

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	BANGOR HOUSING COMMISS	County	VAN BUREN	Type	CITY	MuniCode	80-7-528
Opinion Date	Jun 16, 2008	Audit Submitted	Jun 18, 2008	Fiscal Year	2007		

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

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

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

General Fund Revenue:	\$ 215,206.00
General Fund Expenditure:	\$ 267,789.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,170,551.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

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

CPA (First Name)	JOHN	Last Name	DIPIERO	Ten Digit License Number	1101011489
CPA Street Address	307 SANDRIDGE DRIVE	City	HEMLOCK	State MI	Zip Code 48626
CPA Firm Name	JOHN C DIPIERO, CPA, PC	Uni's Street Address	820 SECOND STREET	City	BANGOR
					Zip Code 48725

BANGOR HOUSING COMMISSION

Financial Statements

September 30, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
Bangor Commission
820 Second Street
Bangor, Michigan 48725

Independent Auditor's Report

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

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 16, 2008 on my consideration of the Bangor Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

Certified Public Accountant

June 16, 2008

**Bangor Housing Commission
Management, Discussion & Analysis
For Fiscal Year Ending September 30, 2007**

The purpose of this MD & A is to serve as a basic tool for reading and understanding the financial statements of the Housing Commission. The information presented here should be viewed in conjunction with the Commission's financial statements. The Housing Commission's books are reported using the full accrual method, which means that all revenues and expenses are taken into account regardless of when cash is received and/or paid out. The programs are funded directly by the United States Department of Housing and Urban Development.

The following summarizes the two programs that the Bangor Housing Commission operates on a daily basis.

Low Rent Public Housing

The Housing Commission completed its development in 1988 and currently owns 44 units that are provided to elderly/disabled and low-income individuals. The Commission is responsible for management, maintenance, utilities and various other tasks associated with operating the project. Each year, the Housing Commission applies for Operating Subsidy, which is funded at a level determined by HUD. In addition to tenant revenue, interest income and other miscellaneous income, the subsidy is used to provide safe and affordable housing to residents.

Capital Fund

The Housing Commission is awarded this grant each year, based on HUD's available funding. It is used to for physical improvement of the property and surrounding landscape. It may also be used for equipment such as dwelling equipment, office, maintenance and community room equipment. PHA's also have the option of drawing down funds in a line item called Operations.

Management Discussion and Analysis- continued

Financial Highlights for the FY

** The assets of the PHA exceeded its liabilities at the close of the year by \$1,170,551.

** At the close of the fiscal year, the PHA's operating revenues totaled \$215,206 while the operating expenses totaled \$191,125

** The PHA's cash and investment balances increased by \$5,806 for FYE 09/30/07 due to the additional revenue and CFP funds drawn down in operations.

** The increase in fixed assets, before depreciation, was \$3,858 that was for work items done through operating

** Accounts payable decreased by \$10,806 because there were no casualty loss or CFP work items this FY

** Although the revenue exceeded the expenses, the revenue was still down \$20,928 due to a decrease in capital fund draw downs

** The PHA drew down \$19,295 for operations from the 2004 Capital Fund

The financial statements included in this report are those of a non-profit enterprise fund engaged in a business-type activity. The following statements are included:

- Statement of Net Assets - reports on the Commission's current financial resources with capital and other assets and long-term debt obligations and other liabilities.
- Statement of Revenues, Expenses and Changes in Fund Net Assets-reports the Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Capital Assets

Management Discussion and Analysis- continued

Statement of Net Assets

Assets	2007	2006	Change
Cash/Investments	121,254	115,448	5,806
Other Current Assets	18,680	16,907	1,773
Capital Assets, Net	1,060,731	1,132,130	-71,399
Total Assets	1,200,665	1,264,485	-63,820
Liabilities			
Accounts Payable	6,712	17,518	-10,806
A/P-Other Gov't	6,788	6,200	588
Other Current Liabilities	14,991	15,308	-317
NonCurrent Liab.	1,623	2,325	-702
Total Liabilities	30,114	41,351	-11,237
Net Assets			
Invested in Capital Assets	1,060,731	1,132,130	-71,399
Unrestricted Net Assets	109,820	91,004	18,816
Total Net Assets	1,170,551	1,223,134	-52,583

Total Assets for FYE 2007 total \$1,200,665, which is \$63,820 less than FYE 2006. Total Liabilities for FYE 2006 total \$30,114, which is \$11,237 less than FYE 2006.

