

ROGERS CITY HOUSING COMMISSION  
ROGERS CITY, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

### Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Rogers City Housing Commission	County Presque Isle
Fiscal Year End June 30, 2007	Opinion Date September 18, 2007	Date Audit Report Submitted to State September 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

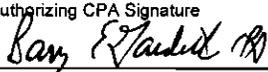
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES**  **NO**  **Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and 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, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	Report on Internal Control and Compliance
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC	Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue	City Traverse City	State MI
		Zip 49686
Authorizing CPA Signature 	Printed Name Barry E. Gaudette, CPA	License Number 11050

ROGERS CITY HOUSING COMMISSION  
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***Independent Auditor's Report***

Board of Commissioners  
Rogers City Housing Commission  
Rogers City, Michigan

I have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of the Rogers City Housing Commission, Michigan, a component unit of the City of Rogers City, as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Rogers City Housing Commission, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rogers City Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 18, 2007, on my consideration of Rogers City Housing Commission, Michigan's internal control over financial reporting and on my 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 my 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 my audit.

The management's discussion and analysis comparison information on pages 4 through 10, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Rogers City Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

*Samy E. Landells, CPA, PC*

September 18, 2007

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2007  
(Unaudited)

As management of the Rogers City Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Rogers City Housing Commission's financial activities for the fiscal year ended June 30, 2007. This discussion and analysis letter of the Rogers City Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

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

**Financial Highlights**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2007 were \$1,247,690. The net assets decreased by \$75,684, a decrease of 5.7% from the prior year.

Revenues and contributions for the Commission were \$392,291 for the year ended June 30, 2007. This was an increase of \$30,832 or 8.5% from the prior year.

Expenses for the Commission were \$467,975 for the year ended June 30, 2007. This was a decrease of \$8,623 or 1.8% from the prior year.

HUD operating grant subsidies were \$127,181 for the year ended June 30, 2007. This was an increase of \$37,067 or 41.1% from the prior year. Capital contributions for the Commission were \$80,158 (of which \$34,045 were used for operating purposes) for the year ended June 30, 2007. This was a decrease of \$6,676 or 7.7% less than the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Required Financial Statements

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

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

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

### Notes to the Financial Statements

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

### Supplemental Information

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

## **FUND STATEMENTS**

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

### **Rogers City Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 70 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. Normally a Housing Commission has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies, but since the Housing Commission has less than 250 units they are permitted to use more than 20%. This program is the primary funding source for physical improvements to its properties.

## **FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$1,247,690 at the close of the year ended June 30, 2007 down from \$1,323,374 in 2006. The decrease in net assets of \$75,684 was due to the change in net assets for the year.

The unrestricted net assets were \$9,909 as of June 30, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF NET ASSETS  
JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Current and other assets	\$ 148,606	\$ 147,327	\$ 1,279
Capital assets	<u>620,323</u>	<u>628,184</u>	<u>( 7,861)</u>
Total assets	<u>\$ 768,929</u>	<u>\$ 775,511</u>	<u>\$ ( 6,582)</u>
Current liabilities	\$ 14,646	\$ 17,698	\$ ( 3,052)
Noncurrent liabilities	<u>931</u>	<u>931</u>	<u>931</u>
Total liabilities	<u>15,577</u>	<u>17,698</u>	<u>( 2,121)</u>
Net assets:			
Invested in capital assets	620,323	628,184	( 7,861)
Unrestricted net assets	<u>133,029</u>	<u>129,629</u>	<u>3,400</u>
Total net assets	<u>753,352</u>	<u>757,813</u>	<u>( 4,461)</u>
Total liabilities and net assets	<u>\$ 768,929</u>	<u>\$ 775,511</u>	<u>\$ ( 6,582)</u>

Current and other assets increased slightly, in part, due to accrued interest being set up this fiscal year of \$122, prepaid insurance increasing by \$329.

Current liabilities decreased, in part, due to accrued liabilities of \$4,224 as of June 30, 2006 not being accrued this fiscal year.

Noncurrent liabilities increased by \$931, to set up the noncurrent portion of accrued compensated absences as of June 30, 2007.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The decrease of \$7,861 in capital assets, is due to the depreciation expense of \$50,480, netted against capital outlays of \$42,619.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by \$23,484, in part, due to the increase in tenant rents of \$11,657 and federal funding of \$18,922 from the prior year.

