



**MT. PLEASANT  
HOUSING COMMISSION**

(A component unit of the City of Mt Pleasant, Michigan)

**Financial Statements**

(With Supplementary Information)

**For the Year Ended March 31, 2014**



SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

# Mt. Pleasant Housing Commission

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SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Mt. Pleasant Housing Commission

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the *Mt. Pleasant Housing Commission*, a component unit of the City of Mt. Pleasant as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

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 *Mt. Pleasant Housing Commission*, as of March 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Mt. Pleasant Housing Commission's*** basic financial statements. The financial data schedules and schedule of federal expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2014 on our consideration of the ***Mt. Pleasant Housing Commission's*** control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the ***Mt. Pleasant Housing Commission's*** internal control over financial reporting and compliance.

*Smith + Klaehring PC*

***Saginaw, Michigan***

August 5, 2014

## Mt. Pleasant Housing Commission

### Management's Discussion and Analysis

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Our discussion and analysis of *Mt. Pleasant Housing Commission's* financial performance provides an overview of the Housing Commission's financial activities for the fiscal year ended March 31, 2014. The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position provide information about the activities of the Housing Commission and present a long-term view of the Housing Commission's finances.

The Statement of Net Position presents information on all of the Housing Commission's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Housing Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related* cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Statement of Cash Flows presents information about the flow and uses of cash from operations, capital & related financing and investing activities and adjusts the year's beginning cash balance by the net cash flow to arrive at the end of year balance, which is reported on the Statement of Net Position. The statement further reconciles the year-end operating income (loss) to the net cash provided by operating activities.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Housing Commission's financial statements.

The Housing Commission utilizes the Enterprise Fund model of reporting under U.S. GAAP (Accounting Principles Generally Accepted in the United State of America), aggregating its programs into combined financial statements. Programs are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Combined financial statements are presented first, with more detailed combining program and project data (financial data schedule) presented in the Other Supplementary Information section of the audit. The Housing Commission operates the following programs:

#### *Low Rent Public Housing*

Under this program, the Housing Commission rents units that it owns to low-income elderly, disabled and family households. This program is operated under an *annual contributions contract* with the U.S. Department of Housing and Urban Development (HUD). HUD provides operating subsidies to enable the Housing Commission to rent units at a rate that is based on 30% of the renter's household income.

## Mt. Pleasant Housing Commission

### Management's Discussion and Analysis

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#### *Capital Fund Program*

Under this program, the Housing Commission is awarded funds each year to use for capital needs. Because of the size of the Housing Commission, up to 100% of the capital funds may be used to supplement operating subsidies, if necessary.

#### *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. Rather, the Housing Commission subsidizes the families rent via a "housing assistance payment" that is 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.

#### **Condensed Financial Information**

The Statement of Net Position provides the perspective of the Housing Commission as a whole. The following schedule provides a summary of the Housing Commission's net position as of March 31, 2014 and 2013.

	<b>Business-type Activities</b>	
	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 651,594	\$ 659,359
Capital assets not being depreciated	276,027	243,557
Capital assets being depreciated	<u>1,905,540</u>	<u>2,055,023</u>
Total assets	<u>2,833,161</u>	<u>2,957,939</u>
Liabilities, current	126,578	131,397
Liabilities, non-current	<u>4,063</u>	<u>12,093</u>
Total liabilities	<u>130,641</u>	<u>143,490</u>
Net position:		
Investment in capital assets	2,181,567	2,298,580
Restricted	28,084	27,530
Unrestricted	<u>492,869</u>	<u>488,339</u>
Total net position	<u>\$ 2,702,520</u>	<u>\$ 2,814,449</u>

This analysis focuses on net position. The Housing Commission's net position was \$2,702,520 at March 31, 2014. Net investment in capital assets totaling \$2,181,567 is calculated as the original cost to acquire the assets, less depreciation. For the years ended March 31, 2014 and 2013 the Housing Commission had no debt financing related to capital assets.

