BATH CHARTER TOWNSHIP HOUSING COMMISSION
BATH, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

RECEIVED
DEPT. OF TREASURY

MAY 22 2006

LOCAL AUDIT & FINANCE DIV.

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	Bath Charter Township Housing Commission	Ingham

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
December 31, 2005	April 21, 2005	May 19, 2006

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	☒	
Other (Describe)	☒	Report of Compliance and on Internal Control

Certified Public Accountant (Firm Name)	Telephone Number		
BARRY E. GAUDETTE, CPA, PC	(231) 946-8930		
Street Address	**City**	**State**	**Zip**
1107 E. EIGHTH STREET	TRAVERSE CITY	MI	49686
Authorizing CPA Signature	**Printed Name**	**License Number**	
Barry E. Gaudette, CPA	BARRY E. GAUDETTE	11050	

BATH CHARTER TOWNSHIP HOUSING COMMISSION

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INTRODUCTION

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
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Independent Auditor's Report

Board of Commissioners
Bath Charter Township Housing Commission
Bath, Michigan

I have audited the accompanying financial statements of the business-type activities of the Bath Charter Township Housing Commission, Michigan, a component unit of Bath Charter Township, as of and for the year ended December 31, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Bath Charter Township Housing Commission, Michigan, as of December 31, 2005, 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.

As described in Note 6(C), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of December 31, 2005.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 21, 2006, on my consideration of Bath Charter Township Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 7, is not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Bath Charter Township Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission.

Barry E. Faulkner, CPA, PC

April 21, 2006

BATH CHARTER TOWNSHIP HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
December 31, 2005

==========

The Bath Charter Township Housing Commission, created in 1985, by Bath Charter Township provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Bath Charter Township Housing Commission consists of three programs. The first is owned housing, consisting of 30 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 25 qualifying low-income residents for rental housing.

Bath Charter Township Housing Commission had total revenues of $330,001 that includes $50,855 in rental payments and $272,084 in federal assistance. Total revenues decreased by $31,015 from the prior year, in part, because of federal assistance decreasing by $12,028, and rents decreasing by $21,175 from the prior year. Total operating expenses were $365,349, that includes $59,525 in administrative expenses, $15,234 in utilities, $50,103 in ordinary maintenance and operation, $154,216 in housing assistance payments, and $54,954 in depreciation expense. The operating expenses increased by $5,910, in part, because of the Housing Assistance payments increasing by $7,916 from the prior year.

The total assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by $1,136,860. The Housing Commission's total net assets decreased by $35,348 from the prior year, as a result of the net loss.

Total assets of the Housing Commission were $1,152,576 and also, there was $125,842 of current assets and $15,716 in current liabilities.

The Housing Commission's overall financial condition has remained stable.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.

* Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.

* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended December 31, 2005 and 2004.

	2005	2004	Net Change
Current assets	$ 125,842	$ 144,259	$(18,417)
Property and equipment	1,026,734	1,043,978	(17,244)
Total assets	$1,152,576	$1,188,237	$(35,661)
Current liabilities	$ 15,716	$ 16,029	$(313)
Total liabilities	15,716	16,029	(313)
Net assets:			
Invested in capital assets	1,026,734	1,043,978	(17,244)
Unrestricted	110,126	128,230	(18,104)
Total net assets	1,136,860	1,172,208	(35,348)
Total liabilities and net assets	$1,152,576	$1,188,237	$(35,661)

Financial Analysis of the Housing Commission (continued)

The following table of summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended December 31, 2005 and 2004.

	2005	2004	Net Change
Operating revenues:			
Dwelling rent	$ 50,855	$ 72,030	$(21,175)
Nondwelling rent	439		439
Total operating revenues	51,294	72,030	(20,736)
Operating expenses:			
Administration	59,525	54,030	5,495
Tenant services	3,475	3,768	(293)
Utilities	15,234	18,103	(2,869)
Ordinary maintenance and operation	50,103	64,808	(14,705)
Protective services	14,066	11,130	2,936
General expenses	13,776	16,229	(2,453)
Housing assistance payments	154,216	146,300	7,916
Depreciation	54,954	45,071	9,883
Total operating expenses	365,349	359,439	5,910
Non-operating revenue (expenses):			
Interest income	1,029	993	36
Other income	5,594	3,881	1,713
Capital grants	37,710	57,755	(20,045)
Operating grants	234,374	226,357	8,017
Total nonoperating revenue(expenses)	278,707	288,986	(10,279)
Change in Net Assets	$(35,348)	$ 1,577	$(36,925)

