

HILLSDALE HOUSING COMMISSION

Financial Statements

June 30, 2008

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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***John C. DiPiero, P.C.***

Certified Public Accountant

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Board of Commissioners  
Hillsdale Commission  
45 N. West Street  
Hillsdale, Michigan 49242

### **Independent Auditor's Report**

I have audited the financial statements of the Hillsdale Housing Commission Business Type Activities as of and for the year ended June 30, 2008. 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 Hillsdale Housing Commission's business activities as of June 30, 2008, and the changes in its financial position and its 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 February 29, 2008, on my consideration of the Hillsdale Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my 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 my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

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, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

February 29, 2008

**HILLSDALE HOUSING COMMISSION**  
**Management Discussion and Analysis**  
June 30, 2008

This discussion and analysis of the Hillsdale Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

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

**Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

**Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary 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.

**Entity-Wide Financial Highlights**

The Commission received the following Federal Assistance:

	<u>Year 2008</u>	<u>Year 2007</u>
Operating Subsidies	\$ 102,750	\$ 88,840
Capital Projects Funds	126,215	62,305

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Difference</u>
Cash	\$ 101,323	\$ 59,400	\$ 41,923
Investments	65,874	25,038	40,836
Prepaid Expenses	12,661	14,184	(1,523)
Fixed Assets, Before Depreciation	2,897,361	2,889,763	7,598
Accounts Payable	12,049	11,441	608
Accrued Liabilities	12,219	11,158	1,061
Security Deposits	11,429	11,487	(58)
Net Assets	1,058,794	1,076,346	(17,552)

Management Discussion and Analysis- continued

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Difference</u>
Revenues:			
Tenant Revenues	\$ 154,702	\$ 153,447	\$ 1,255
Other Income	10,789	11,357	(568)
HUD Grants	228,963	151,145	77,818
Expenses:			
Administrative	111,699	91,347	20,352
Utilities	78,883	87,596	(8,713)
Maintenance & Operations	79,680	73,851	5,829
General & Insurances	23,539	20,840	2,699
Depreciation Expenses	105,783	109,681	(3,898)

Significant changes in the above are as follows:

Our cash position and investments increased \$ 41,923, and \$ 40,836, respectively as a result of excess revenues over expenses before depreciation of \$ 88,231; net assets decreased by the amount of the total loss of \$ 17,552. Fixed assets before depreciation increased \$ 7,598, which will be discussed later in this report. Accrued liabilities increased \$ 1,061; accrued payroll is accrued based on the number of days left in the reporting period. Accrued payroll was \$ 3,574, and at year end was \$ 4,318.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. During the current year we were awarded \$ 102,748 in subsidies and requisitioned \$ 126,215 from our Capital Fund Program (CFP). We used our entire CFP this year for operations.

Administrative salaries increased \$ 20,352 as a result of putting the Executive Secretary on full time for the entire fiscal year; in the prior year, due to budget constraints, we only had a part time clerk. Utilities decreased as a result of less use; the utilities are greatly affected by our weather, specifically the severity of our winters. Contract cost and insurances increased an expected 3-5%, depreciation expense is dictated by the type of asset, expected life, and age of the asset- fluctuations are to be expected.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2008</u>	<u>Year 2007</u>
Low Rent Public Housing	60	60

The Commission's housing stock did not change during the fiscal year.

Management Discussion and Analysis- continued

**General Fund Budgetary Highlights**

The Commission approved an operating budget on Aug 8, 2007 for the fiscal year ending June 30, 2008, we amended the budget on June 5, 2008.

Significant differences between budget and actual in the Low Rent Program were as follows:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>
Other Income	\$ 10,789	\$ 75,120	\$ (64,331)
Net Operating Income			
(Loss) Depreciation	(37,984)	16,730	(54,714)

When we initially prepared the budget, we anticipated additional funding in the way of a grant which never materialized, therefore, we over estimated our other income which is the significant difference between actual results and budgeted.

