

Auditing Procedures Report

Issued under P.A. 2 of 1968, 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 type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number

SAGINAW HOUSING COMMISSION

Financial Statements

June 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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SAGINAW HOUSING COMMISSION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE JUNE 30, 2007**

The Saginaw Housing Commission's (SHC) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of SHC's financial activity, (c) identify changes in SHC's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

The Management Discussion and Analysis is presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with SHC's financial statements.

FINANCIAL HIGHLIGHTS

- * SHC's net assets decreased by \$1,679,537 (or 8.8%) during 2007. Since SHC engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$19,168,937 and \$17,489,400 for 2006 and 2007 respectively.
- * The business-type activities revenue decreased by \$99,172 (or 1.0%) during 2007, and were \$10,396,333 and \$10,297,161 for 2006 and 2007 respectively.
- * The total expenses of all SHC programs increased by \$1,320,128 (or 12.4%). Total expenses were \$10,655,608 and \$11,975,736 for 2006 and 2007 respectively.

The primary focus of SHC's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the SHC as a whole (SHC-wide) and the major individual funds. Both perspectives (SHC-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or PHA to PHA) and enhance SHC's accountability.

SHC-Wide Financial Statements

The SHC-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire housing commission.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for SHC. The Statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

SHC-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, depreciation, and Non-Operating Revenue and Expenses, such as grant revenue and investment income.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The SHC consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by SHC are required by the Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

SAGINAW HOUSING COMMISSION FUNDS

Convention Public Housing - Under the Conventional Public Housing Program, SHC rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

The Conventional Public Housing Program also includes the Capital Fund Program and New Development Program, which are the primary funding sources for physical and management improvements to SHC's properties.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, SHC administers contracts with independent landlords that own property. SHC subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions Funding to enable SHC to structure a lease that sets the participant's rent at 30% of household income.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

-3-

Other Non-major Funds - In addition to the major funds above, SHC also maintains several non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses that have less than 5% of SHC's total assets, liabilities, revenues, or expenses. Other Non-major funds consists of the following:

Supportive Housing Program - a grant program funded by HUD is designed to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing to homeless persons to enable them to live as independently as possible.

Shelter Plus Care Program - a grant program funded by HUD is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities (primarily those who are seriously mentally ill; have chronic problems with alcohol, drugs, or both; or have acquired immunodeficiency syndrome (AIDS) and related diseases) and their families. The program provides grants to be used for rental assistance for permanent housing for homeless persons with disabilities.

FINANCIAL CONTACT

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SHC-WIDE STATEMENT**Statement of Net Assets**

The following table reflects the condensed Statement of Net Assets compared to prior year. SHC is engaged only in Business-Type Activities.

TABLE 1**STATEMENT OF NET ASSETS**

	<u>2007</u>	<u>2006</u>
Current and Other Assets	2,449,960	3,130,805
Capital Assets	<u>15,039,440</u>	<u>16,038,132</u>
Total Net Assets	17,489,400	19,168,937
Current Liabilities	642,165	586,757
Long-Term Liabilities	<u>1,054,067</u>	<u>1,073,993</u>
Total Liabilities	1,696,232	1,660,750
Net Equity:		
Invested in Capital Assets, Net of Related Debt	15,039,440	16,038,132
Unrestricted	<u>753,728</u>	<u>1,470,055</u>
Total Liabilities & Equity	17,489,400	19,168,937

Major Factors Affecting the Statement of Net Assets

Current assets were decreased by \$1,679,537 and current liabilities were increased by \$35,482.

Capital assets also changed significantly, decreasing from \$16,038,132 to \$15,039,440. The \$998,692 decrease may be attributed primarily to an increase in accumulated depreciation.