Significant changes in our financial position and operations are as follows:

Cash decreased as a result of spending part of our capital fund for fixed assets, see analysis of capital assets below; our rents decreased because of the economic conditions in our area; residents have lost jobs or have been unable to find work, our average rent per unit has dropped, however, we do remain fully occupied.

Financial Analysis of the Housing Commission (continued)

Our maintenance cost have decreased as a result of going to two part time maintenance workers versus a full time person; in this way we save on benefits and have more flexibility with a person to cover in the event the other is unable to work.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, Capital grants authorized and obligated during the year, and the Housing Choice Voucher Assistance Payments.

Budgetary Highlights

The Commission passed a budget for the fiscal year and did have a cause to amend the budget during the year; the actual net loss was $6,549 more than the original budget - this is a result of an unexpected decrease in tenant rental income and a better than expected savings on utilities. We originally budgeted $65,430 for tenant rent, and only received $50,855; we budgeted $18,810 for utilities and only had expenses of $15,233. Other line items fluctuated up and down as compared to budget, but no significant changes were noted.

Capital Asset Analysis

During the current year we completed our 2005 CFP grant $47,700; included in our expenditures were a new tractor, $13,000; new stoves for 30 units - approximately $12,000; upgrade to our security system of approximately $12,000; and operating funds of $10,000.

Our plans for the future include using our 2006 CFP as follows:

Operations	$ 6,900
New entryway doors	6,000
Renovation of unit bathrooms	43,000

Comments and Known Facts

The Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families. We intend to use the 2006 CFP of $55,900 as mentioned above.

The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs. The aforementioned unfunded mandates include project based accounting and asset management; these systems may be beneficial in markets that can increase rents or request additional rent subsidies (like the multi-family programs), but public housing caters to the low income residents

Comments and Known Facts (continued)

and subsidies have been cut - such concepts appear to be unworkable in our environment. We will continue to work with our national associations and HUD to hopefully get some relief from such mandates.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Ann Schoals, Executive Director
14379 Webster Road
Bath, Michigan 48808-9724

FINANCIAL STATEMENTS

BATH CHARTER TOWNSHIP HOUSING COMMISSION

STATEMENT OF NET ASSETS

December 31, 2005

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ASSETS

Current Assets:	
Cash	$ 100,556
Accounts receivable-HUD other projects	7,710
Accounts receivable-dwelling rents	6,272
Allowance for doubtful accounts	(2,118)
Investments-unrestricted	7,283
Prepaid expenses	2,592
Inventories	3,547
Total Current Assets	125,842
Property, Plant, and Equipment:	
Land	35,419
Buildings	1,554,392
Equipment	66,488
Building improvements	37,710
	1,694,009
Less: accumulated depreciation	(667,275)
Net Property, Plant, and Equipment	1,026,734
Total Assets	$ 1,152,576

See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2005

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	$ 5,687
Tenant security deposit liability	6,190
Accrued expenses	3,839
Total Current Liabilities	15,716
Net Assets:	
Invested in capital assets	1,026,734
Unrestricted net assets	110,126
Total Net Assets	1,136,860
Total Liabilities and Net Assets	$ 1,152,576

See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

OPERATING REVENUES:	
Dwelling rent	$ 50,855
Nondwelling rent	439
Total operating revenues	51,294
OPERATING EXPENSES:	
Administration	59,525
Tenant services	3,475
Utilities	15,234
Ordinary maintenance and operation	50,103
Protective services	14,066
General expenses	13,776
Housing assistance payments	154,216
Depreciation	54,954
Total operating expenses	365,349
Operating income(loss)	(314,055)
NONOPERATING REVENUES:	
Investment interest income	1,029
Other income	5,594
Capital grants	37,710
Operating grants	234,374
Total nonoperating revenues	278,707
Change in net assets	(35,348)
Prior period adjustments, equity transfers and correction of errors	(137)
Net assets, beginning	1,172,345
Net assets, ending	$ 1,136,860

