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April 13, 2016

Board of Directors  
Housing Authority of the City of Mishawaka  
601 East 11<sup>th</sup> Street, PO Box 1347  
Mishawaka, IN 46544

We have reviewed the audit report prepared by Henderson & DeJohn, LLC, Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 the City of Mishawaka, as of June 30, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report concerning the financial statements as noted in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This finding describes misstatements to occupancy and asset management fee accounting and reporting resulting from inadequate internal control which was classified as a significant deficiency.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA

FINANCIAL STATEMENTS  
&  
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2014

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
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YEAR ENDED JUNE 30, 2014

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HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2014

**Management's Discussion and Analysis**

The Management's Discussion and Analysis (the "MD&A") is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Housing Authority of the City of Mishawaka's, (the "Authority") financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify issues or concerns. This will now be presented at the front of each year's financial statements.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights**

- Net position at June 30, 2014, decreased to \$8,569,197. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$9,335,932 for 2013.
- The business-type activities operating revenue at June 30, 2014, increased to \$2,975,622. Total operating revenue was \$2,854,939 for 2013.
- The total operating expenses of all programs for June 30, 2014, increased to \$3,974,669. Total operating expenses were \$3,973,504 for 2013.
- Total capital grant contributions at June 30, 2014, decreased to \$224,660. Total capital grant contributions were \$276,179 for 2013

**Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements.

The following statements are included:

- Statement of Net Position – reports current financial resources (short-term expendable resources) with capital assets and long-term obligations.
- Statement of Revenue, Expenses, and Changes in Fund Net Position – reports operating and nonoperating revenue, by major source along with operating and nonoperating expenses and capital contributions.
- Statement of Cash Flows – reports cash flows from operating, investing, capital, non-capital activities.

**Programs**

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 Authority to provide the housing at a rent that is based upon 30% of household income (as defined in the HUD regulations).

Capital Fund Grants – The Authority's capital funds are received from the federal government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) 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 participant's rent at 30% or up 40% of household income.

## FINANCIAL ANALYSIS

The following tables focus on the net position and the change in net position of the primary government as a whole.

**TABLE 1 – STATEMENT OF NET POSITION**

	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>% Change</u>
Current Assets	\$ 1,875,171	\$ 2,030,265	\$ (155,094)	-7.64%
Capital Assets, Net	6,836,378	7,445,231	(608,853)	-8.18%
Total Assets	<u>\$ 8,711,549</u>	<u>\$ 9,475,496</u>	<u>\$ (763,947)</u>	-8.06%
Current Liabilities	\$ 140,210	\$ 139,564	\$ 646	0.46%
Noncurrent Liabilities	2,142	-	2,142	
Total Liabilities	<u>142,352</u>	<u>139,564</u>	<u>2,788</u>	2.00%
Net Position:				
Net Investment in Capital Assets	6,836,378	7,445,231	(608,853)	-8.18%
Restricted	44,556	131,725	(87,169)	-66.17%
Unrestricted	1,688,263	1,758,976	(70,713)	-4.02%
Total Net Position	<u>8,569,197</u>	<u>9,335,932</u>	<u>(766,735)</u>	-8.21%

### MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets decreased by \$155,094 due to the decreases in cash on hand partially offset by increases in accounts receivable.

Capital assets decreased by \$608,853 due to normal depreciation exceeding modernization work and capital asset purchases.

Current liabilities remained relatively stable.

Noncurrent liabilities increased nominally year over year.

**TABLE 2 – STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**

The following schedule compares the revenue and expenses for the current and previous fiscal years. The Authority is engaged only in business-type activities.