TABLE 2

The following schedule compares the revenues and expenses for the current and previous fiscal year. SHC is engaged only in Business-Type Activities.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

<u>Revenues</u>	<u>2007</u>	<u>2006</u>
Tenant Revenue - Rents & Other	1,240,819	1,278,407
Operating Subsidies & Grants	8,417,187	7,792,282
Capital Grants	431,469	1,111,160
Investment Income	52,159	47,028
Other Revenues	<u>155,527</u>	<u>167,456</u>
Total Revenues	10,297,161	10,396,333
Expenses		
Administrative	1,990,986	1,366,972
Tenant Services	58,828	63,909
Utilities	735,149	691,540
Maintenance	1,305,750	1,289,492
Insurance	183,148	171,732
PILOT	46,007	53,173
Other General	662,908	548,990
Extraordinary Maintenance	9,333	31,333
Casualty Losses	37,567	(22,375)
Housing Assistance Payments	5,480,685	5,016,966
Depreciation	<u>1,465,375</u>	<u>1,443,876</u>
Total Expenses	11,975,736	10,655,608
Net Increase or (Decrease)	(1,678,575)	(259,275)

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

Tenant revenue decreased slightly. This decrease was primarily due to continued vacancies within SHC properties.

Operating Subsidies, Grants, and Capital Grants decreased slightly. This decrease was primarily due to activity in the area of capital grants with modernization.

Total expenses increased significantly due to increased administrative costs, utilities, maintenance costs, HAP costs, and depreciation.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

As of year end, SHC had \$15,039,440 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$998,692 or 6% from the end of last year.

TABLE 3

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>2007</u>	<u>2006</u>
Land and land rights	2,710,057	2,710,057
Buildings	43,736,152	43,472,902
Equipment - Dwelling	726,417	697,093
Equipment - Administrative	1,187,310	1,117,102
Accumulated Depreciation	(33,390,762)	(32,029,288)
Construction in Progress	<u>70,266</u>	<u>70,266</u>
Total	15,039,440	16,038,132

The following reconciliation summarizes the change in Capital Assets.

TABLE 4
CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	16,038,132
Additions	466,683
Retirements	101,746
Net of Depreciation	(101,746)
Depreciation	<u>(1,465,375)</u>
Ending Balance	15,039,440

This year's major additions are:

Business - Type Activities

Capital Fund Program	432,527
Equipment Purchases	<u>34,156</u>
Total Additions	466,683

ECONOMIC FACTORS

Significant economic factors affecting SHC are as follows:

- * Federal funding of the Department of Housing and Urban Development
- * Local labor contract, which affects salary, wages, and benefits
- * Local inflationary, recessionary, and employment trend, which can affect resident incomes and therefore the amount of rental income
- * Inflationary pressure on utility rates, supplies, insurance, and other costs

John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
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Independent Auditor's Report

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2008, on my consideration of the Saginaw Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Certified Public Accountant

March 15, 2008

SAGINAW HOUSING COMMISSION
Statement of Net Assets
June 30, 2007

ASSETS

C-3029

CURRENT ASSETS

Cash	\$ 1,971,459	
Cash- Restricted	128,623	
Accounts Receivable (net of allowance for doubtful account \$ 385)	17,180	
Accounts Receivable- Other	132,013	
Prepaid Expenses & Inventory	<u>200,685</u>	
 Total Current Assets		\$ 2,449,960

NON CURRENT ASSETS

Land	\$ 2,710,057	
Buildings	43,736,152	
Furniture, Equipment- Dwellings	726,417	
Furniture, Equipment- Administrative	1,187,310	
Leasehold Improvements	70,266	
Accumulated Depreciation	<u>(33,390,762)</u>	
 Total Non Current Assets		<u>15,039,440</u>

TOTAL ASSETS \$ 17,489,400

SAGINAW HOUSING COMMISSION
 Statements of Net Assets
 June 30, 2007

LIABILITIES

C-3029

CURRENT LIABILITIES

Accounts Payable	\$	325,521	
Accrued Wages & Payroll Taxes		52,744	
Tenants Security Deposit		105,824	
Accounts Payable- Other Governments		46,007	
Other Current Liabilities		<u>112,069</u>	
 <u>Total Current Liabilities</u>	 \$		 <u>642,165</u>

NONCURRENT LIABILITIES

Pension & Insurance Escrows	\$	852,572	
Compensated Absences-noncurrent		<u>195,495</u>	
 <u>Total Noncurrent Liabilities</u>			 <u>1,054,067</u>
 <u>Total Liabilities</u>	 \$		 <u>1,696,232</u>

NET ASSETS:

Investment in Fixed Assets, net of related Debt	\$	15,039,440	
Unrestricted Net Assets		<u>753,728</u>	
 <u>Total Net Assets</u>			 <u>15,793,168</u>
 <u>TOTAL LIABILITIES & NET ASSETS</u>	 \$		 <u>17,489,400</u>