See notes to financial statements

BATH CHARTER TOWNSHIP HOUSING COMMISSION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from dwelling and nondwelling rents	$ 49,026
Cash payments to other suppliers of goods and services	(248,078)
Cash payments to employees for services	(58,188)
Cash payments for in lieu of taxes	(5,230)
Net cash (used) by operating activities	(262,470)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Adjustments	(137)
Tenant security deposits	503
Operating grants	229,058
Other revenue	5,594
Net cash provided by noncapital financing activities	235,018
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	37,710
Payments for capital acquisitions	(37,710)
Net cash (used) by capital and related financing activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Certificates of deposits purchased	136
Receipts of interest and dividends	1,029
Net cash provided by investing activities	1,165
Net increase(decrease) in cash	(26,287)
Cash, beginning	126,843
Cash, ending	$ 100,556

BATH CHARTER TOWNSHIP HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2005

RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:

Cash	$ 100,556
Cash and cash equivalents per balance sheet	$ 100,556

SCHEDULE RECONCILING OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:

Operating income(loss)	$(314,055)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	54,954
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(2,268)
Prepaid expenses	(422)
Increase (decrease) in liabilities:	
Accounts payable	(717)
Accrued wage/payroll taxes payable	772
Accrued compensated absences	802
Accrued payments in lieu of taxes	(1,536)
Net cash (used) by operating activities	$(262,470)

See notes to financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bath Charter Township Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Bath Charter Township Housing Commission is a component unit of Bath Charter Township, a Michigan Township. The Housing Commission is a Public Housing Agency created by Bath Charter Township on March 14, 1985, consisting of a five member board appointed by the Township Supervisor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Bath Charter Township Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development(HUD). Under Contract C-8092, the Housing Commission constructed, maintains and operates 30 units of subsidized housing in Bath Charter Township, Michigan. The Housing Commission also manages a Housing Choice Voucher program of subsidies for 25 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs(such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases(revenues) and decreases(expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Bath Charter Township Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

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

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Inventory

Inventory is priced using the average cost method.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of $1,000 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	7 - 10 years
Building improvements	7 years

Net Assets

The Housing Commission classifies its net assets as follows:

a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.

b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

* Vacation leave is not cumulative (unless approved in advance by the Director) and shall be taken during the calendar year following the one in which it was earned unless conditions render it impossible, all employees shall take their vacation. If unused vacation time is not taken as directed, the unused vacation time as of December 31 of that year may be carried over into the next succeeding year.

* Sick leave: Employees will earn one/eight hours of sick leave per 160 hours worked. This may be accrued up to 288 hours total. This can be used for personal time, but this can not be replaced in cash. When employee ceases employment they may be paid 50% of that accrued amount and if terminated employee may receive 0% of said amount.

* Personal leave days: There is none offered other than up to three (3) days of bereavement leave.

The amount of accumulated benefits at December 31, 2005, was $1,639, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The Housing Commission does not participate in a pension plan.

Income Taxes

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

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were $100,428 and the bank balance was $101,904 of which $101,904 was covered by federal depository insurance and a collateral agreement. The Housing Commission has $128 in petty cash.

Investments

The Housing Commission had the following investment at Citizens Bank as of December 31, 2005:

Certificate of deposit	$ 7,823

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fail value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depositary of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain

collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

1.	U.S. Treasury Notes	-	100%; or
2.	U.S. Treasury Notes and/or Bonds	-	75% and
3.	Mortgage Backed Securities	-	25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

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

Cash on hand	$ 128
Carrying amount of deposits	100,428
Investments	7,283
Total	$107,839
Cash and cash equivalents:	
Enterprise activities	$109,315
Enterprise activities - checks written in excess of deposits	(1,476)
Total	$107,839

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At December 31, 2005, the receivables were $6,272 with $2,118 estimated as uncollectible. Bad debt expense was $-0-.

