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CITY OF HILLSDALE HOUSING COMMISSION
HILLSDALE, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

CITY OF HILLSDALE HOUSING COMMISSION
Hillsdale, Michigan

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JUNE 30, 2004

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Sailor
Khan & Co.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
City of Hillsdale Housing Commission
Hillsdale, Michigan

We have audited the accompanying basic financial statements of the City of Hillsdale Housing Commission, Michigan, (Commission) as of and for the year ended June 30, 2004, 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement 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 financial position of the City of Hillsdale Housing Commission, Michigan, as of June 30, 2004, and the changes in its financial position and its 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 1, the 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 of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2005, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 basic financial statements taken as a whole. The accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sailor, Khan & Co.

Sailor, Khan & Co.
March 3, 2005

P.O. Box 16180, St. Louis, MO 63105 314-726-3308 Fax: 314-726-6308

Management's Discussion and Analysis (MD&A)
June 30, 2004
(Unaudited)

This section of the Hillsdale Housing Commission's (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on June 30, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2004 were $1,377,040. The net assets decreased by $154,369, a decrease of 10.1% over the prior year.

Revenues and contributions for the Commission were $303,613 for 2004. This was a decrease of 1.1% or $3,385 from the prior year.

Expenses for the Commission were $457,572 for 2004. This was an increase of 13.6% or $54,818 from the prior year.

HUD operating grants was $146,933 for the year ended June 30, 2004. This was a decrease of 3.3% or $5,054 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from. what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information.* HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2004 and is required to be included in the audit reporting package

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by $1,377,040 at the close of the year ended June 30, 2004 down from $1,531,409 in 2003. The decrease in net assets of $154,369 was primarily due to changes in accumulated depreciation and a net loss for the year.

The unrestricted net assets were $22,210 as of June 30, 2004. This amount may be used to meet the Commission's ongoing obligations The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS
JUNE 30

	2004	2003	Dollar Change	Percent Change
Current and other assets	$ 49,652	$ 106,485	$ (56,833)	-53.4%
Restricted assets	10,235	11,707	(1,472)	-12.6%
Capital assets	1,354,830	1,458,361	(103,531)	-7.1%
Total Assets	1,414,717	1,576,553	(161,836)	-10.3%
Current liabilities	35,380	40,899	(5,519)	-13.5%
Noncurrent liabilities	2,297	4,245	(1,948)	-45.9%
Total Liabilities	37,677	45,144	(7,467)	-16.5%
Net Assets				
Invested in capital assets	1,354,830	1,458,361	(103,531)	-7.1%
Unrestricted	22,210	73,048	(50,838)	-69.6%
Total Net Assets	$ 1,377,040	$ 1,531,409	$ (154,369)	-10.1%

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

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

As can be seen in the table on the following page total revenues and contributions decrease by $3,385 primarily due to a decrease in HUD operating grants. Rental revenues for the year increased by 1.5% or $2,134 which off set some of the $5,054 decrease in HUD operating grant.

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30

	2004	2003	Dollar Change	Percent Change
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	$ 148,875	$ 146,741	2,134	1.5%
HUD operating grants	146,933	151,987	(5,054)	-3.3%
Interest income	2,123	2,825	(702)	-24.9%
Other income	5,682	5,641	41	0.7%
Gain (loss) on sale of fixed assets	----	(196)	196	-100.0%
Total Revenues and Contributions	303,613	306,998	(3,385)	-1.1%
Expenses				
Personal services	162,080	135,690	26,390	19.4%
Utilities	72,120	65,049	7,071	10.9%
Operations and maintenance	19,234	25,688	(6,454)	-25.1%
Non routine maintenance	33,765	7,842	25,923	330.6%
Insurance	10,830	9,094	1,736	19.1%
Payment in lieu of taxes	6,680	7,326	(646)	-8.8%
Other supplies and expenses	34,818	34,400	418	1.2%
Depreciation	118,045	117,665	380	0.3%
Total Expenses	457,572	402,754	54,818	13.6%
Change in net assets	(153,959)	(95,756)	(58,203)	
Beginning net assets	1,531,409	1,627,165	(95,756)	
Prior period adjustments	(410)	----	(410)	
Beginning net assets, adjusted	1,530,999	1,627,165	(96,166)	
Ending net assets	$ 1,377,040	$ 1,531,409	$ (154,369)	

Total expenses for 2004 were $457,572 an increase of $54,818or 13.6% over 2003. An increase in Personal service due to increased administrative salaries and an increase in non routine maintenance are the main contributors to the overall increase in the Commissions expenses.

