

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Baraga Housing Commission	County Baraga
Fiscal Year End 6/30/07	Opinion Date 3/14/2008	Date Audit Report Submitted to State 3/14/2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address 201 E. Hughitt		City Iron Mountain	State Zip MI 49801
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA	License Number 263063

BARAGA HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended June 30, 2007

BARAGA HOUSING COMMISSION

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

A Regional Firm with Offices in Michigan and Wisconsin

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

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Baraga Housing Commission
Baraga, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Baraga Housing Commission as of and for the year ended June 30, 2007 as listed in the Table of Contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Baraga Housing Commission as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008 on our consideration of the Baraga Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the 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 required 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 financial statements that collectively comprise the Baraga Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

March 14, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Baraga Housing Commission's financial performance provides an overview of the financial activities for the year ended June 30, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$897,425 for the year ended June 30, 2007 compared to \$932,666 for the year ended June 30, 2006.
- The Commission's operating revenues totaled \$334,765 for the year ended June 30, 2007 and \$300,693 for the year ended June 30, 2006, while operating expenses totaled \$418,036 for the year ended June 30, 2007 and \$424,213 for the year ended June 30, 2006.

USING THIS REPORT

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

REPORTING THE COMMISSION AS A WHOLE

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

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

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

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

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

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

THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended June 30, 2007 decreased \$(35,241) from the year ended June 30, 2006.

Table 1

NET ASSETS

	Assets	
	June 30,	
	2007	2006
Current assets	\$ 231,546	\$ 226,132
Capital assets (net)	<u>720,143</u>	<u>783,957</u>
Total assets	<u>951,689</u>	<u>1,010,089</u>
Liabilities		
Current liabilities	28,625	53,630
Noncurrent liabilities	<u>25,639</u>	<u>23,793</u>
Total liabilities	<u>54,264</u>	<u>77,423</u>
Net Assets		
Invested in capital assets, net of related debt	720,143	783,957
Unrestricted	<u>177,282</u>	<u>148,709</u>
Net Assets	<u>\$ 897,425</u>	<u>\$ 932,666</u>

Net assets of the Commission stood at \$897,425 for the year ended June 30, 2007 compared to \$932,666 for the year ended June 30, 2006. Unrestricted net business assets were \$177,282 for the year ended June 30, 2007 compared to \$148,709 for the year ended June 30, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was largely due to a \$11,569 increase in cash, a \$25,696 decrease in accounts receivable – HUD other projects, and a \$17,341 increase in investments. The decrease in current liabilities was largely due to a \$28,223 decrease in accounts payable.

Table 2

CHANGE IN NET ASSETS

	Year Ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 137,395	\$ 128,938
Program grants and subsidies	221,679	227,417
General revenues:		
Other revenues	17,889	3,719
Unrestricted investment earnings	<u>5,832</u>	<u>4,093</u>
 Total revenues	 382,795	 364,167
 Program Expenses:		
Operating expenses	<u>418,036</u>	<u>424,213</u>
 Change in net assets	 (35,241)	 (60,046)
 Net assets - beginning of period	 <u>932,666</u>	 <u>992,712</u>
 Net assets - end of period	 <u>\$ 897,425</u>	 <u>\$ 932,666</u>

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled \$382,795 for the year ended June 30, 2007 compared to \$364,167 for the year ended June 30, 2006. The Commission's average unit months leased on a monthly basis had increased during the current year. In addition, HUD operating funds and capital funding grants had decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The decrease in operating expenses was largely due to a \$4,554 increase in administrative expenses, a \$4,366 decrease in general expenses, a \$4,358 increase in maintenance expenses, and a \$5,930 decrease in extraordinary maintenance. The increase in other revenues is due to tenant charges being recorded in other revenues for June 30, 2007.

CAPITAL ASSETS

Capital Assets

The Commission had \$2,916,757 invested in a variety of capital assets including land, equipment and buildings for the year ended June 30, 2007 compared to \$2,910,058 for the year ended June 30, 2006.

Table 3

CAPITAL ASSETS Business - Type Activity

	June 30,	
	2007	2006
Land and improvements	\$ 354,432	\$ 360,963
Building and improvements	2,429,983	2,362,385
Equipment	123,702	127,329
Construction in progress	<u>8,640</u>	<u>59,381</u>
Total	2,916,757	2,910,058
Less accumulated depreciation	<u>(2,196,614)</u>	<u>(2,126,101)</u>
NET CAPITAL ASSETS	<u>\$ 720,143</u>	<u>\$ 783,957</u>

The Commission invested \$42,211 in capital assets during the year ended June 30, 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Mike Wadaga, at 416 Michigan Avenue, Baraga, Michigan 49908, or call 906-353-6432.