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
<b>Revenues and Contributions</b>			
Dwelling rent	\$ 117,428	\$ 105,771	\$ 11,657
Nondwelling rent	80	120	( 40)
Interest income	5,157	3,084	2,073
Other income	2,920	12,048	( 9,128)
HUD operating grants	38,236	56,917	( 18,681)
Capital contributions	<u>37,603</u>	<u>          </u>	<u>37,603</u>
 Total Revenues and Contributions	 <u>201,424</u>	 <u>177,940</u>	 <u>23,484</u>
<b>Expenses</b>			
Personal services	52,201	51,472	729
Utilities	35,482	35,546	( 64)
Operations and maintenance	34,183	79,820	( 45,637)
Insurance	6,262	6,679	( 417)
Payment in lieu of taxes	8,195	7,025	1,170
Other supplies and expenses	19,082	20,377	( 1,295)
Depreciation	<u>50,480</u>	<u>48,698</u>	<u>1,782</u>
 Total Expenses	 <u>205,885</u>	 <u>249,617</u>	 <u>( 43,732)</u>
 <b>Change in Net Assets</b>	 <u>\$ ( 4,461)</u>	 <u>\$ ( 71,677)</u>	 <u>\$ 67,216</u>

Total expenses for the Commission decreased by \$43,732, due in part, to a reduction in extraordinary maintenance costs of \$28,656 compared to the prior year. In the prior year elevator costs were \$38,586 and this fiscal year the roof was reshingled and an emergency generator made up the \$9,930 in extraordinary maintenance costs. Also, maintenance contract costs were \$17,815 less than the prior fiscal year, in part, due to less in painting improvements of the units.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>06/30/07</u>	<u>06/30/06</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$ 33,279	\$ 12,556	\$ 20,723	165.0%
Capital Fund Program	<u>42,560</u>	<u>44,361</u>	<u>( 1,801)</u>	<u>( 4.1%)</u>
Total	<u>\$ 75,839</u>	<u>\$ 56,917</u>	<u>\$ 18,922)</u>	<u>33.2%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. Capital Fund Program grants are used for both operating costs and for capital improvements. The Housing had not in prior year applied for the operating subsidy,

## FINANCIAL ANALYSIS (CONTINUED)

therefore, the reason for the \$20,723 increase from the prior year.

### Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ended June 30, 2007 was prepared.

## OPERATIONAL HIGHLIGHTS

The 2006-2007 fiscal year was a very good year for the Rogers City Housing Commission. Budgetwise, we actually finished the year a little on the plus side. This happened in spite of our continuing effort to rehab and upgrade our apartments as they become available. We are making every effort to totally redo our apartments. As a unit empties, we totally wash, prime, paint, install new baseboard throughout, remove old padding and carpet and replace with new and even replace the vinyl in the kitchen and bath if necessary. When new tenants walk into their new home, it is wonderful to see the pleased looks on their face and here they express their satisfaction.

Our big project for the year was to have our roof totally reshingled. This was done through the use of our Capital Fund money. We used the balance of our grant to reseal our parking lot, do some much needed landscaping, purchase an outdoor storage building and do some recarpeting.

Our future projects still include a new elevator which the Executive Director is in the process of preparing paperwork for possible emergency funding to complete. The building needs new wiring to enable the installation of electric stoves where necessary and eventually all of the common areas will be in need of new carpeting. We are definitely a work of progress.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

## CAPITAL ASSETS

**Capital Assets** - The Rogers City Housing Commission's investment in capital assets, as of June 30, 2007 amounts to \$620,323 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

**CAPITAL ASSETS (CONTINUED)**

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 42,958	\$ 42,958	\$
Buildings	1,264,800	1,263,996	804
Furniture, equip. & machinery-admin.	176,606	172,394	4,212
Construction in progress	<u>37,603</u>	<u>37,603</u>	<u>37,603</u>
	1,521,967	1,479,348	42,619
Accumulated depreciation	<u>( 901,644)</u>	<u>( 851,164)</u>	<u>( 50,480)</u>
Total	<u>\$ 620,323</u>	<u>\$ 628,184</u>	<u>\$( 7,861)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$7,861 or 1.3% in terms of net book value. The capital expenditures during the current fiscal year included \$29,759 for roof reshingling, \$2,000 to blacktop the parking lot, \$1,468 for landscaping and bush trimming, \$804 for an outside utility building, \$3,707 for two washers, \$812 for a fire rated cabinet, \$1,326 for painting and remodeling, \$713 for carpeting, and other miscellaneous expenditures of \$2,030.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

