

MT. PLEASANT HOUSING COMMISSION
MT. PLEASANT, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Unit Name Mt. Pleasant Housing Commission	County Isabella
Fiscal Year End March 31, 2007	Opinion Date November 13, 2007	Date Audit Report Submitted to State November 14, 2007		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Reports on Compliance and Internal Control	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

MT. PLEASANT HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

I have audited the accompanying financial statements of the business-type activities of Mt. Pleasant Housing Commission, Michigan, a component unit of the City of Mt. Pleasant, as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 business-type activities of Mt. Pleasant Housing Commission, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mt. Pleasant Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated November 13, 2007, on my consideration of Mt. Pleasant Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 10, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary 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 that comprise Mt. Pleasant Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. 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 also not a required part of the basic financial statements of Mt. Pleasant Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have 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 basic financial statements taken as a whole.



November 13, 2007

**Mt. Pleasant Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2007
(Unaudited)**

As management of the Mt. Pleasant Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Mt. Pleasant Housing Commission's financial activities for the fiscal year ended March 31, 2007. This discussion and analysis letter of the Mt. Pleasant 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 and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2007 were \$2,986,604. The net assets increased by \$39,408, an increase of 1.34% from the prior year.

Revenues and contributions for the Commission were \$917,069 for the fiscal year ended March 31, 2007. This was an increase of \$101,776 or 12.5% over the prior year.

Expenses for the Commission were \$898,850 for the fiscal year ended March 31, 2007. This was a decrease of \$44,182 or 4.7% from the prior year.

HUD operating grants were \$437,340 for the fiscal year ended March 31, 2007. This was an increase of \$3,628 or .8% over the prior year. Capital contributions were \$121,255 for the fiscal year ended March 31, 2007. This was an increase of \$91,180 or 303.2% over the prior year.

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 was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

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.

Mt. Pleasant 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.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,986,604 at the close of the fiscal year ended March 31, 2007 an increase from \$2,947,196 in 2006. The increase in net assets of \$39,408 was due to the change in net assets for the fiscal year and a prior period adjustment.

The unrestricted net assets were \$425,879 as of March 31, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 559,989	\$ 475,332	\$ 84,657	17.81%
Capital assets	<u>2,560,725</u>	<u>2,583,793</u>	<u>(23,068)</u>	<u>(.89)%</u>
Total Assets	<u>3,120,714</u>	<u>3,059,125</u>	<u>61,589</u>	<u>2.01%</u>
Current liabilities	118,322	99,341	18,981	19.11%
Noncurrent liabilities	<u>15,788</u>	<u>12,588</u>	<u>3,200</u>	<u>25.42%</u>
Total Liabilities	<u>134,110</u>	<u>111,929</u>	<u>22,181</u>	<u>19.82%</u>
Net Assets:				
Invested in capital assets	2,560,725	2,583,793	(23,068)	(.89)%
Unrestricted	<u>425,879</u>	<u>363,403</u>	<u>62,476</u>	<u>17.19%</u>
Total Net Assets	<u>\$2,986,604</u>	<u>\$2,947,196</u>	<u>\$ 39,408</u>	<u>1.34%</u>

Total current assets increase was due in large part to the increase in cash in the low rent program of \$90,906.

Current liabilities increased due to accrued wage/payroll taxes payable of \$20,876 being set up this fiscal year, whereas there wasn't a liability set up in the prior year. Long-term compensated absences increased by \$3,200 over the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by \$101,776, in part, due to an increase in capital contributions of \$91,180, tenant rents of \$7,182, operating subsidy of \$3,628, and interest income of \$6,569, which was partially offset by a decrease of \$6,783 in other revenue.

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 334,816	\$ 327,634	\$ 7,182	2.2%
Other Revenue	5,609	12,392	(6,783)	(54.7)%
Total PHA generated Revenue	340,425	340,026	399	.1%
HUD operating grants	437,340	433,712	3,628	.8%
Capital contributions	121,255	30,075	91,180	303.2%
Interest income	18,049	11,480	6,569	57.2%
Total Revenues and Contributions	<u>917,069</u>	<u>815,293</u>	<u>101,776</u>	<u>12.5%</u>
Expenses				
Personal services	258,834	320,601	(61,767)	(19.3)%
Utilities	139,245	159,015	(19,770)	(4.9)%
Operations and maintenance	98,726	60,951	37,775	62.0%
Insurance	28,935	33,518	(4,583)	(13.7)%
Payments in lieu of taxes	18,484	14,872	3,612	24.3%
Other supplies and expenses	34,049	36,063	(2,014)	(5.6)%
Housing Assistance Payments	173,919	175,707	(1,788)	(1.0)%
Depreciation	146,658	142,305	4,353	3.1%
Total Expenses	<u>898,850</u>	<u>943,032</u>	<u>(44,182)</u>	<u>(4.7)%</u>
Change in net assets	18,219	(127,739)	145,958	
Prior period adjustments	21,189	(997)	22,186	
Beginning net assets	<u>2,947,196</u>	<u>3,075,932</u>	<u>(128,736)</u>	
Ending net assets	<u>\$2,986,604</u>	<u>\$2,947,196</u>	<u>\$ 39,408</u>	

Revenues:

Mt. Pleasant Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended March 31, 2007 for Public Housing and for Section 8 increased from fiscal year ending March 31, 2006 to March 31, 2007. For fiscal year ending March 31, 2007, revenue generated by the Commission accounted for \$358,474 (or 39% of total revenue), while HUD contributions accounted for \$558,595 (or 61% of total revenue). Income generated by the Housing Commission increased in all revenue

FINANCIAL ANALYSIS (CONTINUED)

Revenues (continued):

areas, except for other income. Other income decreased, because Cable TV reimbursements from tenants is now netted against the the expenditure.

