

**MONTCALM COUNTY HOUSING COMMISSION**

**REPORT ON FINANCIAL STATEMENTS**

(with supplemental information)

For the Year Ended December 31, 2007

MONTCALM COUNTY HOUSING COMMISSION

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
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*A Regional Firm with Offices in Michigan and Wisconsin*

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

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

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Montcalm County Housing Commission  
Howard City, Michigan

We have audited the accompanying financial statements of the business-type activities of the Montcalm County Housing Commission, a component unit of the Montcalm County, Michigan, as of and for the year ended December 31, 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 Montcalm County Housing Commission as of December 31, 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 August 6, 2008 on our consideration of the Montcalm County 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. 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 Montcalm County 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 Montcalm County 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

August 6, 2008

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Montcalm County Housing Commission's financial performance provides an overview of the financial activities for the year ended December 31, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$1,467,673 at December 31, 2007 compared to \$1,294,969 at December 31, 2006.
- The Commission's operating revenues totaled \$1,241,432 for December 31, 2007 and \$1,301,005 for December 31, 2006, while operating expenses totaled \$1,069,680 for December 31, 2007 and \$1,146,199 for December 31, 2006.

### USING THIS REPORT

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

### REPORTING THE COMMISSION AS A WHOLE

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

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

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

## REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

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

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

## THE COMMISSION AS A WHOLE

The Commission's combined net assets at December 31, 2007 increased \$172,704 from December 31, 2006.

**Table 1**  
**NET ASSETS**

	December 31,	
	2007	2006
<b>Assets</b>		
Current assets	\$ 555,423	\$ 309,012
Capital assets (net)	<u>943,666</u>	<u>1,010,290</u>
Total assets	<u>1,499,089</u>	<u>1,319,302</u>
<b>Liabilities</b>		
Current liabilities	25,504	22,279
Noncurrent liabilities	<u>5,912</u>	<u>2,055</u>
Total liabilities	<u>31,416</u>	<u>24,334</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	943,666	1,010,290
Restricted	392,438	-
Unrestricted	<u>131,569</u>	<u>284,678</u>
Net Assets	<u>\$ 1,467,673</u>	<u>\$ 1,294,968</u>

Net assets of the Commission stood at \$1,467,673 at December 31, 2007 compared to \$1,294,968 at December 31, 2006. Restricted net assets were \$392,438 at December 31, 2007 compared to \$0 at December 31, 2006. Unrestricted net business assets were \$131,569 compared to \$284,678 at December 31, 2006. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The change in current assets was primarily due to a \$235,369 increase in cash and equivalents and a \$6,144 increase in prepaid expenses while the increase in noncurrent liabilities was due to a \$3,867 increase in noncurrent compensated absences.

## CHANGE IN NET ASSETS

	Year Ended December 31,	
	2007	2006
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 64,988	\$ 64,500
Program grants and subsidies	1,174,737	1,230,954
General revenues:		
Other revenues	2,548	5,794
Unrestricted investment earnings	111	457
Total revenues	1,242,384	1,301,705
 <b>Program Expenses:</b>		
Operating expenses	1,069,680	1,146,199
Interest expense	-	174
Total expenses	1,069,680	1,146,373
Change in net assets	172,704	155,332
 <b>Net assets - beginning of period</b>	1,294,969	1,139,637
 <b>Net assets - end of period</b>	\$ 1,467,673	\$ 1,294,969

### BUSINESS - TYPE ACTIVITIES

Revenues for the Commission totaled \$1,242,384 compared to \$1,301,705 during December 31, 2006. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had decreased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The decrease in operating expenses was largely due to an increase in administrative expenses in the amount of \$23,505, a decrease in housing assistance payments in the amount of \$105,581, and a \$16,539 increase in maintenance expenses.

## **CAPTIAL ASSETS**

### **Capital Assets**

The Commission had \$2,294,116 invested in a variety of capital assets including land, equipment and buildings at December 31, 2007 compared to \$2,284,951 at December 31, 2006.