**Entity Wide Capital Assets**

At the close of the fiscal year, the Commission had \$ 2,897,361 in capital assets with accumulated depreciation of \$ 1,976,215. The major classes of assets are as follows:

Land	\$ 141,750
Building	2,381,926
Furniture and Equipment	141,453
Leasehold Improvements	<u>232,232</u>
	\$ 2,897,361
Accumulated Depreciation	<u>(1,976,215)</u>
	\$ <u>921,146</u>

The Commission has put the 2007 and 2008 Capital Fund Program grant into operations; we intend on using the 2009 for operations as well.

**Commission's Position**

The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs. We hope current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments to the above may be addressed to:

Alton D. Cousino III, Executive Director,  
Hillsdale Housing Commission  
45 N. West Street  
Hillsdale, Michigan 49242

HILLSDALE HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2008

ASSETS

C-3095

CURRENT ASSETS

Cash	\$	101,323	
Accounts Receivable		77	
Accrued Interest Receivable		276	
Investments		65,874	
Prepaid Expenses		<u>12,661</u>	
Total Current Assets	\$		180,211

NON CURRENT ASSETS

Land	\$	141,750	
Buildings		2,381,926	
Furniture, Equipment- Dwellings		35,755	
Furniture, Equipment- Administrative		105,698	
Leasehold Improvements		232,232	
Accumulated Depreciation		<u>(1,976,215)</u>	
Total Non Current Assets			<u>921,146</u>

TOTAL ASSETS \$ 1,101,357

HILLSDALE HOUSING COMMISSION  
 Statements of Net Assets  
 June 30, 2008

**LIABILITIES**

**C-3095**

**CURRENT LIABILITIES**

Accounts Payable	\$	12,049	
Accrued Wages & Payroll Taxes		4,318	
Accrued Compensated Absences		3,593	
Accounts Payable-Other Governments		6,732	
Tenants Security Deposit		11,487	
Deferred Revenue		76	
<u>Total Current Liabilities</u>			\$ 38,255

**NONCURRENT LIABILITIES**

Accrued Compensated Absences		4,308	
<u>Total Liabilities</u>			\$ 42,563

**NET ASSETS**

Investment in Fixed Assets, net of related Debt	\$	921,146	
Unrestricted Net Assets		137,648	
<u>Total Net Assets</u>			\$ <u>1,058,794</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>			\$ <u>1,101,357</u>

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the year ended June 30, 2008

OPERATING REVENUE

Tenant Rental Revenue	\$	151,390	
Tenant Revenue-Other		2,057	
HUD Grants		228,963	
Interest Income		4,617	
Other Income		<u>6,172</u>	
<u>Total Operating Revenue</u>	\$		<u>393,199</u>

OPERATING EXPENSES

Administrative	\$	111,699	
Tenant Services		655	
Utility Expenses		78,883	
Ordinary Maintenance		79,680	
Insurance Expense		16,402	
Protective Services		405	
General Expenses		6,732	
Depreciation Expense		105,783	
Extra Ordinary Maintenance		<u>10,512</u>	
<u>Total Operating Expenses</u>			<u>410,751</u>
<u>Operating Income (Loss)</u>	\$		<u>(17,552)</u>

CAPITAL CONTRIBUTIONS

		<u>0</u>	
<u>Changes in Net Assets</u>	\$		<u>(17,552)</u>
Total Net Assets- Beginning			<u>1,076,346</u>
Total Net Assets- Ending	\$		<u>1,058,794</u>

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION  
Statement of Cash Flows  
For the Year Ended June 30, 2008

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	153,370
Payments to Suppliers		(247,642)
Payments to Employees		(95,575)
HUD Grants		228,963
Other Receipts (Payments)		10,789
Net Cash Provided (Used) by Operating Activities	\$	49,905

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$	(7,982)
Net Increase (Decrease) in Cash and Cash Equivalents	\$	41,923
Balance- Beginning of Year		59,400
Balance- End of Year	\$	101,323