	<u>2014</u>	<u>2013</u>	<u>Variance</u>	<u>% Change</u>
<b>Operating Revenues</b>				
Rental Income	\$ 642,186	\$ 611,579	\$ 30,607	5.00%
Federal Grants	2,209,869	2,033,043	176,826	8.70%
Other	123,567	210,317	(86,750)	-41.25%
Total Operating Revenues	<u>2,975,622</u>	<u>2,854,939</u>	<u>120,683</u>	4.23%
<b>Operating Expenses</b>				
Administration	635,259	751,518	(116,259)	-15.47%
Tenant Services	34,624	40,904	(6,280)	-15.35%
Utilities	402,642	298,541	104,101	34.87%
Maintenance	686,856	718,795	(31,939)	-4.44%
General	156,150	128,194	27,956	21.81%
Housing Assistance Payments	1,229,637	1,294,711	(65,074)	-5.03%
Other Operating Expenses	-	6,149	(6,149)	-100.00%
Depreciation	829,501	734,692	94,809	12.90%
Total Operating Expenses	<u>3,974,669</u>	<u>3,973,504</u>	<u>1,165</u>	0.03%
Operating Income (loss)	<u>(999,047)</u>	<u>(1,118,565)</u>	<u>119,518</u>	-10.68%
<b>Nonoperating revenues (expenses):</b>				
Interest Revenue	2,063	4,291	(2,228)	-51.92%
Gain on Sale of Capital Assets	5,589	4,143	1,446	34.90%
Capital Contributions	224,660	276,179	(51,519)	-18.65%
Total Nonoperating Activity	<u>232,312</u>	<u>284,613</u>	<u>(52,301)</u>	-18.38%
Change in Net Position	(766,735)	(833,952)	67,217	-8.06%
Beginning Net Position	<u>9,335,932</u>	<u>10,169,884</u>	<u>(833,952)</u>	-8.20%
Ending Net Position	<u>\$ 8,569,197</u>	<u>\$ 9,335,932</u>	<u>\$ (766,735)</u>	-8.21%

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**

Decrease in net position was \$766,735 primarily due to an excess of expenses over revenue throughout the year.

The Authority had an operating loss of \$999,047 including non-cash depreciation expense of \$829,501 versus an operating loss of \$1,118,565 and depreciation expense of \$734,692 in prior year.

Total operating revenue increased by \$120,683 to \$2,975,622 primarily due to an increase in federal awards received in the current fiscal year.

Total operating expenses increased by \$1,165 to \$3,974,669 primarily due to an increase in utilities, general and depreciation expense, partially offset by decreases in administration, maintenance and housing assistance payments expenses.

Capital contributions decreased by \$51,519 to \$224,660 due to less capital projects completed during the current fiscal year.

## **CAPITAL ASSETS**

As of June 30, 2014, investment in capital assets for its business-type activities was \$6,836,378, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

Major capital asset purchases during the current fiscal year included the following:

- Yardi Software
- Chevy Salt Spreader
- Hustler Lawn Tractor
- 2013 Chevy Silverado Truck
- Panasonic Phone System

Major capital asset disposals during the current fiscal year included the following:

- 2 Riding Lawn Mowers – 25 HP 62.5 Blade
- 2009 Ford 150

## **ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding of 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.
- Inflationary pressure on utility rates, supplies and other costs.

## **FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Ms. Colleen Olund, Executive Director, Housing Authority of the City of Mishawaka, (574)258-1658.



# HENDERSON & DEJOHN, LLC

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### Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of Mishawaka

#### **Report on the Financial Statements**

We have audited the basic financial statements of the Housing Authority of the City of Mishawaka (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from 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 entity'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 entity's internal control. Accordingly, we 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 evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1-4 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. We have applied certain limited procedures to 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information including the financial data schedule, statement of net position – by program, statement of revenues, expenses, and changes in net position – by program, and statement and certification of actual modernization costs is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is 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 Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The financial data schedule, statement of net position – by program, statement of revenues, expenses, and changes in net position – by program, statement and certification of actual modernization costs, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 our opinion, the financial data schedule, statement of net position – by program, statement of revenues, expenses, and changes in net position – by program, statement and certification of actual modernization costs, and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2014 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.

*Henderson & DeJohn, LLC*

Birmingham, AL  
December 26, 2014



# HENDERSON & DEJOHN, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

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### 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*

#### Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of Mishawaka

We 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 basic financial statements of the Housing Authority of the City of Mishawaka (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 26, 2014.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies listed as item 2014-001.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **The Authority's Response to Findings**

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Henderson & DeJohn, LLC*

Birmingham, AL  
December 26, 2014



# HENDERSON & DEJOHN, LLC

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### Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

#### Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of Mishawaka

#### **Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of the City of Mishawaka's (the "Authority") 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 Authority's major federal programs for the year ended June 30, 2014. 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.