The \$28,084 in restricted net position represents the accumulation of housing assistance payments received from HUD in excess of payments to landlords.

## Mt. Pleasant Housing Commission

### Management's Discussion and Analysis

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The \$492,869 in unrestricted net position represents the accumulated results of all past years' operations.

The results of this year's operations for the Housing Commission as a whole are reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, as summarized below. The following schedule shows the changes in net position for the years ended March 31, 2014 and 2013:

	<b>Business-type Activities</b>	
	<b>2014</b>	<b>2013</b>
Revenues:		
Program Revenues:		
Charges for services – tenant rent	\$ 386,038	\$ 368,052
Program grants and subsidies	499,382	571,718
Capital grants	60,001	15,248
General Revenues:		
Other revenue	37,585	49,516
Gain / (loss) on sale of capital assets	-	(884)
Interest earned on deposits	<u>3,450</u>	<u>3,595</u>
Total revenues	986,456	1,007,245
Expenses	<u>1,098,385</u>	<u>1,196,076</u>
Increase (decrease) in net position	(111,929)	(188,831)
Net position at beginning of year	<u>2,814,449</u>	<u>3,003,280</u>
Net position at end of year	<u>\$ 2,702,520</u>	<u>\$ 2,814,449</u>

The Housing Commission incurred a significant increase in capital grants due to the Housing Commission using CFP grant proceeds for capital improvements as opposed to operations.

## Mt. Pleasant Housing Commission

### Management's Discussion and Analysis

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#### **Capital Assets and Long-term Debt**

The following schedule provides a summary of the Housing Commission's capital assets as of March 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Capital assets not being depreciated		
Land	\$ 243,557	\$ 243,557
Construction in progress	<u>32,470</u>	<u>-</u>
Subtotal	<u>276,027</u>	<u>243,557</u>
Capital assets being depreciated		
Buildings	5,440,681	5,411,085
Furniture and equipment	<u>251,289</u>	<u>250,490</u>
Subtotal	<u>5,691,970</u>	<u>5,661,575</u>
Total capital assets	5,967,997	5,905,132
Less: accumulated depreciation	<u>(3,786,430)</u>	<u>(3,606,552)</u>
Total net capital assets	<u>\$ 2,181,567</u>	<u>\$ 2,298,580</u>

Additional information regarding the Housing Commission's capital assets is presented in the footnotes to the financial statements.

At March 31, 2014 and 2013, the Housing Commission had not issued any notes or bonds and had not entered into any capital lease agreements. The balance in long-term debt consists of accrued compensated absences. Additional information regarding the Housing Commission's long-term debt is presented in the footnotes to the financial statements.

#### **Factors Expected to Have an Effect on Future Operations**

The Housing Commission is continuing discussion again with the City of Mt. Pleasant regarding assigning title to the Riverview property over to the Housing Commission. The City would like to adjust existing property lines with the Housing Commission before assigning the property and establish written easements where there is a need for them. This procedure must go through the Special Application Center of the U.S. Dept. of Housing and Urban Development to gain HUD approval before any property adjustments can be made. The SAC has been contacted about the request and we are awaiting their response. The Housing Commission is continuing to beautify the properties and make necessary capital repairs, such as new landscaping and playground equipment at Pheasant Run. The Housing Commission is making continued improvements to the facilities utilizing some unrestricted net position and an Emergency Safety and Security Capital Fund Grant, including video monitoring of facilities and the downtown area with police department advisement. The Housing Commission expects to have a substantial decrease in restricted net position and unrestricted net position (excess HAP and excess low rent operations) due to Congress's budgeted decrease in those funds and possible sequestration cuts in the future.