**Table 3**

### **CAPITAL ASSETS Business - Type Activity**

	December 31,	
	2007	2006
Land	\$ 68,650	\$ 68,650
Leasehold improvements	194,425	190,212
Building and improvements	1,837,485	1,835,975
Equipment	<u>193,556</u>	<u>190,114</u>
Total	2,294,116	2,284,951
Less accumulated depreciation	<u>(1,350,450)</u>	<u>(1,274,660)</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 943,666</u>	<u>\$ 1,010,291</u>

The Commission invested \$9,165 in capital assets during the year ended Deccmber 31, 2007.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Wendi Palmer, at PO Box 249, Howard City, Michigan 49329, or call 231-937-4241.

MONTCALM COUNTY HOUSING COMMISSION

**STATEMENT OF NET ASSETS**

**Proprietary Fund**

December 31, 2007

CURRENT ASSETS:	
Cash and equivalents	\$ 536,085
Accounts receivable	6,720
Prepaid expenses	<u>12,618</u>
TOTAL CURRENT ASSETS	<u>555,423</u>
NONCURRENT ASSETS:	
Capital assets	2,294,116
Less accumulated depreciation	<u>(1,350,450)</u>
NET CAPITAL ASSETS	<u>943,666</u>
TOTAL ASSETS	<u>1,499,089</u>
CURRENT LIABILITIES:	
Accounts payable	6,166
Accrued liabilities	<u>19,338</u>
TOTAL CURRENT LIABILITIES	25,504
NONCURRENT LIABILITIES:	
Compensated absences	<u>5,912</u>
TOTAL LIABILITIES	<u>31,416</u>
NET ASSETS:	
Investment in capital assets, net of related debt	943,666
Restricted net assets	392,438
Unrestricted net assets	<u>131,569</u>
NET ASSETS	<u>\$ 1,467,673</u>

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



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**MONTCALM COUNTY HOUSING COMMISSION**

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2007

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Public Housing	\$ 1,069,680	\$ 64,988	\$ 1,174,737	\$ 170,045
General revenues:				
Unrestricted investment earnings				111
Other				2,548
Total general revenues				2,659
Change in net assets				172,704
NET ASSETS, beginning of year				1,294,969
NET ASSETS, end of year				\$ 1,467,673

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

**MONTCALM COUNTY HOUSING COMMISSION**

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

For the Year Ended December 31, 2007

OPERATING REVENUES:	
Tenant revenue	\$ 64,988
Program grants-subsidies	1,173,896
Other income	<u>2,548</u>
<b>TOTAL OPERATING REVENUES</b>	<b><u>1,241,432</u></b>
OPERATING EXPENSES:	
Administration	209,136
Tenant services	2,777
Utilities	15,970
Maintenance	88,782
General	17,126
Housing assistance payments	660,098
Depreciation	<u>75,791</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,069,680</u></b>
<b>OPERATING INCOME</b>	<b><u>171,752</u></b>
NONOPERATING REVENUES AND (EXPENSES):	
Interest income	952
<b>TOTAL NONOPERATING REVENUES AND (EXPENSES)</b>	<b><u>952</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>172,704</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>1,294,969</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,467,673</u></b>

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

**MONTCALM COUNTY HOUSING COMMISSION**

**STATEMENT OF CASH FLOWS  
Proprietary Fund**

For the Year Ended December 31, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 65,488
Cash received from grants and subsidies	1,173,896
Cash payments to suppliers for goods and services	(794,790)
Cash payments for wages and related benefits	(194,195)
Cash payments for payment in lieu of taxes	(3,967)
Other receipts	<u>(2,850)</u>
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<u>243,582</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets	<u>(9,165)</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(9,165)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	<u>952</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	235,369
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>300,716</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 536,085</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 171,752
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	75,791
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(4,898)
Decrease (Increase) in prepaid expenses	(6,144)
Increase (Decrease) in accounts payable	(1,003)
Increase (Decrease) in accrued liabilities	<u>8,084</u>
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<u>\$ 243,582</u>

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



## MONTCALM COUNTY HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

December 31, 2007

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### THE REPORTING ENTITY

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

The Commission manages 40 units of low rent public housing and 318 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 GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

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 Montcalm County Housing Commission, but the Montcalm County Commission is a component unit of the Montcalm County, 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.



