net Assets	<u>2,223</u>	<u>1,904</u>	16.8%
Total Net Assets	9,997	9,921	0.8%
Total Net Assets & Liabilities	<u>\$ 10,220</u>	<u>\$ 10,290</u>	-0.7%

Current assets increased by 7.6 percent, or approximately \$173 thousand, which was due to increased cash and cash equivalents, investments, accrued interest receivable and prepaid expenses.

Non-current assets decreased by 3 percent or approximately \$243 thousand due to the depreciation of fixed assets. The decrease was partially offset by increased improvements in capital expenditures.

Net assets invested in capital assets, consisted of capital improvements net of accumulated depreciation.

Change in Net Assets

Overall net assets at June 30, 2007 increased by approximately \$76 thousand and compared favorably to the \$291 thousand decrease for the period ended June 30, 2006. The change resulted primarily from transfer of Section 8 deferred revenue to operations.

As shown in Table 2, the Authority's total operating revenues, which included HUD Operating and Capital Grants, tenant rents, interest and other income increased by \$254 thousand or 8.4 percent.

Total operating expenses decreased by \$30 thousand or .9 percent to approximately \$3.27 million in 2007.

Table 2
Changes in Mishawaka Housing Authority's Net Assets
(in thousand dollars)

	<u>2007</u>	<u>2006</u>	<u>Percent Change</u>
Revenue	\$ 3,262	\$ 3,008	8.4%
Operating Expenses			
Operating Expenses - Less Depr.	2,636	2,656	-0.8%
Depreciation	633	643	-1.6%
Total Operating Expenses	<u>3,269</u>	<u>3,299</u>	-0.9%
Change in Net Assets	(7)	(291)	-97.6%
Total Net Assets, Beginning	9,921	10,212	-2.8%
Transfer of Funds	83		
Total Net Assets, Ending	<u>\$ 9,997</u>	<u>\$ 9,921</u>	0.8%

As seen in Table 3, the primary cause of the \$30 thousand decrease was due to general and administrative payments during the year.

Table 3
Mishawaka Housing Authority's Operating Expense
(in thousand dollars)

	2007	2006	Percent Change
Administrative Expense	\$ 529	\$ 614	-13.8%
Tenant Services	33	21	57.1%
Utilities Expense	192	194	-1.0%
Ordinary Maintenance	398	397	0.3%
General Expenses	140	149	-6.0%
Housing Assistance Payments	1,344	1,282	4.8%
Depreciation Expense	633	642	-1.4%
Total Expenses	\$ 3,269	\$ 3,299	-0.9%

BUDGETARY CONTROL

Budgetary control is exercised over programs through internal control methods that ensure compliance with legal provisions incorporated in annual program budgets approved by HUD and the Board of Commissioners. The activities of the Authority's enterprise fund are included in the annual budgeting process. Capital project budgets contained in the Authority's Low Rent Housing program are adopted for the length of the capital projects then annualized to strength cost monitoring and completion of timetables.

CAPITAL ASSETS

Capital assets decreased by \$243,483 from \$8,017,455 to \$7,773,972, as shown in the table below:

	June 30, 2006	Additions and (Deletions)	June 30, 2007
Land Structures and Equipment	\$ 15,217,236	\$ 784,974	\$ 16,002,210
Construction in Progress	876,234	(434,131)	442,103
Less Accumulated Depreciation	(8,076,015)	(594,326)	(8,670,341)
Total Land Structures and Equipment	\$ 8,017,455	\$ (243,483)	\$ 7,773,972

MAJOR INITIATIVES

For the year: The Authority's highlights of major initiatives and discretionary policies for the year, were as follows:

- The Board of Commissioners and staff strove to maintain their high performer status and improve scores in specific areas for both PHAS and SEMAP.
- The Authority conducted the admission process in a manner in which all persons interested in admission to either public housing or Section 8 were treated fairly and consistently.
- The Authority did not discriminate at any stage of the admission process because of race, color, national origin, religion, creed, sex, age, handicap, or familial status.
- The Authority followed the nondiscrimination requirements of Federal, State, and Local Law.

- The Authority's Admission and Continued Occupancy Policy was revised in July 2006 to comply with new HUD regulations and the Dwelling Lease had previously been revised to be in compliance with the Quality Housing and Work Responsibility Act of 1998.
- The Authority completed a number of physical improvement projects including repairs to the roof and replacement of the boilers at Battell School Apartments as well as the replacement of in-wall air conditioning units. Both Battell School Apartments and River View 500 had the valves for plumbing to apartments replaced. Barbee Creek Apartments completed significant physical improvement projects designed to assist disabled tenants; accessibility of the laundry facilities for the neighborhood and additional ramps serving apartments.
- The Authority was able to offer vouchers to families on the waiting list, primarily due to other Housing Authorities absorbing Housing Choice Voucher families.