**REQUEST FOR INFORMATION**

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

Sally Goupell, Executive Director  
643 W. Erie Street  
Rogers City, Michigan 49779

FINANCIAL STATEMENTS

ROGERS CITY HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
June 30, 2007

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**ASSETS**

Current Assets:		
Cash-unrestricted	\$	44,327
Cash-tenant security deposits		1,760
Receivables:		
Accounts - dwelling rents		115
Accrued interest receivable		122
Investments-unrestricted		98,262
Prepaid expenses		<u>4,020</u>
Total Current Assets		<u>148,606</u>
Capital Assets:		
Land		42,958
Buildings		1,264,800
Equipment		176,606
Construction in progress		<u>37,603</u>
		1,521,967
Less: accumulated depreciation		<u>( 901,644)</u>
Net Capital Assets		<u>620,323</u>
Total Assets	\$	<u><u>768,929</u></u>

See notes to financial statements

ROGERS CITY HOUSING COMMISSION  
**STATEMENT OF NET ASSETS (CONTINUED)**  
 June 30, 2007

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**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 10,622
Tenant security deposit liability	2,100
Accrued expenses	1,920
Deferred revenues	<u>4</u>
Total Current Liabilities	14,646
Noncurrent Liabilities:	
Accrued compensated absences	<u>931</u>
Total Liabilities	<u>15,577</u>
Net Assets:	
Invested in capital assets	620,323
Unrestricted net assets	<u>133,029</u>
Total Net Assets	<u>753,352</u>
Total Liabilities and Net Assets	<u>\$ 768,929</u>

See notes to financial statements

ROGERS CITY HOUSING COMMISSION  
**STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS**  
 Year Ended June 30, 2007

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<b>OPERATING REVENUES:</b>	
Dwelling rent	\$ 117,428
Nondwelling rent	<u>80</u>
Total operating revenues	<u>117,508</u>
<b>OPERATING EXPENSES:</b>	
Administration	47,885
Tenant services	2,618
Utilities	35,482
Ordinary maintenance and operation	44,819
General expenses	14,671
Extraordinary maintenance	9,930
Depreciation	<u>50,480</u>
Total operating expenses	<u>205,885</u>
Operating income(loss)	<u>( 88,377)</u>
<b>NONOPERATING REVENUES:</b>	
Investment interest income	5,157
Other income	2,920
Operating grants	38,236
Capital grants	<u>37,603</u>
Total nonoperating revenues	<u>83,916</u>
Change in net assets	( 4,461)
Net assets, beginning	<u>757,813</u>
Net assets, ending	<u><u>\$ 753,352</u></u>

See notes to financial statements

ROGERS CITY HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2007

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 117,671
Cash payments to other suppliers of goods and services	( 99,806)
Cash payments to employees for services	( 51,353)
Cash payments for in lieu of taxes	<u>( 7,025)</u>
Net cash (used) by operating activities	<u>( 40,513)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Tenant security deposits	340
Operating grants	38,236
Other revenue	<u>7,420</u>
Net cash provided by noncapital financing activities	<u>45,996</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital grants	37,603
Payments for capital acquisitions	<u>( 42,619)</u>
Net cash (used) by capital and related financing activities	<u>( 5,016)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments decreased	22,884
Receipts of interest and dividends	<u>5,035</u>
Net cash provided by investing activities	<u>27,919</u>

Net increase(decrease) in cash 28,386

Cash, beginning 17,701

Cash, ending \$ 46,087

ROGERS CITY HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended June 30, 2007

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

Operating income(loss)	\$( 88,377)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	50,480
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	174
Prepaid expenses and other assets	( 329)
Increase (decrease) in liabilities:	
Accounts payable	( 244)
Accrued wages/payroll taxes	227
Accrued compensated absences	621
Accrued liabilities	( 4,224)
Accrued payments in lieu of taxes	1,170
Deferred revenues	( <u>11</u> )
Net cash (used) by operating activities	\$( <u>40,513</u> )

See notes to financial statements

ROGERS CITY HOUSING COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2007

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**NOTE 1: Summary of Significant Accounting Policies**

Rogers City Housing Commission (Housing Commission) is a component unit of the City of Rogers City, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Rogers City on August 17, 1966, consisting of a five member board appointed by the City Manager. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Rogers City Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

## 1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

## 1(c) 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**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes 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.