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

Net Profit or (Loss)	\$	(17,552)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		109,681
Changes in Assets (Increase) Decrease:		
Receivables (Gross)		22
Investments		(40,836)
Prepaid Expenses		(2,375)
Changes in Liabilities Increase (Decrease):		
Accounts Payable		608
Accrued Compensated Absences		(536)
Accrued Wages & Payroll Taxes		744
Accounts Payable- Other Governments		670
Security Deposits		58
Deferred Revenue		(566)
Accrued Liabilities-Other		(13)
Net Cash Provided by Operating Activities	\$	49,905

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION  
Notes to Financial Statements  
June 30, 2008

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Hillsdale Housing Commission, Hillsdale, Michigan, (Commission) was created by ordinance of the city of Hillsdale. 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 103-001	Low rent program	60 units
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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 criteria, no component units exist.

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, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

**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.

**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.

Notes to Financial Statements- continued

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

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as 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.

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.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ 101,223
Petty Cash	<u>100</u>
	\$ <u>101,323</u>

Investments:

Certificates of Deposit	\$ <u>65,874</u>
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Notes to the Financial Statements- continued

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.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 101,223	\$	\$	\$ 101,223	\$ 101,223
Petty Cash	100			100	100
	\$ 101,323	\$	\$	\$ 101,323	\$ 101,323
Investments:					
C/D's	\$ 65,874	\$	\$	\$ 65,874	\$ 65,874

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Fixed Asset Analysis.

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

	Beginning of Year	Additions	Deletions	End of Year
Land	\$ 141,750	\$	\$	\$ 141,750
Buildings	2,377,034	4,892		2,381,926
Furniture & Equipment-Dwellings	35,755			35,755
Furniture & Equipment-Admin	102,992	3,090	384	105,698
Leasehold Improvements	232,232			232,232
	\$ 2,889,763	\$ 7,982	\$ 384	\$ 2,897,361
Less Accumulated Depreciation	1,870,816	105,783	384	1,976,215
	\$ 1,018,947	\$ (97,801)	\$	\$ 921,146

Notes to Financial Statements- continued

Note 4: Retirement.

The Hillsdale Housing Commission contributes to the Municipal Employees Retirement System (MERS), a multi-employer defined benefit pension plan administered by the State of Michigan, through the City of Hillsdale. Details concerning the plan are available in the annual report of MERS. This plan covers all regular, full-time employees of the Housing Commission.

The following information for the Commission was extracted from the City of Hillsdale's annual employer report:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 5,514,963
Terminated employees (vested former members) not yet receiving benefits	1,085,761
Non vested terminated employees (pending Refunds of accumulated member contributions)	56,344
Current employees-	
Accumulated employee contributions including Allocated investment income	2,113,039
Employee financed	<u>7,364,171</u>
Total Actuarial Accrued Liability	\$ 16,134,278
Net Assets Available for Benefits at Actuarial Value	<u>16,926,763</u>
Unfunded (Overfunded) Actuarial Accrued Liability	\$ (792,485)
Fiscal Year Beginning	July 1, 2009
Annual Required Contribution (ARC)	\$ 233,532
Amortization Factor Used- Underfunded Liability 28 years	0.055889
Amortization Factor Used- Underfunded Liability 18 years	0.075270
Amortization Factor Used- Underfunded Liability 30 years	0.085453
Amortization Factor Used- Overfunded Liability 10 years	0.119963

Note 5: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 6: 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	\$ 6,149,660
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	100,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