**MONTCALM COUNTY HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 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.



**MONTCALM COUNTY HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 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 \$500 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.
2. Restricted net assets – Consists of Housing Assistance Payments (HAP) received from HUD in excess of payments paid to landlords. These excess funds can only be used for future HAP to landlords.



**MONTCALM COUNTY HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS (Continued)**

3. 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 January 1<sup>st</sup>. The operating budget includes proposed expenses and the means of financing them. Prior to December 31<sup>st</sup>, 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 December 31<sup>st</sup>.



**MONTCALM COUNTY HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 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	\$ 250
Checking accounts	<u>535,835</u>
 TOTAL	 <u>\$ 536,085</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 December 31, 2007, the Commission held cash and equivalents in excess of FDIC insurance limits in the amount of \$357,135 which were uninsured and uncollateralized.

**NOTE C - CAPITAL ASSETS**

A summary of capital assets as of December 31, 2006 is as follows:

	Balance 1-1-07	Additions	Deletions	Balance 12-31-07
Land	\$ 68,650	\$ -	\$ -	\$ 68,650
Leasehold improvements	190,212	4,213	-	194,425
Building and improvements	1,835,975	1,510	-	1,837,485
Equipment	<u>190,114</u>	<u>3,442</u>	<u>-</u>	<u>193,556</u>
	2,284,951	<u>\$ 9,165</u>	<u>\$ -</u>	2,294,116
Accumulated depreciation	<u>(1,274,660)</u>	<u>\$ (75,790)</u>	<u>\$ -</u>	<u>(1,350,450)</u>
Net capital assets	<u>\$1,010,291</u>			<u>\$ 943,666</u>

Depreciation expense for the year was \$75,791.



**MONTCALM COUNTY HOUSING COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 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 December 31, 2007 totaled \$1,242,384 of which \$1,173,896 or 94.5% was from HUD subsidies and grants.

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

**NOTE G - PENSION PLAN**

The Commission has established a SEP-IRA plan of which the Commission contributes 10% of qualified wages or an option to provide employee with 5% of qualified wages as longevity and contribute 5% of qualified wages to the SEP-IRA account. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$2,098.





**SUPPLEMENTAL  
INFORMATION**



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
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**MONTCALM COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

December 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash:					
111	Cash - unrestricted	\$ 78,992	\$ 64,655	\$ -	\$ 143,647
113	Cash - restricted	-	392,438	-	392,438
100	Total cash	78,992	457,093	-	536,085
Accounts and notes receivables:					
125	Accounts receivable-miscellaneous	5,398	-	-	5,398
126	Accounts receivable- Tenants - Dwelling Rents	1,326	-	-	1,326
126.1	Allowance for doubtful accounts - Dwelling Rents	(4)	-	-	(4)
120	Total receivables, net of allowances for doubtful accounts	6,720	-	-	6,720
Other current assets:					
142	Prepaid expenses	6,269	6,349	-	12,618
144	Interprogram due from	29,294	-	-	29,294
150	TOTAL CURRENT ASSETS	121,275	463,442	-	584,717



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

**MONTCALM COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

December 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>NONCURRENT ASSETS:</b>					
Fixed assets:					
161	Land	68,650	-	-	68,650
162	Buildings	1,826,979	10,505	-	1,837,484
163	Furniture, equipment & machinery - dwellings	28,519	-	-	28,519
164	Furniture, equipment & machinery - administration	100,788	64,250	-	165,038
165	Leasehold improvements	194,425	-	-	194,425
166	Accumulated depreciation	(1,279,137)	(71,313)	-	(1,350,450)
160	Total fixed assets, net of accumulated depreciation	940,224	3,442	-	943,666
180	TOTAL NONCURRENT ASSETS	940,224	3,442	-	943,666
190	TOTAL ASSETS	\$ 1,061,499	\$ 466,884	\$ -	\$ 1,528,383