## **Mt. Pleasant Housing Commission**

### **Management's Discussion and Analysis**

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The Housing Commission plans to utilize the remaining NRA fund balance to assist with monthly HAP expenditures in the Section 8 program. The Housing Commission will diligently track expenses and make adjustments where necessary to align itself with actual distributions from HUD in the form of projection tools to estimate HAP needs on a month-to-month basis. The Housing Commission has an unknown factor to account for as HUD is promoting the end of Homelessness in America by 2015. The Housing Commission is working towards keeping families in their homes and includes a homeless preference for the waiting list to continue to work towards that goal. The Section 8 Administrative fees are still severely under-funded and since HUD is converting all NRA to HUD held reserves, the Housing Commission will be looking at lowering our allocated percentages for the Section 8 program as a cost-saving measure. The Housing Commission will continue to operate as a High Performer in both the Section 8 and Low Rent Programs to insure the best quality of life for our residents.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Housing Commission's finances for all those with an interest in the Mt. Pleasant Housing Commission. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mt. Pleasant Housing Commission  
Executive Director  
1 W. Mosher Street  
Mt. Pleasant, MI 48858

**Mt. Pleasant Housing Commission**  
**Statement of Net Position**  
*March 31, 2014*

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<b>Current assets</b>	
Cash and cash equivalents	\$ 425,768
Cash and cash equivalents - restricted	28,084
Cash - tenant security deposits	39,952
Investments	142,043
Accounts receivable, net	467
Inventory, net	2,229
Prepaid expenses	13,051
	651,594
<b>Noncurrent assets</b>	
Capital assets:	
Nondepreciable	276,027
Depreciable	5,691,970
Less: accumulated depreciation	(3,786,430)
	2,181,567
Net capital assets	2,181,567
Total assets	2,833,161
<b>Current liabilities</b>	
Accounts payable	8,477
Due to other governments	21,433
Accrued liabilities	37,719
Tenant security deposits	39,952
Unearned revenue	10,037
Accrued compensated absences, current portion	8,960
	126,578
Total current liabilities	126,578
<b>Noncurrent liabilities</b>	
Accrued compensated absences	4,063
	4,063
Total liabilities	130,641
<b>Net position</b>	
Net investment in capital assets	2,181,567
Restricted	28,084
Unrestricted	492,869
	2,702,520
Total net positior	\$ 2,702,520

The accompanying notes are an integral part of these financial statements.

**Mt. Pleasant Housing Commission**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
*For the Year Ended March 31, 2014*

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<b>Operating revenues</b>	
Tenant revenue	\$ 386,038
Program grants - subsidies	499,382
Other revenue	35,701
Total operating revenues	921,121
 <b>Operating expenses</b>	
Administration	246,239
Tenant services	35,880
Utilities	131,436
Maintenance	244,438
Insurance	22,780
General	45,104
Housing assistance payments	192,631
Depreciation	179,877
Total operating expenses	1,098,385
Operating (loss)	(177,264)
 <b>Nonoperating revenues and (expenses)</b>	
Interest revenue, unrestricted	3,450
Fraud recovery	1,884
Total nonoperating revenues and (expenses)	5,334
Income (loss) before contributions	(171,930)
<b>Capital contributions</b>	60,001
Change in net position	(111,929)
<b>Net position</b> - Beginning of year	2,814,449
<b>Net position</b> - End of year	\$ 2,702,520

The accompanying notes are an integral part of these financial statements.

**Mt. Pleasant Housing Commission**  
**Statement of Cash Flows**  
*For the Year Ended March 31, 2014*

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 420,042
Cash received from grants and subsidies	501,005
Cash payments to suppliers for goods and services	(575,400)
Cash payments for wages and related benefits	<u>(351,874)</u>
Net cash provided by (used in) operating activities	<u>(6,227)</u>
<b>Cash flows from non-capital financing activities</b>	
Fraud recovery	<u>1,884</u>
<b>Cash flows from capital and related financing activities</b>	
Capital grants	60,001
Acquisition of capital assets	<u>(62,865)</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,864)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>3,450</u>
Net increase (decrease) in cash and cash equivalents	(3,757)
<b>Cash and cash equivalents - beginning of year</b>	<u>497,561</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 493,804</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating income (loss)	\$ (177,264)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	179,877
Changes in assets and liabilities	
Decrease (increase) in receivables	1,623
Decrease (increase) in inventory	374
Decrease (increase) in prepaid expenses	2,012
Increase (decrease) in accounts payable	6,197
Increase (decrease) in due to other governments	(102)
Increase (decrease) in accrued liabilities	(8,876)
Increase (decrease) in tenant security deposits	(645)
Increase (decrease) in unearned revenue	(1,052)
Increase (decrease) in accrued compensated absences	<u>(8,371)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (6,227)</u></u>
 <b>Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows</b>	
Cash and cash equivalents	\$ 425,768
Cash and cash equivalents - restricted	28,084
Cash - tenant security deposits	<u>39,952</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 493,804</u></u>

