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April 30, 2021

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

We have reviewed the audit report of the Michigan City Housing Authority, which was opined upon by Applegate & Company, CPAs, Independent Public Accountant, for the period October 1, 2018 to September 30, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Michigan City Housing Authority, as of September 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention the findings in the report on pages 54-62. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears immediately following page 63.

In our opinion, Applegate & Company, CPAs prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit 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 MICHIGAN CITY
Michigan City, Indiana

AUDIT REPORT
September 30, 2019

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REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Housing Authority of the City of Michigan City
Michigan City, Indiana

We have audited the accompanying financial statements of Housing Authority of the City of Michigan City, which comprise the statement of net position as of September 30, 2019 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements. We did not audit the financial statements as of September 30, 2018. These statements were audited by the predecessor auditor whose report has been provided to us, and our opinion, in so far as it relates to the amounts included for 2018 is based solely on the report of the predecessor auditors. The predecessor audit report dated June 14, 2019 expressed an unqualified opinion on these statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 judgement, 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.

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Michigan City as of September 30, 2019 and the changes in its net position and its cash flows for the years 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 the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to the Financial Data Schedules, Schedules of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the 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 March 13, 2021 on our consideration of the Housing Authority of the City of Michigan City'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 Housing Authority of the City of Michigan City's internal control over financial reporting and compliance.

APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
March 13, 2021

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999*.

As management of the Housing Authority of the City of Michigan City, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2019. Please read the MD&A's information here in conjunction with the Authority's financial statements.

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. The following statements are included:

- Statement of Net Position - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term debt obligations
- Statement of Revenues, Expenses, and Changes in Net Position - reports the Authority's operating and non-operating revenues, by major source, along with operating and non-operating expenses and capital contributions.

Our analysis of the Authority as a whole begins on the next page with an analysis of entity-wide net position, revenues, and expenses. This analysis includes all assets and liabilities using the accrual basis of accounting.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned or incurred regardless of when cash is received or paid.

Our analysis also presents the Authority's net position and changes in net position. One can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net position analysis will assist the reader with measuring the health or financial position of the Authority.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

Over time, significant changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider non-financial factors such as changes in family composition, fluctuation in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

To fully understand the financial statements of the Authority, one must start with an understanding of what the Authority actually does. The following is a brief description of the programs and services that the Authority provides for the residents of Michigan City, Indiana.

Low Income Public Housing (LIPH)

Michigan City Housing Authority owns 171 units in Michigan City. The Authority is responsible for the management, maintenance, and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Fund Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between these Allowable Expenses and the amount of rents and other fees that the Authority can charge the Authority's residents.

Section 8 Housing Choice Vouchers (HCV)

HUD has contracted support with the Authority for 308 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to landlords for Low Income residents. The Housing Assistance Payment (HAP) matches the difference between the total rent that the landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the resident can pay based on HUD mandated calculations. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program but is responsible for inspecting the units annually.

Capital Fund Program (CFP) Grant

This grant program is awarded by HUD on an annual basis. The purpose of these grants is for improvement of the Authority's sites and the management of the Authority. The Authority requisitions funds from HUD

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

as the Authority expends funds. The Authority is permitted four years to fully expend an annual award.

Michigan City Housing Development, Inc. (MCHDI)

The Michigan City Housing Development, Inc. owns 19 units. The Authority is responsible for the management, maintenance, and utilities for all units. The purpose of MCHDI is to advocate for and provide affordable housing, whether by rental or sale to individuals and families of low to moderate income.

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HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Position (Statement of Net Position)

Total assets for the years ended September 30, 2019 and 2018 were \$5,368,905 and \$5,254,433, respectively. This represents a net increase of \$114,472.

Current assets increased by \$194,783. Cash and Accounts Receivable increased due to higher expenses and lower revenues.

Capital assets decreased by \$80,311. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current liabilities increased by \$1,541. The change in current liabilities was due to an increase in accrued liabilities.

Noncurrent liabilities increased by \$28,386 due to an increase in accrued compensated absences.

The table below illustrated our analysis:

	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>Net Change</u>
Current Assets	\$1,824,918	\$ 1,630,135	\$194,783
Capital Assets, Net	<u>3,543,987</u>	<u>3,624,298</u>	<u>(80,311)</u>
Total Assets	<u>\$ 5,368,905</u>	<u>\$ 5,254,433</u>	<u>\$ 114,472</u>
Current Liabilities	\$ 208,540	\$ 206,999	\$ 1,541
Noncurrent Liabilities	<u>75,223</u>	<u>46,837</u>	<u>28,386</u>
Total Liabilities	<u>\$ 283,763</u>	<u>\$ 253,836</u>	<u>\$ 29,927</u>
Unrestricted	\$1,487,503	\$ 1,352,742	\$134,761
Restricted	53,652	23,557	30,095
Investment in Capital Assets	<u>3,543,987</u>	<u>3,624,298</u>	<u>(80,311)</u>
Total Net Position	<u>5,085,142</u>	<u>5,000,597</u>	<u>84,545</u>
Total Liabilities and Net Position	<u>\$5,368,905</u>	<u>\$ 5,254,433</u>	<u>\$ 114,472</u>

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

The Authority administers the following programs and the revenues generated from these programs during the fiscal year ending September 30, 2019 were as follows:

Program Revenues Generated

Low Income Public Housing	\$	1,076,835
Section 8 HCV	\$	1,978,555
Capital Fund Program	\$	227,870
Component Units	\$	96,277
Business Activities	\$	183,351

Total revenues for the years ended September 30, 2019 and 2018 are \$3,562,888 and \$3,492,335, respectively. Comparatively, year ended September 30, 2019 revenues increased from year ended September 30, 2018 by \$70,553.

	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>Net Change</u>
Total Tenant Revenue	\$ 782,935	\$ 800,687	\$ (17,752)
HUD Operating Grants	2,518,287	2,456,192	62,095
Capital Grants	227,870	8,525	219,345
Investment Income	10,811	5,605	5,206
Other Revenue	<u>22,985</u>	<u>221,326</u>	<u>(198,341)</u>
Total Revenue	<u>\$3,562,888</u>	<u>\$3,492,335</u>	<u>\$ 70,553</u>

Analysis of Entity Wide Expenditures

Total expenditures for the year ended September 30, 2019 total expenditures were \$3,478,343, as compared to \$3,498,337 total expenditures September 30, 2018. Comparatively, year ended September 30, 2019 expenditures decreased from year ended September 30, 2018 by \$19,994. Changes to major expense categories will be presented below.

Administrative expenditures increased by \$166,288. The major cause for this increase was an increase in salaries.

Tenant services expenditures decreased by \$143 due to a decrease in salaries.

Utilities increased by \$33,952. Electricity decreased by \$12,994, other utilities expense increased by \$11,948, water increased by \$9,464, gas increased by \$22,204, and sewer increased by \$3,330.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

Maintenance expenditures decreased by \$6,189. The major cause for this decrease was a decrease in salaries and benefits.

Protective Services Expenses decreased by \$5,476. The major cause for this decrease was a decrease in wages paid.

