

ST. CLAIR HOUSING COMMISSION

Financial Statements (With Supplementary Information)

For the Year Ended December 31, 2010



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

St. Clair Housing Commission

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SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA 989-751-1167

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
St. Clair Housing Commission

We have audited the accompanying financial statements of the business-type activities of the *St. Clair Housing Commission* as of and for the year ended December 31, 2010, which collectively comprise the *St. Clair Housing Commission's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *St. Clair Housing Commission's* management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the *St. Clair Housing Commission*, as of December 31, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2011, on our consideration of the *St. Clair Housing Commission'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress information on pages 3 through 6 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *St. Clair Housing Commission's* financial statements as a whole. The Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The Financial Data Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Smith + Klayhewicz PC

Saginaw, Michigan

July 18, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the St. Clair Housing Commission's financial performance provides an overview of the financial activities for the year ended December 31, 2010. Please read it in conjunction with the Housing Commission's financial statements.

Financial Highlights

- Net assets for the Housing Commission were \$867,302 for the year ending December 31, 2010 compared to \$883,446 for the year ending December 31, 2009.
- The Housing Commission's operating revenues totaled \$472,189 for the year ending December 31, 2010 and \$499,383 for the year ending December 31, 2009, while operating expenses totaled \$569,485 for the year ending December 31, 2010 and \$524,318 for the year ending December 31, 2009.

Using This Report

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows provide information about the activities of the Housing Commission as a whole and present a longer-term view of the Housing Commission's finances.

Reporting the Housing Commission as a Whole

Our analysis of the Housing Commission as a whole begins on page 7. One of the most important questions asked about the Housing Commission's finances is "Is the Housing Commission, as a whole, better off or worse as a result of the year's activities"? The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows report information about the Housing Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expense are taken into account regardless of when cash is received or paid. These three statements report the Housing Commission's net assets and changes in them. You can think of the Housing Commission's net assets – the difference between assets and liabilities – as one way to measure the Housing Commission's financial health, or financial position. Over time, increases decreases in the Housing Commission's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows, the Housing Commission's activities are reported as business-type activities:

- Business-type activities – The Housing Commission charges rent to tenants to help cover all or most of the costs of services it provides.

Reporting the Housing Commission's Most Significant Funds

Our analysis of the Housing Commission's major activities begins on page 7. The financial statements provide detailed information on all of the Housing Commission's activities. The Housing Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- Proprietary funds – The Housing Commission charges tenants rent for the housing services it provides and these services are reported in the proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Revenues, Expenses and Changes in Net Assets.

Housing Commission – Wide Financial Analysis

The Statement of Net Assets provides the perspective of the Housing Commission as a whole. The following provides a summary of the Housing Commission's net assets as of December 31, 2010 and 2009.

St. Clair Housing Commission Statement of Net Assets Business-type Activities

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 289,782	\$ 375,182
Capital assets not being depreciated	30,000	30,000
Capital assets being depreciated	<u>632,335</u>	<u>614,673</u>
Total assets	<u>952,117</u>	<u>1,039,855</u>
Liabilities, current	52,942	134,653
Liabilities, non-current	<u>31,873</u>	<u>21,756</u>
Total liabilities	<u>84,815</u>	<u>156,409</u>
Net assets:		
Invested in capital assets	662,335	664,673
Restricted	25,661	23,880
Unrestricted	<u>179,306</u>	<u>194,893</u>
Total net assets	<u>\$ 867,302</u>	<u>\$ 883,446</u>

This analysis focuses on net assets. The Housing Commission's net assets were \$867,302 at December 31, 2010. Capital assets totaling \$662,335 compares the original costs, less depreciation of the Housing Commission's capital assets to long-term debt used to finance the acquisition of those assets. For the years ending December 31, 2010 and 2009 the Housing Commission had no debt financing related to capital assets.

The \$25,661 in restricted net assets represents the current years' housing assistance payments received from HUD in excess of payments to landlords.

The \$179,306 in unrestricted net assets represents the accumulated results of all past years' operations.

The results of this year's operations for the Housing Commission as a whole are reported in the Statement of Revenues, Expense and Changes in Net Assets, as summarized below. This shows the changes in net assets for the year ended December 31, 2010 and 2009.