Expenses:

Total Expenses for the fiscal ending March 31, 2006 were \$943,032 while for the fiscal year ending March 31, 2007 was \$898,850. This represents a 4.0% decrease in our Operating Costs, an amount that can be substantially attributed to a decrease in personal services of \$61,767 from the prior year. Utilities decreased by \$19,770, because gas costs decreased by \$22,450 from the prior year. Operations and maintenance expenses increased by \$37,775, in part due to extraordinary maintenance costs of \$14,723 for flooring, painting and a snowblower expense. Also, supplies for maintenance increased by \$13,254 over the prior year.

The following represents changes in Federal Assistance received:

	<u>03/31/07</u>	<u>03/31/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing Operating Subsidy	\$ 205,565	\$195,292	\$ 10,273	5.26%
Capital Fund Program Grants	148,343	63,456	84,887	133.77%
Sec. 8 Voucher	<u>204,687</u>	<u>205,039</u>	<u>(352)</u>	<u>(0.17)%</u>
Total	<u>\$ 558,595</u>	<u>\$463,787</u>	<u>\$ 94,808</u>	<u>20.44%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 remained relatively stable. The subsidy for Public Housing increased mainly due to increased utility costs. The increase in the Capital Fund Program was due to the fact that work projects during the fiscal year ending March 31, 2007 progressed along more rapidly than the prior year, thus utilizing more of our Capital Fund Program funding in the fiscal year ending March 31, 2007 than in the fiscal year ending March 31, 2006.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2007 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.

OPERATIONAL HIGHLIGHTS

The Mt. Pleasant Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
Low Rent Public Housing	123	123
Sec. 8 Housing Choice Voucher	50	50

During the fiscal year ending March 31, 2007, Mt. Pleasant Housing Commission maintained a lease-up rate of 98.1% in its Public Housing Program and a lease-up rate of 95.8% in its Section 8 program. These lease-up rates are in excess of HUD guidelines.

During the fiscal year ending March 31, 2007, our Capital Fund Program work projects included:

- * Senior buildings: The installation of upgraded fire alarm/weather alert system in the high rise as well as purchases of community room equipment.
- * Scattered Site Housing: The main projects at our scattered site houses were the replacement/upgrade of washers, dryers and stoves.

CAPITAL ASSETS

Capital Assets - The Mt. Pleasant Housing Commission's investment in capital assets, as of March 31, 2007 amounts to \$2,560,725 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION MARCH 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 243,557	\$ 243,557	\$
Buildings	4,752,558	4,752,558	
Furniture, equipment and machinery - administration	128,637	89,971	38,666
Construction in progress	84,053		84,053
	5,208,805	5,086,086	122,719
Accumulated depreciation	<u>(2,648,080)</u>	<u>(2,502,293)</u>	<u>(145,787)</u>
Total	<u>\$ 2,560,725</u>	<u>\$ 2,583,793</u>	<u>\$ (23,068)</u>

Capital assets decreased by \$23,068, because the capital outlays of \$123,590 was less than the depreciation of \$146,658.

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 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:

Kim Johnson, Executive Director
Mt. Pleasant Housing Commission
1 W. Mosher Street
Mt. Pleasant, MI 48858

FINANCIAL STATEMENTS

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2007

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ASSETS

Current Assets:	
Cash and cash equivalents	\$ 398,992
Receivables, net of allowances:	
Accounts	1,021
Accrued interest	285
Investments	142,024
Prepaid expenses	10,737
Inventories	<u>6,930</u>
Total Current Assets	<u>559,989</u>
Capital Assets:	
Land	243,557
Buildings	4,752,558
Equipment	128,637
Construction in progress	<u>84,053</u>
	5,208,805
Less: accumulated depreciation	<u>(2,648,080)</u>
Net Capital Assets	<u>2,560,725</u>
Total Assets	<u>\$ 3,120,714</u>

See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2007

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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 54,857
Tenant security deposit liability	32,692
Accrued expenses	26,316
Deferred revenues	<u>4,457</u>
Total Current Liabilities	118,322
Noncurrent liabilities:	
Accrued compensated absences	<u>15,788</u>
Total Liabilities	<u>134,110</u>
Net Assets:	
Invested in capital assets	2,560,725
Unrestricted net assets	<u>425,879</u>
Total Net Assets	<u>2,986,604</u>
Total Liabilities and Net Assets	<u>\$ 3,120,714</u>