The Accompanying Notes are an Integral part of the Financial Statements

SAGINAW HOUSING COMMISSION
 Combined Statement of Income, Expenses, and Changes in Net Assets
 For the year ended June 30, 2007

REVENUE

Tenant Rental Revenue	\$ 1,236,989	
Tenant Revenue-Other	3,830	
HUD Grants	7,945,063	
Interest Income	52,159	
Other Income	<u>169,117</u>	
 <u>Total Operating Revenue</u>		 \$ 9,407,158

OPERATING EXPENSES

Administrative	\$ 1,990,986	
Tenant Services	58,828	
Utility Expenses	735,149	
Ordinary Maintenance	1,305,750	
General Expenses	419,939	
Housing Assistance Payments	5,480,685	
Extra Ordinary Maintenance	9,333	
Casualty Losses	37,567	
Depreciation Expenses	<u>1,465,375</u>	
 <u>Total Operating Expenses</u>		 <u>11,503,612</u>
 <u>Operating Income (Loss)</u>		 \$ 2,096,454

NONOPERATING REVENUE (EXPENSES)

Gain (Loss) on Sale of Assets		<u>(13,590)</u>
 <u>Income (Loss) before Contributions</u>		 \$ (2,110,044)

CAPITAL CONTRIBUTIONS

		<u>431,469</u>
 <u>Changes in Net Assets</u>		 \$ (1,678,575)

Total Net Assets- Beginning	\$ 17,508,187	
 Void Checks and Refund of FSS Program Reserve	 <u>36,444</u>	 <u>17,471,743</u>
 Total Net Assets- Ending		 \$ <u>15,793,168</u>

The Accompanying Notes are an Integral part of the Financial Statements

SAGINAW HOUSING COMMISSION
 Combined Statement of Cash Flows
 For the Year Ended June 30, 2007

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>Business Type Activities</u>
Receipts from Customers	\$ 1,266,985
Payments to Suppliers	(8,072,900)
Payments to Employees	(1,050,017)
HUD Grants	8,903,442
Other Receipts (Payments)	<u>214,484</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(134,543)</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchases of Capital Assets	\$ <u>(466,683)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (601,226)
Balance- Beginning of Year	<u>2,701,308</u>
Balance- End of Year	\$ <u>2,100,082</u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Net Profit or (Loss)	\$ (1,678,575)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,465,375
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	40,515
Prepaid Expenses	39,104
Changes in Liabilities Increase (Decrease):	
Accounts Payable	70,653
Accrued Liabilities	(5,162)
Accrued Compensated Absences	(40,965)
Security Deposits	(2,917)
Accounts Payable- Other Governments	(7,166)
Pension & Insurance Escrows	<u>(15,405)</u>
Net Cash Provided by Operating Activities	\$ <u>(134,543)</u>

The Accompanying Notes are an Integral part of the Financial Statements

SAGINAW HOUSING COMMISSION
Notes to Financial Statements
June 30, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

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

The Commission consists of the following as of June 30, 2007:

MI 6-1/5,7,8,10,11	Low rent program	628	units
MI 28-V005	Section 8 Vouchers	1197	units
MI 28-C	Shelter Plus Grant	51	units
Supportive Services, Homeless Grant, Capital Funds			

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, the Commission has reported a component unit; the Component unit has been reported as a blending, added to the combined statement of net assets.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

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

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

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

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

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

Budgetary data-

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

Assets, Liabilities, and Net Assets-

Deposits & Investments

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

Cash Equivalents

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

Notes to Financial Statements- continued

Inventory

Inventory is valued at the lower of cost (First in, First out) or market. Inventory consist of expendable supplies held for consumption. The cost of supplies is recorded as an expenditure at the time the inventory is consumed.

Due To and Due From Other Funds

Interfund receivables and payables arise from inter-program transactions and are recorded by all funds affected in the period in which transactions are executed. The due to/from is eliminated in the upper level financial statements, but is represented in the financial data schedule, (FDS).