Line Item No.	HILLSDALE HOUSING COMMISSION-LEVEL 1 FINANCIAL DATA	Project Totals	Subtotal	Elimination	Total M-103
<b>Balance Sheet</b>					
111	Cash-unrestricted	\$ 89,836	\$ 89,836		\$ 89,836
112	Cash-restricted-modernization and development	\$ -	\$ -		\$ -
113	Cash-other restricted	\$ -	\$ -		\$ -
114	Cash-tenant security deposits	\$ 11,487	\$ 11,487		\$ 11,487
115	Cash - Restricted for payment of current liability	\$ -	\$ -		\$ -
100	<b>Total Cash</b>	<b>\$ 101,323</b>	<b>\$ 101,323</b>	<b>\$ -</b>	<b>\$ 101,323</b>
121	Accounts receivable - PHA projects	\$ -	\$ -		\$ -
122-010	Accounts receivable - HUD other projects - Operating Subsidy	\$ -	\$ -		\$ -
122-020	Accounts receivable - HUD other projects - Capital fund	\$ -	\$ -		\$ -
122-030	Accounts receivable - HUD other projects - Other	\$ -	\$ -		\$ -
122	<b>Accounts receivable - HUD other projects</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
124	Account receivable - other government	\$ -	\$ -		\$ -
125	<b>Account receivable - miscellaneous</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
126	Accounts receivable - tenants	\$ 77	\$ 77		\$ 77
126.1	Allowance for doubtful accounts - tenants	\$ -	\$ -		\$ -
126.2	Allowance for doubtful accounts - other	\$ -	\$ -		\$ -
127	Notes, Loans, & Mortgages Receivable - Current	\$ -	\$ -		\$ -
128	Fraud recovery	\$ -	\$ -		\$ -
128.1	Allowance for doubtful accounts - fraud	\$ -	\$ -		\$ -
129	Accrued interest receivable	\$ 276	\$ 276		\$ 276
120	<b>Total receivables, net of allowance for doubtful accounts</b>	<b>\$ 353</b>	<b>\$ 353</b>	<b>\$ -</b>	<b>\$ 353</b>
131	Investments - unrestricted	\$ 65,874	\$ 65,874		\$ 65,874
132	Investments - restricted	\$ -	\$ -		\$ -
135	Investments - Restricted for payment of current liability	\$ -	\$ -		\$ -
142	Prepaid expenses and other assets	\$ 12,661	\$ 12,661		\$ 12,661
143	Inventories	\$ -	\$ -		\$ -
143.1	Allowance for obsolete inventories	\$ -	\$ -		\$ -
144	Inter program - due from	\$ -	\$ -		\$ -
145	Assets held for sale	\$ -	\$ -		\$ -
150	<b>Total Current Assets</b>	<b>\$ 180,211</b>	<b>\$ 180,211</b>	<b>\$ -</b>	<b>\$ 180,211</b>
161	Land	\$ 141,750	\$ 141,750		\$ 141,750
162	Buildings	\$ 2,381,926	\$ 2,381,926		\$ 2,381,926
163	Furniture, equipment and machinery - dwellings	\$ 35,755	\$ 35,755		\$ 35,755
164	Furniture, equipment and machinery - administration	\$ 105,698	\$ 105,698		\$ 105,698