#### *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*

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### **Report on Internal Control over Compliance**

Management of the 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 our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Henderson & DeJohn, LLC*

Birmingham, AL  
December 26, 2014

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
JUNE 30, 2014

**ASSETS**

Unrestricted cash and cash equivalents	\$	814,354
Restricted cash and cash equivalents		87,194
Due from HUD		37,725
Miscellaneous receivable, net		899,548
Tenants receivable, net		10,167
Fraud recovery receivable, net		353
Prepaid expenses and other assets		25,830
Capital assets:		
Land and construction in progress		688,224
Buildings and equipment, net of depreciation		6,148,154
Total capital assets		<u>6,836,378</u>
Total assets		<u>8,711,549</u>

**LIABILITIES**

Accounts payable		10,005
Accrued liabilities		34,439
Intergovernmental payables		23,955
Tenant security deposits		42,638
Unearned revenue		2,011
Compensated absences		27,162
Long-term liabilities:		
Noncurrent liabilities - other		<u>2,142</u>
Total liabilities		<u>142,352</u>

**NET POSITION**

Net investment in capital assets		6,836,378
Restricted		44,556
Unrestricted		1,688,263
Total net position	\$	<u>8,569,197</u>

*The accompanying notes are an integral part of these financial statements.*

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUND  
FOR YEAR ENDED JUNE 30, 2014

<b>OPERATING REVENUES</b>	
Rental income	\$ 642,186
Federal grants	2,209,869
Other	<u>123,567</u>
 Total operating revenues	 <u>2,975,622</u>
<b>OPERATING EXPENSES</b>	
Administration	635,259
Tenant services	34,624
Utilities	402,642
Maintenance	686,856
General	156,150
Housing assistance payments	1,229,637
Depreciation	<u>829,501</u>
 Total operating expenses	 <u>3,974,669</u>
 Operating income (loss)	 <u>(999,047)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	2,063
Gain on sale of capital assets	<u>5,589</u>
 Income (loss) before contributions	 <u>(991,395)</u>
 Capital contributions	 <u>224,660</u>
 Change in net position	 <u>(766,735)</u>
 Total net position - beginning of the year	 <u>9,335,932</u>
 Total net position - end of the year	 <u><u>\$ 8,569,197</u></u>

*The accompanying notes are an integral part of these financial statements.*

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR YEAR ENDED JUNE 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from tenants	\$ 625,387
Federal grants	2,208,895
Other receipts	126,358
Payments to suppliers and Section 8 landlords	(2,483,127)
Payments to or on behalf of employees	(920,479)
	(442,966)
Net cash provided (used) by operating activities	(442,966)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from sale of capital assets	7,450
Purchase of capital assets	(224,660)
Capital contributions	226,696
	9,486
Net cash provided (used) by capital financing activities	9,486

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest revenue	2,063
	2,063
Net cash provided (used) by investing activities	2,063

Net increase (decrease) in cash and cash equivalents	(431,417)
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Balances - beginning of the year	1,332,965
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Balances - end of the year	\$ 901,548
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**RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (999,047)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	829,501
Change in assets and liabilities:	
Receivables, net	(261,439)
Prepays and other assets	(14,769)
Accounts payable	188
Intergovernmental payables	23,955
Unearned revenue	2,011
Other liabilities	94
Accrued liabilities	(29,774)
Compensated absences	3,451
Tenant security deposits	2,863
	2,863
Net cash provided (used) by operating activities	\$ (442,966)

*The accompanying notes are an integral part of these financial statements.*

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2014

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Housing Authority of the City of Mishawaka (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Fund Net Position
  - Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the “enterprise fund” in the basic financial statements. Significant Authority policies are described below.

**A. The Reporting Entity**

The Authority was established as a tax-exempt quasi-governmental entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in St. Joseph County, Indiana. The governing body of the Authority is composed of a 5 member appointed Board of Commissioners (the “Board”). The Mayor appoints the Board, who in turn hires the Executive Director. The Authority is governed by its charter and by-laws, state and local laws and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority’s management. The Authority has no component units.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Authority’s financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with a proprietary fund’s activities are included on the Statement of Net Position. Proprietary fund net position is segregated into Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. Revenues are recognized when they are earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Fund Net Position after income before contributions and before changes in net position.

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR YEAR ENDED JUNE 30, 2014

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component on net position.

**C. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, demand deposits and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

**D. Receivables**

All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible.

**E. Restricted Assets and Liabilities**

Debt covenants, HUD regulations, and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

**F. Inventories**

Inventories are accounted for under the consumption method and recorded at the lower of cost or market, net of an allowance for obsolete inventories. Materials and supplies are recorded as inventories when purchased and as expenditures when used. Allowances are reported when materials and supplies are deemed obsolete.

**G. Prepaid Items**

Prepaid items consist of payments made to vendors for services that will benefit future periods.