The Housing Authority of the City of Mishawaka, in keeping with its mission and that of the U.S. Department of Housing and Urban Development, will provide decent, safe, and sanitary housing in good repair to the citizens of Mishawaka, Indiana.

For the future: The Authority will continue to provide a choice in housing for low and moderate income families. The Authority encourages its residents to become more self-sufficient so that they may contribute to the larger community. The Authority works to become more competitive in the housing market and to position itself to increase housing options through entrepreneurial management and solid business practices.

The Authority's Strategic Goals include the following:

- Expanding the supply of assisted housing;
- Improving the quality of assisted housing;
- Increasing assisted housing choices;
- Providing an improved living environment;
- Promoting self-sufficiency and asset development of assisted households; and
- Ensuring equal opportunity and affirmatively furthering fair housing.

The Authority's mission continues to be "To provide to low and moderate income families quality housing that is affordable, in decent, safe, and sanitary conditions, and in good repair. To explore opportunities to increase housing/options and to promote resident self-sufficiency and independence."

Sincerely,,



Colleen Olund
Executive Director

FINANCIAL STATEMENTS

THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
 STATEMENT OF NET ASSETS
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2007, (WITH COMPARATIVE TOTAL FOR 2006)

EXHIBIT A

	PROPRIETARY FUND TYPES		2007 TOTAL	2006 TOTAL
	ENTERPRISE FUNDS			
	LOW RENT	SECTION 8		
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 597,050	\$ 92,416	\$ 689,466	\$ 529,087
Investments	1,656,499		1,656,499	1,630,357
Accounts Receivable	76,016	4,576	80,592	98,886
Accrued Interest Receivable	8,690		8,690	7,212
Prepaid Expenses/ Other Assets	10,395		10,395	7,615
Total Current Assets	<u>2,348,649</u>	<u>96,992</u>	<u>2,445,641</u>	<u>2,273,157</u>
NON CURRENT ASSETS				
Land, Structures and Equipment, Net	7,773,972		7,773,972	8,017,455
Total Non Current Assets	<u>7,773,972</u>	<u>0</u>	<u>7,773,972</u>	<u>8,017,455</u>
TOTAL ASSETS	<u>\$ 10,122,621</u>	<u>\$ 96,992</u>	<u>\$ 10,219,613</u>	<u>\$ 10,290,612</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 78,991	\$ 10,686	\$ 89,677	\$ 248,548
Accrued Payables	108,354	2,710	111,064	97,844
Deferred Revenue	22,120		22,120	22,817
Total Current Liabilities	<u>209,465</u>	<u>13,396</u>	<u>222,861</u>	<u>369,209</u>
NET ASSETS				
Unrestricted Net Assets	2,139,184	83,596	2,222,780	1,903,948
Investment in Fixed Assets	7,773,972		7,773,972	8,017,455
Total Net Assets	<u>9,913,156</u>	<u>83,596</u>	<u>9,996,752</u>	<u>9,921,403</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,122,621</u>	<u>\$ 96,992</u>	<u>\$ 10,219,613</u>	<u>\$ 10,290,612</u>

See accompanying notes to the financial statements.

THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
 STATEMENT OF ACTIVITIES
 ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED JUNE 30, 2007, (WITH COMPARATIVE TOTAL FOR 2006)

EXHIBIT B

	PROPRIETARY FUND TYPES		2007 TOTAL	2006 TOTAL
	ENTERPRISE FUNDS			
	LOW RENT	SECTION 8		
REVENUES				
Tenant Rents	\$ 570,879	\$	\$ 570,879	\$ 542,821
HUD Operating Grants	741,708	1,454,370	2,196,078	2,127,306
Other Income	2,596	9,148	11,745	79,154
Total Revenues	<u>1,315,183</u>	<u>1,463,518</u>	<u>2,778,702</u>	<u>2,749,281</u>
OPERATING EXPENSES				
Administrative Expenses	387,710	141,544	529,253	613,891
Tenant Services	32,320		32,320	20,531
Utilities Expenses	192,166		192,166	193,970
Ordinary Maintenance & Material	393,129	4,950	398,078	397,129
General Expenses	133,994	6,300	140,295	148,650
Extraordinary Maintenance				
Housing Assistance Payments		1,344,056	1,344,056	1,282,157
Depreciation Expense	632,854		632,854	642,288
Total Operating Expenses	<u>1,772,172</u>	<u>1,496,849</u>	<u>3,269,021</u>	<u>3,298,616</u>
OPERATING INCOME (LOSS)	<u>(456,989)</u>	<u>(33,331)</u>	<u>(490,320)</u>	<u>(549,335)</u>
NON OPERATING REVENUES / (EXPENSES)				
HUD Capital Grants	389,371		389,371	190,383
Interest on Investments	92,792	1,017	93,810	68,315
Gain on Disposition of Equipment	(105)		(105)	(205)
Total Non Operating Revenues / (Expenses)	<u>482,058</u>	<u>1,017</u>	<u>483,076</u>	<u>258,493</u>
CHANGE IN NET ASSETS	<u>25,069</u>	<u>(32,313)</u>	<u>(7,244)</u>	<u>(290,842)</u>
TRANSFER OF FUNDS		82,593	82,593	
NET ASSETS AT BEGINNING OF PERIOD	9,888,087	33,316	9,921,403	10,212,245
NET ASSETS AT END OF PERIOD	<u>\$ 9,913,156</u>	<u>\$ 83,596</u>	<u>\$ 9,996,752</u>	<u>\$ 9,921,403</u>