Accounts Receivable - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at December 31, 2005, were as follows:

Capital Fund Program	$ 7,710

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Low Rent Program	$ 67,998	Housing Choice Voucher Program	$ 60,288
		Capital Fund Program	7,710
	$ 67,998		$ 67,998

The capital fund program transferred $10,000 in operating funds to the Low Rent Program during the fiscal year ended December 31, 2005.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance 12/31/04	Additions/Transfers	Retirements/Transfers	Balance 12/31/05
Capital Fund Program				
Building improvements	$ 148,249	$ 37,710	$ 148,249	$ 37,710
Low Rent Program				
Land	$ 35,419	$	$	$ 35,419
Buildings	1,406,143	148,249		1,554,392
Furniture, equip. & machinery - dwellings	22,216			22,216
Furniture, equip. & machinery - administration	44,272			44,272
	1,508,050	$ 148,249	$	1,656,299
Less accumulated depreciation	(612,321)	$(54,954)	$	(667,275)
Total	$ 895,729			$ 989,024
Combined Total				$1,026,734

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended December 31, 2005, consist of the following:

	Invested in Capital Assets
Balance, beginning	$ 1,043,978
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	(17,244)
Balance, ending	$ 1,026,734

NOTE 6: OTHER INFORMATION

A. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

B. Risk Management and Litigation

The Housing 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 for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

C. Implementation of New Accounting Standard

As of and for the year ended December 31, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

D. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Accrual adjustments	$(137)
Equity transfers from 2000, 2002 and 2003 capital fund program	148,249
	$ 148,112

Capital Fund Program

Equity transfers from 2000, 2002 and 2003 capital fund program	$(148,249)

NOTE 7: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended December 31, 2005, was as follows:

	Low Rent Program	Capital Fund Program	Housing Choice Vouchers
Condensed Statement of Net Assets			
Current assets	$ 141,036	$ 7,710	$ 45,094
Property and equipment	989,024	37,710	
Total assets	$ 1,130,060	$ 45,420	$ 45,094
Current liabilities	$ 15,716	$ 7,710	$ 60,288
Total liabilities	15,716	7,710	60,288
Net assets:			
Invested in capital assets	989,024	37,710	
Unrestricted net assets	125,320		(15,194)
Total net assets	1,114,344	37,710	(15,194)
Total liabilities and net assets	$ 1,130,060	$ 45,420	$ 45,094

	Low Rent Program	Capital Fund Program	Housing Choice Vouchers
Condensed Statement of Activities:			
Dwelling and nondwelling rents	$ 51,294	$	$
Depreciation expense	(54,954)		
Other operating expenses	(143,849)		(166,546)
Operating(loss)	(147,509)		(166,546)
Nonoperating revenues:			
Operating transfers	10,000	(10,000)	
Investment earnings	755		274
Other income	5,594		
Capital grants		37,710	
Operating grants	79,417	10,000	144,957
Change in net assets	(51,743)	37,710	(21,315)
Prior period adjustments, equity transfers and correction of errors	148,112	(148,249)	
Beginning net assets	1,017,975	148,249	6,121
Ending net assets	$ 1,114,344	$ 37,710	$(15,194)
Condensed Statement of Cash Flows			
Net cash provided (used) by:			
Operating activities	$(95,924)	$	$(166,546)
Nonoperating financing activities	75,367		159,651
Capital and related financing activities			
Investing activities	891		274
Net increase (decrease)	(19,666)		(6,621)
Cash, beginning	75,128		51,715
Cash, ending	$ 55,462	$	$ 45,094

SUPPLEMENTARY INFORMATION

BATH CHARTER TOWNSHIP HOUSING COMMISSION

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
ASSETS		
Current assets:		
Cash	$ 55,462	$
Accounts receivable-HUD other projects		7,710
Accounts receivable-dwelling rents	6,272	
Allowance for doubtful accounts	(2,118)	
Investments-unrestricted	7,283	
Prepaid expenses	2,592	
Inventories	3,547	
Due from other programs	67,998	
Total current assets	141,036	7,710
Property, plant, and equipment:		
Land	35,419	
Buildings	1,554,392	
Equipment	66,488	
Building improvements		37,710
	1,656,299	37,710
Less accumulated depreciation	(667,275)	
Net property, plant and equipment	989,024	37,710
Total Assets	$1,130,060	$ 45,420

