

EASTPOINTE HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended June 30, 2007

EASTPOINTE HOUSING COMMISSION

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

(Regional Firm with Offices in Michigan and Wisconsin)

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Private Companies Practice Section
American Institute of Certified
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Eastpointe Housing Commission
Eastpointe, Michigan

We have audited the accompanying financial statements of the business-type activities of the Eastpointe Housing Commission, a component unit of the City of Eastpointe, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these 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 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Eastpointe Housing Commission as of June 30, 2007, and the respective changes in financial position and cash flows 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 28, 2008 on our consideration of the Eastpointe 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 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 Eastpointe 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements of Eastpointe Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

March 28, 2008

EASTPOINTE HOUSING COMMISSION
15701 East Nine Mile Rd.
Eastpointe, MI 48021

Jody Wenz, Executive Director

As management of the Eastpointe Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Eastpointe Housing Commission's financial activities for the FYE 6/30/07. This discussion and analysis letter of the Eastpointe Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Overview of the Financial Statements

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

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

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

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

Notes to the Financial Statements

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

Supplemental Information

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

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Eastpointe Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 6/30/07:

	FYE 6/30/07	FYE 6/30/06	Dollar Change	Per Cent Change
Public Housing Operating Subsidy	262,561	243,028	19,533	8.04%
Capital Fund Program Grants	399,694	22,000	377,694	1716.79%
Sec. 8 Voucher	1,010,737	1,029,112	(18,375)	-1.79%
Total	1,672,992	1,294,140	378,852	29.27%

The subsidy for Public Housing increased. This increase is attributed to the implementation by HUD of the new Operating Fund formula which took effect 1/1/07.

The increase in Capital Fund Program grants is due to the implementation of a new comprehensive work project that began in September 2006. Details of the project follow later in this report.

Section 8 Voucher subsidy remained stable, decreasing by just under 2%. The decrease is likely due to the first expiration on 11/1/06 of a new increment we received on 11/1/05. At that time, the funding for these 40 units was then rolled in with the rest of our units.

The following represents changes in the Balance Sheet:

	<u>FYE 6/30/07</u>	<u>FYE 6/30/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Cash & Investments	817,156	811,281	5,875	0.72%
Total Current Assets	922,990	864,038	58,952	6.82%
Fixed Assets, Net of Depreciation	3,887,567	3,756,701	130,866	3.48%
Total Assets	4,810,557	4,620,739	189,818	4.11%
Total Current Liabilities	122,606	78,310	44,296	56.56%
Total Long-Term Liabilities	11,992	9,462	2,530	26.74%
Total Liabilities	134,598	87,772	46,826	53.35%
Total Equity/Net Assets	4,675,959	4,532,967	142,992	3.15%

Cash and Investments stayed relatively stable, increasing by less than 1%.

Total Current Assets increased mainly due to the increase in HUD Accounts Receivable at 6/30/07. There was also a substantial increase in Accrued Interest receivable due to the fact that we had approximately \$100,000 more in investments as of 6/30/07 than at 6/30/06.

Fixed Assets increased by \$405,613; this increase represents a comprehensive capital project funded through the Capital Fund Program. Although Fixed Assets increased by \$405,613, this was offset by depreciation charges, resulting in the net decrease stated in the above table.

Total Assets is simply the sum of Total Current Assets and Fixed Assets. No further explanation is needed.

There were small increases in almost all liability categories: Accounts payable and payroll payable increased by \$3,400, a result of timing issues at 6/30/07. Compensated Absences increased by \$2,800. Security deposits increased by over \$2,000. But the major cause of the increase in total liabilities was the retention amount of our Capital Fund Program project of \$20,079 as of 6/30/07. We had no such retention amount the prior fiscal year.

Total Long-Term Liabilities consists entirely of an amount (90% of the entire liability) related to Compensated Absences.