**St. Clair Housing Commission Statement of Revenues, Expenses
and Changes in Net Assets
Business-type Activities**

	<u>2010</u>	<u>2009</u>
Revenues:		
Charges for services	\$ 229,271	\$ 221,537
Program grants and subsidies	314,759	498,726
Other revenue	5,879	5,968
Investment income	<u>3,432</u>	<u>5,333</u>
Total revenues	553,341	731,564
 Expenses	 <u>569,485</u>	 <u>524,318</u>
 Increase (decrease) in net assets	 (16,144)	 207,246
 Net assets at beginning of year	 <u>883,446</u>	 <u>676,200</u>
 Net assets at end of year	 <u>\$ 867,302</u>	 <u>\$ 883,446</u>

Revenues for the Housing Commission totaled \$553,341 for the year ending December 31, 2010 compared to \$731,564 for the year ending December 31, 2009. This represents a 24% decrease from prior year to the current year. This decrease is because in fiscal year 2009 we received \$88,011 in Capital Fund Recovery (Stimulus) Grant. These funds were used for the reconstruction and expansion of the parking lot. These projects did help to stimulate the local economy as designed and did enhance the quality of life for our tenants. We did not receive those funds for the current fiscal year.

Capital Assets

At December 31, 2010, the Housing Commission had a net investment of \$662,335 in a broad range of capital assets, including land, buildings, furniture and equipment and leasehold improvements.

This amount represents a net decrease (including additions and disposals) of \$2,338 or .4% from last year.

More detail information is presented in the notes to the financial statements on page 15.

Factors Expected to Have an Effect on Future Operations

The Board of Commissioners and director of the St. Clair Housing Commission did consider the local economic conditions, number of future tenants, and the age and condition of our assets when establishing our budget.

In our current fiscal year that began January 1, 2011 we will replace all the refrigerators in the Senior Complex. We will also install new Unit Door locks with ADA approved Lever Door Handles. We will be using 2011 Capital Funds for both of these projects. With any funding that may be left over, we will be replacing the funds that have been spent in 2010 to repair the Backup Generator for the Senior Complex.

Requests for Information

This financial report is designed to provide a general overview of the Housing Commission's finances for all those with an interest in the St. Clair Housing Commission. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

St. Clair Housing Commission
Executive Director
400 S. Third Street
St. Clair, MI 48079

St. Clair Housing Commission
Statement of Net Assets
December 31, 2010

Current assets	
Cash and cash equivalents	\$ 182,893
Cash and cash equivalents - restricted	25,661
Cash - tenant security deposits	16,687
Investments	44,700
Accounts receivable, net	17,489
Prepaid expenses	<u>2,352</u>
Total current assets	<u>289,782</u>
Noncurrent assets	
Capital assets:	
Nondepreciable	30,000
Depreciable	2,177,424
Less: accumulated depreciation	<u>(1,545,089)</u>
Net capital assets	<u>662,335</u>
Total assets	<u>952,117</u>
Current liabilities	
Accounts payable	11,808
Accrued liabilities	9,837
Tenant security deposits	16,687
Accrued compensated absences, current portion	2,478
Other current liabilities	<u>12,132</u>
Total current liabilities	52,942
Noncurrent liabilities	
Accrued OPEB liability	9,567
Accrued compensated absences	<u>22,306</u>
Total noncurrent liabilities	<u>31,873</u>
Total liabilities	<u>84,815</u>
Net assets	
Invested in capital assets	662,335
Restricted	25,661
Unrestricted	<u>179,306</u>
Total net assets	<u><u>\$ 867,302</u></u>

The accompanying notes are integral part of these financial statements.

St. Clair Housing Commission
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2010

Operating revenues	
Tenant revenue	\$ 229,271
Program grants - subsidies	237,039
Other income	5,879
Total operating revenues	472,189
Operating expenses	
Administration	154,913
Tenant services	649
Utilities	66,873
Maintenance	123,086
Protective services	1,400
Insurance	7,980
General	611
Housing assistance payments	131,133
Depreciation	82,840
Total operating expenses	569,485
Operating (loss)	(97,296)
Nonoperating revenues and (expenses)	
Capital grants	77,720
Interest income	3,432
Total nonoperating revenues and (expenses)	81,152
Change in net assets	(16,144)
Net assets - Beginning of year	883,446
Net assets - End of year	\$ 867,302

The accompanying notes are integral part of these financial statements.

St. Clair Housing Commission
Statement of Cash Flows
For the Year Ended December 31, 2010

Cash flows from operating activities

Cash received from customers	\$ 277,072
Cash received from grants and subsidies	166,963
Cash payments to suppliers for goods and services	(383,246)
Cash payments for wages and related benefits	(105,363)
	(44,574)

Cash flows from capital and related financing activities

Capital grants	77,720
Acquisition of capital assets	(80,503)
	(2,783)

Cash flows from investing activities

Investment income	3,432
	(43,925)

Cash and cash equivalents - beginning of year	269,166
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Cash and cash equivalents - end of year	\$ 225,241
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Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income (loss)	\$ (97,296)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	82,840
Changes in assets and liabilities	
Decrease (increase) in receivables	41,458
Decrease (increase) in prepaid expenses	17
Increase (decrease) in accounts payable	(60,928)
Increase (decrease) in accrued liabilities	1,664
Increase (decrease) in tenant security deposits	464
Increase (decrease) in unearned revenue	(12,793)
	(44,574)
	\$ (44,574)

Reconciliation of cash and cash equivalents per the Statement of Net Assets to the Statement of Cash Flows:

Cash and cash equivalents	\$ 182,893
Cash and cash equivalents - restricted	25,661
Cash - tenant security deposits	16,687
	16,687
Cash and cash equivalents - end of year	\$ 225,241

The accompanying notes are integral part of these financial statements.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the *St. Clair Housing Commission* (the “*Housing Commission*”) conform to accounting principles generally accepted in the United States of America as applied to governmental entities.

