ESCANABA HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended September 30, 2007

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

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Escanaba Housing Commission
Escanaba, Michigan

We have audited the accompanying basic financial statements of the business-type activities of the Escanaba Housing Commission as of and for the year ended September 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 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 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 Escanaba Housing Commission as of September 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 June 13, 2008 on our consideration of the Escanaba Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Anderson, Tackman & Co. PLC

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

June 13, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Escanaba Housing Commission's financial performance provides an overview of the financial activities for the year ended September 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 $2,778,402 for the year ended September 30, 2007 compared to $2,781,037 for the year ended September 30, 2006.

- The Commission's operating revenues totaled $743,988 for the year ended September 30, 2007 and $692,400 for the year ended September 30, 2006, while operating expenses totaled $1,018,148 for the year ended September 30, 2007 and $951,429 for the year ended September 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 September 30, 2007 decreased $(2,635) from the year ended September 30, 2006.

Table 1

NET ASSETS

	September 30, 2007	September 30, 2006
Assets		
Current assets	$ 478,058	$ 460,186
Capital assets (net)	2,490,734	2,526,407
Total assets	2,968,792	2,986,593
Liabilities		
Current liabilities	120,811	125,430
Noncurrent liabilities	69,579	80,126
Total liabilities	190,390	205,556
Net Assets		
Invested in capital assets, net of related debt	2,490,734	2,526,407
Unrestricted	287,668	254,630
Net Assets	$2,778,402	$2,781,037

Net assets of the Commission stood at $2,778,402 for the year ended September 30, 2007 compared to $2,781,037 for the year ended September 30, 2006. Unrestricted net business assets were $287,668 for the year ended September 30, 2007 compared to $254,630 for the year ended September 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 $11,280 increase in cash.. The decrease in current liabilities was largely due to a $10,821 decrease in accounts payable.

CHANGE IN NET ASSETS

	Year Ended September 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	$ 460,430	$ 429,731
Program grants and subsidies	467,847	343,895
General revenues:		
Other revenues	65,250	38,006
Unrestricted investment earnings	24,081	16,769
Total revenues	1,017,608	828,401
Program Expenses:		
Operating expenses	1,018,148	951,429
Interest expense	2,095	2,325
Total expenses	1,020,243	953,754
Change in net assets	(2,635)	(125,353)
Net assets - beginning of period	2,781,037	2,906,390
Net assets - end of period	$2,778,402	$ 2,781,037

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled $1,017,608 for the year ended September 30, 2007 compared to $828,401 for the year ended September 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 increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses was largely due to a $6,362, increase in administrative expenses and a $24,931 increase in utility costs.

CAPTIAL ASSETS

Capital Assets

The Commission had $7,395,901 invested in a variety of capital assets including land, equipment and buildings for the year ended September 30, 2007 compared to $7,142,501 for the year ended September 30, 2006.

Table 3

CAPITAL ASSETS
Business - Type Activity

	September 30,	
	2007	2006
Land and improvements	$ 606,383	$ 520,368
Building and improvements	6,479,464	6,198,378
Equipment	310,054	291,940
Construction in progress	-	131,815
Total	7,395,901	7,142,501
Less accumulated depreciation	(4,905,167)	(4,616,094)
NET CAPITAL ASSETS	$2,490,734	$2,526,407

The Commission invested $257,456 in capital assets during the year ended September 30, 2007.

LONG-TERM DEBT

During the year the Commission repaid long-term debt principal in the amount of $11,492, representing all long-term liability payments due from the Commission during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Mary Lynn Sweeney, at 110 South 5th Street, Escanaba, Michigan 49829, or call 906-786-6229.

ESCANABA HOUSING COMMISSION

STATEMENT OF NET ASSETS
Proprietary Fund

September 30, 2007

CURRENT ASSETS:	
Cash and equivalents	$ 73,598
Accounts receivable	1,383
Investments	375,105
Inventories	2,589
Prepaid expenses	25,383
TOTAL CURRENT ASSETS	478,058
NONCURRENT ASSETS:	
Capital assets	7,395,901
Less accumulated depreciation	(4,905,167)
NET CAPITAL ASSETS	2,490,734
TOTAL ASSETS	2,968,792
CURRENT LIABILITIES:	
Accounts payable	22,295
Accrued liabilities	71,295
Compensated absences - current portion	15,380
Current portion long-term debt	11,841
TOTAL CURRENT LIABILITIES	120,811
NONCURRENT LIABILITIES	
Compensated absences	17,370
Long-term debt	52,209
TOTAL NONCURRENT LIABILITIES	69,579
TOTAL LIABILITIES	190,390
NET ASSETS:	
Investment in capital assets, net of related debt	2,490,734
Unrestricted net assets	287,668
NET ASSETS	$ 2,778,402

