

BENTON TWP HOUSING COMMISSION

Financial Statements

September 30, 2009

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

TABLE OF CONTENTS

	<u>Page</u>
Management Discussion and Analysis	i
Independent Auditor's Opinion	ii
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
 <u>SUPPLEMENTAL DATA</u>	
PHA Level 1 Financial Data	10
Schedule of Expenditures of Federal Awards	14
Status of Prior Audit Findings	15
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	18
Schedule of Findings and Questioned Cost	20

Benton Township Housing Commission
1216 Blossom Lane
Benton Harbor, MI 49022

Sharon Hester, Executive Director

As management of the Benton Township Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Benton Township Housing Commission's financial activities for the FYE 9/30/09. This discussion and analysis letter of the Benton Township Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues are recognized as earned (but not necessarily received) and expenditures when incurred (but not necessarily paid) per reporting period.

Overview of the Financial Statements

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as

where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information is electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Benton Township Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 9/30/09:

	<u>FYE</u> <u>9/30/09</u>	<u>FYE</u> <u>9/30/08</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Public Housing Operating Subsidy	933,745	838,063	95,682	11.42%
Capital Fund Program Grants	504,219	709,942	(205,723)	-28.98%
Sec. 8 Voucher	<u>339,107</u>	<u>258,919</u>	<u>80,188</u>	<u>30.97%</u>
Total	1,777,071	1,806,924	(29,853)	-1.65%

- The subsidy for Public Housing increased due to the continued implementation of the new Operating Fund formula.
- Capital Fund Program Grants reflect grant funds spent, not funds awarded in a given year. The decrease in Capital Fund Grants was due to the fact that work project expenditures during FYE 9/30/09 proceeded along at a slightly slower pace than in FYE 9/30/08. During FYE 9/30/08 we were finishing up some major projects. We began one new major project, along with several small projects, during FYE 9/30/09. Details of these projects follow later in this report, under Operational Highlights.
- The subsidy for Section 8 Voucher is calculated for us by HUD; we have no input into the award amount. HUD uses the VMS (Voucher Management System) as the basis for this calculation. VMS is a monthly report that we are required to submit that details both HAP and administrative costs. HUD also considers the amount of HAP reserves we already have on hand and can reduce the current years' subsidy proportionate to what HUD calculates is the usable amount of this reserve. The final amount we are awarded may or may not be pro-rated. For FYE 9/30/08, HUD determined that we had ample HAP reserves on hand already; therefore, the 2008 total HAP budget amount authorized was offset by HAP reserves on hand resulting in the reduced HAP subsidy actually received during FYE 9/30/08. However, for 2009 HUD determined that we had already used up most of the HAP Reserve during 2008 and therefore did not offset our 2009 Budget Authority as much as was done during 2008. These actions resulted in more subsidy dollars being paid directly to our agency during FYE 9/30/09 than in FYE 9/30/08.

The following represents changes in the Balance Sheet:

	FYE 9/30/09	FYE 9/30/08	Dollar Change	Per Cent Change
Cash & Investments	855,672	900,674	(45,002)	-5.00%
Total Current Assets	1,194,210	1,113,540	80,670	7.24%
Fixed Assets, Net of Depreciation	4,826,053	5,111,577	(285,524)	-5.59%
Total Assets	6,020,263	6,225,117	(204,854)	-3.29%
Total Current Liabilities	162,176	176,318	(14,142)	-8.02%
Total Long-Term Liabilities	0	0	0	0.00%
Total Liabilities	162,176	176,318	(14,142)	-8.02%
Total Equity/Net Assets	5,858,087	6,048,799	(190,712)	-3.15%