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
STATEMENT OF CASH FLOWS - ALL ENTERPRISE FUNDS
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 2007, (WITH COMPARATIVE TOTAL FOR 2006)**

EXHIBIT C

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 2,778,702	\$ 2,749,281
Payments to Employees	(655,555)	(697,723)
Payments to Vendors	(2,112,923)	(1,893,605)
Net Cash Provided by (Used For) Operating Activities	<u>10,223</u>	<u>157,953</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/Sale of Investments	(26,142)	(16,162)
Interest on Investment	<u>93,810</u>	<u>68,315</u>
Net Cash Provided by (Used in) Investing Activities	67,668	52,153
CASH FLOWS FROM FINANCING ACTIVITIES		
Construction of Capital Assets	(345,412)	(190,381)
(Purchase) Sale of Fixed Assets	38,528	(9,983)
Capital Grants	<u>389,371</u>	<u>190,383</u>
Net Cash Provided by (Used in) Financing Activities	82,486	(9,981)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	160,378	200,125
CASH AND CASH EQUIVALENTS AT JUNE 30, 2006	529,088	328,963
CASH AND CASH EQUIVALENTS AT JUNE 30, 2007	<u>\$ 689,466</u>	<u>\$ 529,088</u>
Reconciliation of Operating Loss to net Cash Used by Operating Activities		
Operating Loss	\$ (490,320)	\$ (549,335)
Adjustments to Reconcile		
Depreciation	632,854	642,288
Changes in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	18,294	(46,796)
(Increase)/Decrease in Accrued Interest Receivable	(1,478)	(5,399)
(Increase)/Decrease in Prepaid Expenses	(2,780)	(1,125)
Increase/(Decrease) in Accounts Payable	(158,871)	92,346
Increase/(Decrease) in Accrued Liabilities	13,220	24,185
Increase/(Decrease) in Deferred Revenue	<u>(697)</u>	<u>1,788</u>
Net Cash Provided by Operating Activities	<u>10,222</u>	<u>157,952</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Note 1 - Organization and Program Description

The Housing Authority of the City of Mishawaka, Indiana (the Authority) is a municipal corporation created and organized under the Housing Authority Act of the State of Indiana to engage in the acquisition, development, leasing and administration of a low-rent housing program and other federally assisted programs.

The governing body of the Authority is its Board of Commissioners (Board) composed of four members appointed by the Mayor of the City of Mishawaka (City). The Board appoints an Executive Director to administer the affairs of the Authority. The Authority is not considered a component unit of the City.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities for capital improvements to assist the public housing authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; to make housing assistance payments; and to make annual contributions (subsidies) to PHAs for the purpose of maintaining the low rent character of the local housing program.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into public housing and grant programs as follows:

Low Rent Housing - The low rent housing program is the primary operating fund of the Authority. It provides subsidized housing to low income residents. The Authority is the owner of various public housing units located throughout the City. The Authority receives revenue from dwelling rental income and an operating subsidy provided by HUD. "Capital Fund Program Grants," funded by HUD, are used to improve the physical condition, management and operation of existing public housing developments. The low rent housing program is reported as an enterprise fund.

Section 8 Housing Voucher Programs - The Authority participates in the Section 8 - housing assistance payments (HAP) programs. These programs are designed to provide privately owned decent, safe and sanitary housing to low income families. The Authority provides assistance to modest and low-income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the programs, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Section 8 programs are also reported as enterprise funds.

A. Reporting Entity

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units. These principles define the reporting entity of the primary government, as well as its component units. Component units are separate legal organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose the will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. There are no component units of the Authority. The accompanying financial data present the financial statements of the Authority.

The reporting entity for the Authority includes all the funds of the Authority as the primary government.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007, continued . . .**

Note 1 - Organization and Program Description (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements.

Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

Governmental Funds are used to account for the Authority's special grant activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting with only current assets and current liabilities included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined. And "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if they are collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The Authority's governmental funds are special revenue funds that account for revenues sources that are legally restricted to expenditures for specific purposes (not including expendable major capital projects).

As of June 30, 2007, there were no significant revenues not considered measurable and available. The Authority considers all federal subsidies due at June 30, 2007, to be measurable and available and, therefore, these amounts have been accrued. Expenditures generally are recognized when an event or transaction is expected to draw upon current spendable resources.

C. Fund Accounting

The accounts of the Authority are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements.

Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The following fund types are maintained by the Authority:

Proprietary Funds - The Authority's proprietary funds are *Enterprise Funds* used to account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Enterprise Funds - Enterprise funds are used to account for the activities of the low rent and Section 8 housing programs. Under the low rent housing program, the fund owns and operates 299 housing units. Financing for the acquisition and rehabilitation of these properties was obtained through several HUD grants and long-term debt issues. Their operations and maintenance are funded principally through tenant rentals and federal housing assistance programs. Under the Section 8 housing program, the fund monitors 295 privately owned housing units. Operations are funded through housing assistance payments from HUD.

THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007, continued . . .

Note 1 - Organization and Program Description (continued)

Governmental Funds - Special revenue funds are used to account for the proceeds of the specific revenue sources (other than for major projects) that are restricted to expenditures that have specified purposes by legal, grant, regulating provisions or administrative action. During fiscal year 2007, the Authority did not have any governmental funds.

Budgets - Budgets are adopted for applicable enterprise funds on a basis consistent with accounting principles generally accepted in the United States of America. The Authority is not legally required to adopt budgets for such funds. However, the Authority has contractual requirements to adopt budgets for applicable HUD programs. All annual appropriations lapse at fiscal year-end. Multi-year appropriations for capital projects (all capital projects are currently accounted for in proprietary funds) and special revenue funds are adopted for the length of the project and/or program and are annualized for accounting purposes. Additional information on the Authority's budgetary requirements and controls is disclosed in Note 2.

The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Change in Accounting Principles - The Authority adopted the provision of GASB Statement No. 34, *General Purpose Financial Statements and Management's Discussion and Analysis for State and Local Governments* in 2002. GASB Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. GASB Statement No. 34 relates to presentation and disclosure requirements and has no impact on net assets. The impact is on the presentation of net assets and the inclusion of management's discussion and analysis.

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Investments - Investments are stated at fair value in accordance with GASB Statement No. 31. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds.

Prepaid Expenditures - Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items.

Fixed Assets - The Authority capitalizes fixed assets with a cost of more than \$300 and a useful life of one year or more. Proprietary fund types focus on capital maintenance. Accordingly, land, structures and equipment are recorded in the enterprise fund, which acquires such assets.

Fixed assets are stated at cost. The cost of maintenance and repairs is charged to operations as incurred and improvements are capitalized. Fixed assets are depreciated over their useful lives using the straight line method of depreciation as follows:

Building	40 years
Office Furniture and Equipment	5 years
Automobiles	5 years

Compensated Absences - Vested or accumulated vacation and leave have been recorded in the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007, continued . . .**

Note 1 - Organization and Program Description (continued)

Totals - Memorandum Only Columns - Total columns on the general purpose financial statements are captioned memorandums and are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

Note 2 - Budget Information

The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. All budgets are prepared by the bookkeeper on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. Operating budgets are not prepared for capital projects, which are included in the low rent housing fund. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners.

Special Revenue Funds - The budget for special revenue funds is approved for the length of the individual programs or grants. Appropriations are authorized at the fund and expenditure category level, and effective budgetary control is at the fund level and achieved through the program's or grant's periodic budgeting and reporting requirements.

Enterprise Funds - Low rent housing enterprise fund operating budgets are prepared for the upcoming year by the end of the current fiscal year and are approved by the Authority's Board of Commissioners and HUD. Appropriations for capital projects are authorized at the fund and expenditure level, and effective budgetary control is achieved through period budgeting and reporting requirements.

Section 8 housing assistance payments operating budgets are prepared for the upcoming fiscal year 90 days before the end of the current fiscal year and are approved by HUD. The Authority's Board of Commissioners approves operating expenditure budgets. Budgetary control is at the fund level (excess/deficiency) of revenues over expenditures.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$689,466 at June 30, 2007, and consisted of amounts maintained in commercial check accounts and are readily available. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. Cash amounts in excess of the \$100,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name.

Note 4 - Investments

The Housing Authority's investments in marketable securities are reported in the financial statements at market value at year-end. Market values and unrealized appreciation (depreciation) at June 30, 2007, are summarized as follows:

<u>Bank</u>	<u>Description</u>	<u>Category 2</u>	
		<u>Market Value</u>	<u>Book Value</u>
National City Bank	Certificates of Deposits	\$ 1,656,499	\$ 1,656,499
Total		\$ 1,656,499	\$ 1,656,499

Investments were collateralized by government securities and held in the pledging financial institutions' trust department in the Authority's name. Interest rates of certificates of deposit range from 5.02 percent to 5.26 percent. Interest income from investments totaled \$93,810 for fiscal year 2007.

THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007, continued . . .

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2007, consisted of the following:

Tenants	\$	2,391
Allowance for Doubtful Accounts		(179)
HUD		23,432
Other Accounts Receivable		54,948
Total	\$	<u>80,592</u>

Six months after tenants move out, their delinquent accounts are sent to the Board of Commissioners for write-off approval. The amount written-off is the tenants' past due rent, move-out charges and/or sewage fees deemed uncollectible. Amounts written-off during fiscal year 2007 totaled \$4,949.