CAPITAL ASSETS

Capital Assets - The Housing Commission 's investment in capital assets, as of June 30, 2004 amounts to $1,354,830 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

	2004	2003	Dollars Change
Land	$ 141,750	$ 141,750	$ -----
Building	2,377,035	2,377,035	-----
Furniture, equipment and machinery- dwelling	37,210	36,452	758
Furniture, equipment and machinery-administration	101,152	93,563	7,589
Leasehold improvements	232,232	226,064	6,168
	2,889,379	2,874,864	$ 14,515
Accumulated depreciation	1,534,549	1,416,503	$ 118,046
Total	$ 1,354,830	$ 1,458,361	

The total decrease in the Commission's capital assets for the current fiscal year was 7.0% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were $14,515 for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission's financial success is dependent on operating and capital grants received from the US Dept of HUD. Without them, the Hillsdale Housing Commission could not survive. There are various local economic factors that could affect the Commission's profit or loss, such as local employment opportunities, supply and demand for local jobs and inflationary adjustments to utilities and other local suppliers. The Commission is currently looking at implementing some changes in personnel and benefits due to significant operating losses in the past several years. In spite of decreasing grants to PHA's, the Hillsdale Housing Commission will continue to do the best job they can in providing safe, sanitary and decent housing for their residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Alton Cousino III, at 45 North West Street, Hillsdale, MI 49242, or call (517) 439-1210.

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

STATEMENT OF NET ASSETS

June 30, 2004

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 16,046.42
Investments	25,130.79
Prepaid expenses	8,474.95
Total Current Assets	49,652.16
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	10,234.96
Total restricted assets	10,234.96
Capital assets:	
Land, improvements, and construction in progress	141,750.00
Other capital assets, net of depreciation	1,213,079.90
Total capital assets- net	1,354,829.90
Total Noncurrent assets	1,365,064.86
Total Assets	$ 1,414,717.02

See notes to financial statements

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2004

LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 9,699.74
Accrued salaries, wages and benefits	6,831.46
Accrued compensated absences	7,460.00
Tenant security deposit liability	11,303.00
Deferred revenues	86.07
Total Current Liabilities	35,380.27
Noncurrent Liabilities:	
Accrued compensated absences	2,296.63
Total Noncurrent Liabilities	2,296.63
Total Liabilities	37,676.90
NET ASSETS	
Invested in capital assets	1,354,829.90
Unrestricted	22,210.22
Total net assets	1,377,040.12
Total liabilities and net assets	$ 1,414,717.02

See notes to financial statements

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended June 30, 2004

Operating Revenues:	
Rental revenue	$ 148,874.46
Operating subsidies- HUD grants	146,933.00
Other revenues	5,681.88
Total operating revenues	301,489.34
Operating Expenses:	
Personal services	162,079.69
Utilities	72,120.08
Operations and maintenance	19,233.73
Non routine maintenance	33,764.98
Insurance	10,830.55
Payment in lieu of taxes	6,679.85
Other supplies and expenses	34,818.03
Depreciation	118,045.13
Total operating expenses	457,572.04
Operating income (loss)	(156,082.70)
Non-operating revenues (expenses):	
Interest and investment earnings	2,123.22
Net non-operating revenues (expenses)	2,123.22
Income (loss) before other revenues, expenses, gains, losses and transfers	(153,959.48)
Net assets at beginning of year	1,531,409.21
Prior period error corrections	(409.61)
Net assets adjusted at beginning of year	1,530,999.60
Net assets at end of year	$ 1,377,040.12