**H. Capital Assets**

Capital assets include property, furniture, equipment and machinery. Capital assets with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	20-40
Furniture, equipment, and machinery	5

**I. Compensated Absences**

Full-time employees are allowed to accrue annual leave and sick leave on the last day of each month. Employees accumulate annual leave at monthly accrual rates between 3.33 and 13.33 hours depending on length of service. Annual leave cannot be carried over from year to year; however, employees who separate will receive pay for an unused portion of leave accumulated during that year. Time accrued beyond these amounts is forfeited unless exception is granted by the Board. Sick leave is accumulated at a rate of one day per month or twelve days per year to a maximum of 72 days. Sick leave accumulated is not paid upon separation. The majority of employees utilize their annual accrual of vacation during the year accrued. The Authority records compensated absences in the period they use a systematic allocation process to allocate between short-term and long-term liability classification.

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2014

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Unearned Revenue**

The Authority recognizes revenues as earned. An amount received in advance of the period in which it is earned is recorded as a liability under unearned revenue.

**K. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**L. Recent Accounting Pronouncements**

The Authority's management has assessed the potential impact of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and determined this is not applicable as the Authority provides no other postemployment benefits.

The Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*. The adoption of GASB 65 had no material effect on the Authority's basic financial statements.

The Authority adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The adoption of GASB 67 had no material effect on the Authority's basic financial statements.

The Authority adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. As used in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. The provisions of this Statement should be applied to financial statements of all state and local governments. The adoption of GASB Statement No. 70 had no material effect on the Authority's basic financial statements.

**M. Future Accounting Pronouncements**

The Authority will be adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* during its next fiscal year. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The adoption of GASB Statement No. 68 had no material effect on the Authority's June 30, 2014 basic financial Statements but could have a material effect on the Authority's June 30, 2015 basic financial statements as the related liability is required to be presented on the Statement of Net Position.

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2014

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

Cash and investments may be invested in the following HUD-approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At June 30, 2014, cash was in bank deposits or money market funds that were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash balances at June 30, 2014 totaled \$901,548. The Authority had no investments at June 30, 2014.

*Interest Rate Risk* – The Authority's formal investment policy does not specifically address the exposure to this risk.

*Credit Risk* – The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

*Custodial Credit Risk* – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

*Concentration of Credit Risk* – The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

**NOTE 3 – ACCOUNTS RECEIVABLE**

At June 30, 2014, accounts receivable, net totaled \$947,793 and consisted primarily \$895,354 related to the assisted living center at River View Apartments. This amount is reported as accounts receivable – miscellaneous in the low rent program.

**NOTE 4 – CAPITAL ASSETS**

**A. Changes in Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	\$ 587,150	\$ -	\$ -	\$ -	\$ 587,150
Construction in process	1,737,164	224,660	-	(1,860,750)	101,074
Total capital assets not being depreciated	<u>2,324,314</u>	<u>224,660</u>	<u>-</u>	<u>(1,860,750)</u>	<u>688,224</u>
Capital assets being depreciated					
Buildings and improvements	16,927,854	-	-	1,737,164	18,665,018
Equipment	625,883	-	(88,957)	123,586	660,512
Total capital assets being depreciated	<u>17,553,737</u>	<u>-</u>	<u>(88,957)</u>	<u>1,860,750</u>	<u>19,325,530</u>
Less accumulated depreciation for:					
Buildings and improvements	(11,896,790)	(763,959)	-	-	(12,660,749)
Equipment	(538,180)	(65,542)	87,095	-	(516,627)
Total accumulated depreciation	<u>(12,434,970)</u>	<u>(829,501)</u>	<u>87,095</u>	<u>-</u>	<u>(13,177,376)</u>
Capital assets, net	<u>\$ 7,443,081</u>	<u>\$ (604,841)</u>	<u>\$ (1,862)</u>	<u>\$ -</u>	<u>\$ 6,836,378</u>

**B. Capital Contributions**

The Authority receives capital grants from HUD. The Authority recognized \$224,660 in capital contributions for the fiscal year ended June 30, 2014.

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 NOTES TO FINANCIAL STATEMENTS  
 FOR YEAR ENDED JUNE 30, 2014

**NOTE 5 – LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2014 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Noncurrent liabilities - other	\$ -	\$ 2,142	\$ -	\$ 2,142	\$ -
Total long-term liabilities	\$ -	\$ 2,142	\$ -	\$ 2,142	\$ -

**NOTE 6 – PENSION PLAN (DEFINED CONTRIBUTION)**

The Authority provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six month exclusionary period. The Authority contributes 13% of the employee's base salary each month for employees hired before January 1, 2006 and 6% of base salary each month for employees hired on or after January 1, 2006. Employees are not required to contribute to the plan. The Authority's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after 5 years of participation. Contributions to the plan were \$57,737 by the Authority and \$2,650 by employees for the year ended June 30, 2014.