The Housing Commission reports as a business-type activity, as defined by the Governmental Accounting Standards Board Statement No. 34, with programs and projects.

Reporting Entity

The Housing Commission’s financial reporting entity is comprised of the primary government. In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14, as amended by GASB Statement No. 39, “*The Financial Reporting Entity*” and includes all component units, if any, of which the Housing Commission appoints a voting majority of the units’ board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities that meet the criteria.

The *St. Clair Housing Commission* was formed by an ordinance of the City of St. Clair, Michigan. The Housing Commission operates under a Board of Commissioners appointed by the City.

These financial statements include all activities of the Housing Commission, which include a Low Income Housing Program (62 units) and a Housing Choice Vouchers Program (30 units). These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (“HUD”).

Measurement Focus and Basis of Presentation

The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Housing Commission are federal grants and charges to customers for services. Operating expenses include housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Following is a description of the Housing Commission’s programs:

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Project MI052000001 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program.

The 14,871 Housing Choice Vouchers Program accounts for the revenue and related operations of the Section 8 Choice Vouchers grant program.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the Housing Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets and Liabilities

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits in demand and time deposit accounts, money market deposits, and certificates of deposits with original maturities of less than 90 days.

The amount of cash and cash equivalents – restricted recorded on the statement of net assets has been restricted for future housing assistance payments to landlords and the amount of tenant security deposits.

Receivables and Payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Housing Commission as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the straight-line method over the following estimated useful lives are as follows:

Buildings	20 to 40 years
Furniture, equipment and machinery – dwelling	3 to 10 years
Furniture, equipment and machinery – administration	3 to 40 years
Leasehold improvements	5 to 20 years

Compensated Absences

It is the Housing Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Housing Commission. Employees with less than 10 years of seniority has their sick time paid out at 25% and those employees with more than 10 years has their sick time paid out at 50%. Upon death or becoming MERS retirement eligible, employees will be paid 100% of their unused sick hours. The amount paid out for unused vacation is capped at 80 hours. The cost of vested sick leave and vacation days are recognized as an expense when earned by the employee.

Equity

Equity is classified as net assets and reported as the following components:

Invested in capital assets - Consists of capital assets at historical cost, net of accumulated depreciation.

Restricted net assets - Consists of Housing Assistance Payments (HAP) received from HUD in excess of payments made to landlords. Excess Housing Assistance Payments may only be used for future HAP to landlords.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Unrestricted net assets - Consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. Also included, all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified as operating and nonoperating and are sub-classified by function, such as salaries, supplies, and contracted services.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B - DETAILED NOTES ON ALL FUNDS

Deposits and Investments

At year-end, the carrying amounts of the Housing Commission’s deposits were as follows:

	<u>Carrying Amount</u>
Financial Statement Captions	
Cash and cash equivalents	\$ 182,893
Cash and cash equivalents – restricted	25,661
Cash – tenant security deposits	16,687
Investments	44,700
Total	<u>\$ 269,941</u>
Notes to Financial Statements	
Cash on hand	\$ 200
Certificates of deposit	44,700
Deposits	<u>225,041</u>
Total	<u>\$ 269,941</u>

Deposit and investment risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

Interest Rate Risk

The Housing Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Housing Commission's investment policy does not have specific limits in excess of state law on investment credit risk. At year-end, the Housing Commission had no investments and was therefore, not exposed to credit risk.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned. State law does not require and the Housing Commission does not have a policy for deposit custodial credit risk. At year-end, the entire Housing Commission's bank balance of \$277,679 was not exposed to custodial credit risk because it was insured and collateralized.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk. The Housing Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. At year-end, the Housing Commission had no investments and was therefore, not exposed to concentration of credit risk.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Accounts Receivable

The accounts receivable balance at December 31, 2010 is comprised of the following:

Due from other governments	\$	9,062
Tenant receivables		3,950
Miscellaneous receivables		275
Interest receivable		<u>4,202</u>
Total		<u>\$ 17,489</u>

Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance</u> <u>January 1,</u> <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31,</u> <u>2010</u>
Capital assets not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets being depreciated				
Buildings	898,980	-	-	898,980
Furniture, equipment and machinery:				
Dwelling	39,417	-	-	39,417
Administration	26,053	2,783	(1,974)	26,862
Leasehold improvements	<u>1,134,445</u>	<u>77,720</u>	<u>-</u>	<u>1,212,165</u>
Total capital assets being depreciated	<u>2,098,895</u>	<u>80,503</u>	<u>(1,974)</u>	<u>2,177,424</u>
Less accumulated depreciation				
Buildings	(770,314)	(20,227)	-	(790,541)
Furniture, equipment and machinery:				
Dwelling	(35,617)	-	-	(35,617)
Administration	(22,154)	(1,495)	1,974	(21,675)
Leasehold improvements	<u>(636,138)</u>	<u>(61,118)</u>	<u>-</u>	<u>(697,256)</u>
Total accumulated depreciation	<u>(1,464,223)</u>	<u>(82,840)</u>	<u>1,974</u>	<u>(1,545,089)</u>
Net capital assets being depreciated	<u>634,672</u>	<u>(2,337)</u>	<u>-</u>	<u>632,335</u>
Total net capital assets	<u>\$ 664,672</u>	<u>\$ (2,337)</u>	<u>\$ -</u>	<u>\$ 662,335</u>

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended December 31, 2009:

	Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010	Amounts Due Within One Year
Accrued compensated absences	\$ 24,173	\$ 611	\$ -	\$ 24,784	\$ 2,478

NOTE C - OTHER INFORMATION

Concentration of Revenue

The Housing Commission is dependent upon the Department of Housing and Urban Development to fund its operations through operating subsidies and capital funding grants. Total revenue received from the Department of Housing and Urban Development for 2010 and 2009 was \$314,759 or 57% and \$498,726 or 68% of revenue.

Defined Benefit Pension Plan

Pension Plan

The Housing Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Housing Commission participates in the Municipal Employees Retirement System (MERS), through the City of St. Clair, an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The Housing Commission is required to contribute an actuarially determined rate; the current rate is 25.52% for all employees. Housing Commission employees are not required to contribute. The contribution requirements of the Housing Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Housing Commission.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Annual Pension Cost

For the year ended December 31, 2010, the Housing Commission's annual pension cost of \$24,474 for MERS was equal to the Housing Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2008, actuarial valuation using the entry actual age cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases, and (c) 2.5% per year cost of living adjustments. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility over a 4 year period. The unfunded actuarial accrued liability for the Housing Commission is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2008	22,294	100%	\$ -
12/31/2009	18,814	100	-
12/31/2010	24,474	100	-

Funding Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 69% funded. The actuarial accrued liability for benefits was \$546,058, and the actuarial value of assets was \$374,398, resulting in a UAAL of \$171,660. The covered payroll (annual payroll of active employees covered by the plan) was \$98,906, and the ratio of the UAAL to the covered payroll was 174%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Postemployment Benefits Other than Pensions (OPEB)

Plan Description

The Housing Commission provides postemployment healthcare to eligible employees who retire from the Housing Commission and meet certain criteria identified in the funding policy. These benefits are offered under a single employer defined benefit plan that is administered by the Housing Commission.

Funding Policy

The Housing Commission pays the cost of the health insurance monthly premium until retirees qualify for Medicare, provided that the employees retire from active employment commensurate with their retirement from the Housing Commission, the retiree is eligible to receive a pension benefit under the Housing Commission's pension plan at the time of retirement.. Currently, the Housing Commission has no retirees receiving benefits and 2 current employees that meet those eligibility requirements. The Housing Commission has no obligation to make contributions in advance of when the insurance premiums or claims are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Annual OPEB Cost and Net OPEB Obligation

The Housing Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based the *annual required contribution of the employer (ARC)*. The Housing Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 (one hundred) total plan members. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 (thirty) years.

For the year ended December 31, 2010, the Housing Commission estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. This valuation's computed contribution and actual funding are summarized as follows:

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Annual required contribution (recommended)	\$ 9,567
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	<u>-</u>
Annual OPEB cost	9,567
Amount contributed	
Payment of current premiums	-
Advance funding	<u>-</u>
Increase in net OPEB obligation	9,567
OPEB obligation (asset) – beginning of year	<u>-</u>
OPEB obligation (asset) – end of year	<u>\$ 9,567</u>

The Housing Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year were as follows (prior years' information is not available):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 9,567	0%	\$ 9,567

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2009 (the most recent valuation date) was as follows:

Actuarial accrued liability (AAL)	\$ 36,946
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 36,946</u>
Funded ratio	0%
Annual covered payroll (12/31/09)	\$ 98,906
UAAL as a percentage of covered payroll	37%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Retirement age for active employees

Based on the historical average retirement age for the covered group, active plan members were generally assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Marital status

Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality

Life expectancies were based on mortality tables from the United States Social Security Administration. The 2007 Period Life Table for males and females was used.