- The change in Cash and Investments resulted primarily from a change in HUD Accounts Receivable at the year ends. At 9/30/08 we had a receivable due from HUD in the amount of \$106,954, all Capital Fund Program receivables. This was a combination of Operating Subsidy and Capital Fund Program grants receivable. At 9/30/09 the total HUD receivable was \$228,584, including approximately \$164,000 of Operating Subsidy receivable. Because of the late requisitioning of Operating Subsidy funds as of 9/30/09, cash and investments were unusually low. If we count the HUD Accounts Receivable amounts as cash for both years, the change becomes an increase of \$76,628, or 7.6%, reflecting both the Operating Income (excluding depreciation charges) of the Public Housing Program less the draw on the HAP Reserves in the Sec. 8 Voucher program.
- Total Current Assets increased mainly due to the increase in HUD Accounts Receivable at 9/30/09.
- Fixed Assets increased by \$395,487. Although Fixed Assets increased by \$395,487, this was more than offset by depreciation/equipment disposal charges which resulted in the net decrease stated in the above table.
- Total Assets decreased slightly, due to the discussions detailed above.
- Total Current Liabilities decreased due to a few factors. At 9/30/09 we booked a payable (contract retention) to our CFP contractor in the amount of \$26,167. There was no corresponding payable due on our Capital Fund Program as of 9/30/09. Secondly, as of 9/30/09 we had approximately \$8,000 less in prepaid rent (deferred revenue) than we had at 9/30/08. Additionally, as of 9/30/08 we had two year's worth of PILOT liability (the PILOT payment for FYE 9/30/07 was not made timely) whereas as of 9/30/09 we only had PILOT liability for one year, namely FYE 9/30/09. There were other ups and downs in the various Current Liability categories, but these reflected the most change.
- Total Long-Term Liabilities remained the same for both years at zero.

- Total Liabilities decreased overall due to the discussions above.
- Total Net Assets is comprised of three components: Invested in Capital Assets, which mirrors the decrease in Fixed Assets, Net of Depreciation as explained above. The second component is Restricted Net Assets, or as more commonly known as the HAP Reserve. This figure represents the cumulative amount of excess HAP subsidy received (including interest earned) and is restricted as to its use: it can only be used for future HAP costs. Our HAP reserve decreased from the prior year because we did not receive enough HAP subsidy this year to cover our HAP costs, thus causing us to draw on the HAP reserve. The third component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure increased due to the Operating Income (excluding depreciation charges) generated by the Public Housing Program for FYE 9/30/09.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE</u> <u>9/30/09</u>	<u>FYE</u> <u>9/30/08</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues:				
Tenant Revenue	689,526	729,733	(40,207)	-5.5%
Other Revenue	<u>13,283</u>	<u>25,154</u>	<u>(11,871)</u>	-47.2%
Total PHA generated Revenue	702,809	754,887	(52,078)	-6.9%
Operating Subsidies/Soft Cost Grant Revenue	1,380,293	1,241,527	138,766	11.2%
Capital Grants (Hard costs)	<u>396,778</u>	<u>565,397</u>	<u>(168,619)</u>	-29.8%
Total Revenue	2,479,880	2,561,811	(81,931)	-3.2%
Expenses:				
Administrative	597,864	546,882	50,982	9.3%
Tenant Services	9,777	17,093	(7,316)	-42.8%
Utilities	356,589	366,272	(9,683)	-2.6%
Maintenance	594,208	618,861	(24,653)	-4.0%
General	102,170	123,190	(21,020)	-17.1%
Extraordinary Maintenance		9,330	(9,330)	-100.0%
Casualty Losses	(1,745)	1,569	(3,314)	-211.2%
Housing Assistance Payments	322,301	317,423	4,878	1.5%
Depreciation	<u>681,986</u>	<u>680,755</u>	<u>1,231</u>	0.2%
Total Expenses	2,663,150	2,681,375	(18,225)	-0.7%
Net Increase (Decrease)	(183,270)	(119,564)		

Revenues:

Benton Township Housing Commission's primary revenue sources are subsidies and grants received by HUD. For FYE 9/30/09, revenue generated by the Commission accounted for \$702,809 (or 18% of total revenue), while HUD contributions accounted for \$1,777,071 (or 72% of total revenue). Tenant Revenue fell due to increases in utility allowances. Investment Income decreased due to falling interest rates.

Expenses:

Total Expenses for FYE 9/30/09 were \$2,663,150 while for FYE 9/30/08 the total was \$2,681,375. This represents a 0.7% decrease in our Operating Costs as we continue to implement cost-savings. The cost area that increased the most was Administrative Salaries and Benefits. This increase was due to both normal salary increases and increases in our healthcare benefits and also to the reclassification of an employee that had previously been charged to 50% to Maintenance Labor costs.