The accompanying notes are an integral part of these financial statements.

# **Mt. Pleasant Housing Commission**

## **Notes to Financial Statements**

*For the Year Ended March 31, 2014*

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

The accounting policies adopted by the *Mt. Pleasant Housing Commission* (the “*Housing Commission*”) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities.

The Housing Commission reports as a business-type activity, as defined by the Governmental Accounting Standards Board Statement No. 34, with programs and projects.

#### **Reporting Entity**

The Housing Commission is a Public Housing Agency created by the City of Mt. Pleasant on May 23, 1966, consisting of a five member Board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies. Members of the Housing Commission Board may be removed by the City only for cause. The Housing Commission determines its own budget (subject to federal approval), sets rental rates and may issue debt in its own name. The City is not responsible for deficits or liabilities of the Housing Commission. However, the Housing Commission makes annual payments “in lieu of taxes” to the City. Therefore, a financial benefit exists for the City, thereby requiring that the *Mt. Pleasant Housing Commission* be reported as a discrete component unit of the City of Mt. Pleasant, Michigan.

These financial statements include all activities of the Housing Commission, which include a Low Income Housing Program (123 units) and a Section 8 Housing Choice Voucher Program (50 units). These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (“HUD”).

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

#### **Measurement Focus and Basis of Presentation**

The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

# **Mt. Pleasant Housing Commission**

## **Notes to Financial Statements**

*For the Year Ended March 31, 2014*

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Housing Commission are Federal grants and charges to customers for services. Operating expenses include housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Following is a description of the Housing Commission's programs:

Project MI07400001 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program for the Riverview apartments and Pheasant Run complex.

14.871 Section 8 Housing Choice Vouchers accounts for the revenue and related operations of the Section 8 vouchers grant program.

When both restricted and unrestricted resources are available for use, it is the Housing Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Assets and Liabilities**

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, deposits in demand and time deposit accounts, money market deposits, and certificates of deposits with original maturities of less than 90 days.

The entire amount of cash and cash equivalents – restricted recorded on the Statement of Net Position has been restricted since it can only be used for future housing assistance payments to landlords.

#### **Receivables and Payables**

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### **Inventories**

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

# Mt. Pleasant Housing Commission

## Notes to Financial Statements

For the Year Ended March 31, 2014

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### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses. The majority of the balance at year-end consists of premiums on major insurance policies, which are charged to prepaid insurance and amortized over the life of the policy.

### Capital Assets

Capital assets, which include property, buildings and equipment are reported in the financial statements. Capital assets are defined by the Housing Commission as assets with an initial, individual cost of more than \$600 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is recorded over the estimated useful lives of the assets as follows:

Land improvements	15 years
Buildings	40 years
Building improvements	15 years
Nondwelling structures	10 years
Equipment – portable	10 years
Furnishings	5 years
Office equipment	5 years

### Compensated Absences

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

### Unearned Revenue

Unearned revenue represents tenant revenue for the subsequent year that was collected prior to the end of the current fiscal year.

### Equity

Equity is classified as net position and reported as the following components:

*Net investment in capital assets* – Consists of capital assets at historical cost, net of accumulated depreciation.