See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2007

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OPERATING REVENUES:

Dwelling rent	\$ 317,821
Nondwelling rent	<u>16,995</u>
Total operating revenues	<u>334,816</u>

OPERATING EXPENSES:

Administration	155,650
Tenant services	11,534
Utilities	139,245
Ordinary maintenance and operation	192,829
General expenses	49,580
Housing assistance payments	173,919
Extraordinary maintenance	29,435
Depreciation	<u>146,658</u>
Total operating expenses	<u>898,850</u>

Operating income(loss) (564,034)

NONOPERATING REVENUES:

Investment interest income	18,049
Other income	5,609
Capital grants	121,255
Operating grants	<u>437,340</u>

Total nonoperating revenues 582,253

Change in net assets 18,219

Prior period adjustments, equity transfers
 and correction of errors 21,189

Net assets, beginning 2,947,196

Net assets, ending \$ 2,986,604

See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2007

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 332,209
Cash payments to other suppliers of goods and services	(461,160)
Cash payments to employees for services	(228,464)
Cash payments for in lieu of taxes	<u>(14,872)</u>
Net cash (used) by operating activities	<u>(372,287)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	3,194
Operating grants	437,542
Other governmental grants	23,290
Other revenue	<u>5,609</u>
Net cash provided by noncapital financing activities	<u>469,635</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	121,255
Payments for capital acquisitions	<u>(123,590)</u>
Net cash (used) by capital and related financing activities	<u>(2,335)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments decreased by	150,374
Receipts of interest and dividends	<u>18,094</u>
Net cash provided by investing activities	<u>168,468</u>

Net increase(decrease) in cash	263,481
Cash and cash equivalents, beginning	<u>135,511</u>
Cash and cash equivalents, ending	<u>\$ 398,992</u>

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2007

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**RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:**

Operating income(loss)	\$(564,034)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	146,658
Bad debt allowance	(2,124)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	3,606
Prepaid expenses	5,610
Inventories	(1,977)
Increase (decrease) in liabilities:	
Accounts payable	16,206
Accrued wage/payroll taxes payable	22,369
Accrued compensated absences	4,000
Accounts payable-PILOT	3,612
Deferred revenues	<u>(6,213)</u>
Net cash (used) by operating activities	<u><u>\$(372,287)</u></u>

See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
March 31, 2007

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NOTE 1: Summary of Significant Accounting Policies

The Mt. Pleasant Housing Commission (the Housing Commission) is a component unit of the City of Mt. Pleasant, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Mt. Pleasant on May 23, 1966, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

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

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$600 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	15 years
Buildings	40 years
Building improvements	15 years
Nondwelling structures	10 years
Equipment - portable	10 years
Furnishings	5 years
Office equipment	5 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the year ended March 31, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$133,355	\$133,355	\$	\$	\$ 135,629
Savings	263,263	263,263			263,263
	<u>\$396,618</u>	<u>\$396,618</u>	<u>\$</u>	<u>\$</u>	<u>\$ 398,892</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2007. The

categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category</u>	<u>Category</u>	<u>Category</u>		
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of deposits	<u>\$ 142,024</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 142,024</u>	<u>\$ 142,024</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 100
Carrying amount of deposits	398,892
Investments	142,024
Total	<u>\$ 541,016</u>
Cash and investments:	
Enterprise activities	\$ 538,742
Enterprise activities - reconciling items	2,366
Enterprise activities - checks written in excess of deposits	(92)
Total	<u>\$ 541,016</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2007, is as follows:

Tenant accounts receivable	\$ 1,354
Allowance for doubtful accounts	(333)
Tenants accounts receivable, net	1,021
Accrued interest receivable	285
Total	<u>\$ 1,306</u>

3(c) Capital Assets

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Balance 03/31/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/07</u>
Low Rent Program				
Land	\$ 243,557	\$	\$	\$ 243,557
Buildings	4,728,217	1		4,728,218
Furniture, equip. & machinery - administration	<u>84,237</u>	<u>1,464</u>		<u>85,701</u>
	5,056,011	<u>\$ 1,465</u>	<u>\$</u>	5,057,476
Less accumulated depreciation	<u>(2,500,135)</u>	<u>\$ (139,851)</u>	<u>\$ 870</u>	<u>(2,639,116)</u>
Total	<u>\$2,555,876</u>			<u>\$2,418,360</u>
Capital Fund Program				
Buildings	\$ 24,340	\$	\$	\$ 24,340
Furniture, equip. & machinery - administration	5,735	37,201		42,936
Construction in progress	<u>30,075</u>	<u>84,053</u>		<u>84,053</u>
	30,075	<u>\$ 121,254</u>	<u>\$</u>	151,329
Less accumulated depreciation	<u>(2,158)</u>	<u>\$ (6,806)</u>	<u>\$</u>	<u>(8,964)</u>
Total	<u>\$ 27,917</u>			<u>\$ 142,365</u>
Combined Totals				<u>\$2,560,725</u>

3(d) Accounts Payable

Payable detail at March 31, 2007, is as follows:

Accounts payable - vendors	\$ 23,381
Accounts payable - HUD PHA programs	12,992
Accounts payable - other government-PILOT	<u>18,484</u>
	<u>\$ 54,857</u>

3(e) Accrued Expenses

Accrued expense detail at March 31, 2007, is as follows:

Accrued wage/payroll taxes payable	\$ 22,369
Accrued compensated absences-current portion	<u>3,947</u>
	<u>\$ 26,316</u>

3(f) Non-current Liabilities

As of March 31, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	\$ <u>15,788</u>
--	------------------

3(g) Interprogram Transactions and Balances

Operating Transfers

There were no operating transfers during the fiscal year ended March 31, 2007.