Turnover

Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate

The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.2% initially, with gradual increases to 6.3% through 2015, increased to an ultimate rate of 7.2% after six (6) years was used.

Healthcare premiums

2009 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

St. Clair Housing Commission

Notes to Financial Statements

For the Year Ended December 31, 2010

Inflation rate

The expected long-term inflation assumption of 2.8% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate

The expected long-term payroll growth rate was assumed to be 2.5%, relatively consistent with the rate of inflation.

Contingencies

Under the terms of certain Federal and State grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Housing Commission management believes disallowances, if any, would be minimal.

Risk Management

The Housing Commission is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Housing Commission maintains commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



St. Clair Housing Commission
Required Supplementary Information

Postemployment Healthcare Plan (OPEB)

Schedule of Funding Progress

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 36,946	\$ 36,946	0.00%	\$ 98,906	37%

* information for other years is not available; 12/31/2009 is the most current actuarial valuation date

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Amount Contributed	Percent Contributed
12/31/2010	\$ 9,567	\$ -	0%

Defined Benefit Pension Plan (MERS)

Schedule of Funding Progress

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ 353,697	\$ 502,244	\$ 148,547	70%	\$ 88,818	167%
12/31/2008	362,918	529,226	166,308	69%	91,241	182%
12/31/2009	374,398	546,058	171,660	69%	98,906	174%

St. Clair Housing Commission
Financial Data Schedule
Project Balance Sheet
December 31, 2010

Line Item #	Account Description	Total Projects	Project MI052000001
111	Cash - Unrestricted	\$ 166,303	\$ 166,303
114	Cash - Tenant Security Deposits	16,687	16,687
100	Total Cash	<u>182,990</u>	<u>182,990</u>
122	Accounts Receivable - HUD Other Projects	9,062	9,062
125	Accounts Receivable - Miscellaneous	275	275
126	Accounts Receivable - Tenants	3,950	3,950
129	Accrued Interest Receivable	4,202	4,202
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>17,489</u>	<u>17,489</u>
131	Investments - Unrestricted	44,700	44,700
142	Prepaid Expenses and Other Assets	2,352	2,352
144	Inter Program Due From	15,500	15,500
150	Total Current Assets	<u>263,031</u>	<u>263,031</u>
161	Land	30,000	30,000
162	Buildings	898,980	898,980
163	Furniture, Equipment & Machinery - Dwellings	39,417	39,417
164	Furniture, Equipment & Machinery - Administration	26,862	26,862
165	Leasehold Improvements	1,212,165	1,212,165
166	Accumulated Depreciation	(1,545,089)	(1,545,089)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>662,335</u>	<u>662,335</u>
180	Total Non-Current Assets	<u>662,335</u>	<u>662,335</u>
190	Total Assets	<u>\$ 925,366</u>	<u>\$ 925,366</u>
312	Accounts Payable <= 90 Days	\$ 11,408	\$ 11,408
321	Accrued Wage/Payroll Taxes Payable	9,837	9,837
322	Accrued Compensated Absences - Current Portion	2,478	2,478
341	Tenant Security Deposits	16,687	16,687
345	Other Current Liabilities	12,132	12,132
310	Total Current Liabilities	<u>52,542</u>	<u>52,542</u>
354	Accrued Compensated Absences - Non Current	22,306	22,306
357	Accrued Pension and OPEB Liabilities	9,567	9,567
350	Total Non-Current Liabilities	<u>31,873</u>	<u>31,873</u>
300	Total Liabilities	<u>84,415</u>	<u>84,415</u>
508.1	Invested In Capital Assets, Net of Related Debt	662,335	662,335
512.1	Unrestricted Net Assets	178,616	178,616
513	Total Equity/Net Assets	<u>840,951</u>	<u>840,951</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 925,366</u>	<u>\$ 925,366</u>

St. Clair Housing Commission
Financial Data Schedule
Project Income Statement
For the Year Ended December 31, 2010

