

# 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 Roseville Housing Commission	County Macomb
Fiscal Year End 3/31/2007	Opinion Date 12/21/2007	Date Audit Report Submitted to State 12/21/2007	

We affirm that:

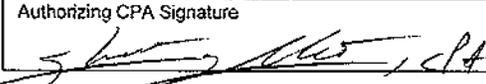
We are certified public accountants licensed to practice in Michigan.

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.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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"/>	NA	
Other (Describe)	<input checked="" type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address 201 E. Hughitt Street		City Iron Mountain	State MI
		Zip 49801	
Authorizing CPA Signature 	Printed Name Shane M. Ellison, CPA		License Number 263063

**ROSEVILLE HOUSING COMMISSION**

**REPORT ON FINANCIAL STATEMENTS**

(with supplemental information)

For the Year Ended March 31, 2007

ROSEVILLE HOUSING COMMISSION

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*(Regional Firm with Offices in Michigan and Wisconsin)*

Principals - Iron Mountain:  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Roseville Housing Commission  
Roseville, Michigan

We have audited the accompanying financial statements of the business-type activities of the Roseville Housing Commission, a component unit of the City of Roseville, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Roseville Housing Commission as of March 31, 2007, and the respective changes in financial position and 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*, we have also issued our report dated December 21, 2007 on our consideration of the Roseville Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Roseville Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 Roseville Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

December 21, 2007

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Roseville Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$6,594,844 for the year ended March 31, 2007 compared to \$6,439,064 for the year ended March 31, 2006.
- The Commission's operating revenues totaled \$2,914,954 for the year ended March 31, 2007 and \$2,934,364 for the year ended March 31, 2006, while operating expenses totaled \$3,077,400 for the year ended March 31, 2007 and \$2,975,883 for the year ended March 31, 2006.

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

### REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

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

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

## REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

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

## THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended March 31, 2007 increased \$155,780 from the year ended March 31, 2006.

**Table 1**  
**NET ASSETS**

	Assets	
	March 31,	
	2007	2006
Current assets	\$4,246,135	\$4,181,777
Capital assets (net)	<u>3,292,071</u>	<u>3,280,509</u>
Total assets	<u>7,538,206</u>	<u>7,462,286</u>
<b>Liabilities</b>		
Current liabilities	776,000	675,392
Noncurrent liabilities	<u>167,362</u>	<u>347,830</u>
Total liabilities	<u>943,362</u>	<u>1,023,222</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,967,071	2,780,509
Unrestricted	<u>3,627,773</u>	<u>3,658,555</u>
<b>Net Assets</b>	<u>\$6,594,844</u>	<u>\$6,439,064</u>

Net assets of the Commission stood at \$6,594,844 for the year ended March 31, 2007 compared to \$6,439,064 for the year ended March 31, 2006. Unrestricted net business assets were \$3,627,773 for the year ended March 31, 2007 compared to \$3,658,555 for the year ended March 31, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The change in current assets was largely due to a \$71,370 increase in accounts receivable while the increase in current liabilities was largely due to a \$40,307 increase in accounts payable and a \$34,588 increase in accrued wages/payroll taxes.

**Table 2**

**CHANGE IN NET ASSETS**

	Year Ended March 31,	
	2007	2006
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 736,398	\$ 730,882
Program grants and subsidies	2,350,300	2,317,186
General revenues:		
Other revenues	22,163	23,722
Unrestricted investment earnings	142,328	88,811
 Total revenues	 <u>3,251,189</u>	 <u>3,160,601</u>
 <b>Program Expenses:</b>		
Operating expenses	3,077,400	2,975,883
Loss on sale of capital assets	31	-
Interest expense	17,978	27,443
 Total expenses	 <u>3,095,409</u>	 <u>3,003,326</u>
 Change in net assets	 155,780	 157,275
 Net assets - beginning of period	 <u>6,439,064</u>	 <u>6,281,789</u>
 Net assets - end of period	 <u>\$ 6,594,844</u>	 <u>\$ 6,439,064</u>

**BUSINESS - TYPE ACTIVITIES**

Revenues for the Commission totaled \$3,251,189 for the year ended March 31, 2007 compared to \$3,160,601 for the year ended March 31, 2006. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses was largely due to a \$58,080 increase in administrative expenses, a \$29,723 increase in maintenance expenses, and a \$28,350 increase in general expenses.