Interprogram Receivable/Payable

Housing Choice Vouchers	\$ 1,056
Low Rent Program	(<u>1,056</u>)
	<u>\$ _____</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

The Housing Commission on April 1, 2002, began a Simplified Employee Pension Plan covering full-time employees that have completed a six-month probation period. The Housing Commission makes monthly contributions to the Plan equal to 12 percent of salaries. Upon separation, accrued funds remain the property of that individual. During the fiscal year ended March 31, 2007 the Housing Commission contributed a total of \$21,239.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with the Michigan Township PAR Plan.
b. Injuries to employees (workers' compensation)	Included in the City of Mt. Pleasant plan.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$250 deductibles from the Michigan Township PAR Plan.

d. Health and life

Included in the City of
Mt. Pleasant plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At March 31, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 125,520	\$ 75,682
2006 CFP	139,116	139,116
	<u>\$ 264,636</u>	<u>\$ 214,798</u>

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Prior Period Adjustments, Equity Transfers and Correction of Errors

Housing Choice Vouchers

To record adj. in the redistribution of grant income	\$ 202
To record the account payable to HUD for the 2004 Set./Recapture	(12,992)
To remove account payable HUD-prior year	33,979
	<u>\$ 21,189</u>

4(e) Subsequent Events

A private company in December began leasing some city owned parking spaces near the Housing Commission's high rise complex for their antenna. The rent is paid to the City of Mt. Pleasant. The Housing Commission agreed to provide this company the electricity it needs. At the time of this audit report date, the City has not reimbursed the Housing Commission for the electricity use. The amount owed as of March 31, 2007 is approximately \$2,000.

SUPPLEMENTARY INFORMATION

MT. PLEASANT HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM
 March 31, 2007
 =====

	C-3062	Capital
	Low Rent	Fund
	Program	Program
	<u>14.850a</u>	<u>14.872</u>

ASSETS

Current assets:		
Cash and cash equivalents	\$ 271,972	\$
Accounts receivable-tenants	1,354	
Allowance for doubtful accounts	(333)	
Accrued interest receivable	285	
Investments-unrestricted	142,024	
Prepaid expenses	10,737	
Inventories	6,930	
Due from other programs	<u> </u>	<u> </u>
Total current assets	<u>432,969</u>	<u> </u>
Capital assets:		
Land	243,557	
Buildings	4,728,218	24,340
Equipment	85,701	42,936
Construction in progress	<u> </u>	<u>84,053</u>
	5,057,476	151,329
Less accumulated depreciation	<u>(2,639,116)</u>	<u>(8,964)</u>
Net capital assets	<u>2,418,360</u>	<u>142,365</u>
Total Assets	<u>\$ 2,851,329</u>	<u>\$ 142,365</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 127,020	\$ 398,992
	1,354
	(333)
	285
	142,024
	10,737
	6,930
<u>1,056</u>	<u>1,056</u>
<u>128,076</u>	<u>561,045</u>
	243,557
	4,752,558
	128,637
	<u>84,053</u>
	5,208,805
	<u>(2,648,080)</u>
	<u>2,560,725</u>
<u>\$ 128,076</u>	<u>\$ 3,121,770</u>

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)
 March 31, 2007

=====

	C-3062	Capital
	Low Rent	Fund
	Program	Program
	<u>14.850a</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:		
Accounts payable	\$ 41,665	\$
Tenant security deposit liability	32,692	
Accrued expenses	24,774	
Deferred revenues	4,457	
Due to other programs	<u>1,056</u>	<u> </u>
Total current liabilities	104,644	
Noncurrent liabilities:		
Accrued compensated absences	<u>15,592</u>	<u> </u>
Total liabilities	<u>120,236</u>	<u> </u>
Net Assets:		
Invested in capital assets	2,418,360	142,365
Unrestricted net assets	<u>312,733</u>	<u> </u>
Total net assets	<u>2,731,093</u>	<u>142,365</u>
Total Liabilities and Net Assets	<u>\$2,851,329</u>	<u>\$ 142,365</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 13,192	\$ 54,857
1,542	32,692
<u> </u>	26,316
	4,457
	<u>1,056</u>
14,734	119,378
<u>196</u>	<u>15,788</u>
<u>14,930</u>	<u>135,166</u>
<u>113,146</u>	2,560,725
	<u>425,879</u>
<u>113,146</u>	<u>2,986,604</u>
<u>\$ 128,076</u>	<u>\$ 3,121,770</u>