165	Leasehold improvements	\$ 232,232	\$ 232,232		\$ 232,232
166	Accumulated depreciation	\$ (1,976,215)	\$ (1,976,215)		\$ (1,976,215)
167	Construction in progress	\$ -	\$ -		\$ -
168	Infrastructure	\$ -	\$ -		\$ -
160	<b>Total capital assets, net of accumulated depreciation</b>	<b>\$ 921,146</b>	<b>\$ 921,146</b>	<b>\$ -</b>	<b>\$ 921,146</b>
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit	\$ -	\$ -		\$ -
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -	\$ -		\$ -
171-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -	\$ -		\$ -
171-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -	\$ -		\$ -
171-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -	\$ -		\$ -
171-060	Other - Comment				
171	<b>Notes, Loans, &amp; mortgages receivable – Non-current</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
172-010	Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit	\$ -	\$ -		\$ -
172-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -	\$ -		\$ -
172-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -	\$ -		\$ -
172-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -	\$ -		\$ -
172-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -	\$ -		\$ -
172-060	Other - Comment				
172	<b>Notes, Loans, &amp; mortgages receivable – Non-current - past due</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
173	Grants receivable – Non-current	\$ -	\$ -		\$ -
174-010	Other assets - Not For Profit	\$ -	\$ -		\$ -
174-020	Other assets - Partnership	\$ -	\$ -		\$ -
174-030	Other assets - Joint Venture	\$ -	\$ -		\$ -
174-040	Other assets - Tax Credit	\$ -	\$ -		\$ -
174-050	Other assets - Other	\$ -	\$ -		\$ -
174-060	Other - Comment				
174	<b>Other assets</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
176-010	Investment in Joint venture - Not For Profit	\$ -	\$ -		\$ -
176-020	Investment in Joint venture - Partnership	\$ -	\$ -		\$ -
176-030	Investment in Joint venture - Joint Venture	\$ -	\$ -		\$ -
176-040	Investment in Joint venture - Tax Credit	\$ -	\$ -		\$ -
176-050	Investment in Joint venture - Other	\$ -	\$ -		\$ -
176-060	Other - Comment				
176	<b>Investment in joint venture</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
180	<b>Total Non-current Assets</b>	<b>\$ 921,146</b>	<b>\$ 921,146</b>	<b>\$ -</b>	<b>\$ 921,146</b>
190	<b>Total Assets</b>	<b>\$ 1,101,357</b>	<b>\$ 1,101,357</b>	<b>\$ -</b>	<b>\$ 1,101,357</b>