## CAPTIAL ASSETS

### Capital Assets

The Commission had \$8,631,439 invested in a variety of capital assets including land, equipment and buildings for the year ended March 31, 2007 compared to \$8,334,397 for the year ended March 31, 2006.

Table 3

### CAPITAL ASSETS Business - Type Activity

	March 31,	
	2007	2006
Land and improvements	\$ 368,360	\$ 368,360
Building and improvements	7,847,963	7,432,985
Equipment	387,726	340,184
Construction-in-progress	27,390	192,868
Total	8,631,439	8,334,397
Less accumulated depreciation	(5,339,368)	(5,053,888)
<b>NET CAPITAL ASSETS</b>	<b><u>\$3,292,071</u></b>	<b><u>\$3,280,509</u></b>

The Commission invested \$325,870 in capital assets during the year ended March 31, 2007.

### NOTES PAYABLE

During the year the Commission repaid notes payable in the amount of \$175,000, representing all long-term liability payments due from the Commission during the year.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2007/2008. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007/2008 budget process.

### CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Leonard Schweitzer, at 18330 Eastland, Roseville, Michigan 48066, or call 586-778-1360.

**ROSEVILLE HOUSING COMMISSION**

**STATEMENT OF NET ASSETS  
Proprietary Fund**

March 31, 2007

<b>CURRENT ASSETS:</b>	
Cash and equivalents	\$ 100,126
Accounts receivable	145,500
Investments	3,967,749
Prepaid expenses	<u>32,760</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>4,246,135</b></u>
<b>NONCURRENT ASSETS:</b>	
Capital assets	8,631,439
Less accumulated depreciation	<u>(5,339,368)</u>
<b>NET CAPITAL ASSETS</b>	<u><b>3,292,071</b></u>
<b>TOTAL ASSETS</b>	<u><b>7,538,206</b></u>
<b>CURRENT LIABILITIES:</b>	
Bank overdraft	13,497
Accounts payable	35,746
Accrued liabilities	515,242
Compensated absences	36,515
Bonds payable	<u>175,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u><b>776,000</b></u>
<b>NONCURRENT LIABILITIES:</b>	
Compensated absences	17,362
Bonds payable	<u>150,000</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u><b>167,362</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>943,362</b></u>
<b>NET ASSETS:</b>	
Investment in capital assets, net of related debt	2,967,071
Unrestricted net assets	<u>3,627,773</u>
<b>NET ASSETS</b>	<u><b>\$ 6,594,844</b></u>

The accompanying notes to financial statements are an integral part of this statement.





**ROSEVILLE HOUSING COMMISSION**

**STATEMENT OF ACTIVITIES**

For the Year Ended March 31, 2007

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	
<b><u>FUNCTIONS/PROGRAMS</u></b>				
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Public Housing	\$ 3,095,378	\$ 736,398	\$ 2,156,393	\$ 193,907
				\$ (8,680)
General revenues:				
Unrestricted investment earnings				142,328
Other				22,132
Total general revenues				164,460
Changes in net assets				155,780
NET ASSETS, beginning of year				6,439,064
NET ASSETS, end of year				\$ 6,594,844

The accompanying notes to the financial statements are an integral part of this statement.