Line Item #	Account Description	Total Projects	MI052000001	Operating Fund Program	Capital Fund Program
70300	Net Tenant Rental Revenue	\$ 225,833	\$ 225,833	\$ 225,833	\$ -
70400	Tenant Revenue - Other	3,438	3,438	3,438	-
70500	Total Tenant Revenue	<u>229,271</u>	<u>229,271</u>	<u>229,271</u>	<u>-</u>
70600	HUD PHA Operating Grants	86,268	86,268	86,268	-
70610	Capital Grants	77,720	77,720	-	77,720
71100	Investment Income - Unrestricted	3,284	3,284	3,284	-
71500	Other Revenue	<u>5,879</u>	<u>5,879</u>	<u>5,879</u>	<u>-</u>
70000	Total Revenue	<u>402,422</u>	<u>402,422</u>	<u>324,702</u>	<u>77,720</u>
91100	Administrative Salaries	45,111	45,111	45,111	-
91200	Auditing Fees	4,650	4,650	4,650	-
91500	Employee Benefit contributions - Administrative	43,714	43,714	43,714	-
91600	Office Expenses	24,978	24,978	24,978	-
91700	Legal Expense	10,563	10,563	10,563	-
91900	Other	9,330	9,330	9,330	-
91000	Total Operating - Administrative	<u>138,346</u>	<u>138,346</u>	<u>138,346</u>	<u>-</u>
92400	Tenant Services - Other	649	649	649	-
92500	Total Tenant Services	<u>649</u>	<u>649</u>	<u>649</u>	<u>-</u>
93100	Water	7,796	7,796	7,796	-
93200	Electricity	31,528	31,528	31,528	-
93300	Gas	27,549	27,549	27,549	-
93000	Total Utilities	<u>66,873</u>	<u>66,873</u>	<u>66,873</u>	<u>-</u>
94100	Ordinary Maintenance and Operations - Labor	52,786	52,786	52,786	-
94200	Ordinary Maintenance and Operations - Materials and Other	23,480	23,480	23,480	-
94300	Ordinary Maintenance and Operations Contracts	28,545	28,545	28,545	-
94500	Employee Benefit Contributions - Ordinary Maintenance	16,125	16,125	16,125	-
94000	Total Maintenance	<u>120,936</u>	<u>120,936</u>	<u>120,936</u>	<u>-</u>
95200	Protective Services - Other Contract Costs	1,400	1,400	1,400	-
95000	Total Protective Services	<u>1,400</u>	<u>1,400</u>	<u>1,400</u>	<u>-</u>
96110	Property Insurance	4,382	4,382	4,382	-
96120	Liability Insurance	3,698	3,698	3,698	-
96130	Workmen's Compensation	(100)	(100)	(100)	-
96100	Total insurance Premiums	<u>7,980</u>	<u>7,980</u>	<u>7,980</u>	<u>-</u>
96210	Compensated Absences	611	611	611	-
96000	Total Other General Expenses	<u>611</u>	<u>611</u>	<u>611</u>	<u>-</u>
96900	Total Operating Expenses	<u>336,795</u>	<u>336,795</u>	<u>336,795</u>	<u>-</u>
97000	Excess of Operating Revenue over Operating Expenses	65,627	65,627	(12,093)	77,720
97400	Depreciation Expense	<u>82,840</u>	<u>82,840</u>	<u>82,840</u>	<u>-</u>
90000	Total Expenses	<u>419,635</u>	<u>419,635</u>	<u>419,635</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(17,213)	(17,213)	(94,933)	77,720
11030	Beginning Equity	858,164	858,164	858,164	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-
11190	Unit Months Available	744	744	744	-
11210	Number of Unit Months Leased	731	731	731	-
11270	Excess Cash	178,657	178,657	178,657	-
11650	Leasehold Improvements Purchases	77,720	77,720	-	77,720

St. Clair Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
December 31, 2010

Line Item #	Account Description	Total Programs	14,871 Housing Choice Vouchers
111	Cash - Unrestricted	\$ 16,590	\$ 16,590
113	Cash - Other Restricted	25,661	25,661
100	Total Cash	<u>42,251</u>	<u>42,251</u>
150	Total Current Assets	<u>42,251</u>	<u>42,251</u>
190	Total Assets	<u>\$ 42,251</u>	<u>\$ 42,251</u>
312	Accounts Payable <= 90 Days	\$ 400	\$ 400
347	Inter Program - Due To	15,500	15,500
310	Total Current Liabilities	<u>15,900</u>	<u>15,900</u>
300	Total Liabilities	<u>15,900</u>	<u>15,900</u>
511.1	Restricted Net Assets	25,661	25,661
512.1	Unrestricted Net Assets	690	690
513	Total Equity/Net Assets	<u>26,351</u>	<u>26,351</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 42,251</u>	<u>\$ 42,251</u>

St. Clair Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended December 31, 2010

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers
70600	HUD PHA Operating Grants	\$ 150,771	\$ 150,771
71100	Investment Income - Unrestricted	6	6
72000	Investment Income - Restricted	142	142
70000	Total Revenue	<u>150,919</u>	<u>150,919</u>
91100	Administrative Salaries	9,130	9,130
91500	Employee Benefit contributions - Administrative	6,370	6,370
91600	Office Expenses	267	267
91900	Other	800	800
91000	Total Operating - Administrative	<u>16,567</u>	<u>16,567</u>
94300	Ordinary Maintenance and Operations Contracts	2,150	2,150
94000	Total Maintenance	<u>2,150</u>	<u>2,150</u>
96900	Total Operating Expenses	<u>18,717</u>	<u>18,717</u>
97000	Excess of Operating Revenue over Operating Expenses	132,202	132,202
97300	Housing Assistance Payments	<u>131,133</u>	<u>131,133</u>
90000	Total Expenses	<u>149,850</u>	<u>149,850</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	1,069	1,069
11030	Beginning Equity	25,282	25,282
11170	Administrative Fee Equity	690	690
11180	Housing Assistance Payments Equity	25,661	25,661
11190	Unit Months Available	360	360
11210	Number of Unit Months Leased	336	336