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

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

Buildings and Improvements	27.5 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Use of estimates

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

Notes to Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Money Market Accounts	\$ 1,971,209
Petty Cash	<u>250</u>
Unrestricted Cash	\$ 1,971,459
Restricted Cash (Family Self Sufficiency Escrows)	<u>128,623</u>
Financial Data Schedule Total	<u>\$ 2,100,082</u>

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

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

	<u>Categories</u>			Carrying Amount	Market Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Money Market A/C	\$ 2,099,832	\$	\$	\$ 2,099,832	\$2099,832
Petty Cash	<u>250</u>	<u> </u>	<u> </u>	<u>250</u>	<u>250</u>
Total Cash	<u>\$ 2,100,082</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,100,082</u>	<u>\$2100,082</u>

In addition to the above, family self sufficiency escrows in the amount of \$ 128,623 are in category 1 as checking accounts.

The Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Prepaid Expenses.

Prepaid expenses consist of the following:

Prepaid Insurance	\$ 23,068
Material & Office Supplies	<u>177,617</u>
	<u>\$ 200,685</u>

Notes to Financial Statements- continued

Note 4: Fixed Asset Analysis.

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

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 2,710,057	\$	\$	\$ 2,710,057
Buildings	43,472,902	367,151	103,901	43,736,152
Furniture & Equipment-Dwellings	697,093	29,324		726,417
Furniture & Equipment-Admin	1,117,102	70,208		1,187,310
Leasehold Improvements	<u>70,266</u>			<u>70,266</u>
	\$48,067,420	\$ 466,683	\$ 103,901	\$48,430,202
Less Accumulated Depreciation	<u>32,029,288</u>	<u>1,465,375</u>	<u>103,901</u>	<u>33,390,762</u>
	<u>\$16,038,132</u>	<u>(998,692)</u>	<u>\$ 0</u>	<u>\$15,039,440</u>

Note 5: Accrued Liabilities

Other Current Liabilities consist of the following:

Employee Benefits	\$ 7,575
Current Compensated Absences	64,456
Account Payable to Revolving Fund	<u>40,038</u>
Financial Statement Total	<u>\$ 112,069</u>

Note 6: Pension Plan

During 2006, the Commission transferred its plan assets and accumulated benefits from the Employees' Retirement System Defined Benefit Plan administered by the City of Saginaw to the Michigan Municipal Employees Retirement System (MERS), an agent for multiple-employer public employee retirement systems that acts as a common investment and administrative agent for municipalities within the state of Michigan.

FUNDING STATUS AND PROGRESS

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries and the annual employer contribution amount were based on the actuarial methods and assumptions used in the December 31, 2006 actuarial valuation. The entry age normal actuarial method was used to determine the entries at disclosure.

Notes to financial statements- continued

GASB 25 INFORMATION
as of June 30, 2007

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 144,078
Terminated employees not yet receiving benefits	202,770
Non-vested terminated employees (pending refunds of accumulated member contributions)	19,907
Current employees -	
Accumulated employee contributions including allocated investment income	570,140
Employer Financed	<u>2,275,723</u>
Total Actuarial Accrued Liability	\$ 3,212,618
Net Assets Available for Benefits at Actuarial Value	<u>1,755,858</u>

(Market Value is \$ 1,780,420)

Unfunded (Over funded) Actuarial Accrued Liability	\$ 1,456,760
--	--------------

GASB 27 INFORMATION
as of December 31, 2006

Fiscal Year Beginning	July 1, 2008
Annual Required Contribution (ARC)	\$ 131,940*
Amortization Factor Used - Underfunded Liabilities (29 years)	0.054719
Amortization Factor Used - Underfunded Liabilities (27 years)	0.057152
Amortization Factor Used - Overfunded Liabilities (10 years)	0.119963

* Based on valuation payroll. For divisions that are open to new hires the actual required contribution will be based on current monthly payroll (during the fiscal year beginning July 1, 2008) times the computed employer contribution rate(s) shown in tables 15 and 16 of the annual report. The ARC shown here is the sum of the ARC's calculated separately for each division.

Notes to Financial Statements- continued

Note 7: Risk Management

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

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 54,316,337
General Liability	3,000,000
Automobile Liability	300,000
Dishonesty Bond	200,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

Note 8: Combining Financial Data Schedules.

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

Note 9: Reclassifications.

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

Note 10: Escrowed Pension and Health Insurance.