MT. PLEASANT HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended March 31, 2007

=====

	C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 317,821	\$
Nondwelling rent	<u>16,995</u>	<u> </u>
Total operating revenues	<u>334,816</u>	<u> </u>
OPERATING EXPENSES:		
Administration	145,012	290
Tenant services	10,520	1,014
Utilities	139,245	
Ordinary maintenance and operation	181,757	11,072
General expenses	45,680	
Housing assistance payments		
Extraordinary maintenance	14,723	14,712
Depreciation	<u>139,851</u>	<u>6,807</u>
Total operating expenses	<u>676,788</u>	<u>33,895</u>
Operating income(loss)	<u>(341,972)</u>	<u>(33,895)</u>
NONOPERATING REVENUES:		
Investment interest income	14,048	
Other income	5,609	
Capital grants		121,255
Operating grants	<u>205,565</u>	<u>27,088</u>
Total nonoperating revenues	<u>225,222</u>	<u>148,343</u>
Change in net assets	(116,750)	114,448
Prior period adjustments, equity transfers and correction of errors		
Net assets, beginning	<u>2,847,843</u>	<u>27,917</u>
Net assets, ending	<u>\$2,731,093</u>	<u>\$142,365</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$
	317,821
	<u>16,995</u>
	334,816
10,348	155,650
	11,534
	139,245
	192,829
3,900	49,580
173,919	173,919
	29,435
	<u>146,658</u>
<u>188,167</u>	<u>898,850</u>
(188,167)	(564,034)
4,001	18,049
	5,609
	121,255
<u>204,687</u>	<u>437,340</u>
<u>208,688</u>	<u>582,253</u>
20,521	18,219
21,189	21,189
<u>71,436</u>	<u>2,947,196</u>
<u>\$ 113,146</u>	<u>\$ 2,986,604</u>

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2007

=====

	C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 332,209	\$
Cash payments to other suppliers of goods and services	(251,906)	(27,088)
Cash payments to employees for services	(224,213)	
Cash payments for in lieu of taxes	<u>(14,872)</u>	
Net cash (used) by operating activities	<u>(158,782)</u>	<u>(27,088)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	3,194	
Due from/to other funds	782	
Other governmental grants	22,780	
Operating grants	205,565	27,088
Other revenue	<u>5,609</u>	
Net cash provided by noncapital financing activities	<u>237,930</u>	<u>27,088</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		121,255
Payments for capital acquisitions	<u>(2,335)</u>	<u>(121,255)</u>
Net cash (used) by capital and related financing activities	<u>(2,335)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments decreased by	150,374	
Receipts of interest and dividends	<u>14,093</u>	
Net cash provided by investing activities	<u>164,467</u>	
Net increase(decrease) in cash	241,280	
Cash and cash equivalents, beginning	<u>30,692</u>	
Cash and cash equivalents, ending	<u>\$ 271,972</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 332,209
(182,166)	(461,160)
(4,251)	(228,464)
<u> </u>	<u>(14,872)</u>
<u>(186,417)</u>	<u>(372,287)</u>
	3,194
(782)	23,290
510	437,542
204,889	<u>5,609</u>
<u> </u>	
<u>204,617</u>	<u>469,635</u>
	121,255
<u> </u>	<u>(123,590)</u>
<u> </u>	<u>(2,335)</u>
	150,374
<u>4,001</u>	<u>18,094</u>
<u>4,001</u>	<u>168,468</u>
22,201	263,481
<u>104,819</u>	<u>135,511</u>
<u>\$ 127,020</u>	<u>\$ 398,992</u>

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended March 31, 2007

=====

	C-3062	Capital
	Low Rent	Fund
	Program	Program
	<u>14.850a</u>	<u>14.872</u>

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

Operating income(loss)	\$(341,972)	\$(33,895)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	139,851	6,807
Bad debt allowance	(2,124)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	3,606	
Prepaid expenses	5,610	
Inventories	(1,977)	
Increase (decrease) in liabilities:		
Accounts payable	16,042	
Accrued wage/payroll taxes payable	20,876	
Accrued compensated absences	3,907	
Accounts payable-PILOT	3,612	
Deferred revenues	<u>(6,213)</u>	
Net cash (used) by operating activities	<u>\$(158,782)</u>	<u>\$(27,088)</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$(188,167)	\$(564,034)
	146,658
	(2,124)
	3,606
	5,610
	(1,977)
164	16,206
1,493	22,369
93	4,000
	3,612
<u> </u>	<u>(6,213)</u>
<u>\$(186,417)</u>	<u>\$(372,287)</u>

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2007

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 205,565
	<u>Public and Indian Housing Major - Direct Program</u>		
2007	Capital Fund Program	14.872	148,343
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2007	Housing Choice Vouchers	14.871	<u>204,687</u>
	Total		<u>\$ 558,595</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MT. PLEASANT HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2007