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

ANDERSON, TACKMAN & COMPANY, P.L.C.
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ESCANABA HOUSING COMMISSION

STATEMENT OF ACVITIVIES

For the Year Ended September 30, 2007

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
BUSINESS-TYPE ACTIVITIES:					
Public Housing	$ 1,020,243	$ 460,430	$ 218,413	$ 249,434	$ (91,966)
General revenues:					
Unrestricted investment earnings					24,081
Other					65,250
Total general revenues					89,331
Change in net assets					(2,635)
NET ASSETS, beginning of year					2,781,037
NET ASSETS, end of year					$ 2,778,402

ESCANABA HOUSING COMMISSION

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

For the Year Ended September 30, 2007

OPERATING REVENUES:	
Tenant revenue	$ 460,430
Program grants-subsidies	218,413
Other income	65,145
TOTAL OPERATING REVENUES	743,988
OPERATING EXPENSES:	
Administration	193,080
Tenant services	4,341
Utilities	167,417
Maintenance	257,601
General	77,740
Other operating	24,840
Depreciation	293,129
TOTAL OPERATING EXPENSES	1,018,148
OPERATING (LOSS)	(274,160)
NONOPERATING REVENUES AND (EXPENSES):	
Capital grants	249,434
Gain on sale of capital assets	105
Interest income	24,081
Interest expense	(2,095)
TOTAL NONOPERATING REVENUES AND (EXPENSES)	271,525
CHANGE IN NET ASSETS	(2,635)
NET ASSETS, BEGINNING OF YEAR	2,781,037
NET ASSETS, END OF YEAR	$2,778,402

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

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ESCANABA HOUSING COMMISSION

STATEMENT OF CASH FLOWS
Proprietary Fund

For the Year Ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 459,993
Cash received from grants and subsidies	218,413
Cash payments to suppliers for goods and services	(351,504)
Cash payments for wages and related benefits	(354,547)
Cash payments for payment in lieu of taxes	(25,186)
Other receipts	65,145
NET CASH PROVIDED FROM OPERATING ACTIVITIES	12,314
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVATES:	
Principal payments on debt	(11,492)
Interest payments on debt	(2,109)
Capital grants	249,434
Proceeds from sale of capital assets	105
Acquisition of capital assets	(257,456)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(21,518)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(3,597)
Investment income	24,081
NET CASH PROVIDED FROM INVESTING ACTIVITIES	20,484
NET INCREASE IN CASH AND EQUIVALENTS	11,280
CASH AND EQUIVALENTS, BEGINNING OF YEAR	62,318
CASH AND EQUIVALENTS, END OF YEAR	$ 73,598
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (274,160)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	293,129
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(437)
Decrease (Increase) in prepaid expenses	(2,558)
Increase (Decrease) in accounts payable	(10,821)
Increase (Decrease) in accrued liabilities	7,161
NET CASH PROVED FROM OPERATING ACTIVITIES	$ 12,314

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

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

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

The Commission manages 175 units of low rent public housing units of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

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

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

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

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

BASIS OF PRESENTATION

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

Government-Wide Financial Statements:

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

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus:

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

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

Basis of Accounting:

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

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

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.

b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

c. Inventory – Inventory is recorded at the lower of cost or market and primarily consisted of maintenance supplies and materials.

d. 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.

e. 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.

f. 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.

g. Equity Classification

Government-Wide Statements:

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

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

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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 October 1st. The operating budget includes proposed expenses and the means of financing them. Prior to September 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 September 30th.

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NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

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

Petty cash	$ 100
Checking accounts	13,569
Savings and money market accounts	59,929
TOTAL	$ 73,598

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 September 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:

		(Investment Maturities in Years)				
Investment Type	Fair Value	Less Than 1 Year	1-5	6-10	11-15	16-20
Certificates of Deposit	$119,572	$29,985	$89,587	$ -	$ -	$ -
U.S. Treasury Bonds	255,533	-	-	142,314	87,743	25,476
TOTAL	$375,105	$29,985	$89,587	$142,314	$87,743	$25,476

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

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

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.