See notes to financial statements

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

STATEMENT OF CASH FLOWS

For Year Ended June 30, 2004

Cash flows from operating activities:	
Cash received from tenants	$ 146,639.53
Cash received from HUD grants- operating	146,933.00
Cash received from other operating activities	5,681.88
Cash payments for goods and services	(177,864.43)
Cash payments to employees-salaries	(126,977.62)
Cash payments to employees-compensated absences	0.48
Cash payments for employee benefit contributions	(33,936.07)
Cash payments for in lieu of property taxes	(7,325.60)
Net cash provided (used) by operating activities	(46,848.83)
Cash flows from capital and related financing activities:	
Payments for capital assets	(14,514.22)
Net cash (used) for capital and related financing activities	(14,514.22)
Cash flows from investing activities:	
Proceeds from sale of (payments) for investments	40,213.21
Interest and dividends	2,123.22
Receipts (payments) from tenant security deposits	(404.00)
Net cash provided (used) from investing activities	41,932.43
Net increase (decrease) in cash and cash equivalents	(19,430.62)
Cash and cash equivalents at beginning of year	45,712.00
Cash and cash equivalents at end of year	$ 26,281.38
Cash and cash equivalents	$ 16,046.42
Restricted cash and cash equivalents	10,234.96
Total cash and cash equivalents at end of year	$ 26,281.38

See notes to financial statements

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended June 30, 2004

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (156,082.70)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	118,045.13
Changes in assets and liabilities:	
Prepaid expenses	(1,338.95)
Accounts and other payables	(6,403.86)
Deferred revenues	(2,234.93)
Compensated absences	690.02
Accrued expenses	476.46
Net cash provided (used) by operating activities	$ (46,848.83)

See notes to financial statements

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies

The City of Hillsdale Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2004, the Housing Commission implemented the new financial reporting requirements of GASB Statement No 34. As a result, an entirely new financial presentation format has been implemented.

1a. Financial Reporting Entity

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

Primary Government: Housing Commission

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

1b. Basis of Presentation

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1c. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

- The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity

Cash and Investments

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

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

Interprogram Receivables and Payables

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

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable compose entire receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Budgets and Budgetary Accounting

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

Estimates and Assumptions

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Fixed Assets

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

In the financial statements, fixed assets purchased or acquired with an original cost of $200.00 or more are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

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

Buildings	5-40	years
Furniture, equipment and machinery - dwelling	10-15	years
Furniture, equipment and machinery - administration	3-20	years
Leasehold improvements	5-20	years

Compensated Absences

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

Equity Classifications

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

a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.

b. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

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

Interfund Transfers

For the purposes of the Statement of Activities, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2 - Stewardship, Compliance, and Accountability

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

2a. Program Accounting Requirements

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

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

2b. Deposits and Investments Laws and Regulations

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

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

a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.

b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

NOTE 2 - Stewardship, Compliance, and Accountability (Continued)

2c. Revenue Restrictions

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

Revenue Source	*Legal Restrictions of Use*
Capital Fund Program	Modernization

For the year ended June 30, 2004, the Commission complied, in all material respects, with these revenue restrictions.

NOTE 3 - Detail Notes on Transaction Classes/Accounts

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

3a. Cash and Investments

Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at June 30, 2004. The categories of credit risk are defined as follows:

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

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

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

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Type of Deposits	Total Bank Balance	Custody Credit Risk Category 1	Custody Credit Risk Category 2	Custody Credit Risk Category 3	Total Carrying Value
Demand deposits	$ 30,179.16	$ 30,179.16	$ ----	$ ----	$ 26,181.38
Total Deposits	$ 30,179.16	$ 30,179.16	$ ----	$ ----	$ 26,181.38

Investments

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2004. The categories of credit risk are defined as follows:

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

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

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

	Custody Credit Risk Category 1	Custody Credit Risk Category 2	Custody Credit Risk Category 3	Carrying Amount	Fair Value
Certificate of Deposit	$ 25,130.79	$ ----	$ ----	$ 25,130.79	$ 25,130.79
	$ 25,130.79	$ ----	$ ----	$ 25,130.79	$ 25,130.79