**NOTE 7 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

**NOTE 8 – CONCENTRATION OF RISK**

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**Grants**

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

**NOTE 10 – RESTRICTED NET POSITION**

Restricted Net Position consists of excess Housing Assistance Payment (HAP) funds available to the Authority under the Section 8 Housing Choice Vouchers program. These funds are to be used only for HAP expenditures for the program. These funds are also known as Restricted Net Position since there is no offsetting liability. Total restricted net position related to this excess were \$44,556 as of the end of the fiscal year.

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2014

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**NOTE 11 – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through December 26, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**NOTE 12 – FINANCIAL DATA SCHEDULE**

The Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense from operating activities and includes investment revenue in operating activities, which differs from the presentation of the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
STATEMENT OF NET POSITION – BY PROGRAM  
JUNE 30, 2014

	LOWRENT	SECTION 8	TOTAL
<b>ASSETS</b>			
Unrestricted cash and cash equivalents	\$ 802,930	\$ 11,424	\$ 814,354
Restricted cash and cash equivalents	42,638	44,556	87,194
Due from HUD	37,725	-	37,725
Miscellaneous receivable, net	899,548	-	899,548
Tenants receivable, net	10,167	-	10,167
Fraud recovery receivable, net	-	353	353
Prepaid expenses and other assets	25,227	603	25,830
Capital assets:			
Land and construction in progress	688,224	-	688,224
Buildings and equipment, net of depreciation	6,147,705	449	6,148,154
Total capital assets	6,835,929	449	6,836,378
Total assets	8,654,164	57,385	8,711,549
<b>LIABILITIES</b>			
Accounts payable	10,005	-	10,005
Accrued liabilities	34,439	-	34,439
Intergovernmental payables	23,955	-	23,955
Tenant security deposits	42,638	-	42,638
Unearned revenue	2,011	-	2,011
Compensated absences	27,162	-	27,162
Long-term liabilities:			
Noncurrent liabilities - other	2,142	-	2,142
Total liabilities	142,352	-	142,352
<b>NET POSITION</b>			
Net investment in capital assets	6,835,929	449	6,836,378
Restricted	-	44,556	44,556
Unrestricted	1,675,883	12,380	1,688,263
Total net position	\$ 8,511,812	\$ 57,385	\$ 8,569,197

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – BY PROGRAM  
FOR YEAR ENDED JUNE 30, 2014

	LOW RENT	SECTION 8	TOTAL
<b>OPERATING REVENUES</b>			
Rental income	\$ 642,186	\$ -	\$ 642,186
Federal grants	990,004	1,219,865	2,209,869
Other	85,355	38,212	123,567
Total operating revenues	1,717,545	1,258,077	2,975,622
<b>OPERATING EXPENSES</b>			
Administration	520,390	114,869	635,259
Tenant services	34,624	-	34,624
Utilities	402,642	-	402,642
Maintenance	686,856	-	686,856
General	155,593	557	156,150
Housing assistance payments	-	1,229,637	1,229,637
Depreciation	829,052	449	829,501
Total operating expenses	2,629,157	1,345,512	3,974,669
Operating income (loss)	(911,612)	(87,435)	(999,047)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	1,967	96	2,063
Gain on sale of capital assets	5,589	-	5,589
Income (loss) before contributions	(904,056)	(87,339)	(991,395)
Capital contributions	224,660	-	224,660
Change in net position	(679,396)	(87,339)	(766,735)
Total net position - beginning of the year	9,191,208	144,724	9,335,932
Total net position - end of the year	\$ 8,511,812	\$ 57,385	\$ 8,569,197

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR YEAR ENDED JUNE 30, 2014

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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Low Rent Public Housing Program	14.850	\$ 843,241
Housing Choice Voucher Program	14.871	1,253,656
Public Housing Capital Fund Program	14.872	<u>371,423</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 2,468,320</u>

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Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Mishawaka and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2014

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Are any material weaknesses identified?        Yes   x   No

Are any significant deficiencies identified not considered to be material weaknesses?   x   Yes        None Reported

Is any noncompliance material to financial statements noted?        Yes   x   No

**Federal Awards**

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:  
Are any material weaknesses identified?        Yes   x   No

Are any significant deficiencies identified not considered to be material weaknesses?        Yes   x   None Reported

Are any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?        Yes   x   No

Identification of major programs:  
U.S. Department of Housing and Urban Development  
CFDA #14.871 - Housing Choice Voucher Program

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

Is the auditee qualified as low-risk auditee?   x   Yes        No

**Section II - Financial Statement Findings**

See page 23

**Section III - Federal Award Findings and Questioned Costs**

None



HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS  
 FOR YEAR ENDED JUNE 30, 2014

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	<u>IN36P020501-10</u>	<u>IN36P020501-11</u>
Funds Approved	\$ 466,988	\$ 410,923
Funds Expended	<u>\$ 466,988</u>	<u>\$ 410,923</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced (HUD Grants)	\$ 466,988	\$ 410,923
Funds Expended	<u>\$ 466,988</u>	<u>\$ 410,923</u>
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>

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1. The distribution of costs by project as shown on the Final Statement of Modernization Cost both dated May 22, 2014, accompanying the Actual Modernization Cost Certificates submitted to HUD for approval is in agreement with the Authority's records.