General Expenses decreased by \$75,262. The major cause was a decrease in insurance premiums.

Housing Assistance Payments decreased by \$83,087.

The table below illustrates our analysis:

	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>Net Change</u>
Administrative	\$ 623,265	\$ 456,977	\$ 166,288
Tenant services		143	(143)
Utilities	393,117	359,165	33,952
Ordinary maintenance and operation	428,083	434,272	(6,189)
Protective services	19,477	24,953	(5,476)
General expense	76,551	151,813	(75,262)
Housing assistance payments	1,772,467	1,855,554	(83,087)
Depreciation expense	<u>165,383</u>	<u>215,460</u>	<u>(50,077)</u>
Total operating expenses	<u>\$3,478,343</u>	<u>\$3,498,337</u>	<u>\$ (19,994)</u>

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing (LIPH) is adopted on the basis of accounting prescribed by the Department of Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for Section 8 Programs are approved by the Department of Housing and Urban Development.

The Authority prepares a budget for each fiscal year of Capital Fund Grant Program that is approved by the board. The Authority is permitted four years to expend these funds. Income is only recognized as funds are expended. For the purposes of this analysis, the amount budgeted for Capital Fund and Business Activities are equal to the actual expense.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

Housing Authority LIPH Budgetary Highlights

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Tenant Revenues	\$464,729	\$ 524,244	\$ 59,515
HUD Operating Grants	429,455	540,158	110,703
Investment Income	299	2,543	2,244
Other Revenue	2,060	9,890	7,830
Total Revenue	<u>\$896,543</u>	<u>\$1,076,835</u>	<u>\$ 180,292</u>
Administrative	\$251,843	\$ 356,922	\$(105,079)
Tenant Services	6,000		6,000
Utilities	281,467	364,495	(83,028)
Maintenance	191,707	349,219	(157,512)
Protective Services	38,000	19,083	18,917
General Expense	89,892	67,661	22,231
Extraordinary Maintenance	9,000	7,812	1,188
Depreciation Expense	-0-	101,801	(101,801)
Total Expenses	<u>\$867,909</u>	<u>\$1,266,993</u>	<u>\$ (399,084)</u>
Net Income/(Loss)	<u>\$ 28,634</u>	<u>\$ (190,158)</u>	<u>\$ (218,792)</u>

Analysis of Capital Asset Activity

Buildings and Leasehold Improvements increased by \$62,093 for roof replacement.

Furniture, Equipment & Machinery - Dwelling increased by \$8,658.

Construction in Progress increased by \$14,321.

Accumulated Depreciation increased by \$165,383. This is the amount of current year depreciation.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>Net change</u>
Land	\$ 463,526	\$ 463,526	
Buildings	18,594,175	18,532,082	\$ 62,093
Furniture/Equipment/Machinery- Dwell	196,486	187,828	8,658
Furniture/Equipment/Machinery- Admin	495,333	495,333	
Construction in Progress	<u>198,475</u>	<u>184,154</u>	<u>14,321</u>
Total Capital Assets	19,947,995	19,862,923	85,072
Accumulated Depreciation	<u>(16,404,008)</u>	<u>(16,238,625)</u>	<u>(165,383)</u>
Net Capital Assets	<u>\$ 3,543,987</u>	<u>\$ 3,624,298</u>	<u>\$ (80,311)</u>

Reference Note 7 for further detail.

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Michigan City, 621 E. Michigan Blvd., Michigan City, Indiana 46360.

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

STATEMENTS OF NET POSITION
September 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents (Note 2)	\$1,462,019	\$1,348,857
Restricted cash and cash equivalents (Note 2)	112,047	53,498
Accounts receivable, net (Note 3)	212,979	185,964
Prepaid expenses (Note 4)	22,060	28,426
Inventory (Note 5)	15,813	13,390
Total current assets	<u>1,824,918</u>	<u>1,630,135</u>
<u>CAPITAL ASSETS (NOTE 7)</u>		
Land and other non-depreciable assets	662,001	647,680
Depreciable capital assets, net	<u>2,881,986</u>	<u>2,976,618</u>
Total capital assets	<u>3,543,987</u>	<u>3,624,298</u>
Total assets	<u>\$5,368,905</u>	<u>\$5,254,433</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable (Note 8)	\$ 34,333	\$ 58,934
Accrued liabilities (Note 9)	72,789	30,473
Payable from restricted cash and cash equivalents:		
Tenants security deposits (Note 2)	67,088	51,365
Unearned revenue (Note 10)	<u>34,330</u>	<u>66,227</u>
Total current liabilities	<u>208,540</u>	<u>206,999</u>
<u>NONCURRENT LIABILITIES</u>		
Other noncurrent liabilities (Note 11)	<u>75,223</u>	<u>46,837</u>
Total noncurrent liabilities	<u>75,223</u>	<u>46,837</u>
Total liabilities	<u>283,763</u>	<u>253,836</u>
<u>NET POSITION</u>		
Investment in capital assets	3,543,987	3,624,298
Restricted	53,652	23,557
Unrestricted	<u>1,487,503</u>	<u>1,352,742</u>
Total net position	<u>5,085,142</u>	<u>5,000,597</u>
Total liabilities and net position	<u>\$5,368,905</u>	<u>\$5,254,433</u>

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

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>		
Rental income	\$ 782,935	\$ 800,687
Other income	22,985	211,831
Total operating revenues	<u>805,920</u>	<u>1,012,518</u>
 <u>OPERATING EXPENSES</u>		
Administrative	623,265	456,977
Tenant services		143
Utilities	393,117	359,165
Ordinary maintenance and operation	428,083	434,272
Protective services	19,477	24,953
General expense	76,551	151,813
Housing assistance payments	1,772,467	1,855,554
Depreciation expense	165,383	215,460
Total operating expenses	<u>3,478,343</u>	<u>3,498,337</u>
 <u>OPERATING LOSS</u>	 <u>(2,672,423)</u>	 <u>(2,485,819)</u>
 <u>NON-OPERATING REVENUES/(EXPENSES)</u>		
Federal operating grants (Note 12)	2,518,287	2,456,192
Loss on sale of capital assets		(336)
Interest income	10,811	15,436
Total nonoperating revenues	<u>2,529,098</u>	<u>2,471,292</u>
 NET LOSS BEFORE CAPITAL CONTRIBUTIONS	 (143,325)	 (14,527)
 CAPITAL CONTRIBUTIONS (Note 12)	 <u>227,870</u>	 <u>8,525</u>
 CHANGE IN NET POSITION	 84,545	 (6,002)
 TOTAL NET POSITION - BEGINNING OF YEAR	 <u>5,000,597</u>	 <u>5,006,599</u>
 TOTAL NET POSITION - END OF YEAR	 <u>\$5,085,142</u>	 <u>\$5,000,597</u>

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

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

STATEMENTS OF CASH FLOWS (CONTINUED)

For the years ended September 30, 2019 and 2018

RECONCILIATION OF OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

	<u>2019</u>	<u>2018</u>
Operating loss	\$ (2,672,423)	\$ (2,485,819)
Adjustments to reconcile net operating income to cash provided by operating activities:		
Depreciation	165,383	215,460
Changes in operating assets and liabilities:		
(Increase)/decrease in:		
Accounts receivable	(27,015)	(64,625)
Prepaid expenses	6,366	14,201
Inventory	(2,423)	(352)
Other assets		79,700
Increase/(decrease) in:		
Accounts payable	(24,601)	(60,169)
Accrued liabilities	70,702	(55,678)
Tenant Security Deposits	15,723	
Unearned revenue	<u>(31,897)</u>	<u>(1,444)</u>
Net cash used by operating activities	<u>\$ (2,500,185)</u>	<u>\$ (2,358,632)</u>

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

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority of Michigan City ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Housing Authority of the City of Michigan City is a political subdivision, both corporate and political, which was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD). The financial statements also include the component unit named Michigan City Housing Development Inc. (MCHDI).