Budget Analysis:

A Low Rent Public Housing Operating Budget for FYE 9/30/09 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Entity-Wide Operational Highlights:

The Benton Township Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>FYE</u> <u>9/30/09</u>	<u>FYE</u> <u>9/30/08</u>
Public Housing	300	300
Sec. 8 Voucher	75	75

During FYE 9/30/09, Benton Township Housing Commission maintained a lease-up rate of 97.8% in its Public Housing Program and a lease-up rate of 95% in its Section 8 program. WE are working to increase our Sec. 8 Voucher lease-up rate

During FYE 9/30/09, our Capital Fund Program work projects included:

- Site drainage improvements at our family site (Blossom Acres)
- New roof on Administrative building (Community Room area)
- New half-roof at one of our senior buildings (Plaza Manor)
- Upgrade computer system hardware with new server and p.c. unit
- Maintenance equipment: snow throwers and snow plow blade
- Installed Fire alarm emergency horns at Plaza Manor

- Began comprehensive contract to renovate bathrooms in the 2 and 3 bedroom units at Blossom Acres
- A&E Fees for work projects

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that, in the short term, we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Sharon Hester, Executive Director
Benton Township Housing Commission
1216 Blossom Lane
Benton Harbor, MI 49022

John C. DiPiero, P.C.

Certified Public Accountant

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Hemlock, Michigan 48626
Tel / Fax (988) 642-

2092

Board of Commissioners
Benton Township Housing Commission
1216 Blossom Lane
Benton Harbor, Michigan 49022

Independent Auditor's Report

I have audited the financial statements of the Benton Township Housing Commission's Business Type Activities as of and for the year ended September 30, 2009. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Benton Township Housing Commission as of September 30, 2009, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 10, 2010, on my consideration of the Benton Township Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountant

July 10, 2010

BENTON TWP HOUSING COMMISSION
Statement of Net Assets
September 30, 2009

ASSETS

C-3027

CURRENT ASSETS

Cash	\$	592,232		
Cash-Restricted		<u>42,425</u>	\$	634,657
Accounts Receivable (Net)				280,282
Investments				221,015
Prepaid Expenses				<u>58,256</u>
Total Current Assets			\$	1,194,210

NON CURRENT ASSETS

Land	\$	250,681		
Buildings				5,024,388
Building Improvements				8,859,511
Furniture, Equipment- Dwellings				249,335
Furniture, Equipment- Administrative				307,358
Construction in Progress				305,272
Accumulated Depreciation				<u>(10,170,492)</u>
Total Non Current Assets				<u>4,826,053</u>

TOTAL ASSETS \$ 6,020,263

BENTON TWP HOUSING COMMISSION
Statement of Net Assets
September 30, 2009

LIABILITIES & NET ASSETS

C-3027

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	17,454	
Accrued Wages & Payroll Taxes		510	
Tenants Security Deposit		58,110	
Accounts Payable- Other Governments		26,512	
Other Accrued Liabilities		54,811	
Deferred Revenue		<u>1,737</u>	
 <u>Total Current Liabilities</u>			 \$ 162,176

NET ASSETS:

Investment in Fixed Assets net of Related Debt	\$	4,826,053	
Restricted Net Assets		42,425	
Unrestricted Net Assets		<u>989,609</u>	
 <u>Total Net Assets</u>			 <u>5,858,087</u>

TOTAL LIABILITIES & NET ASSETS \$ 6,020,263

The Accompanying Footnotes are an Integral Part of the Financial Statements

BENTON TWP HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended September 30, 2009

OPERATING REVENUE

Tenant Rental Revenue	\$	638,579	
Tenant Revenue-Other		50,947	
HUD Grants		1,380,293	
Interest Income		8,129	
Interest Income-restricted		34	
Other Income		<u>5,120</u>	
<u>Total Operating Revenue</u>	\$		<u>2,083,102</u>