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Accounts Receivable

Accounts receivable consist of tenant accounts receivable. Receivable detail at June 30, 2004, is as follows:

Tenant accounts receivable	$ 29.00
Allowance for doubtful accounts	(29.00)
Tenant accounts receivable - net	$ ----

3c. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	(Retirements)	Balance June 30, 2004
Land	$ 141,750.00	$ -----	$ -----	$ 141,750.00
Building	2,377,034.54	-----	-----	2,377,034.54
Furniture, equipment and machinery-dwelling	36,451.82	758.00	-----	37,209.82
Furniture, equipment and machinery-administration	93,563.48	7,588.99	-----	101,152.47
Leasehold improvements	226,064.52	6,167.23	-----	232,231.75
	2,874,864.36	$ 14,514.22	$ -----	2,889,378.58
Accumulated depreciation	1,416,503.55	$ 118,045.13	$ -----	1,534,548.68
Total	$ 1,458,360.81			$ 1,354,829.90

3d. Accounts Payable

Payables are composed of payables to vendors and other government as follows:

Vendors	$ 3,019.89
Other government - PILOT	6,679.85
	$ 9,699.74

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at June 30, 2004 is $9,756.63.

3f. Non-current Liabilities

As of June 30, 2004, the non-current liabilities are comprised of the following:

Accrued Compensated Absences - non current portion	$ 2,296.63
Total	$ 2,296.63

The following is a summary of changes in non-current liabilities for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Amounts Due within One Year
Accrued Compensated Absences	$ 4,245.00	$ ----	$ (1,948.37)	$ 2,296.63	$ 7,460.00
Total	$ 4,245.00	$ ----	$ (1,948.37)	$ 2,296.63	$ 7,460.00

3g. Interprogram Transactions and Balances

Operating Transfers

	Transfers in	Transfers out
Public and Indian Housing - Low Rent	$ 73,489.00	$ ----
Capital Fund Program	----	73,489.00
Total	$ 73,489.00	$ 73,489.00

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Compensated absences - correct prior year compensated absences	$ (409.61)
Totals	$ (409.61)

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Contribution Plan: The Commission has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 10 years of service. The Commission contributed 4.56 percent of covered payroll.

For the year ended June 30, 2004, the following amounts related to the defined contribution plan:

Commission total payroll	$ 127,454.08
Payroll for covered employees	$ 126,814.47
Employer (Commission) contributions made	$ 5,782.74

NOTE 4 - Other Notes (Continued)

4b. Risk Management

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

	Type of Loss	Method Managed
a.	Torts, errors and omissions	Purchased insurance with Municipal Insurance Alliance.
b.	Injuries to employees (workers' compensation)	Purchased insurance with Michigan Municipal League Workers Compensation Fund. Claims are administered by Michigan Municipal League Workers Compensation Fund.
c.	Physical property loss and natural disasters	Purchased commercial insurance with $500 deductibles.
d.	Health and life	Purchased health insurance with Blue Cross Blue Shield; Life insurance is provided by Fortis Life Insurance.

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

4c. Contingencies

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

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

June 30, 2004

	Low Rent Program	Capital Fund Program	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 16,046.42	$ -----	$ 16,046.42
Investments	25,130.79	-----	25,130.79
Prepaid expenses	8,474.95	-----	8,474.95
Total Current Assets	49,652.16	-----	49,652.16
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	10,234.96	-----	10,234.96
Total restricted assets	10,234.96	-----	10,234.96
Capital assets:			
Land, improvements, and construction in progress	141,750.00	-----	141,750.00
Other capital assets, net of depreciation	1,213,079.90	-----	1,213,079.90
Total capital assets- net	1,354,829.90	-----	1,354,829.90
Total Noncurrent assets	1,365,064.86	-----	1,365,064.86
Total Assets	$ 1,414,717.02	$ -----	$ 1,414,717.02