# Mt. Pleasant Housing Commission

## Notes to Financial Statements

For the Year Ended March 31, 2014

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*Restricted* – Consists of Housing Assistance Payments received from HUD in excess of payments made to landlords. These excess funds may only be used for future payments to landlords.

*Unrestricted* – Consists of all other equity that does not meet the definition of “restricted” or “net investment in capital assets”.

### Revenues and Expenses

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

### Estimates and Assumptions

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

### **NOTE B - DETAILED NOTES ON ALL TRANSACTION CLASSES / ACCOUNTS**

#### **Deposits and Investments**

At year-end, the carrying amounts of the Housing Commission’s deposits and investments were as follows:

	<b><u>Carrying Amount</u></b>
Financial Statement Captions	
Cash and cash equivalents	\$ 425,768
Cash and cash equivalents – restricted	28,084
Cash – tenant security deposits	39,952
Investments	<u>142,043</u>
Total	<u>\$ 635,847</u>
Notes to Financial Statements	
Cash on hand	\$ 100
Deposits	493,704
Certificates of deposit	<u>142,043</u>
Total	<u>\$ 635,847</u>



# Mt. Pleasant Housing Commission

## Notes to Financial Statements

For the Year Ended March 31, 2014

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### **Deposit and investment risk**

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

### *Interest Rate Risk*

The Housing Commission's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

The Housing Commission's investment policy does not have specific limits in excess of State law on investment credit risk. At year-end, the Housing Commission had no investments and was therefore, not exposed to credit risk.

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned. State law does not require and the Housing Commission does not have a policy for deposit custodial credit risk. At year-end, \$251,547 of the Housing Commission's bank balance of \$643,590 was exposed to custodial credit risk because it was uninsured, however, it was collateralized with government securities with a market value of \$1,168,540.

### *Concentration of Credit Risk*

State law limits allowable investments but does not limit concentration of credit risk. The Housing Commission's investment policy does not have specific limits in excess of State law on concentration of credit risk. At year-end, the Housing Commission had no investments and was therefore, not exposed to concentration of credit risk.

## Mt. Pleasant Housing Commission

### Notes to Financial Statements

For the Year Ended March 31, 2014

#### Accounts Receivable

The balance in accounts receivable consisted of the following:

Tenant accounts receivable	\$	561
Due from other governmental units		8
Allowance for doubtful accounts		(156)
Accrued interest receivable		54
Total	\$	<u>467</u>

#### Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 243,557	\$ -	\$ -	\$ 243,557
Construction in progress	<u>-</u>	<u>58,629</u>	<u>(26,159)</u>	<u>32,470</u>
Total capital assets not being depreciated	<u>243,557</u>	<u>58,629</u>	<u>(26,159)</u>	<u>276,027</u>
Capital assets being depreciated				
Buildings	5,411,085	29,596	-	5,440,681
Furniture, equipment and machinery – administration	<u>250,490</u>	<u>799</u>	<u>-</u>	<u>251,289</u>
Total capital assets being depreciated	<u>5,661,575</u>	<u>30,395</u>	<u>-</u>	<u>5,691,970</u>
Less accumulated depreciation				
Buildings	(3,479,286)	(152,592)	-	(3,631,878)
Furniture, equipment and machinery – administration	<u>(127,267)</u>	<u>(27,285)</u>	<u>-</u>	<u>(154,552)</u>
Total accumulated depreciation	<u>(3,606,553)</u>	<u>(179,877)</u>	<u>-</u>	<u>(3,786,430)</u>
Net capital assets being depreciated	<u>2,055,022</u>	<u>(149,482)</u>	<u>-</u>	<u>1,905,540</u>
Total net capital assets	<u>\$ 2,298,579</u>	<u>\$ (90,853)</u>	<u>\$ (26,159)</u>	<u>\$ 2,181,567</u>

## Mt. Pleasant Housing Commission

### Notes to Financial Statements

*For the Year Ended March 31, 2014*

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#### **Inventory**

The balance in inventory consisted of the following:

Inventory	\$	2,477
Allowance for obsolete inventory		(248)
Total		<u><u>2,229</u></u>