BARAGA HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

June 30, 2007

CURRENT ASSETS:	
Cash and equivalents	\$ 147,096
Accounts receivable	3,653
Investments	76,219
Prepaid expenses	<u>4,578</u>
TOTAL CURRENT ASSETS	<u>231,546</u>
NONCURRENT ASSETS:	
Capital assets	2,916,757
Less accumulated depreciation	<u>(2,196,614)</u>
NET CAPITAL ASSETS	<u>720,143</u>
TOTAL ASSETS	<u>951,689</u>
CURRENT LIABILITIES:	
Accounts payable	6,350
Accrued liabilities	<u>22,275</u>
TOTAL CURRENT LIABILITIES	28,625
NONCURRENT LIABILITIES	<u>25,639</u>
TOTAL LIABILITIES	<u>54,264</u>
NET ASSETS:	
Investment in capital assets, net of related debt	720,143
Unrestricted net assets	<u>177,282</u>
NET ASSETS	<u>\$ 897,425</u>

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





BARAGA HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 418,036	\$ 137,395	\$ 179,468	\$ 42,211
				\$ (58,962)
General revenues:				
Unrestricted investment earnings				5,832
Other				17,889
Total general revenues				23,721
Change in net assets				(35,241)
NET ASSETS, beginning of year				932,666
NET ASSETS, end of year				\$ 897,425

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

BARAGA HOUSING COMMISSION

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

For the Year Ended June 30, 2007

OPERATING REVENUES:	
Tenant revenue	\$ 137,395
Program grants-subsidies	179,468
Other income	<u>17,902</u>
 TOTAL OPERATING REVENUES	 <u>334,765</u>
OPERATING EXPENSES:	
Administration	96,492
Tenant services	906
Utilities	56,572
Maintenance	86,213
General	11,943
Housing assistance payments	59,898
Depreciation	<u>106,012</u>
 TOTAL OPERATING EXPENSES	 <u>418,036</u>
 OPERATING (LOSS)	 <u>(83,271)</u>
NONOPERATING REVENUES AND (EXPENSES):	
Capital grants	42,211
Interest income	5,832
Loss on sale of capital assets	<u>(13)</u>
 TOTAL NONOPERATING REVENUES AND (EXPENSES)	 <u>48,030</u>
 CHANGE IN NET ASSETS	 (35,241)
NET ASSETS, BEGINNING OF YEAR	<u>932,666</u>
 NET ASSETS, END OF YEAR	 <u>\$ 897,425</u>

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



BARAGA HOUSING COMMISSION

STATEMENT OF CASH FLOWS Proprietary Fund

For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 135,475
Cash received from grants and subsidies	205,164
Cash payments to suppliers for goods and services	(213,730)
Cash payments for wages and related benefits	(121,268)
Other receipts	<u>17,902</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES 23,543

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	42,211
Acquisition of capital assets	<u>(42,211)</u>

NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES -

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(17,341)
Investment income	<u>5,367</u>

NET CASH (USED) BY INVESTING ACTIVITIES (11,974)

NET INCREASE IN CASH AND EQUIVALENTS 11,569

CASH AND EQUIVALENTS, BEGINNING OF YEAR 135,527

CASH AND EQUIVALENTS, END OF YEAR \$ 147,096

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (83,271)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	106,012
Changes in assets and liabilities:	
Decrease (Increase) in receivables	23,776
Decrease (Increase) in prepaid expenses	185
Increase (Decrease) in accounts payable	(28,223)
Increase (Decrease) in accrued liabilities	<u>5,064</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES \$ 23,543

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



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

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

The Commission manages 50 units of low rent public housing units and 25 section 8 vouchers of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

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

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

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

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

BASIS OF PRESENTATION

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

Government-Wide Financial Statements:

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

BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus:

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

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

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

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

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

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

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

The Commission has adopted a capitalization policy for capital assets of \$200 per item.