2. All Modernization costs have been paid and all related liabilities have been discharged through payment.



# HENDERSON & DEJOHN, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Commissioners  
 Housing Authority of the City of Mishawaka

### Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure described in the second paragraph, which was agreed to by the Housing Authority of the City of Mishawaka (the "Authority") and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with related hard copy documents. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Authority as of and for the year ended June 30, 2014, and have issued our reports thereon dated December 26, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule (FDS) dated December 26, 2014, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Procedure	UFRS Rule Information	Hard Copy Documents	Does Not	
			Agrees	Agree
1	Balance Sheet, Revenue and Expense	Financial Data Schedule, all CFDA's	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor's supplemental Report on FDS	X	
4	Audit findings narrative	Schedule of Findings and Questioned Costs	X	
5	General Information	OMB Data Collection Form	X	
6	Financial Statement	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
7	Federal program report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
8	Federal agencies required to receive reporting package	OMB Data Collection Form	X	
9	Basic financial Statements and auditor's reports require to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

*Henderson & DeJohn, LLC*

Birmingham, AL  
 December 26, 2014

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 FINANCIAL DATA SCHEDULE – BALANCE SHEET  
 JUNE 30, 2014

	Project Total	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$238,136	\$11,424	\$564,794	\$814,354		\$814,354
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$44,556		\$44,556		\$44,556
114 Cash - Tenant Security Deposits	\$42,638			\$42,638		\$42,638
115 Cash - Restricted for Payment of Current Liabilities		\$0		\$0		\$0
100 Total Cash	\$280,774	\$55,980	\$564,794	\$901,548	\$0	\$901,548
121 Accounts Receivable - FHA Projects						
122 Accounts Receivable - HUD Other Projects	\$37,725		\$0	\$37,725		\$37,725
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$895,354		\$4,194	\$899,548		\$899,548
126 Accounts Receivable - Tenants	\$14,197			\$14,197		\$14,197
126.1 Allowance for Doubtful Accounts - Tenants	(\$4,030)			(\$4,030)		(\$4,030)
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery		\$353		\$353		\$353
128.1 Allowance for Doubtful Accounts - Fraud		\$0		\$0		\$0
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$943,246	\$353	\$4,194	\$947,793	\$0	\$947,793
131 Investments - Unrestricted						
132 Investments - Restricted		\$0		\$0		\$0
135 Investments - Restricted for Payment of Current Liability		\$0		\$0		\$0
142 Prepaid Expenses and Other Assets	\$22,295	\$603	\$2,932	\$25,830		\$25,830
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From	\$0			\$0		\$0
145 Assets Held for Sale						
150 Total Current Assets	\$1,246,315	\$56,936	\$571,920	\$1,875,171	\$0	\$1,875,171
161 Land	\$587,150			\$587,150		\$587,150
162 Buildings	\$5,798,086			\$5,798,086		\$5,798,086
163 Furniture, Equipment & Machinery - Dwellings	\$311,369			\$311,369		\$311,369
164 Furniture, Equipment & Machinery - Administration	\$289,175	\$5,434	\$54,534	\$349,143		\$349,143
165 Leasehold Improvements	\$12,866,932			\$12,866,932		\$12,866,932
166 Accumulated Depreciation	(\$13,119,263)	(\$4,985)	(\$53,128)	(\$13,177,376)		(\$13,177,376)
167 Construction in Progress	\$101,074			\$101,074		\$101,074
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,834,523	\$449	\$1,406	\$6,836,378	\$0	\$6,836,378
171 Notes, Loans and Mortgages Receivable - Non-Current			\$0	\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			\$0	\$0		\$0
173 Grants Receivable - Non Current						
174 Other Assets			\$0	\$0		\$0
176 Investments in Joint Ventures			\$0	\$0		\$0
180 Total Non-Current Assets	\$6,834,523	\$449	\$1,406	\$6,836,378	\$0	\$6,836,378
190 Total Assets	\$8,080,838	\$57,385	\$573,326	\$8,711,549	\$0	\$8,711,549