OPERATING EXPENSES

Administrative	\$	597,864	
Tenant Services		9,777	
Utility Expenses		356,589	
Ordinary Maintenance		594,208	
Insurance Expense		60,931	
General Expenses		41,239	
Housing Assistance Payments		322,301	
Casualty Losses		(1,745)	
Depreciation Expenses		<u>681,986</u>	
<u>Total Operating Expenses</u>			<u>2,663,150</u>
<u>Operating Income (Loss)</u>	\$		(580,048)

CAPITAL CONTRIBUTIONS

			<u>396,778</u>
<u>Changes in Net Assets</u>	\$		(183,270)
Total Net Assets- Beginning	\$	6,048,799	
Return of unused HAP Subsidy		<u>(7,442)</u>	<u>6,041,357</u>
Total Net Assets- Ending	\$		<u>5,858,087</u>

The Accompanying Notes are an Integral part of the Financial Statements

BENTON TWP HOUSING COMMISSION
 Combined Statement of Cash Flows
 For the Year Ended September 30, 2009

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	688,410
Payments to Suppliers		(1,866,033)
Payments to Employees		(559,171)
HUD Grants		1,777,071
Other Receipts (Payments)		<u>13,283</u>
Net Cash Provided (Used) by Operating Activities	\$	53,560

CASH FLOWS FROM CAPITAL AND
 RELATED FINANCING ACTIVITIES

Contributed Capital	\$	396,778
Purchases of Capital Assets		<u>(396,461)</u>
Net Cash Provided from (used) in Related Financing Activities		<u>317</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$	53,877
Balance- Beginning of Year		<u>580,780</u>
Balance- End of Year	\$	<u>634,657</u>

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

Net Operating Profit or (Loss)	\$	(580,048)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		681,986
Changes in Assets (Increase) Decrease:		
Receivables (Gross)		(129,766)
Investments		98,879
Prepaid Expenses		4,094
Changes in Liabilities Increase (Decrease):		
Accounts Payable		10,222
Accrued Liabilities		14,468
Accounts Payable- Other Governments		(31,873)
Security Deposits		(1,629)
Deferred Revenue		<u>(12,773)</u>
Net Cash Provided by Operating Activities	\$	<u>53,560</u>

The Accompanying Notes are an Integral part of the Financial Statements

BENTON TWP HOUSING COMMISSION
Notes to Financial Statements
September 30, 2009

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Benton Twp. Housing Commission, Benton Harbor, Michigan, (Commission) was created by ordinance of Benton Township. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 32-001	Low rent program	300 units
MI 32-V0 032-2, 3	Section 8 Vouchers	75 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability is the ability of the primary government to impose its will upon the potential component unit. Based on the above, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Notes to Financial Statements- continued

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting these criteria are reclassified for financial statement purposes as cash.

Fixed Assets

Fixed assets are recorded at historical cost, depreciated over their useful lives using the straight line method of depreciation. Fixed assets are reported as fund equity; Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Subsequent events

The Commission has evaluated events and transactions for potential recognition of disclosure through July 10, 2010, which is the same date the financial statements were available to be issued; any events that require disclosure are included later in this report.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 459,285
Savings Accounts	175,072
Petty Cash	<u>300</u>
Financial Statement Total	<u>\$ 634,657</u>

Notes to Financial Statements- continued

Investments:

Certificates of Deposit \$ 221,015

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 459,285	\$	\$	\$ 459,285	\$ 459,285
Petty Cash	300			300	300
Savings Accounts	<u>175,072</u>			<u>175,072</u>	<u>175,072</u>
 Total Cash	 \$ <u>634,657</u>	 \$	 \$	 \$ <u>634,657</u>	 \$ <u>634,657</u>

Investments:

C/D's \$ 221,015 \$ \$ \$ 221,015 \$ 221,015

All investments are covered by either FDIC or bank collateralization commitment letters.