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Michigan City. Although it is legally separate

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HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

from the Housing Authority of the City of Michigan City, the Michigan City Housing Development, Inc. is reported as if it were part of the primary government because its purpose is to advocate for and provide affordable housing, whether by rental or sale to individuals and families of low to moderate income. The criteria for inclusion as a component unit include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Accordingly, MCHDI financial information (a component unit) has been blended with the Housing Authority of the City of Michigan City. There are no other component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

At September 30, 2019, the Housing Authority had 498 units under management.

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HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Project</u>	<u>Units</u>
Low Income Public Housing	171
Vouchers	308
MCHDI	<u>19</u>
 TOTAL	 <u>498</u>

The Authority is also operating a Capital Fund Grant Program.

Basis of Presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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 Authority has no debt.

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Budgets: Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation is not presented because the budget does not represent a legally binding appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget is adopted by the Authority's Board and represents budgetary execution and management by the board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents: Deposits consist of checking and savings accounts and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposed of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non-negotiable

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

State statutes authorize the Housing Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by political subdivisions.

Tenant Receivables: Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority Board takes annual action as required to write off specific uncollectible accounts receivable balances.

Prepaid: Prepays represent payments made to vendors for services that will benefit beyond September 30, 2019.

Inventories: Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The consumption method is applied, and expense is charged when inventory items are used for the units.

Interprogram Due From and Due To: During the course of its operations, the Authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for which the applicable cash transfer had not been made as of the statement of net position date. Interprogram accounts have been eliminated for financial statement reporting purposes.

Capital Assets: Capital assets purchased are recorded at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$500 or more with an anticipated useful life of more than one (1) year. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash reimbursements from HUD, there are no capitalized interest costs in current programs.

Depreciation of capital assets is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

Buildings	40 years
Maintenance and office equipment	3 to 10 years
Leasehold improvements	15 years

Compensated Absences: Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Operating Revenues and Expenses: Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low-income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted Assets: When both restricted, if any, and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources if they are needed.

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 liabilities at the date of the financial statements and

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leasing Activities (as Lessor): The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Income." Rental income per resident generally remains consistent from year to year but is affected by general economic conditions which impact personal income, such as local job availability.

NOTE 2 - DEPOSITS, CASH AND CASH EQUIVALENTS

1. Hud Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 2 - DEPOSITS, CASH AND CASH EQUIVALENTS (Continued)

FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision.

Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

a. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires that an investment strategy be developed annually, as part of the budget process, for all agency funds that are not needed immediately. At September 30, 2019, the Authority's deposits and investments were not limited and all of which were available on demand.

b. Credit Risk: This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 2 - DEPOSITS, CASH AND CASH EQUIVALENTS (Continued)

securities of any single issuer, other than the US Government, its agencies and instrumentalities.

c. Custodial Credit Risk: This is a risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name. Deposits made in accordance with state statute (Indiana Code 5-13) with financial institutions in the State of Indiana should be covered to the extent not covered by insurance of any federal deposit insurance agency.

At September 30, 2019, the carrying amount of the Authority's deposits was \$1,574,066. The bank balances were \$1,626,057. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 2 - DEPOSITS, CASH AND CASH EQUIVALENTS (Continued)

the Federal Reserve Banks acting as third-party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits and Section 8 HAP reserves.

Deposits consist of the following:

Unrestricted accounts	\$1,462,019
Restricted	112,047
Total	<u>\$1,574,066</u>

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2019, consist of the following:

Accounts receivable HUD	\$ 68,722
Tenant accounts receivable - net of allowance for doubtful accounts of \$75,848	140,871
Fraud recovery - net of allowance for doubtful accounts of \$33,125	-0-
Accounts receivable - miscellaneous	3,386
Total	<u>\$212,979</u>

NOTE 4 - PREPAID EXPENSES

Prepaid expenses at September 30, 2019, consist of the following:

Prepaid Insurance	\$ 11,794
Prepaid Software	8,723
Prepaid Other	1,543
Total	<u>\$ 22,060</u>

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 5 - INVENTORY

Inventory	<u>\$15,813</u>
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Materials inventories are recorded at cost. The first-in/first-out (FIFO) inventory flow assumption is used to determine expenses. Expenses are recorded when inventory is consumed.

NOTE 6 - COMPONENT UNITS

The Michigan City Housing Development, Inc. (MCHDI) was established by the Housing Authority of the City of Michigan City as a not-for-profit corporation. The general purpose of MCHDI is to advocate for and provide affordable housing, whether by rental or sale to individuals and families of low to moderate income pursuant to economic guidelines established by the United States Department of Housing and Urban Development. Educational services shall be provided to prospective members of such identifiable groups for purposes of teaching the principles of a home purchase and ownership. MCHDI was organized exclusively for charitable and educational purposes and is governed by a separate Board of Directors comprised of two Housing Authority of the City of Michigan City board members and two independent members.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 7 - CAPITAL ASSETS

A summary in changes in capital assets is as follows:

	Beginning Balance <u>09/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>09/30/19</u>
Capital assets, not being depreciated:					
Land	\$ 463,526	\$ -0-	\$-0-	\$-0-	\$ 463,526
Construction in progress	<u>184,154</u>	<u>14,321</u>	—	—	<u>198,475</u>
Total capital assets, not being depreciated	<u>647,680</u>	<u>14,321</u>	—	—	<u>662,001</u>
Capital assets being depreciated:					
Building and leasehold improvements	18,532,082	62,093	-0-	-0-	18,594,175
Furniture, equipment and machinery	<u>683,161</u>	<u>8,658</u>	—	—	<u>691,819</u>
Total capital assets being depreciated	<u>19,215,243</u>	<u>70,751</u>	—	—	<u>19,285,994</u>
Less accumulated depreciation	(16,238,625)	(165,383)	-0-	-0-	(16,404,008)
Total capital assets, being depreciated, net	<u>2,976,618</u>	<u>(94,632)</u>	—	—	<u>2,881,986</u>
Capital assets, net	<u>\$ 3,624,298</u>	<u>\$ (80,311)</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$ 3,543,987</u>

Depreciation expense of \$165,383 was incurred during the year.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at September 30, 2019, consist of the following:

Vendors' accounts payable	<u>\$34,333</u>
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NOTE 9 - ACCRUED LIABILITIES

Accrued liabilities at September 30, 2019, consist of the following:

Accrued salaries and wages	\$ 9,054
Accrued compensated absences	7,868
Payroll withholdings	18,133
Accrued utilities	1,677
Homebuyers earned home payments	10,006
Homebuyers non-routine maintenance reserve	2,533
Other accrued liabilities	<u>23,518</u>
Total	<u>\$72,789</u>

NOTE 10 - UNEARNED REVENUE

Unearned revenue at September 30, 2019, consists of the following:

Prepaid rent	<u>\$34,330</u>
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NOTE 11 - NONCURRENT LIABILITIES

Noncurrent liabilities at September 30, 2019, consists of the following:

Accrued absences - noncurrent	<u>\$75,223</u>
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NOTE 12 - FEDERAL OPERATING GRANTS

HUD contributed operating subsidies approved in the operating budgets under the Annual Contributions Contracts.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 12 - FEDERAL OPERATING GRANTS (Continued)

These subsidy contributions for the operating year ended September 30, 2019 were as follows:

Low Income Public Housing	\$ 540,158
Housing Choice Vouchers	1,978,129
Capital Fund Programs	227,870
ROSS Programs	-0-
Total	<u>\$2,746,157</u>

NOTE 13 - FEDERAL CAPITAL FUND PROGRAMS GRANT

The Authority received federal capital grants from HUD for capital fund program improvements. Capital grants recognized for the fiscal year ended September 30, 2019 were \$227,870.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation - At September 30, 2019, the Authority was not involved in any pending or threatened litigation.

Examinations - The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no examinations during the year ended September 30, 2019.

Grant Disallowances - Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, would constitute a liability of the Authority.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects - there are no major construction projects in process at September 30, 2019.

NOTE 15 - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this coverage in any of the past three years.

NOTE 16 - ECONOMIC DEPENDENCY

The Authority receives approximately 75% of its revenue from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE 17 - CONDUIT TYPE DEBT

Debt related to the original acquisition and early modernization of the public housing development is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 17 - CONDUIT TYPE DEBT (Continued)

Authority. Accordingly, this debt has not been recorded in the financial statements of the Authority.

HUD no longer provides the Authority with debt services information since the Authority has not obligation for the debt.

NOTE 18 - DEFINED CONTRIBUTION PLAN

The Authority has a retirement plan which provides a contribution in an amount equal to 5% of the employee base salary. The Authority's total pension contribution in fiscal year ending September 30, 2019, was \$16,949.

NOTE 19 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 13, 2021, which is the date that the accompanying financial statements were available for issuance.

In December 2019, a novel strain of the coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could be materially adversely affected. The extent to which the coronavirus may impact the Authority business activity will depend on

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019

NOTE 19 - SUBSEQUENT EVENTS (Continued)

future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

There were no subsequent events that required recognition or additional disclosure in these financial statements, except as noted above.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

COMBINING SCHEDULE OF NET POSITION - PROGRAM

September 30, 2019

	Low Income Public Housing	Housing Choice Vouchers	Component Unit	Business Activities	Interfund Eliminations	Total
<u>ASSETS</u>						
<u>CURRENT ASSETS</u>						
Cash and cash equivalents	\$ 588,481	\$132,833	\$ 576,097	\$ 164,608		\$1,462,019
Restricted cash and cash equivalents	67,687	24,567	4,903	14,890		112,047
Accounts receivable, net	367,772	18,777	17,128	1,294,476	\$(1,485,174)	212,979
Prepaid expenses	13,591	4,648	3,821			22,060
Inventory	<u>15,481</u>		<u>238</u>	<u>94</u>		<u>15,813</u>
Total current assets	<u>1,053,012</u>	<u>180,825</u>	<u>602,187</u>	<u>1,478,068</u>	<u>(1,485,174)</u>	<u>1,824,918</u>
<u>CAPITAL ASSETS</u>						
Land and other non-depreciable assets	559,557		48,810	53,634		662,001
Depreciable capital assets, net	<u>1,551,544</u>	<u>2,027</u>	<u>660,656</u>	<u>667,759</u>		<u>2,881,986</u>
Total capital assets	<u>2,111,101</u>	<u>2,027</u>	<u>709,466</u>	<u>721,393</u>		<u>3,543,987</u>
TOTAL ASSETS	<u>\$3,164,113</u>	<u>\$182,852</u>	<u>\$1,311,653</u>	<u>\$2,195,461</u>	<u>\$(1,485,174)</u>	<u>\$5,368,905</u>
<u>LIABILITIES</u>						
<u>CURRENT LIABILITIES</u>						
Accounts payable	\$1,338,084	\$ 63,665	\$ 115,676	\$ 2,082	\$(1,485,174)	\$ 34,333
Accrued liabilities	46,589	18,751	7,002	447		72,789
Payable from restricted cash and cash equivalents:						
Tenants security deposits	45,751		6,447	14,890		67,088
Unearned revenue	<u>27,755</u>	<u>2,198</u>	<u>2,516</u>	<u>1,861</u>		<u>34,330</u>
Total current liabilities	<u>1,458,179</u>	<u>84,614</u>	<u>131,641</u>	<u>19,280</u>	<u>(1,485,174)</u>	<u>208,540</u>
<u>NONCURRENT LIABILITIES</u>						
Other noncurrent liabilities	<u>64,203</u>	<u>5,846</u>	<u>5,174</u>			<u>75,223</u>
Total noncurrent liabilities	<u>64,203</u>	<u>5,846</u>	<u>5,174</u>			<u>75,223</u>
TOTAL LIABILITIES	<u>1,522,382</u>	<u>90,460</u>	<u>136,815</u>	<u>19,280</u>	<u>\$(1,485,174)</u>	<u>283,763</u>
<u>NET POSITION</u>						
Net investment in capital assets	2,111,101	2,027	709,466	721,393		3,543,987
Restricted	67,687	24,567	4,903	14,890		112,047
Unrestricted	<u>(537,057)</u>	<u>65,798</u>	<u>460,469</u>	<u>1,439,898</u>		<u>1,429,108</u>
Total net position	<u>1,641,731</u>	<u>92,392</u>	<u>1,174,838</u>	<u>2,176,181</u>		<u>5,085,142</u>
Total liabilities and net position	<u>\$3,164,113</u>	<u>\$182,852</u>	<u>\$1,311,653</u>	<u>\$2,195,461</u>	<u>\$(1,485,174)</u>	<u>\$5,368,905</u>