Net Assets decreased \$52,583 from 2006 to 2007 due mainly to depreciation and very few additions to capital assets.

Statement of Revenues, Expenses and Changes in Fund Net Assets

<u>Opr Revenues</u>	2007	2006	Change
Tenant Revenue	106,112	102,554	3,558
Opr Grants/Subsidy	95,306	74,022	21,284
Misc Revenue	9,824	10,106	-282
Total Operating Revenues	211,242	186,682	24,560
Opr Expenses			
Administration	60,567	58,553	2,014
Tenant Services	2,798	3,200	-402
Utilities	32,305	33,736	-1,431
Maintenance	75,692	74,450	1,242
General	19,763	21,176	1,413
Depreciation	76,664	75,878	786
Ext Maint/Cas Losses	0	1,829	-1,829
Total Expenses	267,789	268,822	-1,033
Opr Income/(Loss)	-56,547	-82,140	25,593
Nonoperating Revenues			
Interest Income	4,168	3,483	685
Gain/Loss-Sale of Equip	-204		-204
Income (Loss) before contributions/transfers	-52,583	-78,657	26,074
Capital Grants	0	45,969	-45,969
Change in Net Assets	-52,583	-32,688	-19,895
Total Assets-Beginning	1,223,134	1,255,822	-32,688
Total Assets-Ending	1,170,551	1,223,134	-52,583

The total decrease in revenue is approximately 9%, There were no capital grants in 2007. The PHA did, however, draw down \$19,295 from CFP for operations, thereby increasing the operating grants. Tenant Revenue and Interest Income also increased this year. The total increase in operating expenses is 0% with only a \$10 difference from 2006 to 2007. The largest increases were in Auditing Fees and Employee Benefits-Maintenance. Percentage-wise, there were significant decreases in Compensated Absences, Other Operating - Administrative, Tenant Services - Other, Gas, Maintenance Materials, Other General Expense and Bad Debt-Tenant Rents.

Management Discussion and Analysis- continued

Statement of Capital Assets

Land and Improvements	455,659
Buildings and Improvements	1,851,667
Equipment	83,402
Total Fixed Assets	2,390,728
Less: Accumulated Depreciation	1,329,997
Net Fixed Assets/Invested in Capital Assets	1,060,731

There were increases in Building Improvements in the amount of \$4,013 and Furniture and Equipment-Dwellings in the amount of \$695 for the fiscal year ended September 30, 2007. There was also a decrease in Furniture and Equipment-Administration of \$850. The current year depreciation expense was \$76,664, and increase of \$786 over 2006. The net effect of fixed asset purchases/disposals less depreciation is a decrease in net fixed assets of \$71,399.

The Housing Commission's financial success is dependent on operating and capital grants received from the US Dept of HUD. Without them, the Bangor Housing Commission could not survive. There are various local economic factors that could affect the Commission's profit or loss, such as local employment opportunities, supply and demand for local jobs and inflationary adjustments to utilities and other local suppliers.

The Housing Commission continues to remain relatively consistent on their PHAS scores, with some work needed in the areas of expense management and tenant receivables. In spite of decreasing capital and operating grants, the Bangor Housing Commission will continue to do the best job they can in providing safe, sanitary and decent housing for their residents.

Contacting The Commission's Financial Management

This report was written to provide readers with a general overview of the Commission's finances and the manner in which it spends the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director at 820 Second Street, Bangor, MI 49013, or call (269) 427-5535.