#### **Long-term Debt**

The following is a summary of changes in long-term debt for the year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 21,394	\$ 16,514	\$ (24,885)	\$ 13,023	\$ 8,960

#### **NOTE C - OTHER INFORMATION**

##### **Employee Benefit Plan**

On April 1, 2002, the Housing Commission implemented a Simplified Employee Pension Plan. The plan covers all full-time employees that complete a six-month probationary period. The Housing Commission makes monthly contributions to the plan equal to 12% of wages. Upon separation from employment, any accrued funds remain the property of the individual employee. Housing Commission employees are not required to contribute to the plan, and there were no contributions from employees during the year. During the fiscal year the Housing Commission contributed \$28,779 to the plan.

##### **Concentration of Revenue**

The Housing Commission is dependent upon the Department of Housing and Urban Development to fund its operations through operating subsidies and capital funding grants. Total revenue received from the Department of Housing and Urban Development for the fiscal year ended 2014 and 2013 was \$559,383 or 57% and \$586,966 or 59% of total revenue.

##### **Contingencies**

Under the terms of certain Federal and State grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Housing Commission management believes disallowances, if any, would be minimal.

# **Mt. Pleasant Housing Commission**

## **Notes to Financial Statements**

*For the Year Ended March 31, 2014*

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### **Risk Management**

The Housing 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 Housing Commission maintains commercial insurance covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**Project Balance Sheet**  
*March 31, 2014*

Line Item #	Account Description	Project MI07400001
111	Cash - Unrestricted	\$ 353,353
114	Cash - Tenant Security Deposits	39,952
100	Total Cash	<u>393,305</u>
122	Accounts Receivable - HUD Other Projects	8
126	Accounts Receivable - Tenants	561
126.1	Allowance for Doubtful Accounts -Tenants	(156)
129	Accrued Interest Receivable	54
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>467</u>
131	Investments - Unrestricted	142,043
142	Prepaid Expenses and Other Assets	12,743
143	Inventories	2,477
143.1	Allowance for Obsolete Inventories	<u>(248)</u>
150	Total Current Assets	<u>550,787</u>
161	Land	243,557
162	Buildings	5,440,681
164	Furniture, Equipment & Machinery - Administration	244,933
166	Accumulated Depreciation	(3,780,074)
167	Construction in Progress	32,470
160	Total Capital Assets, Net of Accumulated Depreciation	<u>2,181,567</u>
180	Total Non-Current Assets	<u>2,181,567</u>
190	Total Assets	<u>\$ 2,732,354</u>
312	Accounts Payable <= 90 Days	\$ 8,285
321	Accrued Wage/Payroll Taxes Payable	26,565
322	Accrued Compensated Absences - Current Portion	8,103
333	Accounts Payable - Other Government	21,433
341	Tenant Security Deposits	39,952
342	Deferred Revenues	9,721
346	Accrued Liabilities - Other	11,154
310	Total Current Liabilities	<u>125,213</u>
354	Accrued Compensated Absences - Non Current	3,641
350	Total Non-Current Liabilities	<u>3,641</u>
300	Total Liabilities	<u>128,854</u>
508.4	Net Investment in Capital Assets	2,181,567
512.4	Unrestricted Net Position	<u>421,933</u>
513	Total Equity - Net Assets / Position	<u>2,603,500</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 2,732,354</u>

**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**Project Income Statement**  
*For the Year Ended March 31, 2014*