Note 6 - Accrued Interest Receivables

Accrued interest receivable totaled \$8,690 at June 30, 2007, which consisted of accrued interest on certificates of deposit.

Note 7 - Prepaid Expenses

Prepaid expenses totaled \$4,971 at June 30, 2007.

Note 8 - Supplies Inventory

Office supplies inventory totaled \$5,424 at June 30, 2007.

Note 9 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended June 30, 2007, were as follows:

Enterprise Fund Low-Rent Housing	June 30, 2006	Additions and (Deletions)	June 30, 2007
Land Structures and Equipment	\$ 15,217,236	\$ 784,974	\$ 16,002,210
Construction in Progress	876,234	(434,131)	442,103
Less Accumulated Depreciation	(8,076,015)	(594,326)	(8,670,341)
Total Land Structures and Equipment	\$ 8,017,455	\$ (243,483)	\$ 7,773,972

Changes in land, structures and equipment during the audit period consisted of total capital improvement costs incurred and equipment purchased. Fixed Assets are recorded at cost. Depreciation is recorded over the useful lives of the assets using the straight-line method of depreciation. Depreciation expenses for 2007 totaled \$632,854, and dispositions totaled \$38,528.

Note 10 - Accounts Payable

Accounts payable, at June 30, 2007, consisted of:

Accounts Payable - Vendors	\$	42,053
Tenants Security Deposits		36,938
Inter-fund Transfers		10,686
Total	\$	<u>89,677</u>

THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007, continued . . .

Note 11 - Accrued Liabilities

Accrued liabilities totaled \$111,063 at June 30, 2007 and consisted of the following:

Accrued Wages Payable	\$	15,546
Compensated Absences		26,008
PILOT		69,509
Total	\$	<u>111,063</u>

It is the Authority's policy not to compensate employees for accumulated sick or compensated leave upon termination. Unused vacation is paid upon termination. Vacation pay is accrued for and recognized in the financial statements as an accrued liability.

Note 12 - Employee Benefit Plans

The Authority participates in Trustees of the Mishawaka Housing Authority Retirement Plan (the Plan), which is a qualified defined contribution retirement plan administered by Correll. The Plan covers all full-time employees. The maximum contribution is 13 percent of the employee's monthly salary.

Pension expense for the year ended June 30, 2007, equaled \$63,157; the maximum required contribution and represented 17 percent of qualified employee payroll for 2007. The Authority made all the required contributions to the Plan. Plan assets at June 30, 2007, totaled \$669,541.

The Authority's total payroll expense was \$550,799, for the year ended June 30, 2007.

Note 13 - Commitments and Contingencies

The Authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning and other services. Such commitments are monthly or annual.

Note 14 - Administrative Fees

The Authority receives an "Administrative Fee" as part of each of the annual contributions contract from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Housing Assistance programs.

Note 15 - Allocation of Cost

The Authority allocates expenses to a specific program based on its asset management model. The basis for this allocation was the percentage of actual use in each program. Management considers this to be an equitable method of allocation.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
 FINANCIAL DATA SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2007

Line	Acct. #	Account Descriptions	14,850		14,872		14,871		Total Authority
			Low-Rent Housing	Capital	Total Low-Rent Housing	Section 8 Housing Choice	Total		
		Assets							
		Current Assets:							
		Cash:							
111	111100	General Fund - Cash	\$ 596,800.22	\$	\$ 596,800.22	\$ 92,415.93	\$	689,216.15	
111	111110	General Fund - ACH	100.00		100.00			100.00	
111	111700	Cash - Petty	150.00		150.00			150.00	
		Total Cash	597,050.22	0.00	597,050.22	92,415.93		689,466.15	
		Accounts Receivable:							
126	112200	Accounts Receivable - Tenants	1,501.30		1,501.30	890.00		2,391.30	
126	112298	Allowance for Doubtful Accounts - Tenants	(178.84)		(178.84)			(178.84)	
122	112500	Accounts Receivable - HUD		23,432.07	23,432.07	3,686.05		27,118.12	
125	112900	Accounts Receivable Payroll			0.00			0.00	
125	112900	Accounts Receivable - Other	40,575.08		40,575.08			40,575.08	
144	112901	Accounts Receivable - Interfund	10,685.98		10,685.98			10,685.98	
120		Total Receivables	52,583.52	23,432.07	76,015.59	4,576.05		80,591.64	
129	1145	Accrued Interest	8,689.89		8,689.89			8,689.89	
120		Total Receivables	8,689.89	0.00	8,689.89	0.00		8,689.89	
131	116200	Investments - General and Security Deposit	1,656,498.73		1,656,498.73			1,656,498.73	
		Total Investments	1,656,498.73	0.00	1,656,498.73	0.00		1,656,498.73	
142	121100	Prepaid Insurance	4,971.00		4,971.00			4,971.00	
126000		Office Supplies - Inventory	5,423.84		5,423.84			5,423.84	
		Total Prepaids	10,394.84	0.00	10,394.84	0.00		10,394.84	
150		Total Current Assets	2,325,217.20	23,432.07	2,348,649.27	96,991.98		2,445,641.25	
		Non Current Assets:							
161	1400.2	Land	587,150.00		587,150.00			587,150.00	
162	1400.2	Building	5,284,348.00		5,284,348.00			5,284,348.00	
163	140040	Dwelling Equipment and Furniture	254,326.00		254,326.00	3,267.59		257,593.59	
164	140030	Administrative Equipment and Furniture	352,194.00		352,194.00			352,194.00	
165	140030	Leasehold Improvements	9,524,191.93		9,524,191.93			9,524,191.93	
166	1400.05	Accumulated Depreciation	(8,670,341.37)		(8,670,341.37)	(3,267.60)		(8,673,608.97)	
167		Construction In Progress		442,103.07	442,103.07			442,103.07	
180		Total Non Current Assets	7,331,868.56	442,103.07	7,773,971.63	(0.01)		7,773,971.62	
190		Total Assets	\$ 9,657,085.76	\$ 465,535.14	\$ 10,122,620.90	\$ 96,991.97	\$	10,219,612.87	