The Commission has separated from the City of Saginaw; the separation culminates several years effort. During the negotiation period, the Commission escrowed current pension and health benefits awaiting a final resolution from the City; as of the date of this audit, the balances in each account are as follows:

Pension Escrow	\$ 400,432
Health Benefit Escrow	<u>316,445</u>
	\$ <u>716,877</u>

SAGINAW HOUSING COMMISSION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3029 Operating Subsidies	\$ <u>1,378,866</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3099V Section 8 Housing Choice Vouchers	\$ <u>5,677,734</u>
<u>CFDA 14.870 Supportive Housing Program</u>	
C-3029 Special Needs	\$ <u>33,488</u>
* <u>CFDA 14.238 Shelter Plus Care</u>	
C-3029 Shelter Plus Care Program	\$ <u>409,845</u>
* <u>CFDA 14.872 Public Housing Capital Fund Program</u>	
C-3029 Capital Fund Program	\$ <u>876,599</u>
	<u>\$ 8,376,532</u>

*Connotes Major Program Category

Notes to Federal Awards Schedule:

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Saginaw Housing Commission

30-Jun-07

MI-006

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Resident Opportunity and Supportive Services 14.870	Capital Projects Funds 14.872	Shelter Plus Care 14.238	Component Units	TOTAL
ASSETS:								
CURRENT ASSETS:								
Cash:								
111	Cash - unrestricted	1,657,889	177,049			5,043	26,776	1,866,757
113	Cash - other restricted		128,623					128,623
114	Cash - tenant security deposits	104,702						104,702
100	Total cash	1,762,591	305,672	-	-	5,043	26,776	2,100,082
Accounts and notes receivables:								
121	Accounts receivable - PHA projects						141	141
122	Accounts receivable - HUD other projects		-	3,689	80,752	-		84,441
124	Accounts receivable - other government							-
125	Accounts receivable - miscellaneous	47,431						47,431
126	Accounts receivable- tenants - dwelling rents	17,180					-	17,180
126.1	Allowance for doubtful accounts - dwelling rents	-						-
126.2	Allowance for doubtful accounts - other							-
128.1	Allowance for doubtful accounts - fraud							-
129	Accrued interest receivable							-
120	Total receivables, net of allowances for doubtful accounts	64,611	-	3,689	80,752	-	141	149,193
Current investments								
131	Investments - unrestricted	-						-
132	Investments - restricted							-
142	Prepaid expenses and other assets	23,068	-					23,068
143	Inventories	177,617					-	177,617
143.1	Allowance for obsolete inventories	-						-
144	Interprogram - due from	-	425,819	-	-		44,723	470,542
146	Amounts to be provided							-
150	TOTAL CURRENT ASSETS	2,027,887	731,491	3,689	80,752	5,043	71,640	2,920,502
NONCURRENT ASSETS:								
Fixed assets:								
161	Land	2,573,360	21,697	-			115,000	2,710,057
162	Buildings	42,428,333	212,550	-	855,047		240,222	43,736,152
163	Furniture, equipment & machinery - dwellings	627,755		-	97,415		1,247	726,417
164	Furniture, equipment & machinery - administration	1,002,233	92,762	-	92,315		-	1,187,310
165	Construction in Progress						70,266	70,266
166	Accumulated depreciation	(33,211,742)	(179,018)	-	(1)		(1)	(33,390,762)
160	Total fixed assets, net of accumulated depreciation	13,419,939	147,991	-	1,044,776	-	426,734	15,039,440
171	Notes and mortgages receivable - non-current							-
172	Notes and mortgages receivable-non-current-past due							-
174	Other assets	-						-
175	Undistributed debits							-
176	Investment in joint ventures							-
180	TOTAL NONCURRENT ASSETS	13,419,939	147,991	-	1,044,776	-	426,734	15,039,440
190	TOTAL ASSETS	15,447,826	879,482	3,689	1,125,528	5,043	498,374	17,959,942