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

June 30, 2004

	Low Rent Program	Capital Fund Program	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 9,699.74	$ -----	$ 9,699.74
Accrued salaries, wages and benefits	6,831.46	-----	6,831.46
Accrued compensated absences	7,460.00	-----	7,460.00
Tenant security deposit liability	11,303.00	-----	11,303.00
Deferred revenues	86.07	-----	86.07
Total Current Liabilities	35,380.27	-----	35,380.27
Noncurrent Liabilities:			
Accrued compensated absences	2,296.63	-----	2,296.63
Total Noncurrent Liabilities	2,296.63	-----	2,296.63
Total Liabilities	37,676.90	-----	37,676.90
NET ASSETS			
Invested in capital assets	1,354,829.90	-----	1,354,829.90
Unrestricted	22,210.22	-----	22,210.22
Total net assets	1,377,040.12	-----	1,377,040.12
Total liabilities and net assets	$ 1,414,717.02	$ -----	$ 1,414,717.02

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM

For Year Ended June 30, 2004

	Low Rent Program	Capital Fund Program	Totals
Operating Revenues:			
Rental revenue	$ 148,874.46	$ -----	$ 148,874.46
Operating subsidies- HUD grants	73,444.00	73,489.00	146,933.00
Other revenues	5,681.88	-----	5,681.88
Total operating revenues	228,000.34	73,489.00	301,489.34
Operating Expenses:			
Personal services	162,079.69	-----	162,079.69
Utilities	72,120.08	-----	72,120.08
Operations and maintenance	19,233.73	-----	19,233.73
Non routine maintenance	33,764.98	-----	33,764.98
Insurance	10,830.55	-----	10,830.55
Payment in lieu of taxes	6,679.85	-----	6,679.85
Other supplies and expenses	34,818.03	-----	34,818.03
Depreciation	118,045.13	-----	118,045.13
Total operating expenses	457,572.04	-----	457,572.04
Operating income (loss)	(229,571.70)	73,489.00	(156,082.70)
Non-operating revenues (expenses):			
Interest and investment earnings	2,123.22	-----	2,123.22
Net non-operating revenues (expenses)	2,123.22	-----	2,123.22
Income (loss) before other revenues, expenses, gains, losses and transfers	(227,448.48)	73,489.00	(153,959.48)
Operating transfers in (out)	73,489.00	(73,489.00)	-----
Change in net assets	(153,959.48)	-----	(153,959.48)
Net assets at beginning of year	1,531,409.21	-----	1,531,409.21
Prior period error corrections	(409.61)	-----	(409.61)
Net assets adjusted at beginning of year	1,530,999.60	-----	1,530,999.60
Net assets at end of year	$ 1,377,040.12	$ -----	$ 1,377,040.12

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended June 30, 2004

	Low Rent Program	Capital Fund Program	Totals
Cash flows from operating activities:			
Cash received from tenants	$ 146,639.53	$ -----	$ 146,639.53
Cash received from HUD grants- operating	73,444.00	73,489.00	146,933.00
Cash received from other operating activities	5,681.88	-----	5,681.88
Cash payments for goods and services	(177,864.43)	-----	(177,864.43)
Cash payments to employees-salaries	(126,977.62)	-----	(126,977.62)
Cash payments to employees-compensated absences	0.48	-----	0.48
Cash payments for employee benefit contributions	(33,936.07)	-----	(33,936.07)
Cash payments for in lieu of property taxes	(7,325.60)	-----	(7,325.60)
Net cash provided (used) by operating activities	(120,337.83)	73,489.00	(46,848.83)
Cash flows from noncapital financing activities:			
Operating transfers in (out)	73,489.00	(73,489.00)	-----
Net cash provided (used) from non capital financing activities	73,489.00	(73,489.00)	-----
Cash flows from capital and related financing activities:			
Payments for capital assets	(14,514.22)	-----	(14,514.22)
Net cash (used) for capital and related financing activities	(14,514.22)	-----	(14,514.22)
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	40,213.21	-----	40,213.21
Interest and dividends	2,123.22	-----	2,123.22
Receipts (payments) from tenant security deposits	(404.00)	-----	(404.00)
Net cash provided (used) from investing activities	41,932.43	-----	41,932.43
Net increase (decrease) in cash and cash equivalents	(19,430.62)	-----	(19,430.62)
Cash and cash equivalents at beginning of year	45,712.00	-----	45,712.00
Cash and cash equivalents at end of year	$ 26,281.38	$ -----	$ 26,281.38

