

LIVONIA HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended December 31, 2007

LIVONIA HOUSING COMMISSION

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

(Regional Firm with Offices in Michigan and Wisconsin)

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

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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Livonia Housing Commission
Livonia, Michigan

We have audited the accompanying financial statements of the business-type activities of the Livonia Housing Commission, a component unit of the City of Livonia, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Livonia Housing Commission as of December 31, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2008 on our consideration of the Livonia Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Livonia Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements of Livonia Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

July 16, 2008

Livonia Housing Commission
19300 Purlingbrook Rd.
Livonia, MI 48152-1902

James Inglis, Executive Director

As management of the Livonia Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Livonia Housing Commission's financial activities for the FYE 12/31/07. This discussion and analysis letter of the Livonia Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

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

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

Notes to the Financial Statements

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

Supplemental Information

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

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

Livonia Housing Commission Programs:

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

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Section 8 New Construction Program: Under this program, the Housing Commission issued bonds many years ago which financed the construction of a low-income elderly apartment building. The building is owned and managed by third parties. The Housing Commission has an Annual Contributions Contract with HUD to provide Housing Assistance Payments for the tenants that live in this project and acts as the contract administrator for the program to ensure conformance with HUD regulations (4350.3) and housing quality standards.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 12/31/07:

	<u>FYE 12/31/07</u>	<u>FYE 12/31/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing Operating Subsidy	178,921	205,177	(26,256)	-12.80%
Capital Fund Program Grants	74,672	110,728	(36,056)	-32.56%
Sec. 8 New Constr.	911,186	925,138	(13,952)	-1.51%
Sec. 8 Voucher	6,439,302	6,029,311	409,991	6.80%
Total	7,604,081	7,270,354	333,727	4.59%

The subsidy for Public Housing decreased because our dwelling rents (Formula Income) increased from FYE 2006 to FYE 2007, thereby increasing subsidy. Even though for 2007 dwelling rental income was frozen at the 2004 level, that level was still above our actual level used in calculating the 2006 subsidy. Our rents were unusually low that year.

The decrease in Capital Fund Grants was due to the fact that our work projects moved along at a slower pace than in the previous year. We began work on our 2005 CFP in 2006 and completed most of the work (85%) that year. In 2007 we just finished up the remaining 15% of the 2005 CFP grant, and had not yet begun work on the 2006 CFP.

The subsidy for Sec. 8 New construction decreased slightly, due to small changes in the funding formula.

Even though our overall average HAP decreased, the subsidy for Sec. 8 Voucher increased due to the addition of new units. We were awarded another op-out project in February 2007 of 46 units, an increase of approximately 6% to our portfolio.

The following represents changes in the Balance Sheet:

	<u>FYE 12/31/07</u>	<u>FYE 12/31/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Cash & Investments	3,443,957	2,101,657	1,342,300	63.87%
Total Current Assets	3,481,899	2,136,768	1,345,131	62.95%
Fixed Assets, Net of Depreciation	3,726,454	3,931,327	(204,873)	-5.21%
Total Assets	7,208,353	6,068,095	1,140,258	18.79%
Total Current Liabilities	361,778	328,210	33,568	10.23%
Total Long-Term Liabilities	712,858	76,653	636,205	829.98%
Total Liabilities	1,074,636	404,863	669,773	165.43%
Total Equity/Net Assets	6,133,717	5,663,232	470,485	8.31%

Cash and Investments increased substantially due mainly to two factors:

1. Cash increased in the Sec. 8 Voucher program by \$765,964 due to excess HAP subsidy received. The reader will note a substantial increase in Sec. 8 equity positions as well as a result of the excess cash. The bulk of this cash is restricted for future HAP use only.
2. Cash also increased in the Public Housing Program. We applied for and received the funds (over \$600,000) for the Capital Fund Financing Program late in the fiscal year. As of 12/31/07, construction had not yet begun, leaving almost all of the loan proceeds in our cash balances.

Total Current Assets increased mainly due to the reasons stated above.

Fixed Assets increased by \$102,259; this increase represents the completion of our work projects under the 2005 CFP and the initial capitalized loan costs and fees from the Capital Fund Financing Program. In addition, we purchased a bus that seats up to 14, including wheelchair lift equipment, for our tenants. Although Fixed Assets increased by \$102,259, this was more than offset by depreciation charges of \$318,225 and disposal charges of \$11,093, resulting in the net decrease stated in the above table.