## **1(d) Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

### **Budgets and Budgetary Accounting**

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 40 years
Building improvements	5 - 15 years
Furniture, equipment and machinery	5 - 15 years

### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **Equity Classifications**

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

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services 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.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

### **NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

#### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.s. Department of HUD

#### **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

## 2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the fiscal year ended June 30, 2007, the Housing Commission complied in all material respects, with these revenue restrictions.

## 2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

## 3(a) Cash and Investments

### Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 14,042	\$ 14,042	\$	\$	\$ 13,942
Savings	31,995	31,995			31,995
Total Deposits	<u>\$ 46,037</u>	<u>\$ 46,037</u>	<u>\$</u>	<u>\$</u>	<u>\$ 45,937</u>

**Investments**

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2007. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk				
	Category	Category	Category	Carrying	Fair
	1	2	3	Amount	Value
Certificate of deposits	\$ 98,262	\$	\$	\$ 98,262	\$ 98,262

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 45,937
Petty cash	150
Investments	98,262
Total	\$ 144,349
Cash and cash equivalents:	
Enterprise activities	\$ 144,449
Enterprise activities - checks written in excess of deposits	( 100)
Total	\$ 144,349

**3(b) Accounts Receivable**

Receivables detail at June 30, 2007, is as follows:

Tenant accounts receivable	\$ 115
Allowance for doubtful accounts	( - )
	\$ 115

### 3(c) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>06/30/07</u>
<b>Low Rent Program</b>				
Land	\$ 42,958	\$	\$	\$ 42,958
Buildings	1,263,996	804		1,264,800
Furniture, equip. & machinery - administration	<u>172,394</u>	<u>4,212</u>		<u>176,606</u>
	1,479,348	<u>\$ 5,016</u>	<u>\$</u>	1,484,364
Less accumulated depreciation	<u>( 851,164)</u>	<u>\$( 50,480)</u>	<u>\$</u>	<u>( 901,644)</u>
Total	<u>\$ 628,184</u>			<u>\$ 582,720</u>
<b>Capital Fund Program</b>				
Construction in progress	<u>\$</u>	<u>\$ 37,603</u>	<u>\$</u>	<u>\$ 37,603</u>
<b>Combined Totals</b>				<u>\$ 620,323</u>

### 3(d) Accounts Payable

Payable detail at June 30, 2007, is as follows:

Accounts payable - vendors	\$ 2,427
Accounts payable - other government - PILOT	<u>8,195</u>
	<u>\$ 10,622</u>

### 3(e) Accrued expenses

Accrued wage/payroll taxes payable	\$ 1,816
Accrued compensated absences-current portion	<u>104</u>
	<u>\$ 1,920</u>

### 3(f) Interprogram Transactions and Balances

The Capital Fund Program transferred \$4,957 to the Low Rent Program during the fiscal year ending June 30, 2007.

There were no interprogram receivables or payables.

**NOTE 4: Other Information**

**4(a) Pension Plan**

The Housing Commission does not have a pension plan.

**4(b) Risk Management**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees, employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

<b>Type of Loss</b>	<b>Method Managed</b>
a. Torts, errors and omissions	Purchased insurance with the Michigan Township Participating Plan.
b. Injuries to employees (workers' compensation)	Participates with the City of Rogers City's plan.
c. Physical property loss and natural disasters	Purchased insurance with the Michigan Township Participating Plan.
d. Health	Purchased health insurance with Blue Cross Blue Shield.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**4(c) Commitments and Contingencies**

As of June 30, 2007, the Housing Commission has future plans to use future capital fund programs for a new elevator, wiring and carpeting. The 2006 CFP grant of \$42,560 was completed as of June 30, 2007. The 2007 CFP grant of \$41,453 has been approved, but there were no expenditures as of June 30, 2007 for the grant.