Total Net Assets is comprised of two components: Invested in Capital Assets, which mirrors the increase in Fixed Assets, Net of Depreciation as explained above. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure increased overall due to the Operating Income generated by the Public Housing and Section 8 Voucher Programs.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	FYE 6/30/07	FYE 6/30/06	Dollar Change	Per Cent Change
Revenues:				
Tenant Revenue	444,120	446,368	(2,248)	-0.5%
Other Revenue	26,831	23,835	2,996	12.6%
Total PHA generated Revenue	470,951	470,203	748	0.2%
Operating Subsidies/Soft Cost Grant Revenue	1,275,298	1,273,140	2,158	0.2%
Capital Grants (Hard costs)	397,694	21,000	376,694	1793.8%
Total Revenue	2,143,943	1,764,343	379,600	21.5%
Expenses:				
Administrative	286,179	257,327	28,852	11.2%
Tenant Services	5,289	6,052	(763)	-12.6%
Utilities	219,372	202,470	16,902	8.3%
Maintenance	226,052	226,713	(661)	-0.3%
General	32,083	33,649	(1,566)	-4.7%
Extraordinary Maintenance	15,907	29,003	(13,096)	-45.2%
Casualty Losses		4,220	(4,220)	-100.0%
Housing Assistance Payments	935,111	688,791	246,320	35.8%
Depreciation	280,792	272,103	8,689	3.2%
Total Expenses	2,000,785	1,720,328	280,457	16.3%
Net Increase (Decrease)	143,158	44,015		

Revenues:

Eastpointe Housing Commission's primary revenue sources are subsidies and grants received by HUD. Revenue received from HUD in FYE 6/30/07 for Public Housing and for Sec. 8 remained relatively flat overall from FYE 6/30/06 to 6/30/07, although there was a substantial increase in the revenue received for the Capital Fund Program. For FYE 6/30/07, revenue generated by the Commission accounted for \$465,945 (or 22% of total revenue), while HUD contributions accounted for \$1,672,992 (or 78% of total revenue). Investment Income increased due increased investment activity.

Expenses:

Total Expenses for FYE 6/30/06 were \$1,720,328 while for FYE 6/30/07 the total was \$2,000,785. This represents a 16.3% increase in our Operating Costs. Most of the increase was attributable to increases in HAP costs due to increased lease-up. Our average HAP cost also increased by approximately \$35.00 per tenant.

Utilities increased overall by 8.3%. The primary reason for this increase is Water. Water increased by 43% due to the installation of new meters by the City at the beginning of our fiscal year. With the installation of the new meters, we saw our consumption rise by almost 50% over the old meters, with no change in our portfolio. We questioned the City about this, and they explained that the old meters were not performing properly and had "slowed down", thus not accurately recording our consumption correctly. A more detailed explanation by the City regarding the water increase is on file in the Housing Commission office.

Administrative increased by 11.2%. Salaries increased by approximately 5% due to annual rate increases. Benefits increased by over 13% due to the rising cost of health insurance. The adjustment for Compensated Absences liability was negative in FYE 6/30/06, but positive as of 6/30/07, resulting in a difference of almost \$7,000. Miscellaneous administrative costs increased as well, mainly due to increased costs of outreach advertising.

Budget Analysis:

A Low Rent Public Housing Operating Budget for FYE 6/30/07 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Entity-Wide Operational Highlights:

The Eastpointe Housing Commission provided the following housing for low- income elderly and low-income families:

	FYE 6/30/07	FYE 6/30/06
Public Housing	164	164
Sec. 8 Voucher	171	171

During FYE 6/30/07, Eastpointe Housing Commission maintained a lease-up rate of 98.9% in its Public Housing Program, well in excess of HUD guidelines. We maintained a lease-up rate of 96.1% in its Section 8 program based on number of units. However, if based on dollar amounts, we spent more than 100% of the HAP subsidy we received for the fiscal year.

During FYE 6/30/07, we began (and substantially finished) comprehensive upgrades to the kitchens and bathrooms all 100 apartments in Berry Manor. This included replacing all countertops and side/backsplashes in kitchen and bathroom areas, and replacing all flooring throughout the kitchen and bathroom areas of the apartments.