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

MONTCALM COUNTY HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

December 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
		\$	\$	\$	\$
312	Accounts payable ≤ 90 days	5,282	884	-	6,166
321	Accrued wages / payroll taxes payable	3,641	779	-	4,420
322	Accrued compensated absences - non current	649	927	-	1,576
333	Accounts payable - other government	3,990	-	-	3,990
341	Tenant security deposits	9,066	-	-	9,066
342	Deferred revenues	286	-	-	286
347	Interprogram due to	-	29,294	-	29,294
<b>310</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>22,914</b>	<b>31,884</b>	<b>-</b>	<b>54,798</b>
354	Accrued compensated absences - non current	2,194	3,718	-	5,912
<b>350</b>	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,194</b>	<b>3,718</b>	<b>-</b>	<b>5,912</b>
<b>300</b>	<b>TOTAL LIABILITIES</b>	<b>25,108</b>	<b>35,602</b>	<b>-</b>	<b>60,710</b>

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES

312	Accounts payable ≤ 90 days	5,282	884	-	6,166
321	Accrued wages / payroll taxes payable	3,641	779	-	4,420
322	Accrued compensated absences - non current	649	927	-	1,576
333	Accounts payable - other government	3,990	-	-	3,990
341	Tenant security deposits	9,066	-	-	9,066
342	Deferred revenues	286	-	-	286
347	Interprogram due to	-	29,294	-	29,294
<b>310</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>22,914</b>	<b>31,884</b>	<b>-</b>	<b>54,798</b>
354	Accrued compensated absences - non current	2,194	3,718	-	5,912
<b>350</b>	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,194</b>	<b>3,718</b>	<b>-</b>	<b>5,912</b>
<b>300</b>	<b>TOTAL LIABILITIES</b>	<b>25,108</b>	<b>35,602</b>	<b>-</b>	<b>60,710</b>

See accompanying notes to financial statements



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

MONTCALM COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE  
Proprietary Fund

December 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NET ASSETS					
508.1	Investment in capital assets, net of related debt	940,224	3,442	-	943,666
511.1	Restricted net assets	-	392,438	-	392,438
512.1	Unrestricted net assets	96,167	35,402	-	131,569
513	TOTAL NET ASSETS	1,036,391	431,282	-	1,467,673
600	TOTAL LIABILITIES AND NET ASSETS	\$ 1,061,499	\$ 466,884	\$ -	\$ 1,528,383

See accompanying notes to financial statements



**MONTECALM COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended December 31, 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	\$ 64,988	\$ -	\$ -	\$ 64,988
705	Total tenant revenue	64,988	-	-	64,988
706	HUCD PHA grants	95,902	972,983	105,011	1,173,896
711	Investment income - unrestricted	-	111	-	111
714	Fraud recovery	-	474	-	474
715	Other revenue	2,074	-	-	2,074
720	Investment income-restricted	-	841	-	841
700	TOTAL REVENUE	162,964	974,409	105,011	1,242,384
<u>EXPENSES</u>					
Administrative:					
911	Administrative salaries	21,546	94,088	-	115,634
912	Auditing fees	1,350	2,250	-	3,600
914	Compensated absences	1,588	3,639	-	5,227
915	Employee benefit contributions- administrative	6,886	29,296	-	36,182
916	Other operating- administrative	12,439	36,054	-	48,493
	Total Administrative	43,809	165,327	-	209,136