Line Item #	Account Description	Total Projects	Project MI07400001	Operating Fund Program	Capital Fund Program
70300	Net Tenant Rental Revenue	\$ 344,597	\$ 344,597	\$ 344,597	\$ -
70400	Tenant Revenue - Other	41,441	41,441	41,441	-
70500	Total Tenant Revenue	<u>386,038</u>	<u>386,038</u>	<u>386,038</u>	<u>-</u>
70600	HUD PHA Operating Grants	286,881	286,881	247,693	39,188
70610	Capital Grants	60,001	60,001	-	60,001
71100	Investment Income - Unrestricted	3,348	3,348	3,348	-
71500	Other Revenue	<u>35,588</u>	<u>35,588</u>	<u>35,588</u>	<u>-</u>
70000	Total Revenue	<u>771,856</u>	<u>771,856</u>	<u>672,667</u>	<u>99,189</u>
91100	Administrative Salaries	109,782	109,782	97,782	12,000
91200	Auditing Fees	3,348	3,348	3,348	-
91400	Advertising and Marketing	2,757	2,757	2,757	-
91500	Employee Benefit contributions - Administrative	50,060	50,060	50,060	-
91600	Office Expenses	13,166	13,166	13,166	-
91700	Legal Expense	3,447	3,447	3,447	-
91800	Travel	5,662	5,662	5,662	-
91900	Other	28,980	28,980	28,980	-
91000	Total Operating - Administrative	<u>217,202</u>	<u>217,202</u>	<u>205,202</u>	<u>12,000</u>
92100	Tenant Services - Salaries	6,297	6,297	6,297	-
92300	Employee Benefit Contributions - Tenant Services	1,249	1,249	1,249	-
92400	Tenant Services - Other	28,334	28,334	28,334	-
92500	Total Tenant Services	<u>35,880</u>	<u>35,880</u>	<u>35,880</u>	<u>-</u>
93100	Water	11,902	11,902	11,902	-
93200	Electricity	72,710	72,710	72,710	-
93300	Gas	38,233	38,233	38,233	-
93600	Sewer	8,591	8,591	8,591	-
93000	Total Utilities	<u>131,436</u>	<u>131,436</u>	<u>131,436</u>	<u>-</u>
94100	Ordinary Maintenance and Operations - Labor	100,045	100,045	100,045	-
94200	Ordinary Maintenance and Operations - Materials and Other	43,741	43,741	43,741	-
94300	Ordinary Maintenance and Operations Contracts	55,529	55,529	55,529	-
94500	Employee Benefit Contributions - Ordinary Maintenance	45,123	45,123	45,123	-
94000	Total Maintenance	<u>244,438</u>	<u>244,438</u>	<u>244,438</u>	<u>-</u>
96110	Property Insurance	11,562	11,562	11,562	-
96120	Liability Insurance	5,874	5,874	5,874	-
96130	Workmen's Compensation	2,321	2,321	2,321	-
96140	All Other Insurance	2,300	2,300	2,300	-
96100	Total Insurance Premiums	<u>22,057</u>	<u>22,057</u>	<u>22,057</u>	<u>-</u>
96210	Compensated Absences	19,215	19,215	19,215	-
96300	Payments in Lieu of Taxes	21,433	21,433	21,433	-
96400	Bad debt - Tenant Rents	2,937	2,937	2,937	-
96000	Total Other General Expenses	<u>43,585</u>	<u>43,585</u>	<u>43,585</u>	<u>-</u>
96900	Total Operating Expenses	<u>694,598</u>	<u>694,598</u>	<u>682,598</u>	<u>12,000</u>
97000	Excess of Operating Revenue over Operating Expenses	77,258	77,258	(9,931)	87,189
97400	Depreciation Expense	<u>179,877</u>	<u>179,877</u>	<u>174,887</u>	<u>4,990</u>
90000	Total Expenses	<u>874,475</u>	<u>874,475</u>	<u>857,485</u>	<u>16,990</u>

**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**Project Income Statement**  
*For the Year Ended March 31, 2014*