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
**BY PROGRAM**  
June 30, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash-unrestricted	\$ 44,327	\$
Cash-tenant security deposits	1,760	
Receivables:		
Accounts - dwelling rents	115	
Accrued interest receivable	122	
Investments-unrestricted	98,262	
Prepaid expenses and other assets	<u>4,020</u>	<u>          </u>
Total current assets	<u>148,606</u>	<u>          </u>
Capital assets:		
Land	42,958	
Buildings	1,264,800	
Equipment	176,606	
Construction in progress		<u>37,603</u>
	<u>1,484,364</u>	<u>37,603</u>
Less accumulated depreciation	<u>( 901,644)</u>	<u>          </u>
Net capital assets	<u>582,720</u>	<u>37,603</u>
Total Assets	<u>\$ 731,326</u>	<u>\$ 37,603</u>

Totals

\$ 44,327  
1,760

115  
122  
98,262  
4,020

148,606

42,958  
1,264,800  
176,606  
37,603

1,521,967  
( 901,644)

620,323

\$ 768,929

ROGERS CITY HOUSING COMMISSION  
 COMBINING STATEMENT OF NET ASSETS  
 BY PROGRAM (CONTINUED)  
 June 30, 2007  
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 10,622	\$
Tenant security deposit liability	2,100	
Accrued expenses	1,920	
Deferred revenues	<u>4</u>	<u>          </u>
Total current liabilities	14,646	
Noncurrent liabilities:		
Accrued compensated absences	<u>931</u>	<u>          </u>
Total liabilities	<u>15,577</u>	<u>          </u>
Net assets:		
Invested in capital assets	582,720	37,603
Unrestricted net assets	<u>133,029</u>	<u>          </u>
Total net assets	<u>715,749</u>	<u>37,603</u>
Total Liabilities and Net Assets	<u>\$ 731,326</u>	<u>\$ 37,603</u>

Totals

\$ 10,622  
2,100  
1,920  
4

14,646

931

15,577

620,323

133,029

753,352

\$ 768,929

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended June 30, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 117,428	\$ _____
Nondwelling rent	<u>80</u>	<u>_____</u>
Total operating revenues	<u>117,508</u>	<u>_____</u>
<b>OPERATING EXPENSES:</b>		
Administration	47,885	
Tenant services	2,618	
Utilities	35,482	
Ordinary maintenance and operation	44,819	
General expenses	14,671	
Extraordinary maintenance	9,930	
Depreciation	<u>50,480</u>	<u>_____</u>
Total operating expenses	<u>205,885</u>	<u>_____</u>
Operating income (loss)	<u>( 88,377)</u>	<u>_____</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Operating transfers in(out)	4,957	( 4,957)
Investment interest income	5,157	
Other income	2,920	
Operating grants	33,279	4,957
Capital grants	<u>_____</u>	<u>37,603</u>
Total nonoperating revenues (expenses)	<u>46,313</u>	<u>37,603</u>
Change in net assets	( 42,064)	37,603
Net assets, beginning	<u>757,813</u>	<u>_____</u>
Net assets, ending	<u>\$ 715,749</u>	<u>\$ 37,603</u>

Totals

\$ 117,428  
80

117,508

47,885

2,618

35,482

44,819

14,671

9,930

50,480

205,885

( 88,377)

5,157

2,920

38,236

37,603

83,916

( 4,461)

757,813

\$ 753,352

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
**BY PROGRAM**

Year Ended June 30, 2007

	Low Rent Program 14,850a	Capital Fund Program 14,872
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 117,671	\$
Cash payments to other suppliers of goods and services	( 99,806)	
Cash payments to employees for services	( 51,353)	
Cash payments for in lieu of taxes	( 7,025)	
Net cash (used) by operating activities	( 40,513)	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in(out)	4,957	( 4,957)
Tenant security deposits	340	
Operating grants	33,279	4,957
Other revenue	7,420	
Net cash provided by noncapital financing activities	45,996	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		37,603
Payments for capital acquisitions	( 5,016)	( 37,603)
Net cash (used) by capital and related financing activities	( 5,016)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments decreased	22,884	
Receipts of interest and dividends	5,035	
Net cash provided by investing activities	27,919	
Net increase(decrease) in cash	28,386	
Cash, beginning	17,701	
Cash, ending	\$ 46,087	\$