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

A fundamental finding of the Harvard Cost Study is that Public Housing Agencies have been, and continue to be, woefully underfunded by HUD. Yet, due to the federal budget crunch, HUD continues to only pay us only a portion of the subsidy that we are entitled to. Since we fully expect this inadequate funding pattern to continue it is inevitable that cuts in services to our residents will have to be made.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that, in the short term, we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Jody Wenz, Executive Director
Eastpointe Housing Commission
15701 East Nine Mile Rd.
Eastpointe, MI 48021

EASTPOINTE HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

June 30, 2007

CURRENT ASSETS:	
Cash and equivalents	\$ 371,269
Accounts receivable	79,259
Investments	445,887
Prepaid expenses	<u>26,575</u>
TOTAL CURRENT ASSETS	<u>922,990</u>
NONCURRENT ASSETS:	
Capital assets	7,434,049
Less accumulated depreciation	<u>(3,546,482)</u>
NET CAPITAL ASSETS	<u>3,887,567</u>
TOTAL ASSETS	<u>4,810,557</u>
CURRENT LIABILITIES:	
Accounts payable	11,852
Accrued liabilities	109,422
Compensated absences	<u>1,332</u>
TOTAL CURRENT LIABILITIES	122,606
NONCURRENT LIABILITIES:	
Compensated absences	<u>11,992</u>
TOTAL LIABILITIES	<u>134,598</u>
NET ASSETS:	
Investment in capital assets, net of related debt	3,887,567
Unrestricted net assets	<u>788,392</u>
NET ASSETS	\$ <u>4,675,959</u>

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





EASTPOINTE HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS				Business-Type Activities
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 2,002,855	\$ 444,120	\$ 1,275,298	\$ 397,694
				\$ 114,257
General revenues:				
Unrestricted investment earnings				17,087
Other				11,814
Total general revenues				28,901
Changes in net assets				143,158
NET ASSETS, beginning of year				4,532,801
NET ASSETS, end of year				\$ 4,675,959

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

EASTPOINTE HOUSING COMMISSION

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

For the Year Ended June 30, 2007

OPERATING REVENUES:	
Tenant revenue	\$ 444,120
Program grants-subsidies	1,275,298
Other income	<u>11,814</u>
TOTAL OPERATING REVENUES	<u>1,731,232</u>
OPERATING EXPENSES:	
Administration	286,179
Tenant services	5,289
Utilities	219,372
Maintenance	226,052
General	32,083
Extraordinary maintenance	15,907
Housing assistance payments	937,181
Depreciation	<u>280,792</u>
TOTAL OPERATING EXPENSES	<u>2,002,855</u>
OPERATING (LOSS)	<u>(271,623)</u>
NONOPERATING REVENUES AND (EXPENSES):	
Capital grants	397,694
Interest income	<u>17,087</u>
TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>414,781</u>
CHANGE IN NET ASSETS	143,158
NET ASSETS, BEGINNING OF YEAR	<u>4,532,801</u>
NET ASSETS, END OF YEAR	<u>\$ 4,675,959</u>

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



EASTPOINTE HOUSING COMMISSION

**STATEMENT OF CASH FLOWS
Proprietary Fund**

For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 444,881
Cash received from grants and subsidies	1,230,077
Cash payments to suppliers for goods and services	(1,322,074)
Cash payments for wages and related benefits	(351,325)
Other receipts	<u>9,744</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES 11,303

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	397,694
Acquisition of capital assets	<u>(411,658)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (13,964)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(99,347)
Investment income	<u>8,536</u>

NET CASH (USED) BY INVESTING ACTIVITIES (90,811)

NET (DECREASE) IN CASH AND EQUIVALENTS (93,472)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 464,741

CASH AND EQUIVALENTS, END OF YEAR \$ 371,269

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (271,623)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	280,792
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(44,460)
Decrease (Increase) in prepaid expenses	(771)
Increase (Decrease) in accounts payable	210
Increase (Decrease) in accrued liabilities	<u>47,155</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES \$ 11,303

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



EASTPOINTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

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

The Commission manages 164 units of low rent public housing and 160 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 included 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 Eastpointe Housing Commission, but the Eastpointe Commission is a component unit of the City of Eastpointe, 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.



EASTPOINTE 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, and the Statement of Revenues, Expenses and Change in Net Assets 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 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.



EASTPOINTE 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 \$1,000 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

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

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



EASTPOINTE 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.