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

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROGRAM

September 30, 2019

	Low Income Public Housing	Housing Choice Vouchers	Component Unit	Business Activities	Eliminations	Total
<u>OPERATING REVENUES</u>						
Rental income	\$ 516,557		\$ 89,546	\$ 176,832		\$ 782,935
Other income	<u>17,576</u>	<u>\$ 145</u>	<u>1,172</u>	<u>4,092</u>		<u>22,985</u>
Total operating revenue	<u>534,133</u>	<u>145</u>	<u>90,718</u>	<u>180,924</u>		<u>805,920</u>
<u>OPERATING EXPENSES</u>						
Administrative	415,758	184,457	13,802	9,248		623,265
Utilities	371,370		16,163	5,584		393,117
Ordinary maintenance and operation	359,643	9,095	26,442	32,903		428,083
Protective services	19,084		286	107		19,477
General expense	76,551					76,551
Housing assistance payments		1,772,467				1,772,467
Depreciation expense	<u>101,802</u>	<u>753</u>	<u>28,442</u>	<u>34,386</u>		<u>165,383</u>
Total operating expenses	<u>1,344,208</u>	<u>1,966,772</u>	<u>85,135</u>	<u>82,228</u>		<u>3,478,343</u>
<u>OPERATING INCOME/(LOSS)</u>	<u>(810,075)</u>	<u>(1,966,627)</u>	<u>5,583</u>	<u>\$ 98,696</u>		<u>(2,672,423)</u>
<u>NON-OPERATING REVENUES/(EXPENSES)</u>						
Federal operating grants	540,158	1,978,129				2,518,287
Interest income	<u>2,544</u>	<u>281</u>	<u>5,559</u>	<u>2,427</u>		<u>10,811</u>
Total non-operating revenues	<u>542,702</u>	<u>1,978,410</u>	<u>5,559</u>	<u>2,427</u>		<u>2,529,098</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(267,373)	11,783	11,142	101,123		(143,325)
Capital contributions	<u>227,870</u>					<u>227,870</u>
CHANGE IN NET POSITION	<u>(39,503)</u>	<u>11,783</u>	<u>11,142</u>	<u>101,123</u>		<u>84,545</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>1,681,234</u>	<u>80,609</u>	<u>1,163,696</u>	<u>2,075,058</u>		<u>5,000,597</u>
TOTAL NET POSITION - END OF YEAR	<u>\$1,641,731</u>	<u>\$ 92,392</u>	<u>\$1,174,838</u>	<u>\$2,176,181</u>	<u>\$</u>	<u>\$ 5,085,142</u>

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

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

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$588,481	\$119	\$132,833	\$576,097	\$1,297,530		\$1,297,530
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$21,935		\$24,567		\$46,502		\$46,502
114 Cash - Tenant Security Deposits	\$45,752	\$14,890		\$4,903	\$65,545		\$65,545
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$656,168	\$15,009	\$157,400	\$581,000	\$1,409,577	\$0	\$1,409,577
121 Accounts Receivable - PHA Projects			\$13,727		\$13,727		\$13,727
122 Accounts Receivable - HUD Other Projects	\$54,995				\$54,995		\$54,995
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous			\$3,386		\$3,386		\$3,386
126 Accounts Receivable - Tenants	\$211,560	\$419	\$1,664	\$3,077	\$216,720		\$216,720
126.1 Allowance for Doubtful Accounts - Tenants	-\$73,189	-\$1,609	\$0	-\$1,051	-\$75,849		-\$75,849
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery			\$33,125		\$33,125		\$33,125
128.1 Allowance for Doubtful Accounts - Fraud			-\$33,125		-\$33,125		-\$33,125
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$193,366	-\$1,190	\$18,777	\$2,026	\$212,979	\$0	\$212,979
131 Investments - Unrestricted		\$164,489			\$164,489		\$164,489
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$13,591		\$4,648	\$3,821	\$22,060		\$22,060
143 Inventories	\$16,296	\$99		\$251	\$16,646		\$16,646
143.1 Allowance for Obsolete Inventories	-\$815	-\$5		-\$13	-\$833		-\$833
144 Inter Program Due From	\$174,406	\$1,295,666		\$15,102	\$1,485,174	-\$1,485,174	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$1,053,012	\$1,474,068	\$180,825	\$602,187	\$3,310,092	-\$1,485,174	\$1,824,918

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	Subtotal	ELIM	Total
161 Land	\$361,082	\$53,634	\$0	\$48,810	\$463,526		\$463,526
162 Buildings	\$15,140,137	\$1,339,922	\$394	\$1,140,649	\$17,621,102		\$17,621,102
163 Furniture, Equipment & Machinery - Dwellings	\$187,740	\$6,982		\$1,764	\$196,486		\$196,486
164 Furniture, Equipment & Machinery - Administration	\$389,658	\$4,160	\$75,018	\$26,498	\$495,334		\$495,334
165 Leasehold Improvements	\$938,606	\$17,018		\$17,449	\$973,073		\$973,073
166 Accumulated Depreciation	-\$15,104,596	-\$700,323	-\$73,385	-\$525,704	-\$16,404,008		-\$16,404,008
167 Construction in Progress	\$198,474				\$198,474		\$198,474
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,111,101	\$721,393	\$2,027	\$709,466	\$3,543,987	\$0	\$3,543,987
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$2,111,101	\$721,393	\$2,027	\$709,466	\$3,543,987	\$0	\$3,543,987
200 Deferred Outflow of Resources							
290 Total Assets and Deferred Outflow of Resources	\$3,164,113	\$2,195,461	\$182,852	\$1,311,653	\$6,854,079	-\$1,485,174	\$5,368,905
311 Bank Overdraft	\$429	\$295		\$6,356	\$7,080		\$7,080
312 Accounts Payable <= 90 Days	\$31,134	\$2,082	\$1,080	\$35	\$34,331		\$34,331
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$7,168	\$152	\$1,664	\$71	\$9,055		\$9,055
322 Accrued Compensated Absences - Current Portion	\$6,643		\$650	\$575	\$7,868		\$7,868
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects	\$12,540				\$12,540		\$12,540
333 Accounts Payable - Other Government							
341 Tenant Security Deposits	\$45,752	\$14,890		\$6,447	\$67,089		\$67,089
342 Unearned Revenue	\$27,756	\$1,861	\$2,198	\$2,516	\$34,331		\$34,331
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities			\$188		\$188		\$188

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	Subtotal	ELIM	Total
346 Accrued Liabilities - Other	\$19,809		\$16,249		\$36,058		\$36,058
347 Inter Program - Due To	\$1,306,948		\$62,585	\$115,641	\$1,485,174	-\$1,485,174	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$1,458,179	\$19,280	\$84,614	\$131,641	\$1,693,714	-\$1,485,174	\$208,540
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$64,203		\$5,846	\$5,174	\$75,223		\$75,223
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$64,203	\$0	\$5,846	\$5,174	\$75,223	\$0	\$75,223
300 Total Liabilities	\$1,522,382	\$19,280	\$90,460	\$136,815	\$1,768,937	-\$1,485,174	\$283,763
400 Deferred Inflow of Resources							
508.4 Net Investment in Capital Assets	\$2,111,101	\$721,393	\$2,027	\$709,466	\$3,543,987		\$3,543,987
511.4 Restricted Net Position	\$67,687	\$14,890	\$24,567	\$4,903	\$112,047		\$112,047
512.4 Unrestricted Net Position	-\$537,057	\$1,439,898	\$65,798	\$460,469	\$1,429,108		\$1,429,108
513 Total Equity - Net Assets / Position	\$1,641,731	\$2,176,181	\$92,392	\$1,174,838	\$5,085,142	\$0	\$5,085,142
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$3,164,113	\$2,195,461	\$182,852	\$1,311,653	\$6,854,079	-\$1,485,174	\$5,368,905

