

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	BEDFORD TWP HOUSING CO	County	MONROE	Type	TOWNSHIP	MuniCode	58-7-518
Opinion Date	May 21, 2008	Audit Submitted	Jun 18, 2008	Fiscal Year	2007		

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

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 373,142.00
General Fund Expenditure:	\$ 471,136.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,809,735.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	JOHN	Last Name	DIPIERO	Ten Digit License Number	1101011469				
CPA Street Address	397 SANDRIDGE DRIVE	City	HEMLOCK	State	MI	Zip Code	48626	Telephone	+1 (989) 642-2092
CPA Firm Name	JOHN C DIPIERO, CPA, PC	Unit's Street Address	8745 LEWIS AVE	City	TEMPERANCE		Zip Code	48182	

BEDFORD TWP HOUSING COMMISSION

Financial Statements

September 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
Bedford Twp Housing Commission
8745 Lewis Avenue
Temperance, Michigan 48182

Independent Auditor's Report

I have audited the Business Type Activities of the Bedford Twp. Housing Commission as of and for the year ended September 30, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bedford Twp. Housing Commission as of September 30, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 21, 2008 on my consideration of the Bedford Twp. Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

May 21, 2008

BEDFORD TWP HOUSING COMMISSION
Management Discussion and Analysis
September 30, 2007

This discussion and analysis of the Bedford Twp Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary 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.

Entity-Wide Financial Highlights

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2007</u>	<u>Year 2006</u>
Operating Subsidies	\$ 106,402	\$ 84,840
Capital Projects Funds	21,960	131,295

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 204,311	\$ 183,260	21,051
Accounts Receivable	407	3,222	(2,815)
Investments	102,176	98,015	4,161
Fixed Assets, prior to Depreciation	4,113,148	4,083,915	29,233
Total Liabilities	44,807	40,305	4,502
Net Assets	1,809,735	1,888,896	(79,161)

Management Discussion and Analysis, continued

	<u>Year 2007</u>	<u>Year 2006</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	227,251	222,809	4,442
HUD Grants	126,412	216,135	(89,723)
Expenses:			
Administrative	138,476	129,384	9,092
Tenant Services	27,503	24,997	2,506
Utilities	47,574	44,994	2,580
Maintenance & Operations	91,958	107,789	(15,831)
Protective Services	2,260	2,260	0
General Expenses	30,887	31,107	(220)
Depreciation Expense	132,478	130,012	2,466

The Commission's cash position increased \$ 21,051 as a result of an operating income before depreciation of \$ 53,317. Besides increasing our cash position, we purchased \$ 29,233 in new fixed assets (described in detail later in this report). Our accounts receivable balance decreased \$ 2,815, last year we had an account receivable from HUD for \$ 1,950, and we lowered our tenant accounts receivable from a net of \$ 841 to \$ 192. Our investments increased \$ 4,161 which is a result of interest income being added to the value of the investments.

During the fiscal year we have added a new intercom system in all our building, \$ 16,140, and had an energy audit conducted for \$ 1,950; in addition, used \$ 2,693 for new mailboxes, and added \$ 1,177 for operations.

Total liabilities increased \$ 4,502; this was in large part due to an increase of tenant's security deposits by \$ 3,974. Tenants security deposits are calculated at move in and represent the Total Tenant Payment (TTP) which is due upon move-in.

Net Assets decreased by the amount of the net loss of \$ 79,161.

HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year. During fiscal year 2007 we used the remaining 2005 Capital Fund Program (CFP) for the intercom system, and added \$ 1,177 to operations.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2007</u>	<u>Year 2006</u>
Low Rent Public Housing	97	97

Management Discussion and Analysis, continued

General Fund Budgetary Highlights

The Commission approved an operating budget on September 18, 2006 for the fiscal year ending September 30, 2007; the original budget was revised on September 17, 2007 to more closely reflect the actual results.