See accompanying notes to financial statements



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

**MONTCALM COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended December 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Tenant services:					
924	Tenant services - other	2,777	-	-	2,777
Utilities:					
931	Water	5,436	-	-	5,436
932	Electricity	6,917	-	-	6,917
933	Gas	3,617	-	-	3,617
	Total Utilities	15,970	-	-	15,970
Maintenance:					
941	Ordinary maintenance and operations - labor	29,391	-	-	29,391
942	Ordinary maintenance and operations - materials & other	13,756	-	-	13,756
943	Ordinary maintenance and operations - contract costs	31,523	-	-	31,523
945	Employee benefit contributions- ordinary maintenance	14,112	-	-	14,112
	Total Maintenance	88,782	-	-	88,782

See accompanying notes to financial statements



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

**MONTCALM COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended December 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
General expenses:					
961	Insurance premiums	10,878	-	-	10,878
962	Other general expenses	5	-	-	5
963	Payments in lieu of taxes	3,990	-	-	3,990
964	Bad debt - tenant rents	2,253	-	-	2,253
	Total General Expenses	<u>17,126</u>	<u>-</u>	<u>-</u>	<u>17,126</u>
969	TOTAL OPERATING EXPENSES	<u>168,464</u>	<u>165,327</u>	<u>-</u>	<u>333,791</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>(5,500)</u>	<u>809,082</u>	<u>105,011</u>	<u>908,593</u>
973	Housing assistance payments	-	660,098	-	660,098
974	Depreciation expense	<u>74,194</u>	<u>1,597</u>	<u>-</u>	<u>75,791</u>
900	TOTAL EXPENSES	<u>242,658</u>	<u>827,022</u>	<u>-</u>	<u>1,069,680</u>



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

**MONTCALM COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended December 31, 2007

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>Other financing sources (uses)</b>					
1001	Operating transfers in	105,011	-	-	105,011
1002	Operating transfers out	-	-	(105,011)	(105,011)
1010	Total other financing sources (uses)	105,011	-	(105,011)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ 25,317	\$ 147,387	\$ -	\$ 172,704
<b>MEMO account information</b>					
1103	Beginning equity	\$ 1,011,074	\$ 283,894	\$ -	\$ 1,294,968
1104	Prior period adjustments, equity transfers	\$ -	\$ 1	\$ -	\$ 1
1120	Unit months available	480	2,698	-	3,178
1121	Number of unit months leased	469	2,151	-	2,620
1117	Administrative Fee Equity	\$ -	\$ 38,844	\$ -	\$ 38,844
1118	Housing Assistance Payments Equity	\$ -	\$ 392,438	\$ -	\$ 392,438

**MONTCALM COUNTY HOUSING COMMISSION**

**FEDERAL AUDIT REPORTS**

For the Year Ended December 31, 2007

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



MONTCALM COUNTY HOUSING COMMISSION

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



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

Board of Commissioners  
Montcalm County Housing Commission  
Howard City, Michigan

We have audited the financial statements of Montcalm County Housing Commission as of and for the year ended December 31, 2007, and have issued our report thereon dated August 6, 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 Montcalm County 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 Montcalm County Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Montcalm County 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2007-1 to be a significant deficiency over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Montcalm County 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 instances of non compliance or other matters to be reported under *Governmental Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as item 2007-2.



**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

August 6, 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  
Montcalm County Housing Commission  
Howard City, Michigan

Compliance

We have audited the compliance of Montcalm County 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 December 31, 2007. Montcalm County 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 Montcalm County Housing Commission's management. Our responsibility is to express an opinion on Montcalm County 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 Montcalm County 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 Montcalm County Housing Commission's compliance with those requirements.

In our opinion Montcalm County 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 December 31, 2007.

Internal Control Over Compliance

The management of Montcalm County 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 Montcalm County 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 Montcalm County 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.

Montcalm County Housing Commission's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Montcalm County Housing Commission's response and, accordingly, we express no opinion on it.