EASTPOINTE 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	361,252
Money market accounts	<u>9,867</u>
TOTAL	<u>\$371,269</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. As of June 30, 2007, the Commission held cash and equivalents in excess of insured amounts of \$255,954 of which \$200,000 were collateralized with a federal bond and \$55,954 was uninsured and uncollateralized.

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>
Federal Obligations	<u>\$445,887</u>	<u>\$346,540</u>	<u>\$99,347</u>

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.

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.



EASTPOINTE 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.

NOTE C - CAPITAL ASSETS

A summary of capital assets as of June 30, 2007 is as follows:

	<u>Balance</u> <u>7-1-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-07</u>
Land	\$ 239,525	\$ -	\$ -	\$ 239,525
Building and improvements	6,493,083	246,994	-	6,740,077
Equipment	274,828	4,660	(6,045)	273,443
Construction in progress	21,000	180,004	(20,000)	181,004
	<u>7,028,436</u>	<u>\$ 431,658</u>	<u>\$ (26,045)</u>	<u>7,434,049</u>
Accumulated depreciation	<u>(3,271,735)</u>	<u>\$(280,792)</u>	<u>\$ 6,045</u>	<u>(3,546,482)</u>
Net capital assets	<u>\$3,756,701</u>			<u>\$3,887,567</u>

Depreciation expense for the year was \$280,792.



EASTPOINTE 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 \$2,148,325 of which \$1,672,992 or 77.8% 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

Plan Description

The Commission's defined benefit pension plan provides retirement, death, health and disability benefits to plan members and beneficiaries. The Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.



EASTPOINTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE G – PENSION PLAN (Continued)

Funding Policy

The Commission is required to contribute at an actuarially determined rate, which for the current year ranged from 17.54 to 31.13 percent. Employees are not required to contribute to the Plan. The contribution requirements of the Commission are established and may be amended by the MERS Retirement Board.

Annual Pension Cost

For the year ended June 30, 2007, the Commission's annual pension cost of \$193,704 for MERS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) per cent per year compounded annually based on inflation, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	7,890	100%	-
6/30/2006	18,075	100%	-
6/30/2007	18,141	100%	-



EASTPOINTE HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(Continued)

NOTE G -- PENSION PLAN (Continued)

Schedule of Funding Progress

(Dollar Amounts in Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability(AAL) Entry Age (b)</u>	<u>Under funded (AAL) (UAAL) (b-a)</u>	<u>Funded Ratio (ab)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)c)</u>
12/31/2004	161,398	219,703	58,305	73.0%	190,752	31.0%
12/31/2005	198,895	276,328	77,433	72.0%	210,176	37.0%
12/31/2006	242,567	313,878	71,311	77.0%	212,545	34.0%



**SUPPLEMENTAL
INFORMATION**

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





EASTPOINTE 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	\$ 87,067	\$ 244,031	\$ -	\$ 331,098
114	Cash - tenant security deposits	40,171	-	-	40,171
100	Total cash	127,238	244,031	-	371,269
Accounts and notes receivables:					
122	Accounts receivable-HUD other projects	45,650	-	21,079	66,729
125	Accounts receivable-miscellaneous	1,826	-	-	1,826
126	Accounts receivable-Tenants - Dwelling Rents	615	-	-	615
126.1	Allowance for doubtful accounts - Dwelling Rents	(154)	-	-	(154)
128	Fraud recovery	3,025	-	-	3,025
128.1	Allowance for doubtful accounts - Fraud	(3,025)	-	-	(3,025)
129	Accrued interest receivable	10,243	-	-	10,243
120	Total receivables, net of allowances for doubtful accounts	58,180	-	21,079	79,259
Other current assets:					
131	Investments	346,540	99,347	-	445,887
142	Prepaid expenses	26,575	-	-	26,575
144	Interprogram due from	79,907	-	-	79,907
150	TOTAL CURRENT ASSETS	638,440	343,378	21,079	1,002,897