The significant changes from the original budget to the revised are as follows:

Revenue:

<u>Line Item</u>	<u>Original</u>	<u>Revised</u>	<u>(Under)/Over</u>
Tenant Rent	\$ 230,410	\$ 226,700	\$ (4,000)
Other Income	40,390	33,350	(7,040)
Subsidy	84,000	106,400	22,400

<u>Line Item</u>	<u>Original</u>	<u>Revised</u>	<u>Under/(Over)</u>
Legal Expenses	\$ 3,500	\$ 6,000	\$ (1,500)
Maintenance Labor	72,340	62,990	9,350
Property Additions	0	17,000	(17,000)
Net Profit/(loss)	(81,500)	(87,020)	5,520

Tenant rents were lower than expected, therefore we adjusted accordingly; Other income was revised downward as a result of less laundry receipts than originally projected, and we lowered the amount of CFP funds to transfer to operations.

Subsidy calculations went from a stable fiscal year computation based on the performance funding system, to a more unstable and unpredictable annual calculation combined with constant pro-rations from Congress. Last year we not only had to try and plan a fiscal year budget around an annual calculation, but Congress reduced the amount of actual subsidies 16% below what we anticipated receiving. Therefore, when we prepared the original budget, we deliberately lowered our expectations to \$ 84,000; when the actual figures were able to be determined, we amended our estimate.

Legal expenses were adjusted for additional cost to revise several policies during the year, and the cost to obtain legal opinions about an employee matter.

The legal matter involving an employee concerned a long term maintenance person; he was on sick leave and did not return to work, therefore, we needed to consult with our attorney on how to proceed. The employee was sent proper notice and terminated. Our maintenance labor was lower because the employee was off for several months, then we hired a replacement at a lower entry level rate.

Property additions involved the addition of the intercom system; before we knew what our subsidies were going to be, we did not want to plan on additional cost, we also estimated a higher amount for operations- once the figures were know, we went ahead with the additions.

Management Discussion and Analysis, continued

The following represents the significant changes from the final budget to the actual results:

	<u>Actual Results</u>	<u>Final Budget</u>	<u>Difference</u>
Maintenance Cost	\$ 91,958	\$ 106,820	\$ (14,862)
Net Profit/(Loss)	(79,161)	(87,020)	(7,859)

Maintenance cost were lower at year end than we had estimated as a result of the long term absence of the full time maintenance person; also, material cost were lower than estimated as a result of not having a full time maintenance person for several months. Other immaterial changes in line items combined to result in a smaller loss than budgeted.

Entity Wide Capital Assets

The fixed assets increased \$ 29,233 prior to depreciation. The additions were for a new intercom system and new mail boxes.

The Commission intends on using the 2007 Capital fund for operations, (\$25,000), and the balance for kitchens in 97 units, (\$ 73,750).

Commission's Position

As stated above, the Commission has plans to renovate the kitchens over the next fiscal year using our Capital Fund.

HUD has changed the funding process from a fiscal year to a calendar year and plans on implementing asset management; we do not believe the changes will adversely affect our operation since we are a small agency, however, more changes are being suggested which may impact our operation. Housing Commission's in general are awaiting the final rules for funding and budgeting and will continue to work with HUD to implement their plans.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income elderly families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Susan Soda, Executive Director
8745 Lewis Avenue
Temperance, Michigan 48182

BEDFORD TWP HOUSING COMMISSION
Statement of Net Assets
September 30, 2007

ASSETS

C-3180

CURRENT ASSETS

Cash	\$	204,311	
Accounts Receivable (net of Allowance for Doubtful Accounts of \$ 363)		192	
Accrued Interest Receivable		215	
Investments		102,176	
Prepaid Expenses		<u>13,759</u>	
Total Current Assets	\$		320,653

