Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Hermansville Housing Commission	Menominee

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
3/31/2007	12/18/2007	12/18/2007

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	☒	
The letter of Comments and Recommendations	☒	NA
Other (Describe)	☒	NA

Certified Public Accountant (Firm Name)	Telephone Number
Anderson, Tackman & Company, PLC	906-774-4300

Street Address	City	State	Zip
201 E. Hughitt Street	Iron Mountain	MI	49801

Authorizing CPA Signature	Printed Name	License Number
	Shane M. Ellison, CPA	263063

HERMANSVILLE HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended March 31, 2007

HERMANSVILLE HOUSING COMMISSION

TABLE OF CONTENTS

	Page
Independent Auditors' Report	3-4
Management Discussion and Analysis	5-8
Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Statement of Revenues, Expenses, and Change in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-19
Supplemental Information:	
Financial Data Schedule	21-24
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*	25

ANDERSON, TACKMAN & COMPANY, P.L.C.
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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

A 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
Hermansville Housing Commission
Hermansville, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Hermansville Housing Commission as of and for the year ended March 31, 2007 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatements. 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 basic financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hermansville Housing Commission 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of the Hermansville 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.

201 E. HUGHITT, P.O. BOX 828 IRON MOUNTAIN, MICHIGAN 49801 (906) 774-4300 FAX (906) 774-6926

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. 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 Hermansville 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 Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Co. PLC

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

December 18, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Hermansville 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 $611,166 for the year ended March 31, 2007 compared to $607,696 for the year ended March 31, 2006.

- The Commission's operating revenues totaled $94,654 for the year ended March 31, 2007 and $91,182 for the year ended March 31, 2006, while operating expenses totaled $133,897 for the year ended March 31, 2007 and $132,303 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 $3,470 from the year ended March 31, 2006.

Table 1

NET ASSETS

	March 31,	
	2007	2006
Assets		
Current assets	$ 55,207	$ 46,034
Capital assets (net)	570,185	573,714
Total assets	625,392	619,748
Liabilities		
Current liabilities	13,238	11,186
Noncurrent liabilities	988	866
Total liabilities	14,226	12,052
Net Assets		
Invested in capital assets, net of related debt	570,185	573,714
Unrestricted	40,981	33,982
Net Assets	$ 611,166	$ 607,696

Net assets of the Commission stood at $611,166 for the year ended March 31, 2007 compared to $607,696 for the year ended March 31, 2006. Unrestricted net business assets were $40,981 for the year ended March 31, 2007 compared to $33,982 for the year ended March 31, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was largely due to a $8,411 increase in cash. The increase in current liabilities was largely due to a $1,480 increase in accounts payable.

Table 2

CHANGE IN NET ASSETS

	Year Ended March 31,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	$ 41,176	$ 43,343
Program grants and subsidies	91,776	59,500
General revenues:		
Other revenues	2,944	1,368
Unrestricted investment earnings	1,471	962
Total revenues	137,367	105,173
Program Expenses:		
Operating expenses	133,897	132,303
Change in net assets	3,470	(27,130)
Net assets - beginning of period	607,696	634,826
Net assets - end of period	$ 611,166	$ 607,696

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled $137,367 for the year ended March 31, 2007 compared to $105,173 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 $4,453 increase in administrative expenses and a $1,168 decrease in general expenses.

CAPTIAL ASSETS

Capital Assets

The Commission had $1,358,184 invested in a variety of capital assets including land, equipment and buildings for the year ended March 31, 2007 compared to $1,314,490 for the year ended March 31, 2006.

Table 3

CAPITAL ASSETS
Business - Type Activity

	March 31,	
	2007	2006
Land and improvements	$ 244,725	$ 201,031
Building and improvements	1,066,382	1,066,382
Equipment	47,077	47,077
Total	1,358,184	1,314,490
Less accumulated depreciation	(787,999)	(740,776)
NET CAPITAL ASSETS	$ 570,185	$ 573,714

The Commission invested $43,694 in capital assets during the year ended March 31, 2007.

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, Mary Hudson, at W5577 129 W. Third Street, Hermansville, Michigan 49847, or call 906-498-2141.