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

NOTE B - CASH AND INVESTMENTS (Continued)

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. HUD regulations requires the Commission to have all funds in excess of insured amounts to be collateralized. As of September 30, 2007, the Commission's investments were not exposed to custodial credit risk, due to them being fully insured.

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 certificates of deposit are with the following financial institutions:

Edward D. Jones	$375,105

NOTE C – CAPITAL ASSETS

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

	Balance 10-1-06	Additions	Deletions	Balance 9-30-07
Land and improvements	$ 520,368	$ 86,015	$ -	$ 606,383
Building and improvements	6,198,378	281,086	-	6,479,464
Equipment	291,940	22,170	(4,056)	310,054
Construction in progress	131,815	229,002	(360,817)	-
	7,142,501	$ 618,273	$ (364,873)	7,395,901
Accumulated depreciation	(4,616,094)	$ (293,129)	$ 4,056	(4,905,167)
Net capital assets	$2,526,407			$2,490,734

Depreciation expense for the year was $293,129.

ANDERSON, TACKMAN & COMPANY, P.L.C.
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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 September 30, 2007 totaled $1,017,608 of which $467,847 or 46% 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 403(b) plan of which the Commission contributes 18% 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 $60,680.

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CERTIFIED PUBLIC ACCOUNTANTS

NOTE H – CHANGES IN LONG-TERM OBLIGATIONS

During the year ended September 30, 2007, the following changes occurred in long-term liabilities.

	Balance 10/1/2006	Additions	Repayments	Balance 9/30/2007	Amounts Due Within One Year
Capital lease payable	$ 75,542	$ -	$ (11,492)	$ 64,050	$ 11,841
Vested sick and vacation pay	30,430	16,673	(14,353)	32,750	15,380
TOTALS	$ 105,972	$ 16,673	$ (25,845)	$ 96,800	$ 27,221

NOTE I – LONG-TERM OBLIGATIONS

Long-term obligations at September 30, 2007 is comprised of the following amount:

1. 2007 note payable due in monthly installments of $1,133 including interest of 3%. Matures in 2012.	$ 64,050
2. Vested sick and vacation pay	32,750
Total long-term obligations	$ 96,800

The annual requirements to amortize long-term obligations outstanding as of September 30, 2007 are as follows:

Year Ended September 30,	Long-term Debt Principal	Long-term Debt Interest	Sick and Vacation Pay	Total
2008	11,841	1,760	15,380	28,981
2009	12,201	1,399	17,370	30,970
2010	12,573	1,028	-	13,601
2011	12,955	646	-	13,601
2012	13,349	252	-	13,601
Thereafter	1,131	3	-	1,134
TOTAL	$ 64,050	$5,088	$ 32,750	$ 101,888

Interest charged to expenses totaled $2,095.

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SUPPLEMENTAL INFORMATION

ESCANABA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	ASSETS			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	$ 73,598	$ -	$ 73,598
100	Total cash	73,598	-	73,598
	Accounts and notes receivables:			
125	Accounts receivable - Miscellaneous	1,000	-	1,000
126	Accounts receivable- tenants - dwelling rents	1,067	-	1,067
126.1	Allowance for doubtful account - dwelling rents	(684)	-	(684)
120	Total receivables, net of allowances for doubtful accounts	1,383	-	1,383
	Other assets:			
131	Investments - unrestricted	375,105	-	375,105
142	Prepaid expenses	25,383	-	25,383
143	Inventories	2,589	-	2,589
150	TOTAL CURRENT ASSETS	478,058	-	478,058
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	380,172	-	380,172
162	Buildings	6,204,662	274,802	6,479,464
163	Furniture, equipment & machinery - dwellings	100,958	-	100,958
164	Furniture, equipment & machinery - administration	194,098	14,998	209,096
165	Leasehold improvements	140,196	86,015	226,211
166	Accumulated depreciation	(4,885,175)	(19,992)	(4,905,167)
160	Total fixed assets, net of accumulated depreciation	2,134,911	355,823	2,490,734
180	TOTAL NONCURRENT ASSETS	2,134,911	355,823	2,490,734
190	TOTAL ASSETS	$ 2,612,969	$ 355,823	$ 2,968,792