See accompanying notes to financial statements



EASTPOINTE 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	239,525	-	-	239,525
162	Buildings	3,914,303	-	-	3,914,303
163	Furniture, equipment & machinery - dwellings	83,616	-	-	83,616
164	Furniture, equipment & machinery - administration	175,006	4,660	10,162	189,828
165	Leasehold improvements	2,492,372	-	333,401	2,825,773
166	Accumulated depreciation	(3,516,645)	(444)	(29,393)	(3,546,482)
		-	-	181,004	181,004
160	Total fixed assets, net of accumulated depreciation	3,388,177	4,216	495,174	3,887,567
180	TOTAL NONCURRENT ASSETS	3,388,177	4,216	495,174	3,887,567
190	TOTAL ASSETS	\$ 4,026,617	\$ 347,594	\$ 516,253	\$ 4,890,464

See accompanying notes to financial statements



EASTPOINTE 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
		\$ 11,412	\$ 440	\$ -	\$ 11,852
		13,022	-	-	13,022
		1,332	-	-	1,332
		40,171	-	-	40,171
		770	-	-	770
		35,380	-	20,079	55,459
		-	78,907	1,000	79,907
310	TOTAL CURRENT LIABILITIES	102,087	79,347	21,079	202,513
354	Accrued compensated absences - non current	11,992	-	-	11,992
350	TOTAL NONCURRENT LIABILITIES	11,992	-	-	11,992
300	TOTAL LIABILITIES	114,079	79,347	21,079	214,505

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES

- 312 Accounts payable ≤ 90 days
- 321 Accrued wages / payroll taxes payable
- 322 Accrued compensated absences - current portion
- 341 Tenant security deposits
- 342 Deferred revenues
- 345 Other current liabilities
- 347 Interprogram due to

310 TOTAL CURRENT LIABILITIES

354 Accrued compensated absences - non current

350 TOTAL NONCURRENT LIABILITIES

300 TOTAL LIABILITIES

See accompanying notes to financial statements



EASTPOINTE 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				
508.1	Investment in capital assets, net of related debt	3,388,177	4,216	495,174	3,887,567
512.1	Unrestricted net assets	<u>524,361</u>	<u>264,031</u>	-	<u>788,392</u>
513	TOTAL NET ASSETS	<u>3,912,538</u>	<u>268,247</u>	<u>495,174</u>	<u>4,675,959</u>
600	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,026,617</u>	<u>\$ 347,594</u>	<u>\$ 516,253</u>	<u>\$ 4,890,464</u>



EASTPOINTE 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
<u>REVENUES</u>					
703	Net tenant rental revenue	\$ 437,690	\$ -	\$ -	\$ 437,690
704	Tenant revenues - other	6,430	-	-	6,430
705	Total tenant revenue	444,120	-	-	444,120
706	HUD PHA grants	262,561	1,010,737	2,000	1,275,298
706.1	Capital grants	-	-	397,694	397,694
711	Investment income - unrestricted	14,152	2,935	-	17,087
714	Fraud recovery	-	4,141	-	4,141
715	Other revenue	7,673	-	-	7,673
700	TOTAL REVENUE	728,506	1,017,813	399,694	2,146,013
<u>EXPENSES</u>					
Administrative:					
911	Administrative salaries	101,280	56,407	-	157,687
912	Auditing fees	3,600	-	-	3,600
914	Compensated absences	2,811	-	-	2,811
915	Employee benefit contributions- administrative	42,034	22,500	-	64,534
916	Other operating- administrative	38,102	17,445	2,000	57,547
	Total Administrative	187,827	96,352	2,000	286,179

See accompanying notes to financial statements

EASTPOINTE HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended 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>
Tenant services:					
924	Tenant services - other	5,289	-	-	5,289
Utilities:					
931	Water	42,235	-	-	42,235
932	Electricity	86,474	-	-	86,474
933	Gas	90,663	-	-	90,663
	Total Utilities	219,372	-	-	219,372
Maintenance:					
941	Ordinary maintenance and operations - labor	93,496	-	-	93,496
942	Ordinary maintenance and operations - materials & other	21,254	-	-	21,254
943	Ordinary maintenance and operations - contract costs	72,502	-	-	72,502
945	Employee benefit contributions- ordinary maintenance	38,800	-	-	38,800
	Total Maintenance	226,052	-	-	226,052