Housing Authority of the City of Michigan City (IN019)
MICHIGAN CITY, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$509,247	\$176,832		\$89,546	\$775,625		\$775,625
70400 Tenant Revenue - Other	\$14,997	\$4,058		\$1,172	\$20,227		\$20,227
70500 Total Tenant Revenue	\$524,244	\$180,890	\$0	\$90,718	\$795,852		\$795,852
70600 HUD PHA Operating Grants	\$540,158		\$1,978,129		\$2,518,287		\$2,518,287
70610 Capital Grants	\$227,870				\$227,870		\$227,870
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants							
71100 Investment Income - Unrestricted	\$2,543	\$2,427	\$281	\$5,559	\$10,810		\$10,810
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery			\$145		\$145		\$145
71500 Other Revenue	\$9,890	\$34			\$9,924		\$9,924
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$1,304,705	\$183,351	\$1,978,555	\$96,277	\$3,562,888		\$3,562,888
91100 Administrative Salaries	\$180,877		\$73,200		\$254,077		\$254,077
91200 Auditing Fees	\$6,840	\$2,515	\$2,138	\$1,383	\$12,876		\$12,876
91300 Management Fee							
91310 Book-keeping Fee	\$6,189	\$1,150	\$5,278	\$1,216	\$13,833		\$13,833
91400 Advertising and Marketing	\$1,616		\$38		\$1,654		\$1,654
91500 Employee Benefit contributions - Administrative	\$60,370		\$35,188		\$95,558		\$95,558

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	Subtotal	ELIM	Total
91600 Office Expenses	\$16,884	\$125	\$6,781	\$125	\$23,915		\$23,915
91700 Legal Expense	\$8,386			\$1,844	\$10,230		\$10,230
91800 Travel	\$1,962		\$154		\$2,116		\$2,116
91810 Allocated Overhead							
91900 Other	\$73,798	\$865	\$30,391	\$798	\$105,852		\$105,852
91000 Total Operating - Administrative	\$356,922	\$4,655	\$153,168	\$5,366	\$520,111		\$520,111
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other							
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0		\$0
93100 Water	\$53,364	\$1,641		\$1,808	\$56,813		\$56,813
93200 Electricity	\$135,214	\$867		\$6,663	\$142,744		\$142,744
93300 Gas	\$105,913	\$1,510		\$4,940	\$112,363		\$112,363
93400 Fuel							
93500 Labor							
93600 Sewer	\$65,747	\$1,566		\$1,913	\$69,226		\$69,226
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense	\$4,257			\$840	\$5,097		\$5,097
93000 Total Utilities	\$364,495	\$5,584	\$0	\$16,164	\$386,243		\$386,243
94100 Ordinary Maintenance and Operations - Labor	\$145,250	\$18,322		\$6,943	\$170,515		\$170,515
94200 Ordinary Maintenance and Operations - Materials and Other	\$51,999	\$6,687	\$9,095	\$3,344	\$71,125		\$71,125
94300 Ordinary Maintenance and Operations Contracts	\$60,279	\$5,180		\$4,645	\$70,104		\$70,104
94500 Employee Benefit Contributions - Ordinary Maintenance	\$91,691	\$3,124		\$6,472	\$101,287		\$101,287
94000 Total Maintenance	\$349,219	\$33,313	\$9,095	\$21,404	\$413,031		\$413,031
95100 Protective Services - Labor	\$16,435				\$16,435		\$16,435
95200 Protective Services - Other Contract Costs	\$1,163				\$1,163		\$1,163
95300 Protective Services - Other	\$221	\$107		\$286	\$614		\$614
95500 Employee Benefit Contributions - Protective Services	\$1,264				\$1,264		\$1,264
95000 Total Protective Services	\$19,083	\$107	\$0	\$286	\$19,476		\$19,476

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	Subtotal	ELIM	Total
96110 Property Insurance	\$54,570		\$20,068		\$74,638		\$74,638
96120 Liability Insurance	\$5,790		\$4,717	\$1,991	\$12,498		\$12,498
96130 Workmen's Compensation	\$13,216	\$932	\$4,390	\$512	\$19,050		\$19,050
96140 All Other Insurance	\$3,639		\$1,003	\$1,666	\$6,308		\$6,308
96100 Total insurance Premiums	\$77,215	\$932	\$30,178	\$4,169	\$112,494		\$112,494
96200 Other General Expenses	\$2,243				\$2,243		\$2,243
96210 Compensated Absences	\$41,240	-\$854		\$4,467	\$44,853		\$44,853
96300 Payments in Lieu of Taxes							
96400 Bad debt - Tenant Rents	\$24,178	\$3,661		\$4,265	\$32,104		\$32,104
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$67,661	\$2,807	\$0	\$8,732	\$79,200		\$79,200
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	\$1,234,595	\$47,398	\$192,441	\$56,121	\$1,530,555		\$1,530,555
97000 Excess of Operating Revenue over Operating Expenses	\$70,110	\$135,953	\$1,786,114	\$40,156	\$2,032,333		\$2,032,333
97100 Extraordinary Maintenance	\$7,693	\$444		\$572	\$8,709		\$8,709
97200 Casualty Losses - Non-capitalized	\$119				\$119		\$119
97300 Housing Assistance Payments			\$1,772,467		\$1,772,467		\$1,772,467
97350 HAP Portability-In			\$1,111		\$1,111		\$1,111
97400 Depreciation Expense	\$101,801	\$34,386	\$753	\$28,442	\$165,382		\$165,382
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$1,344,208	\$82,228	\$1,966,772	\$85,135	\$3,478,343		\$3,478,343
10010 Operating Transfer In							

	Project Total	1 Business Activities	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	Subtotal	ELIM	Total
10020 Operating transfer Out							
10030 Operating Transfers from/to Primary Government							
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	-\$39,503	\$101,123	\$11,783	\$11,142	\$84,545		\$84,545
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,681,234	\$2,075,058	\$80,609	\$1,163,696	\$5,000,597		\$5,000,597
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors							
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			\$58,539		\$58,539		\$58,539
11180 Housing Assistance Payments Equity			\$33,853		\$33,853		\$33,853
11190 Unit Months Available	0	216	324	3761	4301		4301
11210 Number of Unit Months Leased	0	163	305	3691	4159		4159
11270 Excess Cash	-\$1,020,253				-\$1,020,253		-\$1,020,253
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$0				\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$33,453				\$33,453		\$33,453
11640 Furniture & Equipment - Administrative Purchases	\$41,761				\$41,761		\$41,761
11650 Leasehold Improvements Purchases	\$9,858				\$9,858		\$9,858
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO THE SUPPLEMENTAL FINANCIAL INFORMATION

September 30, 2019

NOTE 1 - FINANCIAL DATA SCHEDULE

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedules format excludes depreciation expense and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue and gains and losses on the disposal of capital assets in operating activities, includes tenant security deposits in cash, itemizes the accounts receivable and allowance for doubtful accounts separately, itemizes the interprogram due to and due from accounts, itemizes all capital assets, itemizes all current and noncurrent liabilities, and reflects all revenues and expenses separately, which differs from the presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of Michigan City
Michigan City, Indiana

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 financial statements of the Housing Authority of the City of Michigan City (Authority), which comprise the statement of net position as of September 30, 2019, and the related statement of revenues, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2021.

