

**INGHAM COUNTY HOUSING
COMMISSION**

Okemos, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2007**



REHMANN ROBSON

Certified Public Accountants

INGHAM COUNTY HOUSING COMMISSION

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A member of **THE REHMANN GROUP**



INDEPENDENT AUDITORS' REPORT

June 10, 2008

To the Board of Commissioners
Ingham County Housing Commission
Okemos, Michigan

We have audited the accompanying financial statements of the **INGHAM COUNTY HOUSING COMMISSION, an enterprise fund of Ingham County, Michigan**, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Ingham County Housing Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements present only the Ingham County Housing Commission and do not purport to, and do not, present fairly the financial position of Ingham County, Michigan, as of September 30, 2007, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ingham County Housing Commission, as of September 30, 2007, and the 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.

FINANCIAL STATEMENTS

INGHAM COUNTY HOUSING COMMISSION

Statement of Net Assets

September 30, 2007

Assets

Current assets

Cash and cash equivalents	\$ 408,968
Restricted cash and cash equivalents - customer deposits	18,019
Subsidy receivable restricted for debt service	41,497
Accounts receivable, net	4,039
Due from other funds of Ingham County	67,806
Total current assets	<u>540,329</u>

Noncurrent assets

Capital assets not being depreciated	327,078
Capital assets being depreciated, net	1,904,594
Total noncurrent assets	<u>2,231,672</u>

Total assets

2,772,001

Liabilities

Current liabilities

Accounts payable	15,632
Accrued payroll	41,174
Accrued compensated absences	32,001
Customer deposits payable	18,019
Accrued interest payable	21,497
Unearned revenue	373
Total current liabilities	<u>128,696</u>

Noncurrent liabilities

Notes payable	<u>20,000</u>
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Total liabilities

148,696

Net assets

Invested in capital assets	2,231,672
Unrestricted	391,633

Total net assets

\$ 2,623,305

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
For the Year Ended September 30, 2007

Operating revenue	
Dwelling rental	\$ 222,460
Intergovernmental revenue:	
HUD operating subsidy	108,481
HUD modernization grant	101,354
HUD Section 8 vouchers	391,581
Other income	49,567
Total operating revenue	<u>873,443</u>
Operating expenses	
Public housing:	
Administration	223,318
Tenant services	512
Utilities	81,801
Maintenance and operations:	
Ordinary	159,500
Non-routine	5,101
Depreciation	126,385
Other expenses	621
Housing assistance:	
Administration	40,479
Assistance payments	360,247
Total operating expenses	<u>997,964</u>
Operating loss	(124,521)
Nonoperating revenue	
Investment income	<u>16,356</u>
Change in net assets	(108,165)
Net assets, beginning of year, as restated	<u>2,731,470</u>
Net assets, end of year	<u><u>\$ 2,623,305</u></u>

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION

Statement of Cash Flows

For the Year Ended September 30, 2007

Cash flows from operating activities	
Receipts from customers and users	\$ 272,027
Receipts from grantors	601,100
Payments to suppliers and contractors	(692,356)
Payments to employees	<u>(262,595)</u>
Net cash used in operating activities	(81,824)
Cash flows from capital and related financing activities	
Acquisition of capital assets	(12,639)
Cash flows from investing activities	
Interest received	<u>16,356</u>
Net decrease in cash and cash equivalents	(78,107)
Cash and cash equivalents, beginning of year	<u>505,094</u>
Cash and cash equivalents, end of year	<u><u>\$ 426,987</u></u>
Reconciliation to the statement of net assets	
Cash and cash equivalents	\$ 408,968
Restricted cash and cash equivalents	<u>18,019</u>
	<u><u>\$ 426,987</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (124,521)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	126,385
Changes in assets and liabilities:	
Accounts receivable	(388)
Due from other funds of Ingham County	(16,079)
Accounts payable	(57,048)
Accrued payroll	(12,873)
Compensated absences	4,423
Customer deposits payable	(1,795)
Unearned revenue	<u>72</u>
Net cash used in operating activities	<u><u>\$ (81,824)</u></u>

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ingham County Housing Commission (“ICHC” or the “Commission”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the ICHC’s accounting policies are described below.

A. The Financial Reporting Entity

The ICHC is an enterprise fund of Ingham County, Michigan (the “County”) that operates a low income public housing program which is subsidized by the U.S. Department of Housing and Urban Development (HUD) in accordance with the United States Housing Act of 1937, and is regulated by that Department.

The Commission is party to various contracts with HUD providing for loans and grants to assist the Commission in financing the development and modernization of housing units, annual contributions to pay for the principal and interest on project financing, and operating subsidies to help pay for the operation of the low-income public housing project. The Commission also administers various federal grant programs that provide housing assistance payments and housing rehabilitation assistance to eligible individuals. Federal funds of the Commission are included in the single audit of Ingham County.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The ICHC uses a fund (i.e., a separate accounting entity with a self-balancing set of accounts) to report its financial position and changes in financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

The ICHC is operated as an enterprise fund, a proprietary fund type, which is used to account for operations that are financed and operated in a manner similar to private business. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are governmental grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Equity

1. Deposits

The ICHC's cash and cash equivalents include cash on hand, demand deposits and short-term investments with an original maturity of less than three months.

State statutes authorize the ICHC to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, bankers acceptances and mutual funds composed of otherwise legal investments.