See accompanying notes to financial statements

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

ESCANABA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	LIABILITIES AND NET ASSETS			
	CURRENT LIABILITIES			
312	Accounts payable ≤ 90 days	$ 22,295	$ -	$ 22,295
321	Accrued wages / payroll taxes	7,947	-	7,947
322	Accrued compensated absences - current portion	15,380	-	15,380
325	Accrued interest payable	79	-	79
333	Accounts payable - other government	25,687	-	25,687
341	Tenant security deposits	37,430	-	37,430
342	Deferred revenues	89	-	89
348	Loan liability - current	11,841	-	11,841
345	Other liabilities	63	-	63
310	TOTAL CURRENT LIABILITIES	120,811	-	120,811
354	Accrued compensated absences - non current	17,370	-	17,370
355	Loan liability - noncurrent	52,209	-	52,209
350	TOTAL NONCURRENT LIABILITIES	69,579	-	69,579
300	TOTAL LIABILITIES	190,390	-	190,390
	NET ASSETS			
	Contributed Capital:			
508.1	Investment in capital assets, net of related debt	2,134,911	355,823	2,490,734
512.1	Unrestricted net assets	287,668	-	287,668
513	TOTAL NET ASSETS	2,422,579	355,823	2,778,402
600	TOTAL LIABILITIES AND NET ASSETS	$ 2,612,969	$ 355,823	$ 2,968,792

See accompanying notes to financial statements

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

ESCANABA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	REVENUES			
703	Net tenant rental revenue	$ 460,244	$ -	$ 460,244
704	Tenant revenue - other	186	-	186
705	Total tenant revenue	460,430	-	460,430
706	HUD PHA grants	202,433	15,980	218,413
706.1	Capital grants	-	249,434	249,434
711	Investment income - unrestricted	24,081	-	24,081
715	Other revenue	65,145	-	65,145
716	Gain/Loss on Sale of Fixed Assets	105	-	105
700	TOTAL REVENUES	752,194	265,414	1,017,608
	EXPENSES			
	Administrative:			
911	Administrative salaries	107,561	-	107,561
912	Auditing fees	3,100	-	3,100
914	Compensated absences	2,321	-	2,321
915	Employee benefit contributions- administrative	43,834	-	43,834
916	Other operating- administrative	34,345	1,919	36,264
	Total Administrative	191,161	1,919	193,080
	Tenant services:			
924	Tenant services - other	4,341	-	4,341
	Utilities:			
931	Water	10,440	-	10,440
932	Electricity	77,142	-	77,142
933	Gas	79,835	-	79,835
	Total Utilities	167,417	-	167,417
	Maintenance:			
941	Ordinary maintenance and operations - labor	143,522	-	143,522
942	Ordinary maintenance and operations - materials & other	17,973	-	17,973
943	Ordinary maintenance and operations - contract costs	35,772	-	35,772
945	Employee benefit contributions- ordinary maintenance	60,334	-	60,334
	Total Maintenance	257,601	-	257,601

See accompanying notes to financial statements

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

ESCANABA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended September 30, 2007

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
	General expenses:			
961	Insurance premiums	51,787	-	51,787
963	Payment in lieu of taxes	25,687	-	25,687
964	Bad debt - tenant rent	266	-	266
967	Interest expense	2,095	-	2,095
	Total General Expenses	79,835	-	79,835
969	TOTAL OPERATING EXPENSES	700,355	1,919	702,274
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	51,839	263,495	315,334
971	Extraordinary maintenance	19,406	5,434	24,840
974	Depreciation expense	273,137	19,992	293,129
900	TOTAL EXPENSES	992,898	27,345	1,020,243
	Other financing sources (uses):			
1001	Operating transfers in	14,061	-	14,061
1002	Operating transfers out	-	(14,061)	(14,061)
1010	Total other financing sources (uses)	14,061	(14,061)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	$ (226,643)	$ 224,008	$ (2,635)
MEMO account information				
1103	Beginning equity	$ 2,463,063	$ 317,974	$ 2,781,037
1104	Prior Period Adjustments, Equity Transfers	$ 186,159	$ (186,159)	$ -
1120	Unit months available	2,100	-	2,100
1121	Number of unit months leased	2,015	-	2,015

See accompanying notes to financial statements

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

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

Board of Commissioners
Escanaba Housing Commission
Escanaba, Michigan

We have audited the financial statements of Escanaba Housing Commission as of and for the year ended September 30, 2007, and have issued our report thereon dated June 13, 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 Escanaba 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 Escanaba Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Escanaba 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 Escanaba Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

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

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

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

Anderson, Tackman & Co. PLC

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

June 13, 2008

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