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

Government-Wide Statements:

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

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



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

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

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

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

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

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

Budgets and Budgetary Accounting:

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

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on July 1st. The operating budget includes proposed expenses and the means of financing them. Prior to June 30th, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

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

Petty cash	\$ 150
Checking accounts	34,409
Savings accounts	<u>112,537</u>
 TOTAL	 <u>\$ 147,096</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require, and the Commission does not have a policy for deposit custodial credit risk. As of June 30, 2007, the Commission's cash and equivalents were not exposed to credit risk due to them being fully insured.

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$76,219</u>	<u>\$42,604</u>	<u>\$33,615</u>

Investments are recorded at fair market value.

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of June 30, 2007, the Commission's investments were not exposed to credit risk due to them being fully insured.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

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

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

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

Superior National Bank and Trust, Hancock, MI	\$61,219
Commercial National Bank, L'Anse, MI	<u>15,000</u>
TOTAL	<u>\$76,219</u>

NOTE C - CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2007 is as follows:

	Balance <u>7-1-06</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-07</u>
Land and improvements	\$ 360,963	\$ -	\$ (6,531)	\$ 354,432
Building and improvements	2,362,385	92,602	(25,004)	2,429,983
Equipment	127,329	350	(3,977)	123,702
Construction in progress	<u>59,381</u>	<u>41,861</u>	<u>(92,602)</u>	<u>8,640</u>
	2,910,058	<u>\$ 134,813</u>	<u>\$ (128,114)</u>	2,916,757
Accumulated depreciation	<u>(2,126,101)</u>	<u>\$ (106,012)</u>	<u>\$ 35,499</u>	<u>(2,196,614)</u>
Net capital assets	<u>\$ 783,957</u>			<u>\$ 720,143</u>

Depreciation expense for the year was \$106,012.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE D - RISK MANAGEMENT

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

NOTE E - USE OF ESTIMATES

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

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended June 30, 2007 totaled \$382,795 of which \$221,859 or 58.0% was from HUD subsidies and grants.

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

NOTE G - PENSION PLAN

The Commission has established a SEP-IRA plan of which the Commission contributes 8.5% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$5,848.





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

**SUPPLEMENTAL
INFORMATION**



BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

June 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
ASSETS:					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 121,782	\$ 25,314	\$ -	\$ 147,096
100	Total cash	121,782	25,314	-	147,096
Accounts and notes receivables:					
126	Accounts receivable- Tenants - Dwelling rents	3,778	-	-	3,778
126.1	Allowance for doubtful account - Dwelling rents	(907)	-	-	(907)
129	Accrued interest receivable	492	290	-	782
120	Total receivables, net of allowances for doubtful accounts	3,363	290	-	3,653
Current investments					
131	Investments	61,219	15,000	-	76,219
142	Prepaid expenses	4,578	-	-	4,578
144	Interprogram due from	496	-	-	496
150	TOTAL CURRENT ASSETS	191,438	40,604	-	232,042

See accompanying notes to financial statements



BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

June 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	4,858	-	-	4,858
162	Buildings	2,337,380	-	92,602	2,429,982
163	Furniture, equipment & machinery - dwellings	31,752	-	-	31,752
164	Furniture, equipment & machinery - administration	91,601	-	350	91,951
165	Leasehold improvements	349,574	-	-	349,574
166	Accumulated depreciation	(2,192,709)	-	(3,905)	(2,196,614)
167	Construction in progress	-	-	8,640	8,640
160	Total fixed assets, net of accumulated depreciation	622,456	-	97,687	720,143
180	TOTAL NONCURRENT ASSETS	622,456	-	97,687	720,143
190	TOTAL ASSETS	\$ 813,894	\$ 40,604	\$ 97,687	\$ 952,185

See accompanying notes to financial statements



BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

June 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
	LIABILITIES AND NET ASSETS:				
	LIABILITIES:				
	CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 6,278	\$ 72	\$ -	\$ 6,350
321	Accrued wages / payroll taxes payable	2,129	-	-	2,129
322	Accrued compensated absences - current portion	7,595	200	-	7,795
341	Tenant security deposits	11,930	-	-	11,930
342	Deferred revenues	421	-	-	421
347	Interprogram due to	-	496	-	496
310	TOTAL CURRENT LIABILITIES	28,353	768	-	29,121
354	Accrued compensated absences - non current	24,927	712	-	25,639
350	TOTAL NONCURRENT LIABILITIES	24,927	712	-	25,639
300	TOTAL LIABILITIES	53,280	1,480	-	54,760