2. Restricted Assets

Certain assets are classified as restricted assets on the statement of net assets because their use is limited for specific purposes under HUD regulations.

3. Loans Receivable

Loans receivable consists of loans made under the housing rehabilitation assistance program.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

4. Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the Commission as assets with an individual cost of more than \$3,000 and an estimated useful life in excess of two years. Donated property and equipment are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their lives are charged to expense when incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Equipment	3-10

2. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2007:

Statement of Net Assets:

Cash and cash equivalents	\$ 408,968
Restricted cash and cash equivalents	<u>18,019</u>
	<u>\$ 426,987</u>

Deposits and Investments:

Bank deposits	\$ 126,837
Investments	300,000
Cash on hand	<u>150</u>
	<u>\$ 426,987</u>

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

As of September 30, 2007, the Commission held investments with a carrying amount and fair value of \$300,000, which consisted entirely of Allegiant governmental money market funds.

Deposit and investment risk

Custodial Credit Risk – Deposits. 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 year end, none of the Commission's bank balance of \$145,065 was exposed to custodial credit risk because it was entirely insured.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Commission does not have a policy for investment custodial credit risk. On the investments held by the Commission, there is no custodial credit risk, as the investments are uncategorized as to credit risk.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Commission's investment policy does not have specific limits in excess of state law on investment credit risk. None of the Commission's investments were subject to investment ratings at year end.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

3. HUD ANNUAL CONTRIBUTION RECEIVABLE

The following is a summary of the HUD annual contribution receivable for debt service, which is recorded as accrued interest payable in the accompanying financial statements, as of September 30, 2007:

<u>Year</u> <u>Accrued</u>	<u>Amount</u>
1988-2001	\$ 21,497
2002-2005	<u> -</u>
	<u><u>\$ 21,497</u></u>

The “subsidy receivable for debt service” on the statement of net assets also includes an amount for notes payable of \$20,000 at September 30, 2007.

4. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	<u>Balance</u> <u>October 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2007</u>
Capital assets not being depreciated:				
Land	\$ 327,078	\$ -	\$ -	\$ 327,078
Capital assets being depreciated:				
Buildings and improvements	4,860,128	-	-	4,860,128
Equipment	240,465	12,639	-	253,104
Subtotal	<u>5,100,593</u>	<u>12,639</u>	<u>-</u>	<u>5,113,232</u>
Accumulated depreciation				
Buildings and improvements	2,872,766	121,503	-	2,994,269
Equipment	209,487	4,882	-	214,369
Total accumulated depreciation	<u>3,082,253</u>	<u>126,385</u>	<u>-</u>	<u>3,208,638</u>
Total capital assets being depreciated, net	<u>2,018,340</u>	<u>(113,746)</u>	<u>-</u>	<u>1,904,594</u>
Business-type activities capital assets, net	<u><u>\$ 2,345,418</u></u>	<u><u>\$ (113,746)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,231,672</u></u>

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

5. PERMANENT NOTES

Long-term debt of the Commission consists of the following:

	Balance October 1, <u>2006</u>	<u>Increases</u>	<u>(Decreases)</u>	Balance September 30, <u>2007</u>	Due Within <u>One Year</u>
Permanent note for modernization	\$ <u>20,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20,000</u>	\$ <u>-</u>

Interest payable on this note as of September 30, 2007, is \$21,497.

A debt service requirement is not available for the Commission's HUD permanent note. This note is guaranteed by the federal government. The Commission has entered into an annual contributions contract with HUD under provisions of the United States Housing Act of 1937. In accordance with this contract, the Commission receives annually a contribution from the federal government for debt service.

6. RISK MANAGEMENT

Through the County, the ICHC is self-insured for workers' compensation claims up to \$300,000 per occurrence and insured for the amount of claims in excess of that limitation up to a maximum of \$5 million.

Also through the County, the ICHC participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property coverage. Under most circumstances, the maximum loss retention per occurrence is as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and automobile liability	\$150,000
Motor vehicle physical damage	\$ 16,000 per vehicle \$ 31,000 per occurrence
Property coverage	\$ 11,000

Further information and disclosures regarding risk management is provided in the County's comprehensive annual financial report.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

7. EMPLOYEE RETIREMENT SYSTEM

ICHC employees participate, along with other Ingham County employees, in the Michigan Municipal Employees Retirement System. The plan is a multiple employer defined benefit plan, administered by the State of Michigan. Further information regarding the Ingham County plan including detailed trend information is presented in the County's comprehensive annual financial report, which is available to the public.

8. RESTATEMENT

The beginning net assets of ICHC were reduced by \$1,443,994 reflecting the removal of the Community Development Block Grant (CDBG) for rehabilitation projects from the ICHC in favor of reporting that grant program as a separate special revenue in the County's financial statements and reporting just the HUD-subsidized housing activity in ICHC's financial statements.



REHMANN ROBSON

Certified Public Accountants

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June 10, 2008

To the Board of the
Ingham County Housing Commission
Okemos, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***Ingham County Housing Commission*** for the year ended September 30, 2007, and have issued our report thereon dated June 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter dated January 7, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of ***Ingham County Housing Commission***. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of ***Ingham County Housing Commission's*** compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Ingham County Housing Commission** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To record capital asset previously unrecorded.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 10, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the **Ingham County Housing Commission** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.