BANGOR HOUSING COMMISSION
Statement of Net Assets
September 30, 2007

ASSETS

C-8045

CURRENT ASSETS

Cash	\$	50,584	
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$ 6,558)		1,856	
Investments		70,670	
Prepaid Expenses		16,183	
Accrued Interest Receivable		<u>641</u>	
Total Current Assets	\$		139,934

NON CURRENT ASSETS

Land	\$	137,464	
Buildings		1,851,667	
Furniture, Equipment- Dwellings		26,841	
Furniture, Equipment- Administrative		56,561	
Leasehold Improvements		318,195	
Accumulated Depreciation		<u>(1,329,997)</u>	
Total Non Current Assets			<u>1,060,731</u>

TOTAL ASSETS \$ 1,200,665

BANGOR HOUSING COMMISSION
Statements of Net Assets
September 30, 2007

LIABILITIES

C-8045

CURRENT LIABILITIES

Accounts Payable	\$	6,712	
Accrued Wages & Payroll Taxes		1,305	
Accrued Compensated Absences		2,682	
Accounts Payable-Other Governments		6,788	
Deferred Revenue		824	
Tenants Security Deposit		<u>10,180</u>	
<u>Total Current Liabilities</u>	\$		28,491

NONCURRENT LIABILITIES

Accrued compensated Absences		<u>1,623</u>	
<u>Total Liabilities</u>	\$		30,114

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$	1,060,731	
Unrestricted Net Assets		<u>109,820</u>	
<u>Total Net Assets</u>	\$		<u>1,170,551</u>
<u>Total Liabilities and Net Assets</u>	\$		<u>1,200,665</u>

The Accompanying Notes are an Integral part of the Financial Statements

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

OPERATING REVENUE

Tenant Rental Revenue	\$ 105,553	
Tenant Revenue-Other	559	
HUD Grants	95,306	
Interest Income	4,168	
Other Income	<u>9,620</u>	
<u>Total Operating Revenue</u>		\$ 215,206

OPERATING EXPENSES

Administrative	\$ 60,567	
Tenant Services	2,798	
Utility Expenses	32,305	
Ordinary Maintenance	75,692	
General Expenses	19,763	
Depreciation Expenses	<u>76,664</u>	
<u>Total Operating Expenses</u>		<u>267,789</u>
<u>Operating Income (Loss)</u>		\$ <u>(52,583)</u>

CAPITAL CONTRIBUTIONS

		<u>0</u>
<u>Changes in Net Assets</u>		\$ (52,583)
Total Net Assets- Beginning		<u>1,223,134</u>
Total Net Assets- Ending		\$ <u>1,170,551</u>

The Accompanying Notes are an Integral part of the Financial Statements

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

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	104,561
Payments to Suppliers		(131,792)
Payments to Employees		(70,091)
HUD Grants		95,306
Other Receipts (Payments)		<u>13,788</u>
Net Cash Provided (Used) by Operating Activities	\$	11,772

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$	<u>(5,265)</u>
Net Increase (Decrease) in Cash and Cash Equivalentents	\$	6,507
Balance- Beginning of Year		<u>44,077</u>
Balance- End of Year	\$	<u>50,584</u>

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

Net Operating Profit or (Loss)	\$	(52,583)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		76,664
Changes in Assets (Increase) Decrease:		
Receivables (Gross)		(1,377)
Prepaid Expenses		(734)
Accrued Interest Receivable		338
Changes in Liabilities Increase (Decrease):		
Accounts Payable		(10,807)
Accrued Expenses		627
Accounts Payable- Other Governments		588
Security Deposits		(599)
Deferred Revenue		<u>(345)</u>
Net Cash Provided by Operating Activities	\$	<u>11,772</u>

The Accompanying Notes are an Integral part of the Financial Statements

BANGOR HOUSING COMMISSION
Notes to Financial Statements
September 30, 2007

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

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

The Commission consists of the following:

MI 181	Low rent program	44 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

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

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, unless they 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.