See accompanying notes to financial statements



BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

June 30, 2007

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
	NET ASSETS:				
	Contributed Capital:				
508.1	Investment in capital assets, net of related debt	622,456	-	97,687	720,143
512.1	Unrestricted net assets	138,158	39,124	-	177,282
513	TOTAL NET ASSETS	760,614	39,124	97,687	897,425
600	TOTAL LIABILITIES AND NET ASSETS	\$ 813,894	\$ 40,604	\$ 97,687	\$ 952,185



BARAGA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended June 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
REVENUE:					
703	Net tenant rental revenue	137,395	-	-	137,395
705	Total tenant revenue	137,395	-	-	137,395
706	HUD PHA grants	77,389	79,284	22,795	179,468
706.1	Capital grants	-	-	42,211	42,211
711	Investment income - unrestricted	4,740	1,092	-	5,832
715	Other revenue	17,902	-	-	17,902
716	Gain/Loss on sale of fixed assets	(13)	-	-	(13)
700	TOTAL REVENUE	237,413	80,376	65,006	382,795
EXPENSES:					
Administrative					
911	Administrative salaries	44,186	5,287	-	49,473
912	Auditing fees	2,600	400	-	3,000
914	Compensated absences	3,306	110	-	3,416
915	Employee benefit contributions- administrative	15,116	1,022	-	16,138
916	Other operating- administrative	15,388	2,606	6,471	24,465
	Total Administrative	80,596	9,425	6,471	96,492

See accompanying notes to financial statements



BARAGA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended June 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Tenant services					
924	Tenant services - other	906	-	-	906
Utilities					
931	Water	26,850	-	-	26,850
932	Electricity	10,670	-	-	10,670
933	Gas	19,052	-	-	19,052
	Total Utilities	56,572	-	-	56,572
Maintenance					
941	Ordinary maintenance and operations - labor	30,576	-	-	30,576
942	Ordinary maintenance and operations - materials & other	7,869	-	-	7,869
943	Ordinary maintenance and operations - contract costs	22,595	-	-	22,595
945	Employee benefit contributions- ordinary maintenance	25,173	-	-	25,173
	Total Maintenance	86,213	-	-	86,213
General expenses					

See accompanying notes to financial statements



BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended June 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
961	Insurance premiums	10,908	-	-	10,908
962	Other general expenses	-	5	-	5
964	Bad debt - tenant rents	1,198	-	-	1,198
	Total General Expenses	<u>12,106</u>	<u>5</u>	<u>-</u>	<u>12,111</u>
969	TOTAL OPERATING EXPENSES	<u>236,393</u>	<u>9,430</u>	<u>6,471</u>	<u>252,294</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>1,020</u>	<u>70,946</u>	<u>58,535</u>	<u>130,501</u>
972	Casualty losses - non-capitalized	(168)	-	-	(168)
973	Housing assistance payments	-	59,898	-	59,898
974	Depreciation expense	102,107	-	3,905	106,012
900	TOTAL EXPENSES	<u>338,332</u>	<u>69,328</u>	<u>10,376</u>	<u>418,036</u>
	Other financing sources (uses)				
1001	Operating transfers in	16,324	-	-	16,324
1002	Operating transfers out	-	-	(16,324)	(16,324)
1010	Total other financing sources (uses)	<u>16,324</u>	<u>-</u>	<u>(16,324)</u>	<u>-</u>

See accompanying notes to financial statements



BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended June 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
	1000 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (84,595)	\$ 11,048	\$ 38,306	\$ (35,241)
MEMO account information					
1103	Beginning equity	\$ 845,209	\$ 28,076	\$ 59,381	\$ 932,666
1104	Prior Period Adjustments, Equity Transfers	\$ -	\$ -	\$ -	\$ -
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ -	\$ -	\$ -
1116	Total Annual Contributions Available	\$ -	\$ -	\$ -	\$ -
1120	Unit months available	600	300	-	900
1121	Number of unit months leased	595	259	-	854
1117	Administrative Fee Equity	\$ -	\$ 10,513	\$ -	\$ 10,513
1118	Housing Assistance Payments Equity	\$ -	\$ 28,611	\$ -	\$ 28,611

See accompanying notes to financial statements

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Commissioners
Baraga Housing Commission
Baraga, Michigan

We have audited the financial statements of Baraga Housing Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Baraga Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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

Anderson, Tackman & Co. P.C.

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

March 14, 2008

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