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2004

	Low Rent Program	Capital Fund Program	Totals
Cash and cash equivalents	$ 16,046.42	$ -----	$ 16,046.42
Restricted cash and cash equivalents	10,234.96	-----	10,234.96
Total cash and cash equivalents at end of year	$ 26,281.38	$ -----	$ 26,281.38
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (229,571.70)	$ 73,489.00	$ (156,082.70)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	118,045.13	-----	118,045.13
Changes in assets and liabilities:			
Prepaid expenses	(1,338.95)	-----	(1,338.95)
Accounts and other payables	(6,403.86)	-----	(6,403.86)
Deferred revenues	(2,234.93)	-----	(2,234.93)
Compensated absences	690.02	-----	690.02
Accrued expenses	476.46	-----	476.46
Net cash provided (used) by operating activities	$ (120,337.83)	$ 73,489.00	$ (46,848.83)

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

PHA'S STATEMENT AND CERTIFICATION OF CAPITAL FUND PROGRAM COSTS

June 30, 2004

1. Actual Capital Fund Program costs are as follows:

		CFP 501-03
Funds approved	$	61,277.00
Funds expended		61,277.00
Excess of Funds Approved	$	-----
Funds advanced	$	61,277.00
Funds expended		61,277.00
Excess (deficiency) of Funds Advanced	$	-----

2. The costs as shown on the Actual Cost Certificate dated January 23, 2004 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2004.

3. All costs have been paid and all related liabilities have been discharged through payments.

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

PHA'S STATEMENT AND CERTIFICATION OF CAPITAL FUND PROGRAM COSTS

June 30, 2004

1. Actual Capital Fund Program costs are as follows:

		CFP 502-03
Funds approved	$	12,212.00
Funds expended		12,212.00
Excess of Funds Approved	$	-----
Funds advanced	$	12,212.00
Funds expended		12,212.00
Excess (deficiency) of Funds Advanced	$	-----

2. The costs as shown on the Actual Cost Certificate dated February 4, 2005 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2004.

3. All costs have been paid and all related liabilities have been discharged through payments.

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2004

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
	Assets:			
	Current Assets:			
	Cash			
111	Cash-unrestricted	$ 16,046.42	$ -----	$ 16,046.42
114	Cash-tenant security deposits	10,234.96	-----	10,234.96
100	Total cash	26,281.38	-----	26,281.38
	Accounts and notes receivable:			
126	Accounts receivable- tenants-dwelling rents	29.00	-----	29.00
126.1	Allowance for doubtful accounts-dwelling rents	(29.00)	-----	(29.00)
120	Total receivables, net of allowance for doubtful accounts	-----	-----	-----
	Current investments:			
131	Investments-unrestricted	25,130.79	-----	25,130.79
142	Prepaid expenses and other assets	8,474.95	-----	8,474.95
150	Total current assets	59,887.12	-----	59,887.12
	Noncurrent Assets:			
	Fixed assets:			
161	Land	141,750.00	-----	141,750.00
162	Buildings	2,377,034.54	-----	2,377,034.54
163	Furniture, equipment and machinery-dwellings	37,209.82	-----	37,209.82
164	Furniture, equipment and machinery-administration	101,152.47	-----	101,152.47
165	Leasehold improvements	232,231.75	-----	232,231.75
166	Accumulated depreciation	(1,534,548.68)	-----	(1,534,548.68)
160	Total fixed assets, net of accumulated depreciation	1,354,829.90	-----	1,354,829.90
180	Total noncurrent assets	1,354,829.90	-----	1,354,829.90
190	Total Assets	$ 1,414,717.02	$ -----	$ 1,414,717.02