See accompanying notes to the financial statements

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
 FINANCIAL DATA SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT D

Line #	Acct. #	Account Descriptions	14,850 Low-Rent Housing	14,872 Capital	Total Low-Rent Housing	Section 8 Housing Choice	Total Authority
		Liabilities and Equity					
		Liabilities:					
		Current Liabilities:					
312	211100	Accounts Payable - Vendors and Contractors	\$ 18,621.36	\$ 23,432.07	\$ 42,053.43	\$	\$ 42,053.43
341	211400	Accounts Payable - Security Deposits	36,937.60		36,937.60		36,937.60
347	212000	Accounts Payable - Interfund				10,685.98	10,685.98
		Total Current Liabilities	55,558.96	23,432.07	78,991.03	10,685.98	89,677.01
		Accrued Liabilities:					
321	213400	Accrued Wages and Payroll Taxes	15,545.95		15,545.95		15,545.95
322	213500	Accrued Compensated Balances	23,299.46		23,299.46	2,710.01	26,009.47
333	213700	PILOT	69,508.53		69,508.53		69,508.53
		Total Accrued Liabilities	108,353.94	0.00	108,353.94	2,710.01	111,063.95
		Deferred Credits					
342	224000	Prepaid Rents	7,242.04		7,242.04		7,242.04
353	229000	Deferred Revenue	14,878.00		14,878.00		14,878.00
		Total Deferred Credits	22,120.04	0.00	22,120.04	0.00	22,120.04
350		Total Non Current Liabilities	130,473.98	0.00	130,473.98	2,710.01	133,183.99
300		Total Liabilities	186,032.94	23,432.07	209,465.01	13,395.99	222,861.00
		Net Assets:					
508	281000	Invested in Capital Assets	7,331,868.56	442,103.07	7,773,971.63		7,773,971.63
512	282700	Unrestricted Net Assets	2,139,184.26		2,139,184.26	83,595.98	2,222,780.24
		Total Equity	9,471,052.82	442,103.07	9,913,155.89	83,595.98	9,996,751.87
600		Total Liabilities and Equity	\$ 9,657,085.76	\$ 465,535.14	\$ 10,122,620.90	\$ 96,991.97	\$ 10,219,612.87

See accompanying notes to the financial statements

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
 FINANCIAL DATA SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT D