See accompanying notes to financial statements



EASTPOINTE HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended 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>
	General expenses:				
961	Insurance premiums	32,283	-	-	32,283
964	Bad debt - tenant rents	(200)	-	-	(200)
	Total General Expenses	<u>32,083</u>	<u>-</u>	<u>-</u>	<u>32,083</u>
969	TOTAL OPERATING EXPENSES	<u>670,623</u>	<u>96,352</u>	<u>2,000</u>	<u>768,975</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>57,883</u>	<u>921,461</u>	<u>397,694</u>	<u>1,377,038</u>
971	Extraordinary maintenance	15,907	-	-	15,907
973	Housing assistance payments	-	937,181	-	937,181
974	Depreciation expense	263,652	444	16,696	280,792
900	TOTAL EXPENSES	<u>950,182</u>	<u>1,033,977</u>	<u>18,696</u>	<u>2,002,855</u>

See accompanying notes to financial statements



EASTPOINTE 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
	Other financing sources (uses)	-	-	-	-
1010	Total other financing sources (uses)	-	-	-	-
	1000 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (221,676)	\$ (16,164)	\$ 380,998	\$ 143,158
MEMO account information					
1102	Debt principal payments	\$ -	\$ -	\$ -	\$ -
1103	Beginning equity	\$ 4,134,214	\$ 284,411	\$ 114,176	\$ 4,532,801
1104	Prior Period Adjustments, Equity Transfers	\$ -	\$ -	\$ -	\$ -
1120	Unit months available	1,968	1,917	-	3,885
1121	Number of unit months leased	1,947	1,844	-	3,791
1117	Administrative Equity	\$ -	\$ 795	\$ -	\$ 795
1118	Housing Assistance Payments Equity	\$ -	\$ 267,452	\$ -	\$ 267,452

EASTPOINTE HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended June 30, 2007

EASTPOINTE HOUSING COMMISSION

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

Board of Commissioners
Eastpointe Housing Commission
Eastpointe, Michigan

We have audited the financial statements of Eastpointe Housing Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated March 28, 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 Eastpointe 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 Eastpointe Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eastpointe 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Eastpointe Housing Commission in a separate letter dated March 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eastpointe 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*. However, we noted other matters involving compliance and other matters that we have reported to management of the Eastpointe Housing Commission in a separate letter dated March 28, 2008.



**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 28, 2008

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



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Eastpointe Housing Commission
Eastpointe, Michigan

Compliance

We have audited the compliance of Eastpointe Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that are applicable to each of its major federal programs for the year ended June 30, 2007. Eastpointe Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Eastpointe Housing Commission's management. Our responsibility is to express an opinion on Eastpointe Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eastpointe Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eastpointe Housing Commission's compliance with those requirements.

In our opinion Eastpointe Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Eastpointe Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eastpointe Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eastpointe Housing Commission's internal control over compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133
(Continued)**

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Anderson, Tackman & Co. PLLC

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

March 28, 2008



EASTPOINTE HOUSING COMMISSION

For the Year Ended June 30, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass Through Grantor	Federal CFDA Number	Award Amount	Expensed as of 7-1-06	6-30-07 Federal Expenditures
Operating Subsidy	14.850	<u>\$ 262,561</u>	<u>\$ -</u>	<u>\$ 262,561</u>
Housing Choice Vouchers	14.871	<u>\$ 1,010,737</u>	<u>\$ -</u>	<u>\$ 1,010,737</u>
Capital Funding	14.872			
501-04		\$ 191,773	\$ 137,913	\$ 53,860
501-05		184,830	21,000	163,830
501-06		177,329	1,000	160,925
501-07		<u>172,299</u>	<u>-</u>	<u>21,079</u>
		<u>\$ 726,231</u>	<u>\$ 159,913</u>	<u>\$ 399,694</u>
Total Department of Housing and Urban Development				<u>\$ 1,672,992</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 1,672,992</u>

See accompanying notes to the schedule of expenditures of federal awards.



EASTPOINTE HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Eastpointe Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



EASTPOINTE HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Eastpointe Housing Commission.
2. There were no significant deficiencies relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Eastpointe Housing Commission.
4. There were no significant deficiencies relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Eastpointe Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Eastpointe Housing Commission.
7. The programs tested as major programs included:
 - A. Housing Choice Vouchers – CFDA 14.871
 - B. Capital Funding – CFDA 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Eastpointe Housing Commission was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

1. None.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