St. Clair Housing Commission
Financial Data Schedule
PHA Financial Data - Balance Sheet
December 31, 2010

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
111	Cash - Unrestricted	\$ 166,303	\$ 16,590	\$ 182,893	\$ 182,893
113	Cash - Other Restricted	-	25,661	25,661	25,661
114	Cash - Tenant Security Deposits	16,687	-	16,687	16,687
100	Total Cash	<u>182,990</u>	<u>42,251</u>	<u>225,241</u>	<u>225,241</u>
122	Accounts Receivable - HUD Other Projects	9,062	-	9,062	9,062
125	Accounts Receivable - Miscellaneous	275	-	275	275
126	Accounts Receivable - Tenants	3,950	-	3,950	3,950
129	Accrued Interest Receivable	4,202	-	4,202	4,202
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>17,489</u>	<u>-</u>	<u>17,489</u>	<u>17,489</u>
131	Investments - Unrestricted	44,700	-	44,700	44,700
142	Prepaid Expenses and Other Assets	2,352	-	2,352	2,352
144	Inter Program Due From	15,500	-	15,500	15,500
150	Total Current Assets	<u>263,031</u>	<u>42,251</u>	<u>305,282</u>	<u>305,282</u>
161	Land	30,000	-	30,000	30,000
162	Buildings	898,980	-	898,980	898,980
163	Furniture, Equipment & Machinery - Dwellings	39,417	-	39,417	39,417
164	Furniture, Equipment & Machinery - Administration	26,862	-	26,862	26,862
165	Leasehold Improvements	1,212,165	-	1,212,165	1,212,165
166	Accumulated Depreciation	(1,545,089)	-	(1,545,089)	(1,545,089)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>662,335</u>	<u>-</u>	<u>662,335</u>	<u>662,335</u>
180	Total Non-Current Assets	<u>662,335</u>	<u>-</u>	<u>662,335</u>	<u>662,335</u>
190	Total Assets	<u>\$ 925,366</u>	<u>\$ 42,251</u>	<u>\$ 967,617</u>	<u>\$ 967,617</u>
312	Accounts Payable <= 90 Days	\$ 11,408	\$ 400	\$ 11,808	\$ 11,808
321	Accrued Wage/Payroll Taxes Payable	9,837	-	9,837	9,837
322	Accrued Compensated Absences - Current Portion	2,478	-	2,478	2,478
341	Tenant Security Deposits	16,687	-	16,687	16,687
345	Other Current Liabilities	12,132	-	12,132	12,132
347	Inter Program - Due To	-	15,500	15,500	15,500
310	Total Current Liabilities	<u>52,542</u>	<u>15,900</u>	<u>68,442</u>	<u>68,442</u>
354	Accrued Compensated Absences - Non Current	22,306	-	22,306	22,306
357	Accrued Pension and OPEB Liabilities	9,567	-	9,567	9,567
350	Total Non-Current Liabilities	<u>31,873</u>	<u>-</u>	<u>31,873</u>	<u>31,873</u>
300	Total Liabilities	84,415	15,900	100,315	100,315
508.1	Invested In Capital Assets, Net of Related Debt	662,335	-	662,335	662,335
511.1	Restricted Net Assets	-	25,661	25,661	25,661
512.1	Unrestricted Net Assets	178,616	690	179,306	179,306
513	Total Equity/Net Assets	<u>840,951</u>	<u>26,351</u>	<u>867,302</u>	<u>867,302</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 925,366</u>	<u>\$ 42,251</u>	<u>\$ 967,617</u>	<u>\$ 967,617</u>

St. Clair Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended December 31, 2010