ROSEVILLE HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE  
IN NET ASSETS  
Proprietary Fund**

For the Year Ended March 31, 2007

OPERATING REVENUES:

Tenant revenue	\$ 736,398
Program grants-subsidies	2,156,393
Other income	<u>22,163</u>

TOTAL OPERATING REVENUES 2,914,954

OPERATING EXPENSES:

Administration	404,803
Tenant services	10,513
Utilities	238,136
Maintenance	351,969
General	120,912
Housing assistance payments	1,636,790
Depreciation	<u>314,277</u>

TOTAL OPERATING EXPENSES 3,077,400

OPERATING (LOSS) (162,446)

NONOPERATING REVENUES AND (EXPENSES):

Capital grants	193,907
Interest income	142,328
Loss on sale of capital asset	(31)
Interest expense	<u>(17,978)</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES) 318,226

CHANGE IN NET ASSETS 155,780

NET ASSETS, BEGINNING OF YEAR 6,439,064

NET ASSETS, END OF YEAR \$ 6,594,844

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

**ROSEVILLE HOUSING COMMISSION**

**STATEMENT OF CASH FLOWS  
Proprietary Fund**

For the Year Ended March 31, 2007

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 735,823
Cash received from grants and subsidies	2,085,427
Cash payments to suppliers for goods and services	(2,136,313)
Cash payments for wages and related benefits	(489,415)
Cash payments for payment in lieu of taxes	(38,805)
Other receipts	<u>22,163</u>

**NET CASH PROVIDED FROM OPERATING ACTIVITIES** 178,880

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital grants	193,907
Acquisition of capital assets	(325,870)
Payment of debt principal	(175,000)
Payment of debt interest	<u>(21,807)</u>

**NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES** (328,770)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Use of investments	100,159
Investment income	<u>142,063</u>

**NET CASH PROVIDED FROM INVESTING ACTIVITIES** 242,222

**NET (DECREASE) IN CASH AND EQUIVALENTS** 92,332

**CASH AND EQUIVALENTS, BEGINNING OF YEAR** 7,794

**CASH AND EQUIVALENTS, END OF YEAR** \$ 100,126

**RECONCILIATION OF OPERATING INCOME TO NET**

**CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (162,446)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	314,277
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(71,541)
Decrease (Increase) in prepaid expenses	(379)
Increase (Decrease) in accounts payable	40,307
Increase (Decrease) in accrued liabilities	<u>58,662</u>

**NET CASH PROVIDED FROM OPERATING ACTIVITIES** \$ 178,880

The accompanying notes to financial statements are an integral part of this statement.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**THE REPORTING ENTITY**

The Roseville Housing Commission (Commission) was formed by the City of Roseville under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City.

The Commission manages 103 units of low rent public housing, 294 section 8 vouchers, and 133 section 8 new construction of which, for financial reporting purposes, includes all of the activities relevant to its operations.

**Component Unit**

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #39.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Roseville Housing Commission, but the Roseville Commission is a component unit of the City of Roseville, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**BASIS OF PRESENTATION**

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

**Government-Wide Financial Statements:**

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

**Proprietary Fund**

Proprietary Funds are used to account for operations, (a) which 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, public policy, management control, accountability, or other purposes.

**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:**

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

**Basis of Accounting:**

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows are presented using 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS**

- a. Cash and Equivalents – The Commission’s cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$500 per item.

- e. Compensated Absences - It is the Commission’s policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

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

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS (Continued)**

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**REVENUES AND EXPENSES**

Operating revenues and expenses are those that result from providing services and producing 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. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

**OTHER SIGNIFICANT ACCOUNTING POLICIES**

**Interprogram Activity:**

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

**Budgets and Budgetary Accounting:**

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1<sup>st</sup>. The operating budget includes proposed expenses and the means of financing them. Prior to March 31<sup>st</sup>, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31<sup>st</sup>.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE B - CASH AND INVESTMENTS**

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 400
Checking accounts	4,726
Sweep accounts	<u>95,000</u>
 TOTAL	 <u>\$100,126</u>