	LIABILITIES AND EQUITY							
	LIABILITIES:							
	CURRENT LIABILITIES							
311	Bank overdraft							-
312	Accounts payable ≤ 90 days	315,262	9,918			341		325,521
313	Accounts payable > 90 days past due							-
321	Accrued wage/payroll taxes payable	39,323	13,421					52,744
322	Accrued compensated absences	49,164	15,292					64,456
324	Accrued contingency liability							-
325	Accrued interest payable							-
331	Accounts payable - HUD PHA programs		-					-
333	Accounts payable - other government	46,007						46,007
341	Tenant security deposits	104,702				1,122		105,824
342	Deferred revenues	-				-		-
343	Current portion of Long-Term debt - capital projects							-
345	Other current liabilities	7,575	-			-		7,575
346	Accrued liabilities - other	-	-			40,038		40,038
347	Inter-program - due to	377,397	-	3,689	80,752	5,043	3,661	470,542
310	TOTAL CURRENT LIABILITIES	939,430	38,631	3,689	80,752	5,043	45,162	1,112,707
	NONCURRENT LIABILITIES							
351	Long-term debt, net of current- capital projects							-
352	Long-term debt, net of current- operating borrowings							-
353	Noncurrent liabilities- other	716,878	128,799			12,895		858,572
354	Accrued Comp Absences-non current	169,930	25,565					195,495
350	TOTAL NONCURRENT LIABILITIES	886,808	154,364	-	-	-	12,895	1,054,067
300	TOTAL LIABILITIES	1,826,238	192,995	3,689	80,752	5,043	58,057	2,166,774
	EQUITY:							
501	Investment in general fixed assets							-
	Contributed Capital:							
507	Other contributions							-
508	Total contributed capital	-	-	-	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	13,419,939	147,991	-	1,044,776	-	426,734	15,039,440
	Reserved fund balance:							
509	Reserved for operating activities							-
510	Reserved for capital activities							-
511	Total reserved fund balance	-	-	-	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	201,649	538,496				13,583	753,728
513	TOTAL EQUITY	13,621,588	686,487	-	1,044,776	-	440,317	15,793,168
600	TOTAL LIABILITIES AND EQUITY	15,447,826	879,482	3,689	1,125,528	5,043	498,374	17,959,942

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Saginaw Housing Commission

30-Jun-07

MI-006

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Resident Opportunity and Supportive Services 14.870	Capital Projects Fund 14.872	Shelter Plus Care 14.238	Component Units	TOTAL
Line Item #								
	REVENUE:							
703	Net tenant rental revenue	1,228,747					8,242	1,236,989
704	Tenant revenue - other	3,830						3,830
705	Total tenant revenue	1,232,577	-	-	-	-	8,242	1,240,819
706	HUD PHA grants	1,378,866	5,677,734	33,488	876,599	409,845	-	8,376,532
708	Other government grants							-
711	Investment income - unrestricted	46,232	5,511				416	52,159
712	Mortgage interest income						-	-
714	Fraud recovery							-
715	Other revenue	139,483	25,908				3,726	169,117
716	Gain or loss on the sale of fixed assets	(13,590)	-					(13,590)
720	Investment income - restricted							-
700	TOTAL REVENUE	2,783,568	5,709,153	33,488	876,599	409,845	12,384	9,825,037
	EXPENSES:							
	Administrative							
911	Administrative salaries	415,970	338,395	33,488		-	7,282	795,135
912	Auditing fees	5,200	2,150					7,350
913	Outside management fees	-	-					-
914	Compensated absences	49,164	15,292				-	64,456
915	Employee benefit contributions- administrative	224,582	175,965			-	7,280	407,827
916	Other operating- administrative	164,763	77,681	-	445,130	25,138	3,506	716,218
	Tenant services							
921	Tenant services - salaries	58,828						58,828
923	Employee benefit contributions- tenant services	-						-
924	Tenant services - other	-						-
	Utilities							
931	Water	221,191					3,196	224,387
932	Electricity	266,285					531	266,816
933	Gas	242,537					1,409	243,946
934	Fuel	-						-
935	Labor							-
937	Employee benefit contributions- utilities							-
938	Other utilities expense	-						-
	Ordinary maintenance & operation							
941	Ordinary maintenance and operations - labor	424,016						424,016
942	Ordinary maintenance and operations - materials & other	165,984					-	165,984
943	Ordinary maintenance and operations - contract costs	348,378	128,185				10,261	486,824
945	Employee benefit contributions- ordinary maintenance	228,926						228,926
	Protective services							
951	Protective services - labor							-
952	Protective services- other contract costs							-