Line Item No.	HILLSDALE HOUSING COMMISSION-LEVEL 1 FINANCIAL DATA	Project Totals	Subtotal	Elimination	Total M-103
311	Bank overdraft	\$ -	\$ -		\$ -
312	Accounts payable <= 90 days	\$ 12,049	\$ 12,049		\$ 12,049
313	Accounts payable > 90 days past due	\$ -	\$ -		\$ -
321	Accrued wage/payroll taxes payable	\$ 4,318	\$ 4,318		\$ 4,318
322	Accrued compensated absences - current portion	\$ 3,593	\$ 3,593		\$ 3,593
324	Accrued contingency liability	\$ -	\$ -		\$ -
325	Accrued interest payable	\$ -	\$ -		\$ -
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	\$ -	\$ -		\$ -
331-020	Accounts payable - HUD PHA Programs - Capital fund	\$ -	\$ -		\$ -
331-030	Accounts payable - HUD PHA Programs - Other	\$ -	\$ -		\$ -
331	<b>Accounts payable - HUD PHA Programs</b>	\$ -	\$ -		\$ -
332	Accounts payable - PHA Projects	\$ -	\$ -		\$ -
333	Accounts payable - other government	\$ 6,732	\$ 6,732		\$ 6,732
341	Tenant security deposits	\$ 11,487	\$ 11,487		\$ 11,487
342-010	Deferred revenue - Operating Subsidy	\$ -	\$ -		\$ -
342-020	Deferred revenue - Capital fund	\$ -	\$ -		\$ -
342-030	Deferred revenue - Other	\$ 76	\$ 76		\$ 76
342	<b>Deferred revenue</b>	\$ 76	\$ 76		\$ 76
343-010	CFFP	\$ -	\$ -		\$ -
343-020	Capital Projects/ Mortgage Revenue	\$ -	\$ -		\$ -
343	<b>Current portion of long-term debt - capital projects/mortgage</b>	\$ -	\$ -		\$ -
344	Current portion of long-term debt - operating borrowings	\$ -	\$ -		\$ -
345	Other current liabilities	\$ -	\$ -		\$ -
346	Accrued liabilities - other	\$ -	\$ -		\$ -
347	Inter program - due to	\$ -	\$ -		\$ -
348-010	Loan liability - current - Not For Profit	\$ -	\$ -		\$ -
348-020	Loan liability - current - Partnership	\$ -	\$ -		\$ -
348-030	Loan liability - current - Joint Venture	\$ -	\$ -		\$ -
348-040	Loan liability - current - Tax Credit	\$ -	\$ -		\$ -
348-050	Loan liability - current - Other	\$ -	\$ -		\$ -
348-060	Other - Comment				
348	<b>Loan liability - current</b>	\$ -	\$ -		\$ -
310	<b>Total Current Liabilities</b>	\$ 38,255	\$ 38,255	\$ -	\$ 38,255
351-010	Long-term debt - CFFP	\$ -	\$ -		\$ -
351-020	Long-term - Capital Projects/ Mortgage Revenue	\$ -	\$ -		\$ -
351	<b>Capital Projects/ Mortgage Revenue Bonds</b>	\$ -	\$ -		\$ -
352	Long-term debt, net of current - operating borrowings	\$ -	\$ -		\$ -
353	Non-current liabilities - other	\$ -	\$ -		\$ -
354	Accrued compensated absences- Non-current	\$ 4,308	\$ 4,308		\$ 4,308
355-010	Loan liability - Non-current - Not For Profit	\$ -	\$ -		\$ -
355-020	Loan liability - Non-current - Partnership	\$ -	\$ -		\$ -
355-030	Loan liability - Non-current - Joint Venture	\$ -	\$ -		\$ -
355-040	Loan liability - Non-current - Tax Credit	\$ -	\$ -		\$ -
355-050	Loan liability - Non-current - Other	\$ -	\$ -		\$ -
355-060	Other - Comment				
355	<b>Loan liability - Non-current</b>	\$ -	\$ -		\$ -
356	FASB 5 Liabilities	\$ -	\$ -		\$ -
357	Accrued Pension and OPEB Liability	\$ -	\$ -		\$ -
350	<b>Total Non-current liabilities</b>	\$ 4,308	\$ 4,308	\$ -	\$ 4,308
300	<b>Total Liabilities</b>	\$ 42,563	\$ 42,563	\$ -	\$ 42,563
508.1	Invested in capital assets, net of related debt	\$ 921,146	\$ 921,146		\$ 921,146
511.1	Restricted Net Assets	\$ -	\$ -		\$ -
512.1	Unrestricted Net Assets	\$ 137,648	\$ 137,648		\$ 137,648
513	<b>Total Equity/Net Assets</b>	\$ 1,058,794	\$ 1,058,794	\$ -	\$ 1,058,794
600	<b>Total Liabilities and Equity/Net assets</b>	\$ 1,101,357	\$ 1,101,357	\$ -	\$ 1,101,357