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of March 31, 2007, the Commission's cash and equivalents were not exposed to credit risk, due to them being fully insured.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>(Investment Maturities in Years)</u>	
			<u>2-5 Years</u>	<u>11-15 Years</u>
Certificates of Deposit	\$ 49,749	\$49,749	\$ -	\$ -
Federal Obligations	<u>3,918,000</u>	<u>-</u>	<u>1,264,000</u>	<u>2,654,000</u>
Totals	<u>\$3,967,749</u>	<u>\$49,749</u>	<u>\$1,264,000</u>	<u>\$2,654,000</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of March 31, 2007, the Commission's investments were not exposed to credit risk, due to them being fully insured.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE B - CASH AND INVESTMENTS (Continued)**

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

*Concentration of Credit Risk.* The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institution:

National City Bank, Roseville, MI \$49,749

**NOTE C - CAPITAL ASSETS**

A summary of capital assets as of March 31, 2007 is as follows:

	Balance 4-1-06	Additions	Deletions	Balance 3-31-07
Land and improvements	\$ 368,360	\$ -	\$ -	\$ 368,360
Building and improvements	7,432,985	414,978	-	7,847,963
Equipment	340,184	76,370	(28,828)	387,726
Construction in progress	<u>192,868</u>	<u>192,495</u>	<u>(357,973)</u>	<u>27,390</u>
	8,334,397	<u>\$ 683,843</u>	<u>\$(386,801)</u>	8,631,439
Accumulated depreciation	<u>(5,050,888)</u>	<u>\$(314,277)</u>	<u>\$ 28,797</u>	<u>(5,336,368)</u>
Net capital assets	<u>\$3,283,509</u>			<u>\$3,295,071</u>

Depreciation expense for the year was \$314,277.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE D - RISK MANAGEMENT**

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

**NOTE E - USE OF ESTIMATES**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended March 31, 2007 totaled \$3,251,189 of which \$2,350,300 or 72.2% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

**NOTE G - PENSION PLAN**

Plan Description

The City's defined benefit pension plan provides retirement, death, health and disability benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE G – PENSION PLAN (Continued)**

Funding Policy

The City is required to contribute at an actuarially determined rate of annual covered payroll. City employees currently make no contribution to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5%, (b) additional projected salary increases up to 5% per year, depending on age, attributable to seniority/merit, and (c) 0.0% to 3.8% per year cost of living adjustment. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's overfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004 the date of the last actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	\$2,813,719	100%	-
6/30/2005	3,295,300	100%	-
6/30/2006	3,885,093	100%	-

Schedule of Funding Progress

(Dollar Amounts in Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) Entry Age (b)</u>	<u>Under funded (AAL) (UAAL) (b-a)</u>	<u>Funded Ratio (ab)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)c)</u>
12/31/2003	109,779	122,849	13,070	89.4%	16,818	77.7%
12/31/2004	111,328	131,171	19,843	84.9%	18,193	109.1%
12/31/2005	114,059	135,778	21,719	84.0%	18,217	119.2%



**ROSEVILLE HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2007

(Continued)

**NOTE H – CHANGES IN LONG-TERM OBLIGATIONS**

During the year ended March 31, 2007, the following changes occurred in long-term obligations:

	<u>Balance</u> <u>4-1-06</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>3-31-07</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds Payable	\$ 500,000	\$ -	\$(175,000)	\$ 325,000	\$ 175,000
Compensated Absences	<u>30,851</u>	<u>23,026</u>	<u>-</u>	<u>53,877</u>	<u>17,362</u>
Total	<u>\$ 530,851</u>	<u>\$ 23,026</u>	<u>\$(175,000)</u>	<u>\$ 378,877</u>	<u>\$ 192,362</u>

**NOTE I – LONG-TERM OBLIGATIONS**

Long-term obligations at March 31, 2007 are comprised of the following amounts:

1. 1993 refunding bonds due in semi-annual installments of \$150,000 to \$175,000 with interest from 2.5% to 5.25%. Matures May 1, 2008.	\$325,000
2. Vested sick and vacation pay.	<u>53,877</u>
Total long-term obligations	<u>\$378,877</u>

The annual requirements of long-term obligations outstanding as of March 31, 2007 are as follows:

<u>Year Ended</u> <u>March 31</u>	<u>Bonds Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 175,000	\$ 12,469	\$ 187,469
2009	<u>150,000</u>	<u>3,938</u>	<u>153,938</u>
TOTAL	<u>\$ 325,000</u>	<u>\$ 16,407</u>	<u>\$ 341,407</u>

Interest charged to expenses totaled \$17,978.