Totals

\$ 117,671

( 99,806)

( 51,353)

( 7,025)

( 40,513)

340

38,236

7,420

45,996

37,603

( 42,619)

( 5,016)

22,884

5,035

27,919

28,386

17,701

\$ 46,087

ROGERS CITY HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
**BY PROGRAM (CONTINUED)**  
Year Ended June 30, 2007

=====

	Low Rent Program	Capital Fund Program
	<u>14.850a</u>	<u>14.872</u>

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

**BY OPERATING ACTIVITIES:**

Operating income(loss)	\$( 88,377)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	50,480	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	174	
Prepaid expenses and other assets	( 329)	
Increase (decrease) in liabilities:		
Accounts payable	( 244)	
Accrued wages/payroll taxes	227	
Accrued compensated absences	621	
Accrued liabilities	( 4,224)	
Accrued payments in lieu of taxes	1,170	
Deferred revenues	<u>( 11)</u>	
Net cash (used) by operating activities	<u>\$( 40,513)</u>	<u>\$</u>

Totals

\$( 88,377)

50,480

174

( 329)

( 244)

227

621

( 4,224)

1,170

( 11)

\$( 40,513)

ROGERS CITY HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended June 30, 2007  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 33,279
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	<u>42,560</u>
	Total		<u>\$ 75,839</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ROGERS CITY HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE**

Year Ended June 30, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 44,327	\$
114	Cash-tenant security deposits	<u>1,760</u>	<u>          </u>
100	Total cash	<u>46,087</u>	<u>          </u>
	Receivables:		
126	A/R-tenants-dwelling rents	115	
129	Accrued interest receivable	<u>122</u>	<u>          </u>
120	Total receivables, net of allowance for doubtful accounts	<u>237</u>	<u>          </u>
	Current Investments:		
131	Investments-unrestricted	<u>98,262</u>	<u>          </u>
	Other Current Assets:		
142	Prepaid expenses and other assets	<u>4,020</u>	<u>          </u>
150	Total current assets	<u>148,606</u>	<u>          </u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	42,958	
162	Buildings	1,264,800	
164	Furn, equip & mach-admin.	176,606	
166	Accumulated depreciation	( 901,644)	
167	Construction in progress	<u>          </u>	<u>37,603</u>
160	Total fixed assets, net of accumulated depreciation	<u>582,720</u>	<u>37,603</u>
180	Total noncurrent assets	<u>582,720</u>	<u>37,603</u>
190	Total Assets	<u>\$ 731,326</u>	<u>\$ 37,603</u>

Totals

\$ 44,327  
1,760

46,087

115  
122

237

98,262

4,020

148,606

42,958  
1,264,800  
176,606  
( 901,644)  
37,603

620,323

620,323

\$ 768,929

ROGERS CITY HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY/NET ASSETS</b>			
Liabilities:			
Current Liabilities:			
312	Accounts payable<=90 days	\$ 2,427	\$
321	Accrued wage/payroll taxes payable	1,816	
322	Accrued compensated absences-current portion	104	
333	Accounts payable-other government	8,195	
341	Tenant security deposits	2,100	
342	Deferred revenues	<u>4</u>	<u>          </u>
310	Total current liabilities	14,646	
Noncurrent Liabilities:			
354	Accrued compensated absences	<u>931</u>	<u>          </u>
300	Total liabilities	<u>15,577</u>	<u>          </u>
Equity:			
508.1	Invested in capital assets	<u>582,720</u>	<u>37,603</u>
508	Total equity	582,720	37,603
Net Assets:			
512.1	Unrestricted net assets	<u>133,029</u>	<u>          </u>
513	Total equity/net assets	<u>715,749</u>	<u>37,603</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 731,326</u>	<u>\$ 37,603</u>

Totals

\$ 2,427  
1,816  
104  
8,195  
2,100  
4  
14,646  
931  
15,577  
620,323  
620,323  
133,029  
753,352  
\$ 768,929