Notes to Financial Statements- continued

Cash Equivalents

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

Fixed Assets

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	40 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 the Financial Statements- continued

Note 2: Cash and Cash Equivalents

The composition of cash and cash equivalents are as follows:

Cash:

General Fund Checking Account	\$ 29,476
Petty Cash	150
Savings Account	<u>20,958</u>
Financial Statement Total	<u>\$ 50,584</u>

Investments:

Certificates of Deposit	<u>\$ 70,670</u>
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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>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 29,476	\$	\$	\$ 29,476	\$ 29,476
Petty Cash	150			150	150
Savings Accounts	<u>20,958</u>			<u>20,958</u>	<u>20,958</u>
Total Cash	<u>\$ 50,584</u>	<u>\$</u>	<u>\$</u>	<u>\$ 50,584</u>	<u>\$ 50,584</u>

Investments:

C/D's	<u>\$ 70,670</u>	<u>\$</u>	<u>\$</u>	<u>\$ 70,670</u>	<u>\$ 70,670</u>
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Note 3: Fixed Asset Analysis.

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

	<u>9/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/07</u>
Land	\$ 137,464	\$	\$	\$ 137,464
Buildings	1,847,654	4,013		1,851,667
Furniture & Equipment-Dwellings	26,146	695		26,841
Furniture & Equipment-Admin	57,411	557	1,407	56,561
Leasehold Improvements	<u>318,195</u>			<u>318,195</u>
	\$ 2,386,870	\$ 5,265	\$ 1,407	\$ 2,390,728
Less Accumulated Depreciation	<u>1,254,740</u>	<u>76,664</u>	<u>1,407</u>	<u>1,329,997</u>
	<u>\$ 1,132,130</u>	<u>\$ (71,399)</u>	<u>\$</u>	<u>\$ 1,060,731</u>

Notes to the Financial Statements- continued

Note 4: 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, liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 5: Prepaid Expenses

Prepaid expenses consist of the following:

Prepaid Insurance	\$	5,527
Prepaid Inventory		<u>10,656</u>
Financial Statement Total	\$	<u>16,183</u>

Prepaid insurance represents premiums paid prior to year end to cover risks in future periods.

Prepaid inventory consist of materials and supplies, stated at cost, for minor repairs to units.

Note 6: Pension Plan

The Commission currently does not offer any pension plan.

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	\$	4,183,495
General Liability		1,000,000
Automobile Liability		1,000,000
Dishonesty Bond		1,000,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan		

Note 7: Reclassifications.

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

Bangor Housing Commission

30-Sep-07

MI-181

Line Item #	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	40,404		40,404
112	Cash - restricted - modernization and developmer		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	10,180	-	10,180
100	Total cash	50,584	-	50,584
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project		-	-
124	Accounts receivable - other govermner			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling reni	6,558		6,558
126.1	Allowance for doubtful accounts - dwelling rent	(4,702)		(4,702)
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl	641		641
120	Total receivables, net of allowances for doubtful account	2,497	-	2,497
	Current investments:			
131	Investments - unrestrictec	70,670		70,670
132	Investments - restrictec			-
142	Prepaid expenses and other asset	5,527	-	5,527
143	Inventories	10,656	-	10,656
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due fron	-	-	-
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	139,934	-	139,934
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	137,464	-	137,464
162	Buildings	1,851,667	-	1,851,667
163	Furniture, equipment & machinery - dwelling	26,841	-	26,841
164	Furniture, equipment & macinery - administratio:	56,561	-	56,561
165	Leasehold improvement:	318,195	-	318,195
166	Accumulated depreciator	(1,329,997)	-	(1,329,997)
160	Total fixed assets, net of accumulated depreciatio	1,060,731	-	1,060,731
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debit:			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	1,060,731	-	1,060,731
190	TOTAL ASSETS	1,200,665	-	1,200,665