**SUPPLEMENTAL  
INFORMATION**



**ROSEVILLE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash:						
111	Cash - unrestricted	\$ 855	\$ 3,887	\$ 384	\$ -	\$ 5,126
114	Cash - tenant security deposits	51,000	44,000	-	-	95,000
100	Total cash	51,855	47,887	384	-	100,126
Accounts and notes receivables:						
122	Accounts receivable-HUD other projects	-	-	-	145,077	145,077
126	Accounts receivable-Tenants - Dwelling Rents	34	124	-	-	158
126.1	Allowance for doubtful accounts - Dwelling Rents	-	-	-	-	-
129	Accrued interest receivable	189	76	-	-	265
120	Total receivables, net of allowances for doubtful accounts	223	200	-	145,077	145,500
Other current assets:						
131	Investments	2,689,147	995,602	283,000	-	3,967,749
142	Prepaid expenses	14,836	12,025	5,899	-	32,760
144	Interprogram due from	-	145,077	-	-	145,077
150	TOTAL CURRENT ASSETS	2,756,061	1,200,791	289,283	145,077	4,391,212

See accompanying notes to financial statements



**ROSEVILLE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>NONCURRENT ASSETS:</b>						
Fixed assets:						
161	Land	355,000	13,359	-	-	368,359
162	Buildings	3,966,412	1,635,800	-	-	5,602,212
163	Furniture, equipment & machinery - dwellings	111,021	29,239	31,361	-	171,621
164	Furniture, equipment & machinery - administration	129,169	33,164	53,772	-	216,105
165	Leasehold improvements	1,088,483	761,505	37,791	357,972	2,245,751
166	Accumulated depreciation	(3,272,493)	(1,946,959)	(101,085)	(18,831)	(5,339,368)
167	Construction in progress	-	-	-	27,391	27,391
160	Total fixed assets, net of accumulated depreciation	2,377,592	526,108	21,839	366,532	3,292,071
180	<b>TOTAL NONCURRENT ASSETS</b>	<b>2,377,592</b>	<b>526,108</b>	<b>21,839</b>	<b>366,532</b>	<b>3,292,071</b>
190	<b>TOTAL ASSETS</b>	<b>\$ 5,133,653</b>	<b>\$ 1,726,899</b>	<b>\$ 311,122</b>	<b>\$ 511,609</b>	<b>\$ 7,683,283</b>

See accompanying notes to financial statements



**ROSEVILLE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
		\$ 13,497	\$ -	\$ -	\$ -	\$ 13,497
311	Bank overdraft	19,320	14,549	1,877	-	35,746
312	Accounts payable ≤ 90 days	145,216	118,779	131,992	-	395,987
321	Accrued wages / payroll taxes payable	-	36,515	-	-	36,515
322	Accrued compensated absences - current portion	7,109	-	-	-	7,109
325	Accrued interest payable	24,845	18,855	-	-	43,700
333	Accounts payable - other government	32,299	26,411	-	-	58,710
341	Tenant security deposits	5,466	4,270	-	-	9,736
342	Deferred revenues	175,000	-	-	-	175,000
343	Current portion of long-term debt	-	-	-	145,077	145,077
347	Interprogram due to	-	-	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>422,752</b>	<b>219,379</b>	<b>133,869</b>	<b>145,077</b>	<b>921,077</b>
351	Long-term debt, net of current maturities	150,000	-	-	-	150,000
354	Accrued compensated absences - non current	-	17,362	-	-	17,362
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>150,000</b>	<b>17,362</b>	<b>-</b>	<b>-</b>	<b>167,362</b>
300	<b>TOTAL LIABILITIES</b>	<b>572,752</b>	<b>236,741</b>	<b>133,869</b>	<b>145,077</b>	<b>1,088,439</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