Total Assets increased overall for all the reasons stated above.

Total Current Liabilities increased due, in part, to the addition of the loan liability of the Capital Fund Financing Program. The other large increase was in utilities payable due to both increases in natural gas costs and the lateness of the bills received, necessitating an accounts payable accrual.

Total Long Term Liabilities increased substantially due to the 2007 receipt of the loan for the Capital Fund Financing Program.

Total Liabilities increased due to the reasons stated above.

Total Net Assets is comprised of three components: Invested in Capital Assets, Restricted Net Assets, and Unrestricted Net Assets. With the addition of the Capital Fund Financing Program we are now utilizing the category of Restricted Net Assets in the Public Housing program since this money we received is restricted to capital activities. In the Sec. 8 Voucher program, effective with 2007, all excess HAP funds received are also in the category of Restricted Net Assets, as the use of this money is limited to future HAP costs only. Unrestricted Net Assets, or what we used to call Operating Reserves, decreased overall due to the loss sustained by the Public Housing Program and the administrative loss in the Sec. 8 Voucher program.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE 12/31/07</u>	<u>FYE 12/31/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues:				
Tenant Revenue	460,399	500,952	(40,553)	-8.1%
Other Revenue	182,811	134,997	47,813	35.4%
Total PHA generated Revenue	643,210	635,949	7,260	1.1%
Operating Subsidies/Soft Cost Grant Revenue	7,574,881	7,163,046	411,835	5.7%
Capital Grants (Hard costs)	29,200	107,308	(78,108)	-72.8%
Total Revenue	8,247,291	7,906,303	340,987	4.3%
Expenses:				
Administrative	667,280	721,122	(53,842)	-7.5%
Tenant Services	78,390	67,134	11,256	16.8%
Utilities	170,911	175,321	(4,410)	-2.5%
Maintenance	302,856	218,595	84,261	38.5%
General	43,200	56,111	(12,911)	-23.0%
Extraordinary Maintenance	4,467	2,476	1,991	80.4%
Housing Assistance Payments	6,192,339	6,047,902	144,437	2.4%
Depreciation	318,225	312,252	5,973	1.9%
Total Expenses	7,777,668	7,600,913	176,755	2.3%
Net Increase (Decrease)	469,623	305,390		

Revenues:

Livonia Housing Commission's primary revenue sources are subsidies and grants received by HUD. For FYE 12/31/07, revenue generated by the Commission accounted for \$643,210 (or 8% of total revenue),

while HUD contributions accounted for \$7,604,081 (or 92% of total revenue). Investment Income increased due to increased funds available for investment.

Expenses:

Total Expenses for FYE 12/31/07 were \$7,777,668 while for FYE 12/31/06 the total was \$7,600,913. This represents just a 2.3% increase in our Operating Costs, an amount that can be substantially attributed to inflation. The cost areas that increased the most were:

	<u>FYE 12/31/07</u>	<u>FYE 12/31/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Tenant Services	78,390	67,134	11,256	16.8%
Maintenance Materials	20,542	13,628	6,914	50.7%
Maintenance Contract Costs	135,140	58,074	77,066	132.7%

- Tenant Services expenses increased due to the continuing disability (through workers compensation) payments to a non-working employee in addition to the payment to an employee replacing those functions. This situation has been resolved in 2008.
- Maintenance Materials increased by over 50% due to an unusually large number of unit turnovers during 2007.
- Maintenance Contract costs increased by approximately \$23,000 (39%) in the Public Housing program due to the large number of unit turnovers. This expense category also increased in the Sec. 8 Voucher program due to the reclassification of Sec. 8 unit inspection costs. In previous years, this cost had been classified as an administrative expense. We are now accounting for this cost under contract costs as we feel that this is a more appropriate category for these contracted services.

The cost areas that decreased the most were:

- Administrative costs decreased by 7.5%. An administrative position was vacant for most of the year, decreasing administrative salaries. The adjustment for the Compensated Absences liability was downward this year, as opposed to an increase in 2006.
- General expenses decreased overall due primarily to property and liability insurance dividends received in 2007. The insurance companies were late in sending out the dividends in 2006; that dividend wasn't received until 2007. So, we received two years' worth of dividends during 2007 as opposed to no dividends during the 2006 fiscal year.