Line Item No.	HILLSDALE HOUSING COMMISSION-LEVEL 1 FINANCIAL DATA	Project Totals	Subtotal	Elimination	Total M-103
<b>Income Statement</b>					
70300	Net tenant rental revenue	\$ 151,390	\$ 151,390		\$ 151,390
70400	Tenant revenue - other	\$ 2,057	\$ 2,057		\$ 2,057
70500	Total Tenant Revenue	\$ 153,447	\$ 153,447	\$ -	\$ 153,447
70600	<b>HUD PHA operating grants</b>	\$ 228,963	\$ 228,963		\$ 228,963
70610	Capital grants	\$ -	\$ -		\$ -
70710	Management Fee	\$ -	\$ -		\$ -
70720	Asset Management Fee	\$ -	\$ -		\$ -
70730	Book-Keeping Fee	\$ -	\$ -		\$ -
70740	Front Line Service Fee	\$ -	\$ -		\$ -
70750	Other Fees	\$ -	\$ -		\$ -
70700	<b>Total Fee Revenue</b>	\$ -	\$ -	\$ -	\$ -
70800	Other government grants	\$ -	\$ -		\$ -
71100	<b>Investment income - unrestricted</b>	\$ 4,617	\$ 4,617		\$ 4,617
71200	Mortgage interest income	\$ -	\$ -		\$ -
71300	Proceeds from disposition of assets held for sale	\$ -	\$ -		\$ -
71310	Cost of sale of assets	\$ -	\$ -		\$ -
71400	<b>Fraud recovery</b>	\$ -	\$ -		\$ -
71500	Other revenue	\$ 6,513	\$ 6,513		\$ 6,513
71600	Gain or loss on sale of capital assets	\$ (341)	\$ (341)		\$ (341)
72000	<b>Investment income - restricted</b>	\$ -	\$ -		\$ -
70000	<b>Total Revenue</b>	\$ 393,199	\$ 393,199	\$ -	\$ 393,199
91100	Administrative salaries	\$ 61,736	\$ 61,736		\$ 61,736
91200	Auditing fees	\$ 3,250	\$ 3,250		\$ 3,250
91300	Management Fee	\$ -	\$ -		\$ -
91310	Book-Keeping Fee	\$ -	\$ -		\$ -
91400	Advertising and Marketing	\$ 2,931	\$ 2,931		\$ 2,931
91500	Employee benefit contributions - administrative	\$ 12,325	\$ 12,325		\$ 12,325
91600	Office Expenses	\$ 15,157	\$ 15,157		\$ 15,157
91700	Legal Expense	\$ 728	\$ 728		\$ 728
91800	Travel	\$ 6,739	\$ 6,739		\$ 6,739
91810	Allocated Overhead	\$ -	\$ -		\$ -
91900	Other	\$ 8,833	\$ 8,833		\$ 8,833
91000	<b>Total Operating-Administrative</b>	\$ 111,699	\$ 111,699	\$ -	\$ 111,699
92000	Asset Management Fee	\$ -	\$ -		\$ -
92100	Tenant services - salaries	\$ -	\$ -		\$ -
92200	Relocation Costs	\$ -	\$ -		\$ -
92300	Employee benefit contributions - tenant services	\$ -	\$ -		\$ -
92400	Tenant services - other	\$ 655	\$ 655		\$ 655
92500	<b>Total Tenant Services</b>	\$ 655	\$ 655	\$ -	\$ 655
93100	Water	\$ 17,947	\$ 17,947		\$ 17,947
93200	Electricity	\$ 40,726	\$ 40,726		\$ 40,726
93300	Gas	\$ 20,210	\$ 20,210		\$ 20,210
93400	Fuel	\$ -	\$ -		\$ -
93500	Labor	\$ -	\$ -		\$ -
93600	Sewer	\$ -	\$ -		\$ -
93700	Employee benefit contributions - utilities	\$ -	\$ -		\$ -
93800	Other utilities expense	\$ -	\$ -		\$ -
93000	<b>Total Utilities</b>	\$ 78,883	\$ 78,883	\$ -	\$ 78,883
94100	Ordinary maintenance and operations - labor	\$ 33,839	\$ 33,839		\$ 33,839
94200	Ordinary maintenance and operations - materials and other	\$ 11,958	\$ 11,958		\$ 11,958
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	\$ 2,106	\$ 2,106		\$ 2,106
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	\$ 2,036	\$ 2,036		\$ 2,036
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal	\$ -	\$ -		\$ -
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	\$ 2,147	\$ 2,147		\$ 2,147
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	\$ 2,111	\$ 2,111		\$ 2,111
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround	\$ -	\$ -		\$ -
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	\$ -	\$ -		\$ -
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	\$ -	\$ -		\$ -
94300-090	Ordinary Maintenance and Operations Contracts - Extermination	\$ 534	\$ 534		\$ 534
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	\$ 869	\$ 869		\$ 869
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	\$ 1,200	\$ 1,200		\$ 1,200
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	\$ 8,099	\$ 8,099		\$ 8,099
94300	<b>Ordinary Maintenance and Operations Contracts</b>	\$ 19,102	\$ 19,102		\$ 19,102