**CURRENT LIABILITIES**

- 311 Bank overdraft
- 312 Accounts payable ≤ 90 days
- 321 Accrued wages / payroll taxes payable
- 322 Accrued compensated absences - current portion
- 325 Accrued interest payable
- 333 Accounts payable - other government
- 341 Tenant security deposits
- 342 Deferred revenues
- 343 Current portion of long-term debt
- 347 Interprogram due to

**310 TOTAL CURRENT LIABILITIES**

**351 Long-term debt, net of current maturities**

**354 Accrued compensated absences - non current**

**350 TOTAL NONCURRENT LIABILITIES**

**300 TOTAL LIABILITIES**

See accompanying notes to financial statements





**ROSEVILLE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b><u>REVENUES</u></b>						
703	Net tenant rental revenue	\$ 411,724	\$ 315,122	\$ -	\$ -	\$ 726,846
704	Tenant revenue - other	5,744	3,808	-	-	9,552
705	Total tenant revenue	417,468	318,930	-	-	736,398
706	HUD PHA grants	280,307	83,431	1,792,655	-	2,156,393
706.1	Capital grants	-	-	-	193,907	193,907
711	Investment income - unrestricted	93,855	37,220	11,253	-	142,328
714	Fraud recovery	-	-	7,836	-	7,836
715	Other revenue	7,351	5,892	1,084	-	14,327
716	Gain/loss on sale of fixed assets	(31)	-	-	-	(31)
700	<b>TOTAL REVENUE</b>	<b>798,950</b>	<b>445,473</b>	<b>1,812,828</b>	<b>193,907</b>	<b>3,251,158</b>
<b><u>EXPENSES</u></b>						
Administrative:						
911	Administrative salaries	48,191	36,944	110,129	-	195,264
912	Auditing fees	1,600	1,200	900	-	3,700
914	Compensated absences	-	23,026	-	-	23,026
915	Employee benefit contributions- administrative	28,239	21,649	64,534	-	114,422
916	Other operating- administrative	29,822	17,246	21,323	-	68,391
	Total Administrative	107,852	100,065	196,886	-	404,803

See accompanying notes to financial statements



**ROSEVILLE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE**

**Proprietary Fund**

For the Year Ended March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Tenant services:						
924	Tenant services - other	5,745	4,768	-	-	10,513
Utilities:						
931	Water	20,639	22,412	-	-	43,051
932	Electricity	69,443	70,709	-	-	140,152
933	Gas	44,106	10,827	-	-	54,933
	Total Utilities	134,188	103,948	-	-	238,136
Maintenance:						
941	Ordinary maintenance and operations - labor	72,971	62,161	-	-	135,132
942	Ordinary maintenance and operations - materials & other	18,142	20,571	-	-	38,713
943	Ordinary maintenance and operations - contract costs	52,452	45,075	-	1,412	98,939
945	Employee benefit contributions- ordinary maintenance	42,760	36,425	-	-	79,185
	Total Maintenance	186,325	164,232	-	1,412	351,969

See accompanying notes to financial statements



**ROSEVILLE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
	General expenses:					
961	Insurance premiums	16,294	13,964	5,643	-	35,901
962	Other general expenses	-	-	41,338	-	41,338
963	Payments in lieu of taxes	24,845	18,855	-	-	43,700
964	Bad debt - tenant rents	(15)	(12)	-	-	(27)
967	Interest expense	17,978	-	-	-	17,978
	Total General Expenses	59,102	32,807	46,981	-	138,890
969	TOTAL OPERATING EXPENSES	493,212	405,820	243,867	1,412	1,144,311
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	305,738	39,653	1,568,961	192,495	2,106,847
973	Housing assistance payments	-	-	1,636,790	-	1,636,790
974	Depreciation expense	211,997	78,045	5,404	18,831	314,277
900	TOTAL EXPENSES	705,209	483,865	1,886,061	20,243	3,095,378