Housing Choice Vouchers 14.871	Totals
$ 45,094	$ 100,556
	7,710
	6,272
	(2,118)
	7,283
	2,592
	3,547
	67,998
45,094	193,840
	35,419
	1,554,392
	66,488
	37,710
	1,694,009
	(667,275)
	1,026,734
$ 45,094	$1,220,574

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2005

	C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	$ 5,687	$
Tenant security deposit liability	6,190	
Accrued expenses	3,839	
Due from other programs		7,710
Total current liabilities	15,716	7,710
Total liabilities	15,716	7,710
Net Assets:		
Invested in capital assets	989,024	37,710
Unrestricted net assets	125,320	
Total net assets	1,114,344	37,710
Total Liabilities and Net Assets	$1,130,060	$ 45,420

Housing Choice Vouchers 14.871	Totals
$	$ 5,687
	6,190
	3,839
60,288	67,998
60,288	83,714
60,288	83,714
	1,026,734
(15,194)	110,126
(15,194)	1,136,860
$ 45,094	$1,220,574

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

	C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
OPERATING REVENUES:		
Dwelling rent	$ 50,855	$
Nondwelling rent	439	
Total operating revenues	51,294	
OPERATING EXPENSES:		
Administration	47,195	
Tenant services	3,475	
Utilities	15,234	
Ordinary maintenance and operation	50,103	
Protective services	14,066	
General expenses	13,776	
Housing assistance payments		
Depreciation	54,954	
Total operating expenses	198,803	
Operating income(loss)	(147,509)	
NONOPERATING REVENUES AND (EXPENSES):		
Operating transfers in (out)	10,000	(10,000)
Investment interest income	755	
Other income	5,594	
Capital grants		37,710
Operating grants	79,417	10,000
Total nonoperating revenues (expenses)	95,766	37,710
Change in net assets	(51,743)	37,710
Prior period adjustments, equity transfers and correction of errors	148,112	(148,249)
Net assets, beginning	1,017,975	148,249
Net assets, ending	$1,114,344	$ 37,710

Housing Choice Vouchers 14.871	Totals
$	$ 50,855
	439
	51,294
12,330	59,525
	3,475
	15,234
	50,103
	14,066
	13,776
154,216	154,216
	54,954
166,546	365,349
(166,546)	(314,055)
274	1,029
	5,594
	37,710
144,957	234,374
145,231	278,707
(21,315)	(35,348)
	(137)
6,121	1,172,345
$(15,194)	$ 1,136,860

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2005

	C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	$ 49,026	$
Cash payments to other suppliers of goods and services	(93,532)	
Cash payments to employees for services	(46,188)	
Cash payments for in lieu of taxes	(5,230)	
Net cash (used) by operating activities	(95,924)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Adjustments	(137)	
Tenant security deposits	503	
Due from/to other funds	(20,010)	7,710
Operating transfers in (out)	10,000	(10,000)
Operating grants	79,417	2,290
Other revenue	5,594	
Net cash provided by noncapital financing activities	75,367	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		37,710
Payments for capital acquisitions		(37,710)
Net cash (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Certificates of deposits reduced	136	
Receipts of interest and dividends	755	
Net cash provided by investing activities	891	
Net increase(decrease) in cash	(19,666)	
Cash, beginning	75,128	
Cash, ending	$ 55,462	$

Housing Choice Vouchers 14.871	Totals
$	$ 49,026
(154,546)	(248,078)
(12,000)	(58,188)
	(5,230)
(166,546)	(262,470)
	(137)
	503
12,300	
147,351	229,058
	5,594
159,651	235,018
	37,710
	(37,710)
	136
274	1,029
274	1,165
(6,621)	(26,287)
51,715	126,843
$ 45,094	$ 100,556

BATH CHARTER TOWNSHIP HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2005

	C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:		
Cash	$ 55,462	$
Cash and cash equivalents per balance sheet	$ 55,462	$
SCHEDULE RECONCILING OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income(loss)	$(147,509)	$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	54,954	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(2,268)	
Prepaid expenses	(422)	
Increase (decrease) in liabilities:		
Accounts payable	(717)	
Accrued wage/payroll taxes payable	772	
Accrued compensated absences	802	
Accrued payments in lieu of taxes	(1,536)	
Net cash (used) by operating activities	$(95,924)	$