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 FINANCIAL DATA SCHEDULE – BALANCE SHEET  
 JUNE 30, 2014

200 Deferred Outflow of Resources	\$0		\$0	\$0	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$8,080,838	\$57,385	\$573,326	\$8,711,549	\$0	\$8,711,549
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$9,149		\$856	\$10,005		\$10,005
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$9,158		\$742	\$9,900		\$9,900
322 Accrued Compensated Absences - Current Portion	\$14,203		\$12,959	\$27,162		\$27,162
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD FHA Programs			\$0	\$0		\$0
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$23,955			\$23,955		\$23,955
341 Tenant Security Deposits	\$42,638			\$42,638		\$42,638
342 Unearned Revenue	\$2,011		\$0	\$2,011		\$2,011
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$0	\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$24,539			\$24,539		\$24,539
347 Inter Program - Due To						
348 Loan Liability - Current			\$0	\$0		\$0
310 Total Current Liabilities	\$125,653	\$0	\$14,557	\$140,210	\$0	\$140,210
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$0	\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other	\$2,142			\$2,142		\$2,142
354 Accrued Compensated Absences - Non Current						
355 Loan Liability - Non Current			\$0	\$0		\$0
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$0	\$0	\$0	\$0		\$0
350 Total Non-Current Liabilities	\$2,142	\$0	\$0	\$2,142	\$0	\$2,142
300 Total Liabilities	\$127,795	\$0	\$14,557	\$142,352	\$0	\$142,352
400 Deferred Inflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0
508.4 Net Investment in Capital Assets	\$6,834,523	\$449	\$1,406	\$6,836,378		\$6,836,378
511.4 Restricted Net Position		\$44,556		\$44,556		\$44,556
512.4 Unrestricted Net Position	\$1,118,520	\$12,380	\$557,363	\$1,688,263		\$1,688,263
513 Total Equity - Net Assets / Position	\$7,953,043	\$57,385	\$558,769	\$8,569,197	\$0	\$8,569,197
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$8,080,838	\$57,385	\$573,326	\$8,711,549	\$0	\$8,711,549

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT  
 FOR YEAR ENDED JUNE 30, 2014

	Project Total	14.871 Housing Choice Vouchers	COCC	Subtotal	ELM	Total
70300 Net Tenant Rental Revenue	\$610,310			\$610,310		\$610,310
70400 Tenant Revenue - Other	\$31,876			\$31,876		\$31,876
70500 Total Tenant Revenue	\$642,186	\$0	\$0	\$642,186	\$0	\$642,186
70600 HUD PHA Operating Grants	\$990,004	\$1,219,865		\$2,209,869		\$2,209,869
70610 Capital Grants	\$224,660		\$0	\$224,660		\$224,660
70710 Management Fee			\$218,703	\$218,703	(\$218,703)	\$0
70720 Asset Management Fee			\$6,901	\$6,901	(\$6,901)	\$0
70730 Book Keeping Fee			\$39,375	\$39,375	(\$39,375)	\$0
70740 Front Line Service Fee						
70750 Other Fees			\$0	\$0		\$0
70700 Total Fee Revenue			\$264,979	\$264,979	(\$264,979)	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$535	\$96	\$1,432	\$2,063		\$2,063
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery	\$896	\$606		\$1,502		\$1,502
71500 Other Revenue	\$49,676	\$37,606	\$34,783	\$122,065		\$122,065
71600 Gain or Loss on Sale of Capital Assets	\$5,589			\$5,589		\$5,589
72000 Investment Income - Restricted		\$0		\$0		\$0
70000 Total Revenue	\$1,913,546	\$1,258,173	\$301,194	\$3,472,913	(\$264,979)	\$3,207,934
91100 Administrative Salaries	\$128,948	\$37,939	\$165,576	\$332,463		\$332,463
91200 Auditing Fees	\$19,250	\$9,625		\$28,875		\$28,875
91300 Management Fee	\$196,119	\$22,584		\$218,703	(\$218,703)	\$0
91310 Book-keeping Fee	\$25,261	\$14,114		\$39,375	(\$39,375)	\$0
91400 Advertising and Marketing	\$2,280	\$41		\$2,321		\$2,321
91500 Employee Benefit contributions - Administrative	\$63,830	\$13,807	\$64,810	\$142,447		\$142,447
91600 Office Expenses	\$57,034	\$7,224	\$42,806	\$107,064		\$107,064
91700 Legal Expense	\$7,831		\$207	\$8,038		\$8,038
91800 Travel	\$3,823	\$2		\$3,825		\$3,825
91810 Allocated Overhead						
91900 Other		\$9,533	\$693	\$10,226		\$10,226
91000 Total Operating - Administrative	\$504,376	\$114,869	\$274,092	\$893,337	(\$258,078)	\$635,259
92000 Asset Management Fee	\$6,901			\$6,901	(\$6,901)	\$0
92100 Tenant Services - Salaries	\$20,764			\$20,764		\$20,764
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services	\$12,928			\$12,928		\$12,928
92400 Tenant Services - Other	\$932			\$932		\$932
92500 Total Tenant Services	\$34,624	\$0	\$0	\$34,624	\$0	\$34,624
93100 Water	\$43,241			\$43,241		\$43,241
93200 Electricity	\$323,078			\$323,078		\$323,078
93300 Gas	\$36,323			\$36,323		\$36,323
93400 Fuel						
93500 Labor						