Budget Analysis:

A Low Rent Public Housing Operating Budget for FYE 12/31/07 was presented to and approved by the Board of Commissioners. Subsequently, we had reason to prepare and present a Budget Revision to the Board and they approved it. Actual results were in line with the revised budgeted amounts.

Entity-Wide Operational Highlights:

The Livonia Housing Commission provided the following housing for low- income elderly and low-income families:

	<u>FYE 12/31/07</u>	<u>FYE 12/31/06</u>
Public Housing	151	151
Sec. 8 New Constr.	196	196
Sec. 8 Voucher	849	803

During FYE 12/31/07, Livonia Housing during Commission maintained a lease-up rate of 89.4% in its Public Housing Program, a lease-up rate of 97.6% in its Sec. 8 New Construction Program, and a lease-up rate of 99.5% in its Section 8 Voucher program. The Sec. 8 lease-up rates are well in excess of HUD guidelines. We are working to improve our Public Housing lease-up rate.

During FYE 12/31/07, our Capital Fund Program work projects included:

- Administrative office computer upgrades (hardware)
- Purchase of appliances for dwelling units

Economic Factors and Next Year's Budget and Rates

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

A fundamental finding of the Harvard Cost Study is that Public Housing Agencies have been, and continue to be, woefully underfunded by HUD. Yet, due to the federal budget crunch, HUD continues to only pay us only a portion of the subsidy that we are entitled to. Since we fully expect this inadequate funding pattern to continue it is inevitable that cuts in services to our residents will have to be made.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that, in the short term, we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Request for Information

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

James Inglis, Executive Director
Livonia Housing Commission
19300 Purlingbrook Rd.
Livonia, MI 48152-1902

LIVONIA HOUSING COMMISSION

**STATEMENT OF NET ASSETS
Proprietary Fund**

December 31, 2007

CURRENT ASSETS:

Cash and equivalents - unrestricted	\$ 1,144,197
Cash and equivalents - restricted	2,299,760
Accounts receivable	11,474
Prepaid expenses	26,468
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TOTAL CURRENT ASSETS 3,481,899

NONCURRENT ASSETS:

Capital assets	8,319,756
Less accumulated depreciation	(4,593,302)
	<hr/>

NET CAPITAL ASSETS 3,726,454

TOTAL ASSETS 7,208,353

LIABILITIES:

Accounts payable	21,046
Accrued liabilities	312,273
Compensated absences	8,251
Current portion of long-term debt	20,208
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TOTAL CURRENT LIABILITIES 361,778

NONCURRENT LIABILITIES:

Long-term debt	638,588
Compensated absences	74,270
	<hr/>

TOTAL NONCURRENT LIABILITIES 712,858

TOTAL LIABILITIES 1,074,636

NET ASSETS:

Investment in capital assets, net of related debt	3,067,658
Restricted net assets	2,299,760
Unrestricted net assets	766,299
	<hr/>

NET ASSETS \$ 6,133,717

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





LIVONIA HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	
			Capital Grants and Contributions	
<u>FUNCTIONS/PROGRAMS</u>				
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 7,777,668	\$ 460,399	\$ 29,200	\$ 286,812
General revenues:				
Unrestricted investment earnings				26,280
Restricted investment earnings				101,515
Other				55,016
Total general revenues				182,811
Changes in net assets				469,623
Net assets, beginning of year				5,664,094
Net assets, end of year				\$ 6,133,717

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

LIVONIA HOUSING COMMISSION

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

For the Year Ended December 31, 2007

OPERATING REVENUES:

Tenant revenue	\$ 460,399
Program grants-subsidies	7,574,881
Other income	<u>55,016</u>

TOTAL OPERATING REVENUES 8,090,296

OPERATING EXPENSES:

Administration	667,280
Tenant services	78,390
Utilities	170,911
Maintenance	302,856
General	40,448
Housing assistance payments	6,192,339
Other expenses	4,467
Depreciation	<u>318,225</u>

TOTAL OPERATING EXPENSES 7,774,916

OPERATING INCOME 315,380

NONOPERATING REVENUES AND (EXPENSES):