Housing Choice Vouchers 14.871	Totals
$ 45,094	$ 100,556
$ 45,094	$ 100,556
$(166,546)	$(314,055)
	54,954
	(2,268)
	(422)
	(717)
	772
	802
	(1,536)
$(166,546)	$(262,470)

BATH CHARTER TOWNSHIP HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended December 31, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	U.S. Department of HUD		
	Public and Indian Housing Nonmajor - Direct Program		
2005	Low Rent Public Housing	14.850	$ 79,417
	Public and Indian Housing Nonmajor - Direct Program		
2005	Capital Fund Program	14.872	47,710
	Low Income Public Housing Nonmajor - Direct Program		
2005	Housing Choice Vouchers	14.871	144,957
	Total		$ 272,084

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

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

CFDA = Catalog of Federal Domestic Assistance

BATH CHARTER TOWNSHIP HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2005

FDS Line Item No.		C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	$ 55,462	$
100	Total cash	55,462	
	Receivables:		
122	A/R-HUD other projects		7,710
126	A/R-tenants-dwelling rents	6,272	
126.1	Allowance for doubtful accounts	(2,118)	
120	Total receivables, net	4,154	7,710
	Current Investments:		
131	Investments-unrestricted	7,283	
	Other Current Assets:		
142	Prepaid expenses and other assets	2,592	
143	Inventories	3,547	
144	Interprogram due from	67,998	
	Total other current assets	74,137	
150	Total current assets	141,036	7,710
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	35,419	
162	Buildings	1,554,392	
163	Furn, equip & mach-dwellings	22,216	
164	Furn, equip & mach-admin.	44,272	
165	Building improvements		37,710
166	Accumulated depreciation	(667,275)	
160	Total fixed assets, net of accumulated depreciation	989,024	37,710
180	Total noncurrent assets	989,024	37,710
190	Total Assets	$ 1,130,060	$ 45,420

Housing Choice Vouchers 14.871	Totals
$ 45,094	$ 100,556
45,094	100,556
	7,710
	6,272
	(2,118)
	11,864
	7,283
	2,592
	3,547
	67,998
	74,137
45,094	193,840
	35,419
	1,554,392
	22,216
	44,272
	37,710
	(667,275)
	1,026,734
	1,026,734
$ 45,094	$ 1,220,574

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2005

FDS Line Item No.		C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
	LIABILITIES and NET ASSETS		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable-<=90 days	$ 1,993	$
321	Accrued wage/payroll taxes payable	2,200	
322	Accrued compensated absences	1,639	
333	Accounts payable-other government	3,694	
341	Tenant security deposits	6,190	
347	Interprogram due to		7,710
310	Total current liabilities	15,716	7,710
300	Total liabilities	15,716	7,710
	Net Assets:		
508.1	Invested in capital assets	989,024	37,710
508	Total invested in capital assets	989,024	37,710
512.1	Unrestricted net assets	125,320	
513	Total Net Assets	1,114,344	37,710
600	Total Liabilities and Net Assets	$ 1,130,060	$ 45,420

Housing Choice Vouchers 14.871	Totals
$	$ 1,993
	2,200
	1,639
	3,694
	6,190
60,288	67,998
60,288	83,714
60,288	83,714
	1,026,734
	1,026,734
(15,194)	110,126
(15,194)	1,136,860
$ 45,094	$ 1,220,574