NON CURRENT ASSETS

Land	\$	47,487	
Buildings		3,228,380	
Furniture, Equipment- Dwellings		51,240	
Furniture, Equipment- Administrative		101,998	
Construction in Progress		684,043	
Accumulated Depreciation		<u>(2,579,259)</u>	
Total Non Current Assets			<u>1,533,889</u>

TOTAL ASSETS \$ 1,854,542

BEDFORD TWP HOUSING COMMISSION
Statements of Net Assets
September 30, 2007

LIABILITIES

C-3180

CURRENT LIABILITIES

Accounts Payable	\$	7,012	
Accrued Wages & Payroll Taxes		2,888	
Accrued Compensated Absences		5,433	
Tenants Security Deposit		28,704	
Deferred Revenue		<u>770</u>	
<u>Total Current Liabilities</u>	\$		44,807

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	1,533,889	
Unrestricted Net Assets		<u>275,846</u>	
<u>Total Net Assets</u>			<u>1,809,735</u>

TOTAL LIABILITIES & NET ASSETS \$ 1,854,542

The Accompanying Notes are an Integral part of the Financial Statements

BEDFORD TWP HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended September 30, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$	227,251	
HUD Grants		107,579	
Interest Income		4,531	
Other Income		<u>33,781</u>	
<u>Total Operating Revenue</u>	\$		373,142

OPERATING EXPENSES

Administrative	\$	138,476	
Tenant Services		27,503	
Utility Expenses		47,574	
Ordinary Maintenance		91,958	
Protective Services		2,260	
General Expenses		30,887	
Depreciation Expense		<u>132,478</u>	
<u>Total Operating Expenses</u>			<u>471,136</u>
<u>Operating Income (Loss)</u>	\$		(97,994)

CAPITAL CONTRIBUTIONS

		<u>18,833</u>	
<u>Changes in Net Assets</u>	\$		(79,161)
Total Net Assets- Beginning			<u>1,888,896</u>
Total Net Assets- Ending	\$		<u>1,809,735</u>

The Accompanying Notes are an Integral part of the Financial Statements

BEDFORD TWP HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended September 30, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	227,537
Payments to Suppliers		(190,840)
Payments to Employees		(145,900)
HUD Grants		107,579
Other Receipts (Payments)		<u>38,312</u>
Net Cash Provided (Used) by Operating Activities	\$	36,688

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Contributed Capital	\$	18,833
Purchases of Capital Assets		<u>(34,470)</u>
Net Cash Provided from (used) in Related Financing Activities		<u>(15,637)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$	21,051
Balance- Beginning of Year		<u>183,260</u>
Balance- End of Year	\$	<u>204,311</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Operating Profit or (Loss)	\$	(97,994)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		132,478
Changes in Assets (Increase) Decrease:		
Receivables (Gross)		2,815
Investments		(4,161)
Prepaid Expenses		(952)
Changes in Liabilities Increase (Decrease):		
Accounts Payable		(1,559)
Accrued Liabilities		1,814
Security Deposits		3,974
Deferred Revenue		<u>273</u>
Net Cash Provided by Operating Activities	\$	<u>36,688</u>

The Accompanying Notes are an Integral part of the Financial Statements

BEDFORD TWP HOUSING COMMISSION
Notes to Financial Statements
September 30, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Bedford Twp. Housing Commission, Temperance, Michigan, (Commission) was created by ordinance of the city of Temperance. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 156-001	Low rent program	97 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. The Financial Data Schedule lists all the programs of the Reporting Entity including component units should they exist, as defined above. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that 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, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standard Board (GASB) pronouncements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Notes to Financial Statements- continued

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

Fixed assets are recorded at historical cost, depreciated over their useful lives using the straight line method of depreciation. Fixed assets are reported as fund equity; Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. Employees are entitled to receive vacation pay accrued upon termination or retirement, however, unused sick leave is lost.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ 115,643
Petty Cash	100
Cash equivalent, reclassified below	<u>88,568</u>
Financial Statement Total	\$ <u>204,311</u>