Capital grants	29,200
Interest income - unrestricted	26,280
Interest income - restricted	101,515
Interest expense	<u>(2,752)</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES) 154,243

CHANGE IN NET ASSETS 469,623

NET ASSETS, BEGINNING OF YEAR 5,664,094

NET ASSETS, END OF YEAR \$ 6,133,717

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



LIVONIA HOUSING COMMISSION

STATEMENT OF CASH FLOWS Proprietary Fund

For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 460,407
Cash received from grants and subsidies	7,565,459
Cash payments to suppliers for goods and services	(6,960,588)
Cash payments for wages and related benefits	(457,969)
Payment in lieu of taxes	(19,711)
Other receipts	111,766

NET CASH PROVIDED FROM OPERATING ACTIVITIES 699,364

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	29,200
Acquisition of capital assets	(113,352)
Proceeds from new debt	660,435
Payment on debt principal	(1,639)
Payment on debt interest	(2,752)

NET CASH PROVIDED FROM CAPITAL AND
RELATED FINANCING ACTIVITIES 571,892

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>127,795</u>
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NET INCREASE IN CASH AND EQUIVALENTS 1,399,051

CASH AND EQUIVALENTS, BEGINNING OF YEAR 2,044,906

CASH AND EQUIVALENTS, END OF YEAR \$ 3,443,957

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 315,380
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	318,225
Transfer in	56,750
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(9,414)
Decrease (Increase) in prepaids	6,583
Increase (Decrease) in accounts payable	(218,158)
Increase (Decrease) in accrued liabilities	229,998

NET CASH PROVIDED FROM OPERATING ACTIVITIES \$ 699,364

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



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

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

The Commission manages 151 units of low rent public housing, 849 section 8 vouchers, and 196 new construction section 8 units of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity* and as amended by GASB Statement #39.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined the Livonia Commission is a component unit of the City of Livonia, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

ASSETS, LIABILITIES AND NET ASSETS

- a. **Cash and Equivalents** - The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Inventory – Inventory is recorded at the lower of cost or market and primarily consisted of maintenance supplies and materials
- d. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- e. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$1,000 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

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

- 1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation reduced by the outstanding bond balance.



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

2. Restricted net assets – Consists of:
 - a. Housing Assistance Payments (HAP) received from HUD in excess of payments paid to landlords. These excess funds can only be used for future HAP to landlords.
 - b. Debt reserve funds required to be set aside as a requirement of the 2007 bond issue. These funds are required to be set aside until bonds are paid in full.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenses and the means of financing them. Prior to December 31st, the budget is legally adopted by Board resolution.



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES

2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 275
Checking accounts	2,797,319
Money market accounts	85,952
US Treasury/Agency securities	<u>560,411</u>
 TOTAL	 <u>\$3,443,957</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of December 31, 2007, the Commission's cash and equivalents were not exposed to credit risk due to them being fully insured.



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C - CAPITAL ASSETS

A summary of capital assets as of December 31, 2007 is as follows:

	Balance 1-1-07	Additions	Deletions	Balance 12-31-07
Land and improvements	\$ 308,946	\$ -	\$ -	\$ 308,946
Building and improvements	7,295,019	28,682	-	7,323,701
Equipment	<u>611,682</u>	<u>84,670</u>	<u>(9,243)</u>	<u>687,109</u>
	8,215,647	<u>\$ 113,352</u>	<u>\$ (9,243)</u>	8,319,756
Accumulated depreciation	<u>(4,284,320)</u>	<u>\$ (318,225)</u>	<u>\$ 9,243</u>	<u>(4,593,302)</u>
Net capital assets	<u>\$3,931,327</u>			<u>\$3,726,454</u>

Depreciation expense for the year was \$318,225.

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended December 31, 2007 totaled \$8,218,383 of which \$7,604,081 or 92.5% was from HUD subsidies and grants.

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

NOTE G - PENSION PLAN

Employee Retirement Plan

Defined Contribution Plan: The Commission has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after four years of service. The Commission contributed a percentage of covered payroll based on employee hire date. The Commission contributes 12% for those employees hired prior to March 31, 1997 and 7% for those employees hired on or after April 1, 1997.