Line Item	Acct. #	Account Description	14.850 Low-Rent Housing	14.872 Capital	Total Low-Rent Housing	14.871 Section 8 Housing Choice	Total Authority
		Operating Revenues					
703	3110	Dwelling Rentals	\$ 543,980.75	\$	\$ 543,980.75	\$	\$ 543,980.75
704	3120	Tenant Revenue Other	26,898.02		26,898.02		26,898.02
		Total Tenant Revenue	570,878.77	0.00	570,878.77	0.00	570,878.77
711	3610	Interest on Investments	92,792.24		92,792.24	1,017.46	93,809.70
706	8020	HUD Operating Grants	627,125.00	114,583.14	741,708.14	1,454,370.00	2,196,078.14
706.1	8029	HUD Capital Grants		389,370.80	389,370.80		389,370.80
714	3300	Fraud Recovery				4,157.83	4,157.83
715	3690	Other Income	2,596.27		2,596.27	4,990.58	7,586.85
716	6120	Gain on Disposal of Equipment	(104.99)		(104.99)		(104.99)
700		Total Operating Revenues	1,293,287.29	503,953.94	1,797,241.23	1,464,535.87	3,261,777.10
		Operating Expenses					
911	4110	Administrative Salaries	192,377.40		192,377.40	84,773.85	277,151.25
914	4120	Compensated Absences	5,453.52		5,453.52		5,453.52
915	4182	Employee Benefit Contribution	79,371.69		79,371.69	31,203.03	110,574.72
912	4170	Auditing	11,506.00		11,506.00	8,000.00	19,506.00
916	4190	Other Operating - Administrative	49,417.88	49,583.14	99,001.02	17,566.79	116,567.81
		Total Administrative Expenses	338,126.49	49,583.14	387,709.63	141,543.67	529,253.30
914	4210	Tenant services - Salaries	22,442.04		22,442.04		22,442.04
924	4220	Tenant Services - Other	534.59		534.59		534.59
923	4222	Tenant Services - Benefits	9,343.30		9,343.30		9,343.30
		Total Tenant Services	32,319.93	0.00	32,319.93	0.00	32,319.93
931	4310	Water	35,777.05		35,777.05		35,777.05
932	4320	Electricity	117,706.39		117,706.39		117,706.39
933	4330	Gas	38,682.78		38,682.78		38,682.78
		Total Utilities	192,166.22	0.00	192,166.22	0.00	192,166.22
941	4410	Ordinary Maint. and Pp. - Labor	161,299.16		161,299.16	3,304.05	164,603.21
945	4482	Employee Benefit Contribution-Main	64,341.66		64,341.66	1,645.46	65,987.12
942	4420	Ord. Maint. and Op. - Mat. & Others	91,635.51		91,635.51		91,635.51
943	4430	Ordinary Main. and Op. - Contract Co	75,852.41		75,852.41		75,852.41
		Total Ordinary Maint. & Materials	393,128.74	0.00	393,128.74	4,949.51	398,078.25
961	4510	Insurance	90,267.84		90,267.84	1,583.16	91,851.00
963	4520	Payment in Lieu of Taxes	36,079.37		36,079.37		36,079.37
964	4570	Bad Debts - Collection Losses	4,901.00		4,901.00		4,901.00
962	4590	Other General Expenses	2,744.93		2,744.93	4,717.29	7,462.22
		Total General Expenses	133,993.14	0.00	133,993.14	6,300.45	140,293.59
973	4715	House Assistance Payments (Sec. 8)			0.00	1,344,055.52	1,344,055.52
974	5800	Depreciation Expense	632,853.58		632,853.58		632,853.58
716	6120	Loss on Disposal of Equipment			0.00		0.00
		Total Other	632,853.58	0.00	632,853.58	1,344,055.52	1,976,909.10
900		Total Operating Expenses	1,722,588.10	49,583.14	1,772,171.24	1,496,849.15	3,269,020.39
1,001		Transfers	65,000.00	(65,000.00)	0.00		0.00
		Net Income	\$ (364,300.81)	\$ 389,370.80	\$ 25,069.99	\$ (32,313.28)	\$ (7,243.29)

See accompanying notes to the financial statements.

THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
 SCHEDULE OF FEDERAL EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT E

FEDERAL GRANTOR	ANNUAL CONTRIBUTION CONTRACT #	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs - U S Department of Housing and Urban Development				
<u>Direct Programs</u>				
<u>Low Rent Housing Program</u>				
Low Rent Housing Programs	C - 624	14.850	\$ 627,125	\$ 1,722,588
Capital Fund Program	C - 624	14.872	503,954	503,954
Total Low Rent Housing Programs			<u>1,131,079</u>	<u>2,226,542</u>
<u>Housing Choice Voucher Program</u>				
Section 8 - Housing Choice Voucher Program	C - 624	14.871	<u>1,454,370</u>	<u>1,496,849</u>
Total Housing Choice Voucher Program			1,454,370	1,496,849
Total U S Department of Housing and Urban Development (Major Programs)			<u>2,585,449</u>	<u>3,723,391</u>
Total All Programs - U S Department of Housing and Urban Development			<u>\$ 2,585,449</u>	<u>\$ 3,723,391</u>

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT F

ANNUAL CONTRIBUTION CONTRACT C - 624 PHASES - IN36PO2050105 and IN36PO20510506

1. The total amount of Modernization Costs (herein called the "Actual Modernization Cost") of the Capital Fund Program Grant is shown below for Capital Fund Program Number IN36P02050105 and IN36P02050106

	<u>501-05</u>	<u>501-06</u>	<u>Total</u>
Funds Approved	\$ 456,948	\$ 452,985	\$ 909,933
Funds Expended	<u>456,948</u>	<u>164,187</u>	<u>621,135</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>	<u>\$ 288,798</u>	<u>\$ 288,798</u>
Funds Advanced	\$ 456,948	\$ 140,754	\$ 597,702
Funds Expended	<u>456,948</u>	<u>164,187</u>	<u>621,135</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>	<u>\$ (23,432)</u>	<u>\$ (23,432)</u>

2. Cost additions, during the audit period, totaled \$339,767 for Phase 501-05 and \$164,187 for Phase 501-06, and accordingly were audited by Velma Butler & Company, Ltd.