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 have not been identified. We did identify certain deficiencies in internal control,

described in the accompanying schedule of findings and questioned costs as items Finding 2019-001 and Finding 2019-002 that we consider to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as Finding 2019-002.

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 questioned costs. 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
March 13, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the City of Michigan City
Michigan City, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Michigan City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Michigan City's major federal programs for the year ended September 30, 2019. The Housing Authority of the City of Michigan City'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 federal statutes, regulations, and the terms of conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Michigan City'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Housing Authority of the City of Michigan City'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Housing Authority of the City of Michigan City's compliance.

Basis for Qualified Opinion on Housing Choice Vouchers Program

As described in the accompanying schedule of findings and questioned costs, the Housing Authority of the City of Michigan City did not comply with requirements regarding CFDA 14.871 Housing Choice Vouchers as described in finding numbers 2019-03 Activities Allowed or Unallowed and Allowable Costs/Cost Principles and 2019-04 Eligibility. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Michigan City to comply with the requirements applicable to that program.

Qualified Opinion on Housing Choice Vouchers Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, the Housing Authority of the City of Michigan City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Housing Choice Vouchers Program for the year ended September 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Housing Authority of the City of Michigan City 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2019.

Other Matters

The Housing Authority of the City of Michigan City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Michigan City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report of Internal Control Over Compliance

Management of the Housing Authority of the City of Michigan City 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 Housing Authority of the City of Michigan City'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 the Uniform Guidance, 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 Housing Authority of the City of Michigan City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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.

A material weakness in internal control over compliance is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-01 and 2019-02 to be material weaknesses.

The Housing Authority of the City of Michigan City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Michigan City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

APPLEGATE & COMPANY
Certified Public Accountants

Michigan City, Indiana
March 13, 2021

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2019

Federal Grantor Agency	<u>Pass-through Entity or Direct Grant</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity (or other) Identifying Number</u>	<u>Award Amount</u>	<u>Total Awards Expended</u>
<u>Cluster Title/Program Title/Project Title</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Housing Choice Voucher Cluster					
Housing Choice Vouchers	Direct grant	14.871	IN-019	<u>\$1,978,129</u>	<u>\$1,978,129</u>
Total Housing Choice Voucher Cluster				<u>1,978,129</u>	<u>1,978,129</u>
Public Housing and Indian Housing Program					
Low Rent Public Housing	Direct grant	14.850	IN-019-00000118D	473,885	130,000
Low Rent Public Housing	Direct grant	14.850	IN-019-00000318D	10,740	10,740
Low Rent Public Housing	Direct grant	14.850	IN-019-00000119D	508,067	381,444
Low Rent Public Housing	Direct grant	14.850	IN-019-00000319D	<u>17,974</u>	<u>17,974</u>
Total Public Housing and Indian Housing Program				<u>1,010,666</u>	<u>540,158</u>
Public Housing Capital Fund Program					
Public Housing Capital Fund	Direct grant	14.872	IN36P019501-19	<u>353,838</u>	<u>227,870</u>
Total Public Housing Capital Fund Program				<u>353,838</u>	<u>227,870</u>
Total U.S. Department of Housing and Urban Development				<u>\$3,342,633</u>	<u>\$2,746,157</u>

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Housing Authority of the City of Michigan City under programs of the federal government for the year ended September 30, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because SEFA presents only a select portion of the operations of the Housing Authority of the City of Michigan City, it is not intended to and does not present the financial position of the Housing Authority of the City of Michigan City.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expended when the reimbursement is received. The Housing Authority of the City of Michigan City has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR

SECTION I - SUMMARY OF AUDITORS RESULTS

For the year ended September 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued on financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

Unmodified

- Material weakness(es) identified? X yes no
- Significant deficiency(s) identified? yes X none reported
- Noncompliance material to financial statements noted? X yes no

FEDERAL AWARDS

Internal control over federal programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? yes X none reported

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

14.871	Housing Choice Vouchers	<u>Qualified</u>
14.850	Public and Indian Housing	<u>Unmodified</u>

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X yes no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Public and Indian Housing
14.871	Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION II - FINANCIAL STATEMENT FINDINGS

For the year ended September 30, 2019

FINDING 2019-01

Subject: Financial Transactions

Audit Findings: Material Weakness

Condition:

There were several deficiencies in the internal control system of the Housing Authority related to financial transactions.

Disbursements - Vendor

1. Sales tax was paid to at least one vendor during the audit period.
2. Utility reimbursements were remitted to a tenant that did not agree to the amount calculated within the documentation.
3. Section 8 landlord payments remitted on behalf of a tenant to a landlord were missing supporting documentation in the form of the tenant files.

Disbursements - Payroll

1. Four personnel files containing pay rates, W-4's, and I-9's could not be located during the audit.
2. The Housing Authority did not keep a record of approved pay rates for employees. We could not substantiate the amounts paid for the payrolls tested.

Context:

The lack of sufficient internal controls were systemic issues throughout the audit period. The lack of sufficient evidential documentation to support the disbursements was limited to vendor transactions.

Cause:

Management of the Housing Authority had not established a proper system of internal controls that segregated key functions and would have ensured proper posting of financial transactions and retention of supporting documentation for payroll.

Effect:

The failure to provide sufficient supporting documentation to support the calculation of payroll disbursements prevented the determination of whether or not the payroll disbursements were fairly presented for the period October 1, 2018 to September 30, 2019.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION II - FINANCIAL STATEMENT FINDINGS

For the year ended September 30, 2019

The failure to establish and properly implement controls could result in material misstatements or irregularities to remain undetected. The financial statement contained the errors identified in the *Condition*.

Recommendation:

We recommend the Housing Authority establish a system of internal controls that ensures sufficient evidential matter is properly documented and retained.

Views of Responsible Officials:

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report

FINDING 2019-02

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Condition:

The Housing Authority did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). An oversight or review process was not in place and the SEFA was not prepared in a timely fashion for the audit.

Context:

The lack of sufficient internal controls were systemic issues throughout the audit period.

Criteria:

2 CFR 200.508 states in part:

"The auditee must. . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with 200.510 financial statements. . . ."

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

For the year ended September 30, 2019

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 200.502 Basis for determining Federal awards expended. At a minimum, the schedule must:

1. List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is unavailable. For a cluster of programs also provide the total for the cluster.
4. Include the total amount provided to subrecipients from each Federal program.
5. For loan or loan guarantee programs described in 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
6. Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in 200.414 Indirect (F&A) costs."

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2019

Cause:

Management of the Housing Authority had not established a proper system of internal controls that would have ensured proper reporting of the SEFA.