Note 3: Accounts Receivable

Accounts Receivable consists of the following:

Accounts Receivable	\$ 7,158			
Allowance for Doubtful Accounts	<u>(3,738)</u>	\$	3,420	
Account Receivable-Family Investment Center	\$ 46,011			
Accounts Receivable- HUD	228,584			
Accounts Receivable- Miscellaneous	37			
Accrued Interest Receivable	<u>2,230</u>		<u>276,862</u>	
 Accounts Receivable, net			 \$ <u>280,282</u>	

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>		<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>				<u>of Year</u>
Land	\$ 250,681	\$	\$	\$	\$ 250,681
Buildings & Improvement	13,803,956	79,943			13,883,899
Furniture & Equipment-Dwellings	249,335				249,335
Furniture & Equipment-Admin	297,087	11,246	975		307,358
Construction in Progress	<u>0</u>	<u>305,272</u>			<u>305,272</u>
	\$14,601,059	\$ 396,461	\$ 975		\$14,996,545
Less Accumulated Depreciation	<u>9,489,481</u>	<u>681,986</u>	<u>975</u>		<u>10,170,492</u>
	\$ <u>5,111,578</u>	\$ (285,525)	\$		\$ <u>4,826,053</u>

Notes to Financial Statements- continued

Note 5: Accrued Liabilities

Accrued Liabilities consist of the following:

Accrued Utilities Payable	\$ <u>17,454</u>
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Note 6: Pension Plan

The Commission has a Defined Contribution Pension Plan (Plan) for governmental employees. The Plan allows for early retirement (age 55), normal retirement (age 65), employer contributions (10% of compensation), mandatory after-tax employee contributions (5% of compensation), and voluntary after tax employee contributions (1-10% of compensation). In addition to the above, no age requirements exist for eligibility, and 100% vesting is immediate. Plan assets and funding statistics are available under separate cover provided to the Commission by the Insurer.

Note 7: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 21,710,685
General Liability	1,000,000
Dishonesty Bond	1,000,000
Automobile Liability	300,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 8: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Benton Township Housing Commission (M032)

BENTON HARBOR, MI

Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2009

	Project Total	14871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$638,579		\$638,579		\$638,579
70400 Tenant Revenue - Other	\$50,947		\$50,947		\$50,947
70500 Total Tenant Revenue	\$689,526	\$0	\$689,526	\$0	\$689,526
70600 HUD PHA Operating Grants	\$1,041,186	\$339,107	\$1,380,293		\$1,380,293
70610 Capital Grants	\$396,778		\$396,778		\$396,778
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants					
71000 Investment Income - Unrestricted	\$8,125	\$4	\$8,129		\$8,129
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery			\$4,150		\$4,150
71500 Other Revenue	\$611	\$676	\$1,287		\$1,287
71600 Gain or Loss on Sale of Capital Assets	-\$317		-\$317		-\$317
72000 Investment Income - Restricted	\$0	\$34	\$34		\$34
70000 Total Revenue	\$2,135,909	\$343,971	\$2,479,880	\$0	\$2,479,880
9100 Administrative Salaries	\$315,810	\$25,000	\$340,810		\$340,810
91200 Auditing Fees	\$7,150		\$7,150		\$7,150
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$135,475	\$8,000	\$143,475		\$143,475
91600 Office Expenses	\$40,207	\$6,583	\$46,790		\$46,790
91700 Legal Expense					
91800 Travel	\$16,949		\$16,949		\$16,949
91810 Allocated Overhead					
91900 Other	\$40,390	\$2,300	\$42,690		\$42,690
91000 Total Operating - Administrative	\$555,981	\$41,883	\$597,864	\$0	\$597,864
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$9,777		\$9,777		\$9,777
92500 Total Tenant Services	\$9,777	\$0	\$9,777	\$0	\$9,777
93100 Water	\$177,715		\$177,715		\$177,715
93200 Electricity	\$94,901		\$94,901		\$94,901
93300 Gas	\$83,973		\$83,973		\$83,973
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$356,589	\$0	\$356,589	\$0	\$356,589
94100 Ordinary Maintenance and Operations - Labor	\$218,361		\$218,361		\$218,361
94200 Ordinary Maintenance and Operations - Materials and Other	\$71,491		\$71,491		\$71,491
94300 Ordinary Maintenance and Operations Contracts	\$187,752		\$187,752		\$187,752
94500 Employee Benefit Contributions - Ordinary Maintenance	\$116,604		\$116,604		\$116,604
94000 Total Maintenance	\$594,208	\$0	\$594,208	\$0	\$594,208
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0