ROGERS CITY HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended June 30, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 117,428	\$
704	Tenant revenue-other	80	
705	Total tenant revenue	<u>117,508</u>	
706	HUD PHA grants	33,279	4,957
706.1	Capital grants		37,603
711	Investment income-unrestricted	5,157	
715	Other revenue	<u>2,920</u>	
700	Total revenue	<u>158,864</u>	<u>42,560</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	24,981	
912	Auditing fees	2,650	
914	Compensated absences	621	
915	Employee benefit contributions-adm.	6,033	
916	Other operating-administrative	13,600	
	Tenant Services:		
924	Tenant services-other	2,618	
	Utilities:		
931	Water	1,289	
932	Electricity	14,283	
933	Gas	17,304	
938	Other utilities expense	2,606	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	19,104	
942	Ordinary maint & oper-mat'ls & other	10,075	
943	Ordinary maint & oper-contract costs	14,178	
945	Employee benefit contributions- ordinary maintenance	1,462	
	General expenses:		
961	Insurance premiums	6,262	
963	Payments in lieu of taxes	8,195	
964	Bad debt-tenant rents	<u>214</u>	
969	Total operating expenses	<u>145,475</u>	
970	Excess operating revenue over operating expenses	<u>13,389</u>	<u>42,560</u>

<u>Totals</u>	
\$	117,428
	<u>80</u>
	117,508
	38,236
	37,603
	5,157
	<u>2,920</u>
	<u>201,424</u>

24,981  
2,650  
621  
6,033  
13,600

2,618

1,289  
14,283  
17,304  
2,606

19,104  
10,075  
14,178

1,462

6,262  
8,195  
214

145,475

55,949

ROGERS CITY HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
971	Extraordinary maintenance	9,930	
974	Depreciation expense	<u>50,480</u>	<u>          </u>
	Total other expenses	<u>60,410</u>	<u>          </u>
900	Total expenses	<u>205,885</u>	<u>          </u>
	<b>Other Financing Sources (Uses)</b>		
	Operating transfers in(out)	<u>4,957</u>	<u>( 4,957)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 42,064)	37,603
1103	Beginning Net Assets	<u>757,813</u>	<u>          </u>
	Ending Net Assets	<u>\$ 715,749</u>	<u>\$ 37,603</u>

Totals

9,930  
50,480

60,410

205,885

\_\_\_\_\_

( 4,461)

757,813

\$ 753,352

**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 Housing Commissioners  
Rogers City Housing Commission  
Rogers City, Michigan

I have audited the financial statements of the business-type activities of the Rogers City Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 18, 2007. 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 Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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*  
Rogers City Housing Commission  
Page Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated September 18, 2007.

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

*Samy E. Zandell, CPA, PC*

September 18, 2007

ROGERS CITY HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 June 30, 2007

=====

Line Item Number	Account Name	Debit	Credit
<b>LOW RENT PROGRAM</b>			
	(1)		
114	Cash-tenant security deposits	\$ 1,760	
111	Cash-unrestricted To reclassify cash for tenant security deposits liability.		\$ 1,760
	(2)		
111	Cash-unrestricted	31,995	
131	Investments-unrestricted To reclassify a savings account to cash and cash equivalents classification since the maturity is less than 3 months.		31,995

ROGERS CITY HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2007

**ROGERS CITY HOUSING COMMISSION**  
**CONTENTS**  
**JUNE 30, 2007**

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Management Advisory Comments	4-7
Adjusting Journal Entries	8

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Rogers City Housing Commission

I have audited the financial statements of the Rogers City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2007, and have issued my report, thereon, dated September 18, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were two audit adjusting journal entries and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 8 showing the audit adjusting journal entries, of which there were two).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Barry E. Landell, CPA, PC*

September 18, 2007

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Rogers City Housing Commission

I have audited the financial statements of the Rogers City Housing Commission ("Housing Commission") as of and for the year ended June 30, 2007, and have issued my report, thereon, dated September 18, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, P.C.*

September 18, 2007

ROGERS CITY HOUSING COMMISSION  
**MANAGEMENT ADVISORY COMMENTS**  
 (CONTINUED)  
 June 30, 2007

=====

**Tenant Files**

We selected at random five(5) low rent tenant files to thoroughly test. The results are as follows:

Low Rent Program

	<u># of Exceptions</u>
1. HUD Form 50058 not in the tenant file	1
2. Privacy Act Notice for fiscal year not in the tenant file or incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	0
5. Incorrect Verification of Assets	1
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	1
8. Application missing or incorrect	2
9. Copy of Photo ID missing	1
10. Copy of Proof of Social Security Number Verification missing	1
11. Copy of Birth Certificate missing	1
12. Flat Rent/Income Based Rent Choice missing or incorrect	3
13. Worksheet for HUD Form 50058 missing or incorrect	0
14. Notice of Rent Adjustment missing or incorrect	1
15. Criminal Background Check not done, not documented, or it was in the file	3
16. Declaration of 214 Status missing or incorrect	0
17. Check for Previous Eviction from Public Housing not done or incorrect	5
18. Annual Family Composition Review missing or incorrect	0
	<u>20</u>

Out of a possible 90, there were 20 exceptions. This is an exception rate of 22.2%.

ROGERS CITY HOUSING COMMISSION  
**MANAGEMENT ADVISORY COMMENTS**  
 (CONTINUED)  
 June 30, 2007

=====

**Tenant Files (continued)**

Five tenant files were looked at and applicable to this review.  
 The following is a short summary of exceptions:

File	Client #	1	2	3	4	5	6	7	8	9
1	21		x							
2	22	x	x						x	
3	15		x						x	
4	1		x	x			x		x	
5	38	<u>x</u>	<u>x</u>	<u>   </u>	<u>x</u>	<u>   </u>	<u>   </u>	<u>   </u>	<u>x</u>	<u>   </u>
Number of Hits		<u>2</u>	<u>5</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>4</u>	<u>0</u>
% of Hits		<u>40%</u>	<u>100%</u>	<u>20%</u>	<u>20%</u>	<u>0%</u>	<u>20%</u>	<u>0%</u>	<u>80%</u>	<u>0%</u>

**Legend**

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted;
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social security number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

Auditor's Recommendation: It is our recommendation that the Housing Commission continue to correct the tenant files where possible.

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

June 30, 2007

=====

**Tenant Files (continued)**

Auditor's Note: It should be noted that the Executive Director has made great strides in improving the documentation in the tenant files. The exception rate was 22.22% this year compared to a 63.5% exception rate the previous year. In addition, several exceptions resulted because the audit report from the previous year was not completed until part way into the year of the most recent audit. Also, some exceptions resulted from new items that were tested for. The Executive Director should be commended on this tremendous improvement.

**Waiting List**

During testing of new admissions to the program, it was discovered that there was not adequate documentation that new admissions to the program were selected correctly from the waiting list. Out of the five(5) new admissions tested, none of the five had proper waiting list documentation.

We recommend that the Housing Commission maintain proper waiting list documentation in the future and select new admissions in accordance with the ACOP policy.

**Criminal Background Check**

During testing of the tenant files, it was discovered that a local criminal background check was done, but not a statewide criminal sexual background check. Out of the five(5) tenant files tested out of a population of 36, three(3) of the five were missing the statewide documentation where it was required.

We recommend the Housing Commission obtain statewide criminal sexual background checks when appropriate in the future.

**Background Check**

During testing of the tenant files, it was discovered that a proper check for previous eviction from public housing was not conducted. Out of the five(5) tenant files tested out of a population of 36, none of the five had the check performed.

We recommend that the Housing Commission perform a check for previous evictions from public housing where appropriate in the future.

ROGERS CITY HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

June 30, 2007

=====

**Staffing**

The Housing Commission currently has an Executive Director that handles all of the office duties.

We recommend that the Housing Commission consider hiring a part-time office person to assist the Executive Director. The advantages would be more segregation of duties, improved internal controls, and a person to assist in the absence of the Executive Director for vacations, sick leave, and training. Also, the Executive Director could concentrate on projects that need to be accomplished. It could be helpful to train another person for the future, if needed. Other Housing Commission's of the size of Rogers City Housing Commission, in Michigan, have either a full-time or part-time staff person to assist the Executive Director.

ROGERS CITY HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 June 30, 2007

=====

<u>FDS</u>			
<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>

**LOW RENT PROGRAM:**

	(1)		
114	Cash-tenant security deposits	\$ 1,760	
111	Cash-unrestricted To reclassify cash for tenant security deposits liability.		\$ 1,760

	(2)		
111	Cash-unrestricted	31,995	
131	Investments-unrestricted To reclassify a savings account to cash and cash equivalents classification since the maturity is less than 3 months.		31,995