Effect:

Without a proper system of internal control in place that operated effectively; material misstatements of the SEFA remained undetected. The SEFA contained errors identified in the *Context*.

Recommendation:

We recommend the Housing Authority establish controls that ensure Federal expenditures will be properly reported on the SEFA.

Views of Responsible Officials:

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2019

FINDING 2019-03

Subject: Housing Choice Voucher Cluster - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal Agency: Department of Housing and Urban Development

Federal Program: Housing Choice Vouchers

CFDA Number: 14.871

Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Qualified Opinion

Condition:

An effective internal control system was not in place at the Housing Authority in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The Housing Authority had not designed or implemented adequate policies or procedures to ensure that the rates at which the employees were paid were correct and approved. As a result, all payroll amounts paid became unallowable as we could not verify the pay rates used from October 1, 2018 to September 30, 2019.

Context:

The lack of sufficient internal controls was a systemic issue throughout the audit period. The lack of sufficient evidential documentation to support the disbursements was limited to vendor transactions.

Criteria:

2 CFR 200.303 states in part:

"The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)..."

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2019

Cause:

Management of the Housing Authority had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect:

The failure to establish an effective internal control system placed the Housing Authority at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of Federal funds and assets by lacking proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs:

There were no questioned costs identified.

Recommendation:

We recommend the Housing Authority's management establish a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials:

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report

FINDING 2019-04

Subject: Housing Choice Voucher Cluster - Eligibility

Federal Agency: Department of Housing and Urban Development

Federal Program: Housing Choice Vouchers

CFDA Number: 14.871

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Qualified Opinion

Condition:

The Housing Authority had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

- Continued -

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2019

Eligibility for Housing Choice Voucher was determined on form HUD-50058 and application forms that are filled out by the PHA staff during an interview with the tenant. The head of the household signs required documents. Under certain circumstances, other members of the family are also required to sign these forms. Four tenants files were found to not have proper tenant signatures on the reexamination forms.

Family income reexaminations are required to be documented in the tenant file and require verification of (1) family annual income, (2) value of assets, (3) expenses related to deductions from annual income and (4) other factors that affect eligibility or determination of rent benefits. Evidence of a reexamination for eight tenants was not retained by the Housing Authority and therefore could not be verified.

Tenant files for thirteen tenants could not be located by the Housing Authority. These tenant files could not be tested.

Context:

The lack of controls, lack of supporting documentation for eligibility, and noncompliance were systemic issues throughout the audit period, 22% of tenant files requested could not be found by the Housing Authority and 17% were missing required eligibility documentation.

Criteria:

24 CFR 5.230 states in part:

 "Required consent by assistance applicants:

 Each member of the family of an assistance applicant or participant who is at least 18 years of age, and each family head and spouse regardless of age, shall sign one of more consent forms."

24 CFR 982.516 states in part:

 "PHA responsibility for reexamination and verification

 (1) The PHA must conduct a reexamination of family income and composition at least annually.

 (2) The PHA must obtain and document in the tenant file third party verification of the following factors or must document in the tenant file why verification was not available"

- i. Reported family annual income
- ii. Value of assets
- iii. Expenses related to deductions from annual income
- iv. Other factors that affect adjusted income."

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the year ended September 30, 2019

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)..."

Cause:

Management of the Housing Authority had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Effect:

The failure to establish an effective internal control system at the Housing Authority enabled noncompliance to go undetected. Noncompliance with the grant agreement and the reporting requirement could have resulted in the loss of Federal funds to the Housing Authority.

Questioned Costs:

There were no questioned costs identified.

Recommendation:

We recommend the Housing Authority's management establish a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials:

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

HOUSING AUTHORITY OF THE CITY OF MICHIGAN CITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Prior Year
For the year ended September 30, 2019

Section IV Financial Statement Findings

There were no reportable findings for the fiscal year end September 30, 2018.

Section IV Federal Awards Findings and Questioned Costs

There were no reportable findings for the fiscal year end September 30, 2018.



Michigan City Housing Authority
621 Michigan Blvd.
Michigan City, Indiana 46360

Finding 2019-01: Financial Transactions-Material Weakness

Conditions: There are several deficiencies in the internal control system of the Housing Authority.

Recommendation: We recommend the Housing Authority establish a system of internal controls that ensures sufficient evidential matter is properly documented and retained

Answer: The Housing Authority since October 2020 As Executive Director has reviewed and signed off on all payroll - Established timesheets and timecards for all employees which requires my signature for payroll. I also sign of final payroll document.

We are currently working on revising process and procedures in that department and hiring a Finance Manager who will oversee that department.

Finding 2019-02: Schedule of the Expenditure of Federal Awards Audit Findings: Material Weakness, Non-compliance.

Conditions: The Housing Authority did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA) An oversight or review process had been put in place however the control was not effective as evidenced by the errors on the SEFA identified

We recommend the Housing Authority establish controls that ensure Federal expenditures will be properly reported on the SEFA.

Answer: We are currently working on revising process and procedures in that department and hiring a Finance Manager who will oversee and be responsible for specific duties of that department.

Finding 2019-03: Subject Housing Choice Voucher - Activities Allowed or Unallowed and Allowable Costs/Cost Principles- Material Weakness - Qualified Opinion

Conditions: An effective internal control system was not in place at the Housing Authority in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements - The Housing Authority had not designed or implemented adequate policies and procedures to ensure that the rates at which the employees were paid correct and approved. As a result, all payroll amounts paid became unallowable as we could not verify the pay rates used from October 1, 2018 to September 30, 2019.

Recommendation: We recommend the Housing Authority's Management establish a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Answer: New process and procedure are being written and personnel folders are being revised with appropriate documentation. Since October 2020 issued timesheets and timecards that requires my signature for approval for payroll.

Finding 2019-04: Housing Choice Voucher Eligibility - Material Weakness, Qualified Opinion

Conditions: The Housing Authority had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement. Eligibility for Housing Choice Voucher was determined on form 50058 and application forms that are filled out by the PHA staff during interviews with the tenant. The Head of Household signs required documents under certain circumstances, other members of the family are also required to sign these forms. Four tenants' files were found not to have proper tenant signatures on reexamination forms. Family income re-examinations are required to be documented in the tenant file and require verification of (1) family annual income, (2) value of assets, (3) Expenses related to deductions from annual income and (4) other factors that affect eligibility or determination of rent benefits. Evidence of a re-examination for eight tenants was not retained by Housing Authority and therefore could not be verified. Tenant file for thirteen tenants could not be located by the Housing Authority therefore could not be tested

Recommendation: We recommend the Housing Authority's management establish a system of internal controls to ensure compliance with the grant and the Eligibility Compliance requirement

Answer: As of the 2nd week of February brought in temporary staff to go through all file folders to purge and verify folders for all existing families, I have created a file checklist for all the documents that are required to be in the files for both Public Housing and Section 8. AT this time to due to COVID-19 conditions will request family members to come in one by one or staff will go out to get necessary signatures.

Sincerely,

Sharon Hutton
Michigan City Housing Authority
Executive Director