HERMANSVILLE HOUSING COMMISSION

STATEMENT OF NET ASSETS
Proprietary Fund

March 31, 2007

CURRENT ASSETS:	
Cash and equivalents	$ 24,940
Accounts receivable	1
Investments	29,460
Prepaid expenses	806
TOTAL CURRENT ASSETS	55,207
NONCURRENT ASSETS:	
Capital assets	1,358,184
Less accumulated depreciation	(787,999)
NET CAPITAL ASSETS	570,185
TOTAL ASSETS	625,392
CURRENT LIABILITIES:	
Accounts payable	3,445
Accrued liabilities	9,793
TOTAL CURRENT LIABILITIES	13,238
NONCURRENT LIABILITIES	988
TOTAL LIABILITIES	14,226
NET ASSETS:	
Investment in capital assets, net of related debt	570,185
Unrestricted net assets	40,981
NET ASSETS	$ 611,166

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

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HERMANSVILLE HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2007

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
BUSINESS-TYPE ACTIVITIES:					
Public Housing	$ 133,897	$ 41,176	$ 50,534	$ 41,242	$ (945)
General revenues:					
Unrestricted investment earnings					1,471
Other					2,944
Total general revenues					4,415
Change in net assets					3,470
NET ASSETS, beginning of year					607,696
NET ASSETS, end of year					$ 611,166

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

HERMANSVILLE HOUSING COMMISSION

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

For the Year Ended March 31, 2007

OPERATING REVENUES:	
Tenant revenue	$ 41,176
Program grants-subsidies	50,534
Other income	2,944
TOTAL OPERATING REVENUES	94,654
OPERATING EXPENSES:	
Administration	46,585
Tenant services	59
Utilities	19,589
Maintenance	13,651
General	6,690
Other	100
Depreciation	47,223
TOTAL OPERATING EXPENSES	133,897
OPERATING (LOSS)	(39,243)
NONOPERATING REVENUES AND (EXPENSES):	
Capital grants	41,242
Interest income	1,471
TOTAL NONOPERATING REVENUES AND (EXPENSES)	42,713
CHANGE IN NET ASSETS	3,470
NET ASSETS, BEGINNING OF YEAR	607,696
NET ASSETS, END OF YEAR	$ 611,166

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

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HERMANSVILLE HOUSING COMMISSION

STATEMENT OF CASH FLOWS
Proprietary Fund

For the Year Ended March 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 41,476
Cash received from grants and subsidies	50,534
Cash payments to suppliers for goods and services	(42,484)
Cash payments for wages and related benefits	(40,325)
Cash payments for payment in lieu of taxes	(1,692)
Other receipts	2,944
NET CASH PROVIDED FROM OPERATING ACTIVITIES	10,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	41,242
Acquisition of capital assets	(43,694)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,452)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(1,061)
Investment income	1,471
NET CASH PROVIDED FROM INVESTING ACTIVITIES	410
NET INCREASE IN CASH AND EQUIVALENTS	8,411
CASH AND EQUIVALENTS, BEGINNING OF YEAR	16,529
CASH AND EQUIVALENTS, END OF YEAR	$ 24,940
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (39,243)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	47,223
Changes in assets and liabilities:	
Decrease (Increase) in receivables	300
Decrease (Increase) in prepaid expenses	(1)
Increase (Decrease) in accounts payable	1,480
Increase (Decrease) in accrued liabilities	694
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$ 10,453

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

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

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

The Commission manages 24 units of low rent public housing units 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 include 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 Hermansville Housing Commission, but the Hermansville Housing Commission is a component unit of the Township of Hermansville, 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.

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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, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows 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 the 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.

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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 $200 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

Government-Wide Statements:

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

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

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CERTIFIED PUBLIC ACCOUNTANTS

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 1st. The operating budget includes proposed expenses and the means of financing them. Prior to March 31st, 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 31st.

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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	$ 50
Checking accounts	2,794
Savings account	9,086
Money market account	13,010
TOTAL	$ 24,940

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:

		(Investment Maturities in Years)
Investment Type	Fair Value	Less Than 1 Year
Certificates of Deposit	$29,460	$29,460

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.

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CERTIFIED PUBLIC ACCOUNTANTS

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 institutions:

Menominee Area Credit Union, Powers, MI	$29,460

NOTE C – CAPITAL ASSETS

A summary of capital assets for the year ended March 31, 2007 is as follows:

	Balance 4-1-06	Additions	Deletions	Balance 3-31-07
Land and improvements	$ 201,031	$ 43,694	$ -	$ 244,725
Building and improvements	1,066,382	-	-	1,066,382
Equipment	47,077	-	-	47,077
Construction in progress	-	41,242	(41,242)	-
	1,314,490	$ 84,936	$ (41,242)	1,358,184
Accumulated depreciation	(740,776)	$ (47,223)	$ -	(787,999)
Net capital assets	$ 573,714			$ 570,185

Depreciation expense for the year was $47,223.

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CERTIFIED PUBLIC ACCOUNTANTS

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 $137,367 of which $91,776 or 66.8 % 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.