For the year ended December 21, 2007, the following amounts related to the defined contribution plan:

Commission total payroll	\$465,029
Payroll for covered employees	\$465,629
Employer (Commission) contributions made	\$ 42,153

NOTE H - CHANGES IN LONG-TERM OBLIGATIONS

During the year ended December 31, 2007, the following changes occurred in long-term obligations.

	<u>Balance</u> <u>1/1/2007</u>	<u>Additons</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/2007</u>	<u>Due Within</u> <u>One Year</u>
Bond Payable	\$ -	\$ 660,435	\$ (1,639)	\$ 658,796	\$ 20,208
Compensated Absences	<u>85,169</u>	<u>5,868</u>	<u>(8,516)</u>	<u>82,521</u>	<u>8,251</u>
Total	<u>\$ 85,169</u>	<u>\$ 666,303</u>	<u>\$(10,155)</u>	<u>\$ 741,317</u>	<u>\$ 28,459</u>



LIVONIA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2007 comprised of the following amounts:

1. 2007 bond payable due in monthly installments of \$4,391 including interest of 5%. Matures in August of 2027.	\$ 658,796
2. Vested sick and vacation pay.	<u>82,521</u>
Total long-term obligations.	<u>\$ 741,317</u>

The annual requirements of long-term obligations outstanding as of December 31, 2007 are as follows:

Year Ended December 31	<u>Bond Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	20,208	32,481	52,689
2009	21,242	31,447	52,689
2010	22,329	30,360	52,689
2011	23,471	29,218	52,689
2012	24,672	28,017	52,689
2013-2017	143,636	119,809	263,445
2018-2022	184,337	79,108	263,445
2023-2027	<u>218,901</u>	<u>26,984</u>	<u>245,885</u>
TOTAL	<u>\$ 658,796</u>	<u>\$ 377,424</u>	<u>\$ 1,036,220</u>

Interest charged to expenses totaled \$2,752.



**SUPPLEMENTAL
INFORMATION**



LIVONIA HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

December 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Unit	TOTAL
ASSETS							
CURRENT ASSETS:							
Cash:							
111	Cash - unrestricted	-	\$ 253,070	\$ 859,777	\$ -	-	\$ 1,114,847
112	Cash - restricted - modernization and development	-	646,363	-	-	-	646,363
113	Cash - other restricted	-	-	1,653,397	-	-	1,653,397
114	Cash - tenant security deposits	-	29,350	-	-	-	29,350
100	Total cash	-	930,783	2,513,174	-	-	3,443,957
Accounts and notes receivables:							
122	Accounts receivable- HUD other projects	9,422	-	-	-	-	9,422
126	Accounts receivable- Tenant - Dwelling Rents	-	4,438	-	-	-	4,438
126.1	Allowance for doubtful accounts - dwelling rents	-	(2,386)	-	-	-	(2,386)
120	Total receivables, net of allowances for doubtful accounts	9,422	2,052	-	-	-	11,474
Current investments							
142	Prepaid expenses	-	26,468	-	-	-	26,468
144	Interprogram due from	251,796	281,634	-	-	-	533,430
150	TOTAL CURRENT ASSETS	261,218	1,240,937	2,513,174	-	-	4,015,329
NONCURRENT ASSETS:							
Fixed assets:							

See accompanying notes to financial statements



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

LIVONIA HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

December 31, 2007

Line Item #	Account Description	N/C S/R Section & Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Unit	TOTAL
161	Land	-	308,946	-	-	-	308,946
162	Buildings	-	5,076,256	-	-	-	5,076,256
163	Furniture, equipment & machinery - dwellings	-	170,007	-	45,582	-	215,589
164	Furniture, equipment & machinery - administration	-	325,129	124,183	22,208	-	471,520
165	Leasehold improvements	-	2,178,727	-	68,718	-	2,247,445
166	Accumulated depreciation	-	(4,459,110)	(114,831)	(19,361)	-	(4,593,302)
160	Total fixed assets, net of accumulated depreciation	-	3,599,955	9,352	117,147	-	3,726,454
180	TOTAL NONCURRENT ASSETS	-	3,599,955	9,352	117,147	-	3,726,454
190	TOTAL ASSETS	\$ 261,218	\$ 4,840,892	\$ 2,522,526	\$ 117,147	\$ -	\$ 7,741,783