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
70300	Net Tenant Rental Revenue	\$ 225,833	\$ -	\$ 225,833	\$ 225,833
70400	Tenant Revenue - Other	3,438	-	3,438	3,438
70500	Total Tenant Revenue	<u>229,271</u>	<u>-</u>	<u>229,271</u>	<u>229,271</u>
70600	HUD PHA Operating Grants	86,268	150,771	237,039	237,039
70610	Capital Grants	77,720	-	77,720	77,720
71100	Investment Income - Unrestricted	3,284	6	3,290	3,290
71500	Other Revenue	5,879	-	5,879	5,879
72000	Investment Income - Restricted	-	142	142	142
70000	Total Revenue	<u>402,422</u>	<u>150,919</u>	<u>553,341</u>	<u>553,341</u>
91100	Administrative Salaries	45,111	9,130	54,241	54,241
91200	Auditing Fees	4,650	-	4,650	4,650
91500	Employee Benefit contributions - Administrative	43,714	6,370	50,084	50,084
91600	Office Expenses	24,978	267	25,245	25,245
91700	Legal Expense	10,563	-	10,563	10,563
91900	Other	9,330	800	10,130	10,130
91000	Total Operating - Administrative	<u>138,346</u>	<u>16,567</u>	<u>154,913</u>	<u>154,913</u>
92400	Tenant Services - Other	649	-	649	649
92500	Total Tenant Services	<u>649</u>	<u>-</u>	<u>649</u>	<u>649</u>
93100	Water	7,796	-	7,796	7,796
93200	Electricity	31,528	-	31,528	31,528
93300	Gas	27,549	-	27,549	27,549
93000	Total Utilities	<u>66,873</u>	<u>-</u>	<u>66,873</u>	<u>66,873</u>
94100	Ordinary Maintenance and Operations - Labor	52,786	-	52,786	52,786
94200	Ordinary Maintenance and Operations - Materials and Other	23,480	-	23,480	23,480
94300	Ordinary Maintenance and Operations Contracts	28,545	2,150	30,695	30,695
94500	Employee Benefit Contributions - Ordinary Maintenance	16,125	-	16,125	16,125
94000	Total Maintenance	<u>120,936</u>	<u>2,150</u>	<u>123,086</u>	<u>123,086</u>
95200	Protective Services - Other Contract Costs	1,400	-	1,400	1,400
95000	Total Protective Services	<u>1,400</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
96110	Property Insurance	4,382	-	4,382	4,382
96120	Liability Insurance	3,698	-	3,698	3,698
96130	Workmen's Compensation	(100)	-	(100)	(100)
96100	Total insurance Premiums	<u>7,980</u>	<u>-</u>	<u>7,980</u>	<u>7,980</u>
96210	Compensated Absences	611	-	611	611
96000	Total Other General Expenses	<u>611</u>	<u>-</u>	<u>611</u>	<u>611</u>
96900	Total Operating Expenses	<u>336,795</u>	<u>18,717</u>	<u>355,512</u>	<u>355,512</u>

St. Clair Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended December 31, 2010

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
97000	Excess of Operating Revenue over Operating Expenses	\$ 65,627	\$ 132,202	\$ 197,829	\$ 197,829
97300	Housing Assistance Payments	-	131,133	131,133	131,133
97400	Depreciation Expense	82,840	-	82,840	82,840
97800	Dwelling Units Rent Expense	82,840	131,133	213,973	213,973
90000	Total Expenses	419,635	149,850	569,485	569,485
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(17,213)	1,069	(16,144)	(16,144)
11030	Beginning Equity	858,164	25,282	883,446	883,446
11170	Administrative Fee Equity	-	690	690	690
11180	Housing Assistance Payments Equity	-	25,661	25,661	25,661
11190	Unit Months Available	744	360	1,104	1,104
11210	Number of Unit Months Leased	731	336	1,067	1,067
11270	Excess Cash	178,657	-	178,657	178,657
11650	Leasehold Improvements Purchases	77,720	-	77,720	77,720



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CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

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

Members of the Board of Commissioners
St. Clair Housing Commission
St. Clair, Michigan

We have audited the financial statements of the business-type activities of the *St. Clair Housing Commission*, as of and for the year ended December 31, 2010, which collectively comprise the *St. Clair Housing Commission's* basic financial statements and have issued our report thereon dated July 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *St. Clair Housing Commission's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *St. Clair Housing Commission's* internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *Algonac Housing Commission's* internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *St. Clair Housing Commission's* financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2010-1.

The *St. Clair Housing Commission's* written response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Housing Commission's response and, accordingly, we express no opinion on it.

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

Smith + Klaehle PC

Saginaw, Michigan

July 18, 2011

Schedule of Findings and Responses

Item 2010-1 Unauthorized Expenses

Criteria:	Generally, all expenses incurred by a local unit of government must be for a public purpose to be allowable. Appropriations that are not specifically authorized by the Constitution or State Statute cannot be authorized at the local level, regardless of the worthiness of the cause. One example of such prohibited expenses includes gifts to officials and employees and / or retirement recognition events.
Condition/Finding:	An employee retired in the current year and the Housing Commission purchased a retirement gift for the employee. The amount expended for the gift was \$750.
Cause:	Management of the Housing Commission was unaware that the purchase of a retirement gift is not an allowable expense.
Effect:	The Housing Commission expended public funds for a purpose that is not allowable for a local unit of government.
View of Responsible Officials:	The Housing Commission will not make these type of purchases in the future.