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., P.C.*

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

August 6, 2008



**MONTCALM COUNTY HOUSING COMMISSION**

For the Year Ended December 31, 2007

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor/Pass <u>Through Grantor</u>	Federal CFDA <u>Number</u>	Award <u>Amount</u>	Expensed as of <u>12-31-06</u>	12-31-07 Federal <u>Expenditures</u>
Operating Subsidy	14.850	\$ <u>5,902</u>	\$ <u>-</u>	\$ <u>95,902</u>
Section 8 Rental Voucher	14.871	\$ <u>972,983</u>	\$ <u>-</u>	\$ <u>825,425</u>
Capital Funding	14.872	\$ <u>105,011</u>	\$ <u>-</u>	\$ <u>105,011</u>
Total Department of Housing and Urban Development				\$ <u>1,026,338</u>
TOTAL FEDERAL EXPENDITURES				\$ <u>1,026,338</u>

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

**MONTCALM COUNTY HOUSING COMMISSION**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2007

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Montcalm County 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.

ANDERSON, TACKMAN  
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CERTIFIED PUBLIC ACCOUNTANTS



MONTCALM COUNTY HOUSING COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2007

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Montcalm County Housing Commission.
2. There were 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 Montcalm County 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 Montcalm County Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Montcalm County Housing Commission.
7. The programs tested as major programs included:
  - A. Section 8 Rental Vouchers – CFDA 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Montcalm County Housing Commission was not determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

SIGNIFICANT DEFICIENCIES

Finding 2007-1

Reportable Condition:

During the audit it was noted that the Commission was not approving travel expenses incurred by employees and supporting documentation was missing for credit card charges.

Criteria:

24 CFR 85.20 requires the Commission to have effective internal controls and accountability must be maintained for all funds. The Commission must adequately safeguard all assets and must assure that it is used solely for authorized purposes.



**MONTCALM COUNTY HOUSING COMMISSION**

**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended December 31, 2007

(Continued)

Condition:

The Commission did not have adequate policies and procedures in place for approval of travel and credit card expenses

Questioned Costs:

None

Effect:

With adequate and effective internal control policies and procedures, travel and credit card expenses would be reviewed and approved before payment

Cause:

Lack of policies and procedures over the payment of invoices.

Recommendation:

The Commission should adopt policies and procedures that would require travel expenses to be reviewed and approved and credit card charge slip to be included with statements before payment is approved.

Management's Response:

Management agrees and has already implement policies and procedures requiring proper documentation and approval of travel expenses and requiring all credit card receipts to be attached to statements before payment is approved.

**COMPLIANCE WITH LAWS AND REGULATIONS**

Finding 2007-2

Reportable Condition:

During the audit it was noted that the Commission had a depository agreement signed with one financial institution but the funds in excess of \$100,000 were not fully collateralized.

Criteria:

The ACC contract with HUD states that the Commission is required to have depository agreements signed by all financial institutions it does business with. The depository agreement states that the financial institution will insure any of the Commission's funds that exceed \$100,000.

Condition:

Although the Commission had depository agreements signed with its financial institutions, it did not follow-up with them to verify that they had those funds in excess of \$100,000 fully insured. The Commission also did not have policies and procedures in place to monitor cash and investments continuously to verify that the collateral proved by the financial institutions was adequate throughout the year.



MONTCALM COUNTY HOUSING COMMISSION

**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended December 31, 2007

(Continued)

Questioned Costs:

None

Effect:

The Commission is not in compliance with the ACC contract.

Cause:

Lack of policies and procedures over depository agreements with regards to collateralization of underinsured accounts.

Recommendation:

The Commission should require its financial institutions to provide documentation of collateral at a minimum on a quarterly basis. The Commission should also adopt policies and procedures to monitor its cash and investments continuously to verify that the collateral provided by the financial institutions is adequate throughout the year.

Management's Response:

Management agrees and will implement policies and procedures to monitor cash and investment balances on a continuous basis and to require all of its financial institutions with whom funds are over \$100,000 to provide adequate collateral.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