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
 STATEMENT OF CAPITAL FUND PROGRAM COSTS
 FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT G

**ANNUAL CONTRIBUTION CONTRACT C - 624
 PHASES 501-04 - IN36PO2050104**

1. The total amount of Modernization Costs (herein called the "Actual Modernization Cost") of the Capital Fund Program Grant is shown below for Capital Fund Program Number IN36P02050104

Funds Approved	\$ 482,801
Funds Expended	<u>482,801</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 482,801
Funds Expended	<u>482,801</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

2. Cost additions totaled \$35,282, during the current audit period, and accordingly were audited by Velma Butler & Company
3. The distribution of costs on the Actual Capital Fund Program Cost Certificate dated August 16, 2007 were in agreement with the PHA's records.
4. All Capital Fund Program costs have been paid and the related liabilities have been discharged through payment.
5. There were no budget overruns.

See accompanying notes to the financial statements.

SINGLE AUDIT REPORTS



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

Board of Commissioners
Development
The Housing Authority of the City of Mishawaka
Mishawaka, Indiana

U.S. Department of Housing and Urban
Indianapolis Office, Public Housing Division
151 North Delaware
Indianapolis, Indiana 46204-2526

We have audited the financial statements of the Housing Authority of the City of Mishawaka, Indiana (the Authority) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

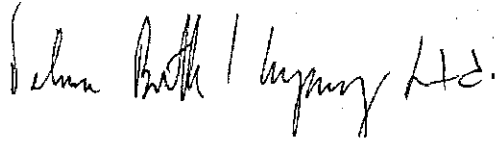
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Velma Butler / Company Ltd." The signature is written in dark ink and is positioned above the typed name.

Velma Butler & Company, Ltd.
Chicago, Illinois
November 30, 2007



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

Board of Commissioners
Development
The Housing Authority of the City of Mishawaka
Mishawaka, Indiana

U.S. Department of Housing and Urban
Development
Indianapolis Office, Public Housing Division
151 North Delaware
Indianapolis, Indiana 46204-2526

Compliance

We have audited the compliance of the Housing Authority of the City of Mishawaka, Indiana (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The 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 the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

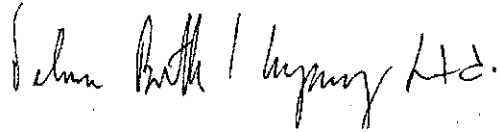
Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133.

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

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

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

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd." The signature is written in dark ink and is positioned above the printed name of the company.

Velma Butler & Company, Ltd.
Chicago, Illinois

November 30, 2007

SUMMARY OF AUDITORS' RESULTS

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Financial Statements

The type of report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weaknesses?
 Yes None reported

Noncompliance material to financial statements noted?

Yes None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weaknesses?
 Yes None reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

Yes No

Identification of major programs:

U.S. Department of Housing and Urban Development

CFDA Number Name of Federal Program

Low Rent Rental Assistance Programs

14.850	Low Rent Housing
14.872	Capital Fund Program

Housing Choice Voucher Housing Assistance Programs

14.871	Housing Choice Voucher Program
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no reportable findings for the fiscal year ended June 30, 2007.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

There were no reportable findings for the fiscal year ended June 30, 2006.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Section 8 Housing Management Assessment Program and did not observe any material instances of noncompliance.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
STATEMENT OF COMPLIANCE WITH
PUBLIC HOUSING MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2007**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Public Housing Assessment System Program and did not note any material instances of noncompliance.

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
SCHEDULE OF ADJUSTED ENTRIES - LOW RENT
FOR THE YEAR ENDED JUNE 30, 2007**

Acct. #	Description	Debit	Credit
2810	Unreserved Surplus	\$ 114,583.14	\$
1407	Operations Contra		65,000.00
1409	Management Improvements Contra To write off soft cost on capital projects		49,583.14
1125	Accounts Receivable HUD - Capital	23,432.07	
2840	Cumulative HUD Contributions To record amount due from HUD for capital expenses		23,432.07
Total - Low Rent Adjustments		\$ <u>138,015.21</u>	\$ <u>138,015.21</u>

**THE HOUSING AUTHORITY OF THE CITY OF MISHAWAKA, INDIANA
SCHEDULE OF ADJUSTED ENTRIES - HOUSING CHOICE VOUCHER
FOR THE YEAR ENDED JUNE 30, 2007**

Acct. #	Description	Debit	Credit
2210	Prepaid Annual Contributions - Admin Fee	\$ 296,168	\$
2210	Prepaid Annual Contributions - Vouchers	1,266,000	
2840	Annual HUD Contribution		1,454,370
2810	Unreserved Surplus		35,776
2830	Undesignated Fund Balance		72,032
	To record the annual HUD contribution at 6/30/07 and close out Prepaid Annual Contributions account		
	Total - Section 8 Adjustments	\$ <u>1,562,168</u>	\$ <u>1,562,168</u>