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2005

FDS Line Item No.		C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	$ 50,855	$
704	Tenant revenue-other	439	
705	Total tenant revenue	51,294	
706	HUD PHA grants	79,417	10,000
706.1	Capital grants		37,710
711	Investment income-unrestricted	755	
715	Other revenue	5,594	
700	Total revenue	137,060	47,710
	Expenses:		
	Administrative:		
911	Administrative salaries	21,200	
912	Auditing fees	2,500	
914	Compensated absences	802	
915	Employee benefit contributions-adm.	2,104	
916	Other operating-administrative	20,589	
	Tenant Services:		
924	Tenant services-other	3,475	
	Utilities:		
931	Water	2,890	
932	Electricity	3,821	
933	Gas	2,147	
938	Other utilities expense	6,376	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	22,253	
942	Ordinary maint & oper-mat'ls & other	8,375	
943	Ordinary maint & oper-contract costs	17,270	
945	Employee benefit contributions	2,205	
952	Protective services-other contract costs	14,066	
	General expenses:		
961	Insurance premiums	10,082	
963	Payments in lieu of taxes	3,694	
969	Total operating expenses	143,849	
970	Excess operating revenue over operating expenses	(6,789)	47,710

Housing Choice Vouchers 14.871	Totals
$	$ 50,855
	439
	51,294
144,957	234,374
	37,710
274	1,029
	5,594
145,231	330,001
12,000	33,200
	2,500
	802
	2,104
330	20,919
	3,475
	2,890
	3,821
	2,147
	6,376
	22,253
	8,375
	17,270
	2,205
	14,066
	10,082
	3,694
12,330	156,179
132,901	173,822

BATH CHARTER TOWNSHIP HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2005

FDS Line Item No.		C-8092 Low Rent Program 14.850	Capital Fund Program 14.872
	Expenses continued:		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	54,954	
	Total other expenses	54,954	
900	Total expenses	198,803	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(61,743)	47,710
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	10,000	(10,000)
1000	Excess (deficiency) of operating revenue over(under) expenses	(51,743)	37,710
1103	Beginning Net Assets	1,017,975	148,249
1104	Prior period adjustments, equity transfers and correction of errors	148,112	(148,249)
	Ending Net Assets	$ 1,114,344	$ 37,710

Housing Choice Vouchers 14.871	Totals
154,216	154,216
	54,954
154,216	209,170
166,546	365,349
(21,315)	(35,348)
(21,315)	(35,348)
6,121	1,172,345
	(137)
$(15,194)	$ 1,136,860

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CERTIFIED PUBLIC ACCOUNTANT

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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 Housing Commissioners
Bath Charter Township Housing Commission
Bath, Michigan

I have audited the financial statements of the business-type activities of the Bath Charter Township Housing Commission, Michigan, (Housing Commission) as of and for the year ended December 31, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated April 21, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that we have reported to management of the Housing Commission in a separate letter dated April 21, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws,

Compliance and Other Matters (continued)

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Gary E. Vandetti, CPA, PC

April 21, 2006

BATH CHARTER TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2005

==========

Account Number #	Account Name	Debit	Credit

LOW RENT PROGRAM

There were no adjusting journal entries.

BATH CHARTER TOWNSHIP HOUSING COMMISSION

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

DECEMBER 31, 2005

BATH CHARTER TOWNSHIP HOUSING COMMISSION
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DECEMBER 31, 2005

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INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE AUDIT COMMITTEE/ BOARD OF COMMISSIONERS

To the Board of Commissioners
Bath Charter Township Housing Commission

I have audited the financial statements of the Bath Charter Township Housing Commission ("Housing Commission") as of and for the year ended December 31, 2005, and have issued my report, thereon, dated April 21, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

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

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

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

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

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

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

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

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

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

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

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

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

Barry E. Tandett, CPA, PC

April 21, 2006

Barry E. Gaudette, CPA, P.C.
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INDEPENDENT AUDITORS' REPORT ON MANAGEMENT ADVISORY COMMENTS

To the Board of Commissioners
Bath Charter Township Housing Commission

I have audited the financial statements of the Bath Charter Township Housing Commission ("Housing Commission") as of and for the year ended December 31, 2005, and have issued my report, thereon, dated April 21, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

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

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

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

Barry E. Gaudette, CPA, PC

April 21, 2006

Cash Collections

Tenants currently can pay their rents by cash, check or money order.

I recommend that the Housing Commission consider not allowing payments by cash. This would provide another internal control in the collection of assets.

BATH CHARTER TOWNSHIP HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
December 31, 2005

Account #	Account Name	Debit	Credit

LOW RENT PROGRAM

There were no adjusting journal entries necessary.