Notes to Financial Statements- continued

Investments:

Certificates of Deposit	\$ 102,176
Savings Account	<u>88,568</u>
Total Investments	\$ 190,744
Cash equivalents, reclassified above	<u>(88,568)</u>
Financial Statement Total	\$ <u>102,176</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 115,643	\$	\$	\$ 115,643	\$ 115,643
Petty Cash	100			100	100
Savings Accounts	<u>88,568</u>			<u>88,568</u>	<u>88,568</u>
Total Cash	\$ <u>204,311</u>	\$	\$	\$ <u>204,311</u>	\$ <u>204,311</u>
Investments:					
C/D's	\$ <u>102,176</u>	\$	\$	\$ <u>102,176</u>	\$ <u>102,176</u>
Total Invest	\$ <u>98,015</u>	\$	\$	\$ <u>98,015</u>	\$ <u>98,015</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Notes to Financial Statements- continue

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 47,487	\$	\$	\$ 47,487
Buildings	3,201,863	26,517		3,228,380
Furniture & Equipment-Dwellings	51,240			51,240
Furniture & Equipment-Admin	99,282	7,953	5,237	101,998
Leasehold Improvements	<u>684,043</u>	<u> </u>	<u> </u>	<u>684,043</u>
	\$ 4,083,915	\$ 34,470	\$ 5,237	\$ 4,113,148
Less Accumulated Depreciation	<u>2,452,018</u>	<u>132,478</u>	<u>5,237</u>	<u>2,579,259</u>
	<u>\$ 1,631,897</u>	<u>\$ (98,008)</u>	<u>\$</u>	<u>\$ 1,533,889</u>

Note 5: Pension Plan

The Bedford Township Housing Commission contributes to a Simplified Employee Pension Plan, (SEPP). The Commission pays 13 % of all eligible employees wages to the fund. Employees are 100 % vested as soon as they are eligible. Eligibility requirements are as follows: full time employee, over 21 years of age, and have completed the probationary period of 3 months.

Note 6: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,200,900
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note to Financial Statements- continued

Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Bedford Twp Housing Commission

30-Sep-07

MI-156

Line Item #	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	175,607		175,607
112	Cash - restricted - modernization and developmer		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	28,704	-	28,704
100	Total cash	204,311	-	204,311
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project		-	-
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling rent	555		555
126.1	Allowance for doubtful accounts - dwelling rent	(363)		(363)
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl	215		215
120	Total receivables, net of allowances for doubtful account	407	-	407
	Current investments			-
131	Investments - unrestrictec	102,176		102,176
132	Investments - restrictec			-
142	Prepaid expenses and other asset	13,759	-	13,759
143	Inventories	-	-	-
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due fron	-	-	-
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	320,653	-	320,653
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	47,487	-	47,487
162	Buildings	3,212,240	16,140	3,228,380
163	Furniture, equipment & machinery - dwelling	51,240	-	51,240
164	Furniture, equipment & macinery - administratio	99,305	2,693	101,998
165	Leasehold improvement:	678,003	6,040	684,043
166	Accumulated depreciator	(2,578,401)	(858)	(2,579,259)
160	Total fixed assets, net of accumulated depreciatio	1,509,874	24,015	1,533,889
171	Notes and mortgages receivable - non-currer			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	1,509,874	24,015	1,533,889
190	TOTAL ASSETS	1,830,527	24,015	1,854,542

	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	7,012	-	7,012
313	Accounts payable > 90 days past due	-	-	-
321	Accrued wage/payroll taxes payable	2,888	-	2,888
322	Accrued compensated absence	5,433	-	5,433
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			-
333	Accounts payable - other government	-	-	-
341	Tenant security deposits:	28,704	-	28,704
342	Deferred revenues:	770	-	770
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities			-
346	Accrued liabilities - other	-	-	-
347	Inter-program - due to	-	-	-
310	TOTAL CURRENT LIABILITIES	44,807	-	44,807
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other:	-	-	-
350	TOTAL NONCURRENT LIABILITIES		-	-
300	TOTAL LIABILITIES	44,807	-	44,807
	EQUITY:			
501	Investment in general fixed asset			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantee	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	1,509,874	24,015	1,533,889
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities:	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset:	275,846		275,846
513	TOTAL EQUITY	1,785,720	24,015	1,809,735
600	TOTAL LIABILITIES AND EQUITY	1,830,527	24,015	1,854,542