953	Protective services - other							-
955	Employee benefit contributions- protective services							-
	General expenses							
961	Insurance premiums	168,796	14,229			123		183,148
962	Other General Expenses	147,088	9,749	-		-		156,837
963	Payments in lieu of taxes	46,007						46,007
964	Bad debt - tenant rents	33,076				871		33,947
965	Bad debt- mortgages							-
966	Bad debt - other							-
967	Interest expense							-
968	Severance expense							-
969	TOTAL OPERATING EXPENSES	3,210,791	761,646	33,488	445,130	25,138	34,459	4,510,652
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(427,223)	4,947,507	-	431,469	384,707	(22,075)	5,314,385
971	Extraordinary maintenance	9,333						9,333
972	Casualty losses - non-capitalized	37,567						37,567
973	Housing assistance payments		5,095,978			384,707		5,480,685
974	Depreciation expense	1,447,226	18,149	-	-	-		1,465,375
975	Fraud losses							-
976	Capital outlays- governmental funds	-						-
977	Debt principal payment- governmental funds							-
978	Dwelling units rent expense							-
900	TOTAL EXPENSES	4,704,917	5,875,773	33,488	445,130	409,845	34,459	11,503,612
	OTHER FINANCING SOURCES (USES)							
1001	Operating transfers in							-
1002	Operating transfers out							-
1003	Operating transfers from/to primary government							-
1004	Operating transfers from/to component unit							-
1005	Proceeds from notes, loans and bonds							-
1006	Proceeds from property sales							-
1007	Extra Ordinary Items (net gain/loss)			-				-
1010	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER	(1,921,349)	(166,620)	-	431,469	-	(22,075)	(1,678,575)

SAGINAW HOUSING COMMISSION
Status of Prior Audit Findings
June 30, 2007

The prior audit of the Saginaw Housing Commission for the period ended June 30, 2006, contained five audit findings; the following represents the corrective action taken by the Commission:

- Finding 1: Unauthorized Land Purchase- HUD has instructed the Commission to sell the land and return the proceeds to the Operating Reserves. HUD expects the land to be sold by the year 2021; therefore, this finding is closed pending the successful disposition of the land within the timeframe as outlined by HUD.
- Finding 2: HUD Monitoring Review- HUD has closed this finding conditioned by a follow-up confirmatory review to be conducted by HUD; as of the date of this audit, the follow-up review has not been scheduled.
- Finding 3: Office of Inspector General Audit- This finding has been closed pending the repayment of unauthorized expenditures from non-federal funds by the year 2021. HUD has not instructed the Commission on who or where the repayment is supposed to be made to, however, has allowed 13 years to figure it out.
- Finding 4: Tenant Accounting Discrepancies; Section 8- The Commission provided documentation to HUD concerning the corrections made; this finding has been closed.
- Finding 5: Supportive Housing & Shelter Plus Annual Reports Late- The Commission claimed that the reports were not late but that HUD was delinquent in processing the reports; the LOCCS accounts are still being frozen for late reports as in the past, but apparently it is due to HUD's processing; therefore, this finding is closed.

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

I have audited the financial statements of the Saginaw Housing Commission of Saginaw, Michigan, as of and for the year ended June 30, 2007, and have issued my report thereon dated March 15, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Saginaw Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs.

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

Certified Public Accountant
Hemlock, Michigan
March 15, 2008

SAGINAW HOUSING COMMISSION
 Report on Compliance with Requirements Applicable
 to Each Major Program and on Internal Control over Compliance in
 Accordance with OMB Circular A-133
 June 30, 2007

Compliance

I have audited the compliance of the Saginaw Housing Commission of Saginaw, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Commission's major federal programs are identified in the summary of auditors' 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 the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my 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 I 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 the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, except as noted below, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

Finding	Audit Number	Compliance Requirements
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Housing Choice Vouchers:

Tenant Accounting Discrepancies	07-2	Eligibility
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Low Rent Public Housing:

Tenant Accounting Discrepancies	07-1	Eligibility
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Internal Control Over Compliance

The management of the 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 my audit, I considered the 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 my auditing procedures for the purpose of expressing my opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

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 non-compliance 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. I considered the deficiencies in internal control over compliance as described above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Saginaw Housing Commission's response to the findings identified in my audit are described in the accompanying schedule of findings and question costs. I did not audit Saginaw Housing Commission's response and, accordingly, I express no opinion on it.