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2004

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	$ (3,019.89)	$ -----	$ (3,019.89)
321	Accrued wage / payroll taxes payable	(6,831.46)	-----	(6,831.46)
322	Accrued compensated absences- current portion	(7,460.00)	-----	(7,460.00)
333	Accounts payable -other government	(6,679.85)	-----	(6,679.85)
341	Tenant security deposits	(11,303.00)	-----	(11,303.00)
342	Deferred revenues	(86.07)	-----	(86.07)
310	Total current liabilities	(35,380.27)	-----	(35,380.27)
	Noncurrent Liabilities:			
354	Accrued compensated absences- non current portion	(2,296.63)	-----	(2,296.63)
350	Total noncurrent liabilities	(2,296.63)	-----	(2,296.63)
300	Total liabilities	(37,676.90)	-----	(37,676.90)
	Equity:			
508.1	Investment in capital assets , Net of Related Debt	(1,354,829.90)	-----	(1,354,829.90)
512.1	Unrestricted Net Assets	(22,210.22)	-----	(22,210.22)
600	Total Liabilities and Equity	$ (1,414,717.02)	$ -----	$ (1,414,717.02)

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2004

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
	Revenue:			
703	Net rental revenue	$ (146,191.29)	$ -----	$ (146,191.29)
704	Tenant revenue-other	(2,683.17)	-----	(2,683.17)
705	Total tenant revenue	(148,874.46)	-----	(148,874.46)
706	HUD PHA operating grants	(73,444.00)	(73,489.00)	(146,933.00)
711	Investment income-unrestricted	(2,123.22)	-----	(2,123.22)
715	Other revenue	(5,681.88)	-----	(5,681.88)
700	Total revenue	(230,123.56)	(73,489.00)	(303,612.56)
	Expenses:			
	Administrative			
911	Administrative salaries	62,186.17	-----	62,186.17
912	Auditing fees	1,500.00	-----	1,500.00
914	Compensated absences	689.54	-----	689.54
915	Employee benefit contributions-administrative	20,575.52	-----	20,575.52
916	Other operating-administrative	31,076.13	-----	31,076.13
	Tenant services			
924	Tenant services-other	2,241.90	-----	2,241.90
	Utilities			
931	Water	17,632.55	-----	17,632.55
932	Electricity	36,816.30	-----	36,816.30
933	Gas	17,671.23	-----	17,671.23
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	65,267.91	-----	65,267.91
942	Ordinary maintenance and operation-materials & other	7,917.11	-----	7,917.11
943	Ordinary maintenance and operation-contract costs	10,956.62	-----	10,956.62
945	Employee benefit contributions-ordinary maintenance	13,360.55	-----	13,360.55

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2004

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
	Protective services			
952	Protective services-other contract costs	360.00	-----	360.00
	General expenses			
961	Insurance premiums	10,830.55	-----	10,830.55
963	Payments in lieu of taxes	6,679.85	-----	6,679.85
969	Total operating expenses	305,761.93	-----	305,761.93
970	Excess (deficit) operating revenue over operating expenses	(75,638.37)	73,489.00	(2,149.37)
971	Extraordinary maintenance	33,764.98	-----	33,764.98
974	Depreciation expense	118,045.13	-----	118,045.13
	Total expenses other than total operating	151,810.11	-----	151,810.11
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	(227,448.48)	73,489.00	(153,959.48)
1001	Operating transfers in	73,489.00	-----	73,489.00
1002	Operating transfers out	-----	(73,489.00)	(73,489.00)
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	$ (153,959.48)	$ -----	$ (153,959.48)

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

Board of Commissioners
City of Hillsdale Housing Commission
Hillsdale, Michigan

We have audited the financial statements of the City of Hillsdale Housing Commission, Michigan, (Commission) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 3, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the 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.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City of Hillsdale Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sailor, Khan & Co.

Sailor, Khan & Co.
March 3, 2005

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CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2004

The prior audit report for the year ended June 20, 2003 contained no audit findings.

CITY OF HILLSDALE HOUSING COMMISSION

Hillsdale, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2004

FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended June 30, 2004 disclosed no Financial Statement audit findings.

QUESTIONED COSTS

None