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SUPPLEMENTAL INFORMATION

HERMANSVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	ASSETS			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	$ 24,940	$ -	$ 24,940
100	Total cash	24,940	-	24,940
	Accounts and notes receivables:			
126	Accounts receivable- tenants	1	-	1
126.1	Allowance for doubtful accounts - tenants	-	-	-
120	Total receivables, net of allowances for doubtful accounts	1	-	1
	Other current assets:			
131	Investments - Unrestricted	29,460	-	29,460
142	Prepaid expenses and Other Assets	806	-	806
150	TOTAL CURRENT ASSETS	55,207	-	55,207
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	14,725	-	14,725
162	Buildings	1,063,698	2,684	1,066,382
163	Furniture, equipment & machinery - dwellings	13,175	-	13,175
164	Furniture, equipment & machinery - administration	30,421	3,481	33,902
165	Leasehold improvements	178,598	51,402	230,000
166	Accumulated depreciation	(784,677)	(3,322)	(787,999)
160	Total fixed assets, net of accumulated depreciation	515,940	54,245	570,185
180	TOTAL NONCURRENT ASSETS	515,940	54,245	570,185
190	TOTAL ASSETS	$ 571,147	$ 54,245	$ 625,392

See accompanying notes to financial statements

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

HERMANSVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	LIABILITIES AND NET ASSETS			
	LIABILITIES:			
	CURRENT LIABILITIES			
312	Accounts payable ≤ 90 days	$ 3,445	$ -	$ 3,445
321	Accrued wages / payroll taxes payable	1,388	-	1,388
322	Accrued compensated absences - current portion	1,881	-	1,881
333	Accounts payable - other government	1,643	-	1,643
341	Tenant security deposits	4,331	-	4,331
342	Deferred revenues	550	-	550
310	TOTAL CURRENT LIABILITIES	13,238	-	13,238
354	Accrued compensated absences - non current	988	-	988
350	TOTAL NONCURRENT LIABILITIES	988	-	988
300	TOTAL LIABILITIES	14,226	-	14,226
	NET ASSETS			
508.1	Investment in capital assets, net of related debt	515,940	54,245	570,185
512.1	Unrestricted net assets	40,981	-	40,981
513	TOTAL NET ASSETS	556,921	54,245	611,166
600	TOTAL LIABILITIES AND NET ASSETS	$ 571,147	$ 54,245	$ 625,392

See accompanying notes to financial statements

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

HERMANSVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	REVENUES			
703	Net tenant rental revenue	41,176	-	41,176
705	Total tenant revenue	41,176	-	41,176
706	HUD PHA grants	40,242	10,292	50,534
706.1	Capital grants	-	41,242	41,242
711	Investment income - unrestricted	1,471	-	1,471
715	Other revenue	2,944	-	2,944
700	TOTAL REVENUE	85,833	51,534	137,367
	EXPENSES			
	Administrative:			
911	Administrative salaries	30,841	-	30,841
912	Auditing fees	3,100	-	3,100
914	Compensated absences	(8)	-	(8)
915	Employee benefit contributions- administrative	2,267	-	2,267
916	Other operating- administrative	10,385	-	10,385
	Total Administrative	46,585	-	46,585
	Tenant services:			
924	Tenant services - other	59	-	59
	Utilities:			
931	Water	6,048	-	6,048
932	Electricity	3,944	-	3,944
933	Gas	9,597	-	9,597
	Total Utilities	19,589	-	19,589
	Maintenance:			
941	Ordinary maintenance and operations - labor	6,482	-	6,482
942	Ordinary maintenance and operations - materials & other	2,324	5	2,329
943	Ordinary maintenance and operations - contract costs	4,344	-	4,344
945	Employee benefit contributions- ordinary maintenance	496	-	496
	Total Maintenance	13,646	5	13,651

See accompanying notes to financial statements

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

HERMANSVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended March 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	General expenses:			
961	Insurance premiums	5,455	-	5,455
963	Payments in Lieu of Taxes	1,643	-	1,643
964	Bad debt - tenant rents	(408)	-	(408)
	Total General Expenses	6,690	-	6,690
969	TOTAL OPERATING EXPENSES	86,569	5	86,574
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(736)	51,529	50,793
972	Casualty losses - non-capitalized	100	-	100
974	Depreciation expense	44,755	2,468	47,223
900	TOTAL EXPENSES	131,424	2,473	133,897
	Other financing sources (uses)			
1001	Operating transfers in	10,287	-	10,287
1002	Operating transfers out	-	(10,287)	(10,287)
1010	Total other financing sources (uses)	10,287	(10,287)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	$ (35,304)	$ 38,774	$ 3,470
MEMO account information				
1103	Beginning equity	$ 592,225	$ 15,471	$ 607,696
1120	Unit months available	288	-	288
1121	Number of unit months leased	223	-	223

See accompanying notes to financial statements

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

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
Hermansville Housing Commission
Hermansville, Michigan

We have audited the financial statements of Hermansville Housing Commission as of and for the year ended March 31, 2007, and have issued our report thereon dated December 18, 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 Hermansville 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 Hermansville Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hermansville 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 Hermansville 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*.

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

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 18, 2007

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