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES

312	Accounts payable ≤ 90 days	\$ 500	\$ 3,233	\$ 17,313	\$ -	\$ -	\$ 21,046
321	Accrued wages / payroll taxes	-	130,029	103,161	-	-	233,190
322	Accrued compensated absences - current portion	766	5,930	1,555	-	-	8,251
331	Accounts payable - HUD PHA programs	7,250	-	-	-	-	7,250
333	Accounts payable - other government	-	17,922	-	-	-	17,922
341	Tenant security deposits	-	29,350	-	-	-	29,350
342	Deferred revenues	-	3	-	-	-	3
343	Current portion of long-term debt	-	20,208	-	-	-	20,208
345	Other current liabilities	-	24,558	-	-	-	24,558

See accompanying notes to financial statements



LIVONIA HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

December 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Unit	TOTAL
347	Interprogram due to	-	-	533,430	-	-	533,430
310	TOTAL CURRENT LIABILITIES	8,516	231,233	655,459	-	-	895,208
351	Long-term debt	-	638,588	-	-	-	638,588
354	Accrued compensated absences - non current	6,898	53,367	14,005	-	-	74,270
350	TOTAL NONCURRENT LIABILITIES	6,898	691,955	14,005	-	-	712,858
300	TOTAL LIABILITIES	15,414	923,188	669,464	-	-	1,608,066
NET ASSETS							
508.1	Investment in capital assets, net of related debt	-	2,941,159	9,352	117,147	-	3,067,658
511.1	Restricted net assets	-	646,363	1,653,397	-	-	2,299,760
512.1	Unrestricted net assets	245,804	330,182	190,313	-	-	766,299
513	TOTAL NET ASSETS	245,804	3,917,704	1,853,062	117,147	-	6,133,717
600	TOTAL LIABILITIES AND NET ASSETS	\$ 261,218	\$ 4,840,892	\$ 2,522,526	\$ 117,147	\$ -	\$ 7,741,783

See accompanying notes to financial statements



LIVONIA HOUSING COMMISSION

Enterprise Fund
Financial Data Schedule

For the Year Ended December 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Unit	TOTAL
REVENUE:							
703	Net tenant rental revenue	\$ -	\$ 446,881	-	-	\$ -	\$ 446,881
704	Tenant revenue - other	-	13,518	-	-	-	13,518
705	Total tenant revenue	-	460,399	-	-	-	460,399
706	HUD PHA grants	911,186	178,921	6,439,302	45,472	-	7,574,881
706.1	Capital grants	-	-	-	29,200	-	29,200
711	Investment income - unrestricted	-	12,123	13,862	-	295	26,280
714	Fraud recovery	-	-	16,330	-	-	16,330
715	Other revenue	-	38,686	-	-	-	38,686
720	Investment income - restricted	-	14,609	86,906	-	-	101,515
700	TOTAL REVENUE	911,186	704,738	6,556,400	74,672	295	8,247,291
EXPENSES:							
Administrative							
911	Administrative salaries	35,000	85,217	194,589	-	-	314,806
912	Auditing fees	500	3,925	1,305	-	-	5,730
914	Compensated absences	(482)	(1,188)	(979)	-	-	(2,649)
915	Employee benefit contributions- administrative	15,750	41,292	95,680	-	-	152,722
916	Other operating- administrative	6,462	31,730	158,479	-	-	196,671
	Total Administrative	57,230	160,976	449,074	-	-	667,280



LIVONIA HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

For the Year Ended December 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Unit	TOTAL
Tenant services							
921	Tenant services - salaries	-	51,223	-	-	-	51,223
923	Employee benefit contributions - tenant services	-	25,235	-	-	-	25,235
924	Tenant services - other	-	1,932	-	-	-	1,932
	Total Tenant Services	-	78,390	-	-	-	78,390
Utilities							
931	Water	-	17,385	-	-	-	17,385
932	Electricity	-	73,312	-	-	-	73,312
933	Gas	-	80,214	-	-	-	80,214
	Total Utilities	-	170,911	-	-	-	170,911
Maintenance							
941	Ordinary maintenance and operations - labor	-	99,000	-	-	-	99,000
942	Ordinary maintenance and operations - materials & other	-	20,542	-	-	-	20,542
943	Ordinary maintenance and operations - contract costs	-	80,904	54,236	-	-	135,140
945	Employee benefit contributions - ordinary maintenance	-	48,174	-	-	-	48,174
	Total Maintenance	-	248,620	54,236	-	-	302,856
General expenses							