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT  
 FOR YEAR ENDED JUNE 30, 2014

93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$402,642	\$0	\$0	\$402,642	\$0	\$402,642
94100 Ordinary Maintenance and Operations - Labor	\$255,863			\$255,863		\$255,863
94200 Ordinary Maintenance and Operations - Materials and Other	\$100,532			\$100,532		\$100,532
94300 Ordinary Maintenance and Operations Contracts	\$195,068		\$3,902	\$198,970		\$198,970
94500 Employee Benefit Contributions - Ordinary Maintenance	\$131,491			\$131,491		\$131,491
94000 Total Maintenance	\$682,954	\$0	\$3,902	\$686,856	\$0	\$686,856
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$55,120		\$606	\$55,726		\$55,726
96120 Liability Insurance	\$20,782		\$5,480	\$26,262		\$26,262
96130 Workmen's Compensation	\$6,118	\$557	\$3,260	\$9,935		\$9,935
96140 All Other Insurance						
96100 Total Insurance Premiums	\$82,020	\$557	\$9,346	\$91,923	\$0	\$91,923
96200 Other General Expenses	\$848		\$196	\$1,044		\$1,044
96210 Compensated Absences	\$14,202		\$12,959	\$27,161		\$27,161
96300 Payments in Lieu of Taxes	\$19,354			\$19,354		\$19,354
96400 Bad debt - Tenant Rents	\$16,668			\$16,668		\$16,668
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$51,072	\$0	\$13,155	\$64,227	\$0	\$64,227
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,764,589	\$115,426	\$300,495	\$2,180,510	(\$264,979)	\$1,915,531
97000 Excess of Operating Revenue over Operating Expenses	\$148,957	\$1,142,747	\$699	\$1,292,403	\$0	\$1,292,403
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$1,195,846		\$1,195,846		\$1,195,846
97350 HAP Portability-In		\$33,791		\$33,791		\$33,791
97400 Depreciation Expense	\$827,646	\$449	\$1,406	\$829,501		\$829,501
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$2,592,235	\$1,345,512	\$301,901	\$4,239,648	(\$264,979)	\$3,974,669

HOUSING AUTHORITY OF THE CITY OF MISHAWAKA  
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT  
 FOR YEAR ENDED JUNE 30, 2014

10010 Operating Transfer In	\$146,763			\$146,763	(\$146,763)	\$0
10020 Operating transfer Out	(\$146,763)			(\$146,763)	\$146,763	\$0
10030 Operating Transfers from/to Primary Government			\$0	\$0		\$0
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$678,689)	(\$87,339)	(\$707)	(\$766,735)	\$0	(\$766,735)
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$8,614,243	\$144,724	\$576,965	\$9,335,932		\$9,335,932
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$17,489	\$0	(\$17,489)	\$0		\$0
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		\$12,829		\$12,829		\$12,829
11180 Housing Assistance Payments Equity		\$44,556		\$44,556		\$44,556
11190 Unit Months Available	3520	3684		7204		7204
11210 Number of Unit Months Leased	3300	3149		6449		6449
11270 Excess Cash	\$951,319			\$951,319		\$951,319
11610 Land Purchases	\$0		\$0	\$0		\$0
11620 Building Purchases	\$0		\$0	\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$62,924		\$0	\$62,924		\$62,924
11640 Furniture & Equipment - Administrative Purchases	\$60,277		\$0	\$60,277		\$60,277
11650 Leasehold Improvements Purchases	\$101,459		\$0	\$101,459		\$101,459
11660 Infrastructure Purchases	\$0		\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0		\$0