=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 239,280	\$
114	Cash-tenant security deposits	<u>32,692</u>	<u> </u>
100	Total cash	<u>271,972</u>	<u> </u>
	Receivables:		
126	A/R-tenants-dwelling rents	1,354	
126.1	Allowance for doubtful accounts	(333)	
129	Accrued interest receivable	<u>285</u>	<u> </u>
120	Total receivables, net of allowance for doubtful accounts	<u>1,306</u>	<u> </u>
131	Investments-unrestricted	<u>142,024</u>	<u> </u>
	Other Current Assets:		
142	Prepaid expenses and other assets	10,737	
143	Inventories	6,930	
144	Interprogram due from	<u> </u>	<u> </u>
	Total other current assets	<u>17,667</u>	<u> </u>
150	Total current assets	<u>432,969</u>	<u> </u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	243,557	
162	Buildings	4,728,218	24,340
164	Furn, equip & mach-admin.	85,701	42,936
166	Accumulated depreciation	(2,639,116)	(8,964)
167	Construction in progress	<u> </u>	<u>84,053</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,418,360</u>	<u>142,365</u>
180	Total noncurrent assets	<u>2,418,360</u>	<u>142,365</u>
190	Total Assets	<u>\$ 2,851,329</u>	<u>\$142,365</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 127,020	\$ 366,300
<u>127,020</u>	<u>32,692</u>
	<u>398,992</u>
	1,354
	(333)
	<u>285</u>
	<u>1,306</u>
	<u>142,024</u>
	10,737
	6,930
<u>1,056</u>	<u>1,056</u>
<u>1,056</u>	<u>18,723</u>
<u>128,076</u>	<u>561,045</u>
	243,557
	4,752,558
	128,637
	(2,648,080)
	<u>84,053</u>
	<u>2,560,725</u>
	<u>2,560,725</u>
<u>\$ 128,076</u>	<u>\$ 3,121,770</u>

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007

=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 23,181	\$
321	Accrued wage/payroll taxes payable	20,876	
322	Accrued compensated absences-current portion	3,898	
331	Accounts payable-HUD PHA programs		
333	Accounts payable-other government	18,484	
341	Tenant security deposits	32,692	
342	Deferred revenues	4,457	
347	Interprogram due to	<u>1,056</u>	<u> </u>
310	Total current liabilities	104,644	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>15,592</u>	<u> </u>
300	Total liabilities	<u>120,236</u>	<u> </u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,418,360</u>	<u>142,365</u>
508	Total invested in capital assets	2,418,360	142,365
512.1	Unrestricted net assets	<u>312,733</u>	<u> </u>
513	Total Net Assets	<u>2,731,093</u>	<u>142,365</u>
600	Total Liabilities and Net Assets	<u>\$ 2,851,329</u>	<u>\$142,365</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 200	\$ 23,381
1,493	22,369
49	3,947
12,992	12,992
	18,484
	32,692
	4,457
	<u>1,056</u>
<u>14,734</u>	119,378
<u>196</u>	<u>15,788</u>
<u>14,930</u>	<u>135,166</u>
	<u>2,560,725</u>
	2,560,725
<u>113,146</u>	<u>425,879</u>
<u>113,146</u>	<u>2,986,604</u>
<u>\$ 128,076</u>	<u>\$ 3,121,770</u>

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007

=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 317,821	\$
704	Tenant revenue-other	<u>16,995</u>	<u> </u>
705	Total tenant revenue	334,816	
706	HUD PHA grants	205,565	27,088
706.1	Capital grants		121,255
711	Investment income-unrestricted	14,048	
715	Other income	<u>5,609</u>	<u> </u>
700	Total revenue	<u>560,038</u>	<u>148,343</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	83,180	
912	Auditing fees	3,168	
914	Compensated absences	3,908	
915	Employee benefit contributions-adm.	32,758	
916	Other operating-administrative	21,998	290
	Tenant Services:		
921	Tenant services-salaries	6,830	
923	Employee benefit contributions	2,690	
924	Tenant services-other	1,000	1,014
	Utilities:		
931	Water	10,687	
932	Electricity	55,497	
933	Gas	64,027	
938	Other utilities expense	9,034	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	88,632	
942	Ordinary maint & oper-mat'ls & other	24,380	11,072
943	Ordinary maint & oper-contract costs	33,839	
945	Employee benefit contributions	34,906	
	General expenses:		
961	Insurance premiums	28,841	
962	Other general expenses		
963	Payments in lieu of taxes	18,484	
964	Bad debt-tenant rents	<u>(1,645)</u>	<u> </u>
969	Total operating expenses	<u>522,214</u>	<u>12,376</u>
970	Excess operating revenue over operating expenses	<u>37,824</u>	<u>135,967</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 317,821
	<u>16,995</u>
	334,816
204,687	437,340
	121,255
4,001	18,049
	<u>5,609</u>
<u>208,688</u>	<u>917,069</u>
3,465	86,645
132	3,300
93	4,001
2,372	35,130
4,286	26,574
	6,830
	2,690
	2,014
	10,687
	55,497
	64,027
	9,034
	88,632
	35,452
	33,839
	34,906
94	28,935
3,806	3,806
	18,484
	(1,645)
<u>14,248</u>	<u>548,838</u>
<u>194,440</u>	<u>368,231</u>