See accompanying notes to financial statements



**ROSEVILLE HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended March 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
	Other financing sources (uses)	-	-	-	-	-
1010	Total other financing sources (uses)	\$ 93,741	\$ (38,392)	\$ (73,233)	\$ 173,664	\$ 155,780
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES					
	MEMO account information:					
1102	Debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -
1103	Beginning equity	\$ 4,467,160	\$ 1,528,550	\$ 250,922	\$ 192,868	\$ 6,439,500
1104	Prior Period Adjustments, Equity Transfers	\$ -	\$ -	\$ (436)	\$ -	\$ (436)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ -	\$ 1,792,655	\$ -	\$ 1,792,655
1114	Prorata Maximum AC applicable to less than 12 months	\$ -	\$ -	\$ -	\$ -	\$ -
1115	Contingency Reserve, ACC Program Reserve	\$ -	\$ -	\$ -	\$ -	\$ -
1116	Total Annual Contributions Available	\$ -	\$ -	\$ 1,792,655	\$ -	\$ 1,792,655
1120	Unit months available	1,596	1,236	3,379	-	6,211
1121	Number of unit months leased	1,561	1,220	3,379	-	6,160
1117	Administrative Equity	\$ -	\$ -	\$ 266,505	\$ -	\$ 266,505
1118	Housing Assistance Payments Equity	\$ -	\$ -	\$ (89,252)	\$ -	\$ (89,252)

See accompanying notes to financial statements

**ROSEVILLE HOUSING COMMISSION**

**FEDERAL AUDIT REPORTS**

For the Year Ended March 31, 2007

**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



ROSEVILLE HOUSING COMMISSION

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**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 Commissioners  
Roseville Housing Commission  
Roseville, Michigan

We have audited the financial statements of Roseville Housing Commission as of and for the year ended March 31, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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.

Our consideration of internal control over financial reporting 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 weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Roseville Housing Commission's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



**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**

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson Tackman & Co. PLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

December 21, 2007

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Board of Commissioners  
Roseville Housing Commission  
Roseville, Michigan

Compliance

We have audited the compliance of Roseville 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. Roseville 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 Roseville Housing Commission's management. Our responsibility is to express an opinion on Roseville Housing Commission's compliance based on our audit.

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

In our opinion Roseville 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 Roseville Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Roseville 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Roseville Housing Commission's internal control over compliance.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133  
(Continued)**

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Anderson Tackman & Co. PLLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

December 21, 2007

ANDERSON, TACKMAN  
& COMPANY, P.L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**ROSEVILLE HOUSING COMMISSION**

For the Year Ended March 31, 2007

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expensed as of 4-1-06</u>	<u>3-31-07 Federal Expenditures</u>
Operating Subsidy	14.850	\$ 83,431	\$ -	\$ 83,431
Section 8 New Construction	14.182	\$ 280,307	\$ -	\$ 280,307
Housing Choice Vouchers	14.871	\$ 1,792,655	\$ -	\$ 1,792,655
Capital Funding	14.872			
501-04		\$ 121,648	\$ 72,818	\$ 48,830
501-05		117,686	-	117,686
501-06		<u>107,177</u>	<u>-</u>	<u>27,391</u>
		<u>\$ 346,511</u>	<u>\$ 72,818</u>	<u>\$ 193,907</u>
Total Department of Housing and Urban Development				<u>\$ 2,350,300</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 2,350,300</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



See accompanying notes to the schedule of expenditures of federal awards.

**ROSEVILLE HOUSING COMMISSION**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended March 31, 2007

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Roseville Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE B - COST REPORTS**

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



**ROSEVILLE HOUSING COMMISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended March 31, 2007

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Roseville Housing Commission.
2. There were no signs and deficiencies relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Roseville Housing Commission.
4. There were no signs and deficiencies relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Roseville Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Roseville Housing Commission.
7. The programs tested as major programs included:
  - A. Housing Choice Vouchers – CFDA 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Roseville Housing Commission was determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

1. None.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. None.

**PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. None.