96110 Property Insurance	\$28,498		\$28,498		\$28,498
96120 Liability Insurance	\$14,408		\$14,408		\$14,408
96130 Workmen's Compensation	\$9,272		\$9,272		\$9,272
96140 All Other Insurance	\$8,753		\$8,753		\$8,753
96100 Total Insurance Premiums	\$60,931	\$0	\$60,931	\$0	\$60,931
96200 Other General Expenses					
96210 Compensated Absences	\$3,042		\$3,042		\$3,042
96300 Payments in Lieu of Taxes	\$26,512		\$26,512		\$26,512
96400 Bad debt - Tenant Rents	\$10,753		\$10,753		\$10,753
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense	\$932		\$932		\$932
96000 Total Other General Expenses	\$41,239	\$0	\$41,239	\$0	\$41,239
96710 Interest of Mortgage (or Bond) 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
96900 Total Operating Expenses	\$1,618,725	\$41,883	\$1,660,608	\$0	\$1,660,608
97000 Excess of Operating Revenue over Operating Expenses	\$517,184	\$302,088	\$819,272	\$0	\$819,272
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized	-\$1,745		-\$1,745		-\$1,745
97300 Housing Assistance Payments		\$322,301	\$322,301		\$322,301
97350 HAP Portability-In					
97400 Depreciation Expense	\$681,986		\$681,986		\$681,986
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$2,298,956	\$354,184	\$2,653,150	\$0	\$2,653,150
10010 Operating Transfer In					
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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$163,057	-\$20,213	-\$183,270	\$0	-\$183,270
11020 Required Annual Debt Principal Payments					
11030 Beginning Equity	\$5,952,436	\$96,363	\$6,048,799		\$6,048,799
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		-\$7,442	-\$7,442		-\$7,442
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		\$26,283	\$26,283		\$26,283
11180 Housing Assistance Payments Equity		\$42,425	\$42,425		\$42,425
11190 Unit Months Available	3600	900	4500		4500
11210 Number of Unit Months Leased	3520	855	4375		4375
11270 Excess Cash	\$799,130		\$799,130		\$799,130
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$0		\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$11,563		\$11,563		\$11,563
11650 Leasehold Improvements Purchases	\$385,215		\$385,215		\$385,215
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

Benton Township Housing Commission (M032)

BENTON HARBOR, MI

Entity Wide Balance Sheet Summary

Submission Type: Unaudited/A-133

Fiscal Year End: 09/30/2009

	Project Total	14871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$496,035	\$38,087	\$534,122		\$534,122
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted		\$42,425	\$42,425		\$42,425
114 Cash - Tenant Security Deposits	\$58,110		\$58,110		\$58,110
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$554,145	\$80,512	\$634,657	\$0	\$634,657
121 Accounts Receivable - PHA Projects		\$37	\$37		\$37
122 Accounts Receivable - HUD Other Projects	\$228,584		\$228,584		\$228,584
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$46,011		\$46,011		\$46,011
126 Accounts Receivable - Tenants	\$7,158		\$7,158		\$7,158
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,738		-\$3,738		-\$3,738
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	\$2,230		\$2,230		\$2,230
129 Total Receivables, Net of Allowances for Doubtful Accounts	\$230,245	\$37	\$230,282	\$0	\$230,282
131 Investments - Unrestricted	\$221,015		\$221,015		\$221,015
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$58,256		\$58,256		\$58,256
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From	\$31,541		\$31,541	-\$31,541	\$0
145 Assets Held for Sale					
150 Total Current Assets	\$1,145,202	\$80,549	\$1,225,751	-\$31,541	\$1,194,210
161 Land	\$230,681	\$20,000	\$250,681		\$250,681
162 Buildings	\$5,024,388		\$5,024,388		\$5,024,388
163 Furniture, Equipment & Machinery - Dwellings	\$249,335		\$249,335		\$249,335
164 Furniture, Equipment & Machinery - Administration	\$307,358		\$307,358		\$307,358
165 Leasehold Improvements	\$8,859,511		\$8,859,511		\$8,859,511
166 Accumulated Depreciation	-\$10,170,492		-\$10,170,492		-\$10,170,492
167 Construction in Progress	\$305,272		\$305,272		\$305,272
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,806,053	\$20,000	\$4,826,053	\$0	\$4,826,053
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	\$4,806,053	\$20,000	\$4,826,053	\$0	\$4,826,053
190 Total Assets	\$5,951,255	\$100,549	\$6,051,804	-\$31,541	\$6,020,263