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2007
=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	14,723	14,712
973	Housing assistance payments		
974	Depreciation expense	<u>139,851</u>	<u>6,807</u>
	Total other expenses	<u>154,574</u>	<u>21,519</u>
900	Total expenses	<u>676,788</u>	<u>33,895</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(116,750)	114,448
1103	Beginning Net Assets	2,847,843	27,917
1104	Prior period adjustments, equity transfers and correction of errors	<u> </u>	<u> </u>
	Ending Net Assets	<u>\$ 2,731,093</u>	<u>\$142,365</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
	29,435
173,919	173,919
<u>173,919</u>	<u>146,658</u>
<u>188,167</u>	<u>350,012</u>
	<u>898,850</u>
20,521	18,219
71,436	2,947,196
<u>21,189</u>	<u>21,189</u>
<u>\$ 113,146</u>	<u>\$ 2,986,604</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

I have audited the financial statements of the business-type activities of Mt. Pleasant Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated November 13, 2007. 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 Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Mt. Pleasant Housing Commission
Page Two

Compliance and Other Matters (continued)

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*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated November 13, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry Standell, CPA

November 13, 2007

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

Compliance

I have audited the compliance of Mt. Pleasant Housing Commission, Michigan, (Housing Commission) 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 March 31, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's 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 Housing Commission's management. My responsibility is to express an opinion on the Housing 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 Housing 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 of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Mt. Pleasant Housing Commission
Page Two

Compliance (continued)

As described in items 07-1 and 07-2 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding eligibility and inspections that are applicable, in our opinion, for the Housing Commission, to comply with requirements applicable to the Low Rent program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing 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 March 31, 2007.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing 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 compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Housing Commission's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 07-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 07-3 to be a material weakness.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Mt. Pleasant Housing Commission
Page Three

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Sandlett, CPA, PC

November 13, 2007

MT. PLEASANT HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
March 31, 2007

=====

The prior audit report for the year ended March 31, 2007 contained no audit findings.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 March 31, 2007

=====

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of Auditor's Report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? No
- * Reportable condition(s) identified that are not considered to be a material weaknesses? None reported

Noncompliance material to financial statements noted? No

Is a "going concern" explanatory paragraph included in the audit report? No

Federal Awards:

Internal control over major programs:

- * Material weakness(es) identified? Yes
- * Reportable condition(s) that are not considered to be material weaknesses? Yes

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850a	Low Rent Public Housing	\$ 205,565	Yes	E L	N/A	07-1 07-2
14.872	Capital Fund Program	148,343	Yes	O	N/A	N/A
14.871	Voucher Program	204,687	No	N	N/A	07-3

The threshold for distinguishing Types A and B programs was \$300,000.

The Housing Commission was determined to be a low-risk auditee.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007

=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

Low Rent Program - CFDA No. 14.850a

Finding Item 07-1: Year Ended March 31, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We started with the eighth tenant file and selected every seventeenth one after that until a total of seven files were selected to be tested from a Tenant List provided by the Mt. Pleasant Housing Commission. We selected seven tenant files to test from a population of 120 tenant files to select from.

Auditor's Recommendation: We recommend that the Housing Commission staff continue the process of correcting the tenant files where possible.

Auditee Response: All items of concern noted on the findings will be corrected by the tenant's next annual recertification and efforts will be made to insure accurate and calculations and completion of all necessary forms.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 March 31, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Program - CFDA No. 14.850a

Finding Item 07-1 (continued): Year Ended March 31, 2007

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	1
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	1
5. Incorrect Verification of Assets	2
6. Inspection Report for fiscal year is missing or incorrect	7
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Proof of Social Security Number Verification missing	3
10. Flat Rent/Income Based Rent Choice missing or incorrect	3
11. Notice of Rent Adjustment missing or incorrect	1
12. Criminal Background Check not done, not documented, or it was in the file	0
13. Declaration of 214 Status missing or incorrect	0
14. Check for Previous Eviction from Public Housing not done or incorrect	0
15. Annual Family Composition Review missing or incorrect	<u>0</u>
 Total	 <u>18</u>

Out of a possible 105, there were 18 exceptions from this test. This represents an exception rate of 17.1%.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 March 31, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Finding Item 07-1 (continued):

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	801-2			x					x	
2	610-1								x	
3	302-1								x	
4	806-1					x	x		x	
5	804-1			x					x	
6	1612-1			x			x		x	
7	509-1						x		x	
Number of Hits		<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>1</u>	<u>3</u>	<u>0</u>	<u>7</u>	<u>0</u>
Percentage of Hits		<u>0%</u>	<u>0%</u>	<u>43%</u>	<u>0%</u>	<u>14%</u>	<u>43%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007