Line Item No.	HILLSDALE HOUSING COMMISSION-LEVEL 1 FINANCIAL DATA	Project Totals	Subtotal	Elimination	Total M-103
94500	Employee benefit contribution - ordinary maintenance	\$ 14,781	\$ 14,781		\$ 14,781
94000	<b>Total Maintenance</b>	<b>\$ 79,680</b>	<b>\$ 79,680</b>	<b>\$ -</b>	<b>\$ 79,680</b>
95100	Protective services - labor	\$ -	\$ -		\$ -
95200	Protective services - other contract costs	\$ 405	\$ 405		\$ 405
95300	Protective services - other	\$ -	\$ -		\$ -
95500	Employee benefit contributions - protective services	\$ -	\$ -		\$ -
95000	<b>Total Protective Services</b>	<b>\$ 405</b>	<b>\$ 405</b>	<b>\$ -</b>	<b>\$ 405</b>
96110	Property Insurance	\$ 15,185	\$ 15,185		\$ 15,185
96120	Liability Insurance	\$ -	\$ -		\$ -
96130	Workmen's Compensation	\$ 1,217	\$ 1,217		\$ 1,217
96140	All other Insurance	\$ -	\$ -		\$ -
96100	<b>Total Insurance Premiums</b>	<b>\$ 16,402</b>	<b>\$ 16,402</b>	<b>\$ -</b>	<b>\$ 16,402</b>
96200	Other general expenses	\$ -	\$ -		\$ -
96210	Compensated absences	\$ -	\$ -		\$ -
96300	Payments in lieu of taxes	\$ 6,732	\$ 6,732		\$ 6,732
96400	Bad debt - tenant rents	\$ -	\$ -		\$ -
96500	Bad debt - mortgages	\$ -	\$ -		\$ -
96600	Bad debt - other	\$ -	\$ -		\$ -
96800	Severance expense	\$ -	\$ -		\$ -
96000	<b>Total Other General Expenses</b>	<b>\$ 6,732</b>	<b>\$ 6,732</b>	<b>\$ -</b>	<b>\$ 6,732</b>
96710	Interest of Mortgage (or Bonds) Payable	\$ -	\$ -		\$ -
96720	Interest on Notes Payable (Short and Long Term)	\$ -	\$ -		\$ -
96730	Amortization of Bond Issue Costs	\$ -	\$ -		\$ -
96700	<b>Total Interest Expense and Amortization Cost</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
96900	<b>Total Operating Expenses</b>	<b>\$ 294,456</b>	<b>\$ 294,456</b>	<b>\$ -</b>	<b>\$ 294,456</b>
97000	<b>Excess Revenue Over Operating Expenses</b>	<b>\$ 98,743</b>	<b>\$ 98,743</b>	<b>\$ -</b>	<b>\$ 98,743</b>
97100	Extraordinary maintenance	\$ 10,512	\$ 10,512		\$ 10,512
97200	Casualty losses- Non-capitalized	\$ -	\$ -		\$ -
97300	<b>Housing assistance payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
97350	<b>HAP Portability-in</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
97400	Depreciation expense	\$ 105,783	\$ 105,783		\$ 105,783
97500	Fraud losses	\$ -	\$ -		\$ -
97800	Dwelling units rent expense	\$ -	\$ -		\$ -
90000	<b>Total Expenses</b>	<b>\$ 410,751</b>	<b>\$ 410,751</b>	<b>\$ -</b>	<b>\$ 410,751</b>
10010	Operating transfer in	\$ 126,215	\$ 126,215		\$ 126,215
10020	Operating transfer out	\$ (126,215)	\$ (126,215)		\$ (126,215)
10030	<b>Operating transfers from / to primary government</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
10100	<b>Total other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
10000	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	<b>\$ (17,552)</b>	<b>\$ (17,552)</b>	<b>\$ -</b>	<b>\$ (17,552)</b>
11020	Required Annual Debt Principal Payments	\$ -	\$ -		\$ -
11030	Beginning equity	\$ 1,076,346	\$ 1,076,346		\$ 1,076,346
11040	<b>Prior period adjustments, equity transfers, and correction of errors</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
11190	<b>Unit Months Available</b>	<b>720</b>	<b>720</b>		<b>720</b>
11210	<b>Unit Months Leased</b>	<b>682</b>	<b>682</b>		<b>682</b>
11270	<b>Excess Cash</b>	<b>\$ 129,295</b>	<b>\$ 129,295</b>	<b>\$ -</b>	<b>\$ 129,295</b>

HILLSDALE HOUSING COMMISSION  
Status of Prior Audit Findings  
June 30, 2008

The prior audit of the Hillsdale Housing Commission for the period ended June 30, 2007, did not contain any audit findings.

HILLSDALE 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*  
June 30, 2008

I have audited the financial statements of the Hillsdale Housing Commission of Hillsdale, Michigan, as of and for the year ended June 30, 2008, and have issued my report thereon dated February 29, 2008. 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.

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*, 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.

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 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  
February 29, 2008