Bedford Twp Housing Commission

30-Sep-07

MI-156

Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	REVENUE:			
703	Net tenant rental revenue	227,251		227,251
704	Tenant revenue - other	-	-	-
705	Total tenant revenue	227,251	-	227,251
706	HUD PHA grants	106,402	20,010	126,412
708	Other government grants			-
711	Investment income - unrestricted	4,531	-	4,531
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	33,571		33,571
716	Gain or loss on the sale of fixed asset	210		210
720	Investment income - restricted			-
700	TOTAL REVENUE	371,965	20,010	391,975
	EXPENSES:			
	Administrative			
911	Administrative Salaries	91,556	-	91,556
912	Auditing Fees	2,400		2,400
913	Outside management fees			-
914	Compensated absence	1,684		1,684
915	Employee benefit contributions-administrative	17,996	-	17,996
916	Other operating administrative	24,840	-	24,840
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs			-
923	Employee benefit contributions- tenant services	-	-	-
924	Tenant services - other	27,503	-	27,503
	Utilities			
931	Water	20,152	-	20,152
932	Electricity	15,863	-	15,863
933	Gas	11,559	-	11,559
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expenses	-		-
	Ordinary maintenance & operations			
941	Ordinary maintenance and operations - labor	54,344	-	54,344
942	Ordinary maintenance and operations - materials & other	13,854	-	13,854
943	Ordinary maintenance and operations - contract cost	15,090	-	15,090
945	Employee benefit contributions- ordinary maintenance	8,670	-	8,670
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract cost	2,260		2,260
953	Protective services - othe			-
955	Employee benefit contributions- protective servic			-
	General expenses:			
961	Insurance premiums	30,524	-	30,524
962	Other General Expense:		-	-
963	Payments in lieu of taxes:	-		-
964	Bad debt - tenant rent:	363	-	363
965	Bad debt- mortgage:			-
966	Bad debt - other:			-
967	Interest expense		-	-
968	Severance expense	-		-
969	TOTAL OPERATING EXPENSES	338,658	-	338,658
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	33,307	20,010	53,317
971	Extraordinary maintenance	-		-
972	Casualty losses - non-capitalized	-		-
973	Housing assistance payment:			-
974	Depreciation expense	131,620	858	132,478
975	Fraud losses			-
976	Capital outlays- governmental fund:	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	TOTAL EXPENSES	470,278	858	471,136
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in (out)	1,177	(1,177)	-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	TOTAL OTHER FINANCING SOURCES (USES)	1,177	(1,177)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(97,136)	17,975	(79,161)

BEDFORD TWP HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
September 30, 2007

I have audited the financial statements of the Bedford Twp. Housing Commission of Temperance, Michigan, as of and for the year ended September 30, 2007, and have issued my report thereon dated May 21, 2008. I conducted my 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 my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the 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*, 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant
Hemlock, Michigan
May 21, 2008

BEDFORD TWP HOUSING COMMISSION
Status of Prior Audit Findings
September 30, 2007

The prior audit of the Bedford Township Housing Commission for the period ended September 30, 2006, did not contained any audit findings or questioned cost.

BEDFORD TWP HOUSING COMMISSION
 Schedule of Findings and Questioned Cost
 September 30, 2007

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Projects		X

Opinions:

Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Control Deficiency (ies) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Control Deficiency (ies) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	N/A
Capital Projects Fund	No	None	N/A