	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	6,712	-	6,712
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	1,305	-	1,305
322	Accrued compensated absence	2,682	-	2,682
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			-
333	Accounts payable - other government	6,788	-	6,788
341	Tenant security deposits	10,180	-	10,180
342	Deferred revenues	824	-	824
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing		-	-
345	Other current liabilities	-	-	-
346	Accrued liabilities - other	-	-	-
347	Inter-program - due to	-	-	-
310	TOTAL CURRENT LIABILITIES	28,491	-	28,491
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other	-		-
354	Accrued Compensated Absences- Non Current	1,623		1,623
350	TOTAL NONCURRENT LIABILITIES	1,623	-	1,623
300	TOTAL LIABILITIES	30,114	-	30,114
	EQUITY:			
501	Investment in general fixed asset			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantee	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	1,060,731	-	1,060,731
	Reserved fund balance			
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	109,820		109,820
513	TOTAL EQUITY	1,170,551	-	1,170,551
600	TOTAL LIABILITIES AND EQUITY	1,200,665	-	1,200,665

Bangor Housing Commission

30-Sep-07

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Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	REVENUE:			
703	Net tenant rental revenue	105,553		105,553
704	Tenant revenue - other	559	-	559
705	Total tenant revenue	106,112	-	106,112
706	HUD PHA grants	76,011	19,295	95,306
708	Other government grants			-
711	Investment income - unrestricted	4,168	-	4,168
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	9,824		9,824
716	Gain or loss on the sale of fixed asset	(204)		(204)
720	Investment income - restricte			-
700	TOTAL REVENUE	195,911	19,295	215,206
	EXPENSES:			
	Administrative			
911	Administrative Salaries	39,312	-	39,312
912	Auditing Fees	2,650		2,650
913	Outside management fee:	236		236
914	Compensated absence:	-		-
915	Employee benefit contributions-administrativ	9,328	-	9,328
916	Other operating administrative	9,041	-	9,041
	Tenant services			
921	Tenant services - salarie:	-	-	-
922	Relocation costs:		-	-
923	Employee benefit contributions- tenant service	-	-	-
924	Tenant services - othe:	2,798	-	2,798
	Utilities			
931	Water	9,149	-	9,149
932	Electricity	11,274	-	11,274
933	Gas	11,882	-	11,882
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilitie			-
938	Other utilities expense	-		-
	Ordinary maintenance & operatior			
941	Ordinary maintenance and operations - labo	30,779	-	30,779
942	Ordinary maintenance and operations - materials & othe	5,810	-	5,810
943	Ordinary maintenance and operations - contract cost	29,697	-	29,697
945	Employee benefit contributions- ordinary maintenanc	9,406	-	9,406
	Protective services:			
951	Protective services - labo			-

BANGOR HOUSING COMMISSION
Status of Prior Audit Findings
September 30, 2007

The prior audit of the Bangor Housing Commission for the period ended September 30, 2007, contained four audit findings; the corrective action taken by the Commission is as follows:

1) Segregations of Duties.

The Commission eliminated the collection of cash, therefore, creating a compensating control that offsets the lack of segregation. This finding was closed as a result of this action.

2) Excess Tenants Accounts Receivable.

The composition of the Accounts Receivable has changed, even though the dollar amount remains approximately the same. The Accounts Receivable consist of a large balance which is due to be written off; it was a result of a move out with a lot of damage to the unit- the balance of the receivables are reasonable.

3) Tenant Accounting Discrepancies.

The items which generated the finding have been corrected.

4) Policies out of date; no credit card policy.

The Commission has updated the policies and adopted a credit card policy.

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

I have audited the financial statements of Bangor Housing Commission, Bangor, Michigan, as of and for the year ended September 30, 2007, and have issued my report thereon dated June 16, 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.

Compliance

As part of obtaining reasonable assurance about whether Bangor Housing 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: finding 06-1, 6-2, 6-3, and 6-4.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Bangor 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 assurance on the internal control over financial reporting.

I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Bangor Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a 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 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.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Hemlock, Michigan
June 16, 2008