=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Program CFDA No. 14.850a

Finding Item 07-2: Year Ended March 31, 2007

Condition and Criteria: There was no evidence in the tenant files, or available outside of the tenant files to show that all of the tenant units were inspected, other than the City of Mt. Pleasant' Fire Department inspection report. (1) Directive Number: 902.20 states: The HUD-conducted physical inspections required by this part do not relieve the PHA of the responsibility to inspect public housing units. (2) 24 CFR 902.43(4) states: Management sub-indicator #4-PHA annual inspection of Units and Systems. This management sub-indicator examines the percentage of units and systems that a PHA inspects on an annual basis in order to determine short-term maintenance needs and long-term Capital Fund needs. This management sub-indicator requires a PHA's inspection to utilize the HUD physical condition standards set forth in sub-part B of this part. All occupied units are required to be inspected. (3) 24 CFR 902.63 f2 states: A PHA that cannot provide justifying documentation to REAC, or to the PHA's independent auditor for the assessment under any indicator(s) and/or component(s) shall receive a score of 0 for the relevant indicator(s), sub-indicator(s) and/or component(s) and its overall PHAS score shall be lowered.

Effect: Tenants may be in substandard units.

Cause: The Mt. Pleasant Housing Commission performed annual inspections at the same time the Fire Department did their inspections, but did not have documentation showing that they were done per HUD physical condition standards.

Population and Items Tested: Out of 120 tenants, 7 were tested and of these, 7 did not have inspection records. This represents an exception rate of 100%.

Auditor's Recommendation: Annual inspections should be documented on a proper form that meets the UPCS standards.

Auditee's Response: We do conduct our own annual inspections, we just do it in conjunction with the Annual Fire Department Licensing inspections so we don't inconvenience the tenants with multiple inspections in any given year. Those are what we create our work orders for repairs and H & S issues from. We disagree with the statement that says "... or available outside of the tenant files to show that all of the tenant units were inspected". The *Effect* is erroneous because it is impossible for the tenants to live in substandard housing due to the fact that the Fire Department is responsible for issuing annual rental licenses for all housing within the city limits and the Housing Commission was issued rental licenses for the year, so there is no danger to the tenants of living in substandard housing.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2007
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program CFDA No. 14.871

Finding Item 07-3: Year Ended March 31, 2007

Condition and Criteria: There was no evidence to show that Quality Control Inspections were done. 24 CFR 985.3 HQS Quality Control Inspections. This indicator shows whether a PHA supervisor or other qualified person reinspects a sample of units under contract during the PHA fiscal year, which meets the minimum sample size requirements specified at 985.2 under PHA's quality control sample, for quality control of HQS inspections. 24 CFR 985.3 specifies that a sample size of 5 is always needed and more once you get to over 50 units.

Effect: Tenants may be in substandard units.

Cause: The Mt. Pleasant Housing Commission did not perform Quality Control Inspections or did not have documentation showing that they were done.

Population and Items Tested: During the interview process, it was discovered that Quality Control Inspections were not done during the fiscal year.

Auditor's Recommendation: Quality Control Inspections should be performed on the units and the results documented on a proper inspection form. Any deficiencies should be noted and those deficiencies corrected within the specified time frames, which are 24 hours for emergency items and 30 days or by granted extension for deficiencies that are not emergencies. These Quality Control Inspections should be done in sufficient numbers to meet the requirements of 24 CFR 985.2. It is recommended that these Quality Control Inspections be done as soon as possible after the original annual inspections, but in any case within the required three months.

Auditee's Response: I thought we had conducted one for the fiscal year as a sample, but she didn't get moved in until after the end of the fiscal year so it will be on next year's. The other lady I looked at was during the previous fiscal year so I missed it.

MT. PLEASANT HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2007

MT. PLEASANT HOUSING COMMISSION
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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Mt. Pleasant Housing Commission

I have audited the financial statements of the Mt. Pleasant Housing Commission ("Housing Commission") as of and for the year ended March 31, 2007, and have issued my report, thereon, dated August 29, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing the audit adjusting journal entries, if any).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Bary E. Sawdell, CPA, PC

August 29, 2007

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Mt. Pleasant Housing Commission

I have audited the financial statements of the Mt. Pleasant Housing Commission ("Housing Commission") as of and for the year ended March 31, 2007, and have issued my report, thereon, dated August 29, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

August 29, 2007

MT. PLEASANT HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
March 31, 2007

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Check Writing Policy

The Housing Commission currently has adequate check writing procedures, but does not have a formal policy.

The Michigan Department of Treasury requires that the board must approve all invoices prior to payment unless addressed otherwise in a formal written policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings). This policy must be very limited and a list of payments made prior to approval must be presented to the board for approval.

Waiting List

During testing of new admissions to the program, it was discovered that while there was some documentation that new admissions to the program were selected correctly from the waiting list, the documentation should be improved.

We recommend that the Housing Commission improve the documentation process by placing a copy of the appropriate waiting list in the new admission's tenant file when they come into the program. If they are not at the top of the waiting list at the time of admission, there should be adequate documentation for anyone above them on the waiting list as to why they were skipped.

MT. PLEASANT HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
March 31, 2007

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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There were no adjusting journal entries necessary.