See accompanying notes to financial statements



LIVONIA HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

For the Year Ended December 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Unit	TOTAL
961	Insurance premiums	-	16,636	-	-	-	16,636
963	Payments in lieu of taxes	-	17,922	-	-	-	17,922
964	Bad debt - tenant rents	-	5,890	-	-	-	5,890
967	Interest expense	-	2,752	-	-	-	2,752
	Total General Expenses	-	43,200	-	-	-	43,200
969	TOTAL OPERATING EXPENSES	57,230	702,097	503,310	-	-	1,262,637
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	853,956	2,641	6,053,090	74,672	295	6,984,654
971	Extraordinary maintenance	-	4,467	-	-	-	4,467
973	Housing assistance payments	834,744	-	5,357,595	-	-	6,192,339
974	Depreciation expense	-	297,966	3,997	16,262	-	318,225
900	TOTAL EXPENSES	891,974	1,004,530	5,864,902	16,262	-	7,777,668
	Other financing sources (uses)						
1001	Operating transfers in	-	45,472	-	-	-	45,472
1002	Operating transfers out	-	-	-	(45,472)	-	(45,472)
1010	Total other financing sources (uses)	-	45,472	-	(45,472)	-	-

See accompanying notes to financial statements



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

LIVONIA HOUSING COMMISSION

Enterprise Fund

Financial Data Schedule

For the Year Ended December 31, 2007

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Component Unit	TOTAL
	1000 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ 19,212	\$ (254,320)	\$ 691,498	\$ 12,938	\$ 295	\$ 469,623
	MEMO account information						
1103	Beginning equity	226,592	4,114,980	1,161,564	104,209	56,749	5,664,094
1104	Prior Period Adjustments, Equity Transfers	-	57,044	-	-	(57,044)	-
1120	Unit months available	2,352	1,764	10,068	-	-	14,184
1121	Number of unit months leased	2,295	1,577	10,017	-	-	13,889
1117	Administrative fee equity	-	-	199,665	-	-	199,665
1118	Housing assistance payments equity	-	-	1,653,397	-	-	1,653,397

LIVONIA HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended December 31, 2007

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



LIVONIA HOUSING COMMISSION

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



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

Board of Commissioners
Livonia Housing Commission
Livonia, Michigan

We have audited the financial statements of Livonia Housing Commission as of and for the year ended December 31, 2007, and have issued our report thereon dated July 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livonia Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standard*.



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

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. P.C.

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

July 16, 2008

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



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Commissioners
Livonia Housing Commission
Livonia, Michigan

Compliance

We have audited the compliance of Livonia Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that are applicable to each of its major federal programs for the year ended December 31, 2007. Livonia Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Livonia Housing Commission's management. Our responsibility is to express an opinion on Livonia Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livonia Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Livonia Housing Commission's compliance with those requirements.

In our opinion Livonia Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Livonia Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Livonia Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Livonia Housing Commission's internal control over compliance.



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

(Continued)

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Anderson Tackman & Co. PC

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

July 16, 2008

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



LIVONIA HOUSING COMMISSION

For the Year Ended December 31, 2007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expensed as of 12-31-06</u>	<u>12-31-07 Federal Expenditures</u>
Operating Subsidy	14.850	\$ 178,921	\$ -	\$ 178,921
Housing Choice Vouchers	14.871	\$6,439,302	\$ -	\$5,860,905
Section 8 New Construction	14.182	\$ 911,186	\$ -	\$ 911,186
Capital Funding 501-05	14.872	<u>\$ 185,400</u>	<u>\$ 110,728</u>	<u>\$ 74,672</u>
Total Department of Housing and Urban Development				<u>\$7,025,684</u>
TOTAL FEDERAL EXPENDITURES				<u>\$7,025,684</u>

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



LIVONIA HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Livonia Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.



LIVONIA HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2007

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Livonia Housing Commission.
2. There were no significant deficiencies relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Livonia Housing Commission.
4. There were no significant deficiencies relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Livonia Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Livonia Housing Commission.
7. The programs tested as major programs included:
 - A. Housing Choice Vouchers – CFDA 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Livonia Housing Commission was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

1. None.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None.