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

Certified Public Accountant
Hemlock, Michigan
March 15, 2008

SAGINAW HOUSING COMMISSION
Schedule of Findings and Questioned Cost
June 30, 2007

Summary of Auditor's Results:

Programs:

	Major Program	Non Major Program
Low income Public Housing	X	
Housing Assistance Program	X	
Capital Projects Funds	X	
Shelter Plus Care	X	
Supportive Services		X

Opinions:

General Purpose Financial Statements-

Unqualified

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

Report on compliance for Federal programs-

Qualified

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

Thresholds:

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

The Auditee did not qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Public and Indian Housing	Yes	None	7-2
Housing Assistance Program	Yes	None	7-1
Capital Fund Projects	Yes	None	N/A
Shelter Plus Care	Yes	None	N/A
Supportive Services	Yes	None	N/A

SAGINAW HOUSING COMMISSION
Schedule of Findings, Recommendations and Replies
June 30, 2007

The following findings of the Saginaw Housing Commission, for the year ended June 30, 2007, was discussed with the Executive Director, Mr. Duane L. Walker, in an exit interview conducted February 29, 2007.

Finding 07-1: Tenant Accounting Discrepancies- Section 8 Housing Choice Vouchers

17 files were tested, the following discrepancies were noted:

8 files were late with re-examinations

Recommendation

The Annual Contributions Contract and HUD notices specify the requirements concerning leasing and continued occupancy. Tenants are required to be re-examined annually; approximately half the files tested were late in the re-examinations.

I recommend the Commission implement a plan to insure all files are re-examined timely.

Reply

Below please find the response to Finding 07-1 Tenant Accounting Discrepancies for the Section 8 Housing Choice Voucher (HCV) Program:

Following is a list of the Findings and the Corrective Action Plan (CAP):

1. V567

Finding:

- Late Re-examination

CAP:

- Re-examination was completed on 10/29/07 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

2. V1200

Finding:

- Late Annual Re-examination

CAP:

- Re-examination was completed on 2/5/08 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

3. V1269

Finding:

- Late Annual Re-examination

Finding 7-1, continued

CAP:

- Re-examination was completed on 2/29/08 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

4. **V276**

Finding:

- Late Annual Re-examination

CAP:

- Re-examination was completed on 7/18/07 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

5. **V164**

Finding:

- Late Annual Re-examination

CAP:

- Re-examination was completed on 9/7/07 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

6. **V128**

Finding:

- Late Annual Re-examination

CAP:

- Re-examination was completed on 2/29/08 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

7. **V133**

Finding:

- Late Annual Re-examination

CAP:

- Re-examination was completed on 2/29/08 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

8. **V250**

Finding:

- Late Annual Re-examination

CAP:

- Re-examination was completed on 03/03/08 with a generated 50058
- Ensure future re-examinations are completed in a timely manner

Once the Commission has completed all of its late annual re-examinations, the Housing Choice Voucher program will insure that the re-examination process begins no later than 120 days preceding the effective date of the annual re-exams. In addition, all rent changes are to be finalized no later than 30 days prior to the effective date, with Notices of Adjustments mailed 30 days preceding the effective date of rent change.

7-2: Tenant Accounting Discrepancies- Public Housing Program

17 files were tested, the following discrepancies were noted:

4 files were late with re-examinations

Recommendation

The Annual Contributions Contract and HUD notices specify the requirements concerning leasing and continued occupancy. Tenants are required to be re-examined annually; approximately a fourth of the files tested were late in the re-examinations.

I recommend the Commission implement a plan to insure all files are re-examined timely.

Reply

The following files were found have late re-examinations during FYE 2007 and have since been re-certified and brought up-to-date:

ACCOUNT #	RECERTIFICATION DATE
1067	01/01/2008
0535	05/01/2008
0482	05/01/2008
0379	04/01/2008

In order to satisfy the Annual Contributions Contract and HUD notices requiring re-examination of tenant family composition and income at least annually, and to prevent further late re-examinations, the Saginaw Housing Commission Public Housing Program will insure that the re-examination process begins no later than 120 days preceding the effective date of rent changes listed in Appendix L - Reexamination Schedule of the current Saginaw Housing Commission ACOP. In addition, all rent changes are to be finalized no later than 30 days prior to the effective date, with Notices of Adjustments mailed 30 days preceding the effective date of rent change.