311 Bank Overdraft					
312 Accounts Payable - <90 Days	\$17,154	\$300	\$17,454		\$17,454
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$510		\$510		\$510
322 Accrued Compensated Absences - Current Portion	\$3,042		\$3,042		\$3,042
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$26,512		\$26,512		\$26,512
341 Tenant Security Deposits	\$58,110		\$58,110		\$58,110
342 Deferred Revenues	\$1,737		\$1,737		\$1,737
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities	\$5,481		\$5,481		\$5,481
346 Accrued Liabilities - Other					
347 Inter Program - Due To		\$31,541	\$31,541	-\$31,541	\$0
348 Loan Liability - Current					
310 Total Current Liabilities	\$161,876	\$31,841	\$193,717	-\$31,541	\$162,176
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					
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$0	\$0	\$0	\$0
300 Total Liabilities	\$161,876	\$31,841	\$193,717	-\$31,541	\$162,176
508.1 Invested in Capital Assets, Net of Related Debt	\$4,826,053	\$20,000	\$4,826,053		\$4,826,053
509.2 Fund Balance Reserved					
511.2 Unreserved, Designated Fund Balance					
511 Restricted Net Assets		\$42,425	\$42,425		\$42,425
512.1 Unrestricted Net Assets	\$983,326	\$6,283	\$989,609		\$989,609
512.2 Unreserved, Undesignated Fund Balance					
513 Total Equity/Net Assets	\$5,789,379	\$68,708	\$5,858,087	\$0	\$5,858,087
600 Total Liabilities and Equity/Net Assets	\$5,951,255	\$100,549	\$6,051,804	-\$31,541	\$6,020,263

BENTON TWP HOUSING COMMISSION
Schedule of Annual Federal Awards
For the Year Ended September 30, 2009

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3029 Operating Subsidies	\$ <u>933,745</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3099V Section 8 Housing Choice Vouchers	\$ <u>339,107</u>
<u>CFDA 14.885 American Recovery & Reconstruction Act</u>	
C-3029 ARRA Funds	\$ <u>30,651</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	
C-3029 Capital Projects Grants	\$ <u>473,568</u>
	\$ <u>1,777,071</u>

*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

BENTON TWP HOUSING COMMISSION
Status of Prior Audit Findings
September 30, 2009

The prior audit of the Benton Twp Housing Commission for the period ended September 30, 2008, did not contain any audit findings.

BENTON TWP HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
September 30, 2009

I have audited the financial statements of the Benton Twp Housing Commission of Benton Harbor, Michigan, as of and for the year ended September 30, 2009, and have issued my report thereon dated September 30, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Benton Twp Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *control or significant deficiency*, as defined above.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
July 10, 2010

BENTON TWP HOUSING COMMISSION
Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133
September 30, 2009

Compliance

I have audited the compliance of the Benton Twp Housing Commission of Benton Harbor, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not identify any deficiencies in internal control over financial reporting that I consider to be a *material weaknesses*, as defined above.

This report is intended solely for the information and use of, management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
July 10, 2010

BENTON TWP HOUSING COMMISSION
 Schedule of Findings and Questioned Cost
 September 30, 2009

Section I- Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued- Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant Deficiency (ies) identified
that is not considered to be material
weaknesses? Yes X None reported

Non Compliance material to financial
statements noted Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant Deficiency (ies) identified
that is not considered to be material
weaknesses? Yes X None reported

Type of auditor's report issued on compliance
for major programs- Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Section
510(a) of OMB Circular A-133? Yes X No

Low Risk Auditee X Yes No

Identification of Major Programs:

Name of Federal Program	Major Program	Questioned Costs	Audit Finding Number
Low Rent Public Housing	Yes	None	N/A
Housing Choice Vouchers	No	None	N/A
Capital Projects Funds	Yes	None	N/A

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

Auditee qualified as low-risk auditee? Yes

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None