Line Item #	Account Description	Total Projects	Project MI07400001	Operating Fund Program	Capital Fund Program
10010	Operating Transfer In	\$ 27,188	\$ 27,188	\$ 27,188	\$ -
10020	Operating Transfer Out	(27,188)	(27,188)	-	(27,188)
10100	Total Other Financing Sources (Uses)	-	-	27,188	(27,188)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(102,619)	(102,619)	(157,630)	55,011
11030	Beginning Equity	2,706,119	2,706,119	2,660,129	45,990
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	35,946	(35,946)
11190	Unit Months Available	1,476	1,476	1,476	-
11210	Number of Unit Months Leased	1,450	1,450	1,450	-
11270	Excess Cash	353,719	353,719	353,719	-
11620	Building Purchases	62,066	62,066	2,065	60,001
11640	Furniture & Equipment - Administrative Purchases	799	799	799	-

**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**Program Financials - Balance Sheet**  
*March 31, 2014*

<b>Line Item #</b>	<b>Account Description</b>	<b>14.871 Housing Choice Vouchers</b>
111	Cash - Unrestricted	\$ 72,415
113	Cash - Other Restricted	28,084
100	Total Cash	<u>100,499</u>
142	Prepaid Expenses and Other Assets	<u>308</u>
150	Total Current Assets	<u>100,807</u>
164	Furniture, Equipment & Machinery - Administration	6,356
166	Accumulated Depreciation	<u>(6,356)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>
180	Total Non-Current Assets	<u>-</u>
190	Total Assets	<u><u>\$ 100,807</u></u>
312	Accounts Payable <= 90 Days	\$ 192
322	Accrued Compensated Absences - Current Portion	857
342	Deferred Revenues	316
310	Total Current Liabilities	<u>1,365</u>
354	Accrued Compensated Absences - Non Current	<u>422</u>
350	Total Non-Current Liabilities	<u>422</u>
300	Total Liabilities	<u>1,787</u>
511.4	Restricted Net Assets	28,084
512.4	Unrestricted Net Assets	<u>70,936</u>
513	Total Equity - Net Assets / Position	<u>99,020</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u><u>\$ 100,807</u></u>



**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**Program Financials - Income Statement**  
*For the Year Ended March 31, 2014*

<b>Line Item #</b>	<b>Account Description</b>	<b>14.871 Housing Choice Vouchers</b>
70600	HUD PHA Operating Grants	\$ 212,501
71100	Investment Income - Unrestricted	102
71400	Fraud Recovery	1,884
71500	Other Revenue	113
70000	Total Revenue	<u>214,600</u>
91100	Administrative Salaries	15,053
91200	Auditing Fees	252
91400	Advertising and Marketing	487
91500	Employee Benefit contributions - Administrative	7,018
91600	Office Expenses	1,005
91700	Legal Expense	259
91800	Travel	893
91900	Other	4,070
91000	Total Operating - Administrative	<u>29,037</u>
96120	Liability Insurance	409
96130	Workmen's Compensation	168
96140	All Other Insurance	146
96100	Total Insurance Premiums	<u>723</u>
96210	Compensated Absences	1,519
96000	Total Other General Expenses	<u>1,519</u>
96900	Total Operating Expenses	<u>31,279</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>183,321</u>
97300	Housing Assistance Payments	<u>192,631</u>
90000	Total Expenses	<u>223,910</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(9,310)
11030	Beginning Equity	108,330
11170	Administrative Fee Equity	70,936
11180	Housing Assistance Payments Equity	28,084
11190	Unit Months Available	600
11210	Number of Unit Months Leased	527

**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Balance Sheet**  
**March 31, 2014**

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
111	Cash - Unrestricted	\$ 353,353	\$ 72,415	\$ 425,768	\$ 425,768
113	Cash - Other Restricted	-	28,084	28,084	28,084
114	Cash - Tenant Security Deposits	39,952	-	39,952	39,952
100	Total Cash	<u>393,305</u>	<u>100,499</u>	<u>493,804</u>	<u>493,804</u>
122	Accounts Receivable - HUD Other Projects	8	-	8	8
126	Accounts Receivable - Tenants	561	-	561	561
126.1	Allowance for Doubtful Accounts -Tenants	(156)	-	(156)	(156)
129	Accrued Interest Receivable	54	-	54	54
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>467</u>	<u>-</u>	<u>467</u>	<u>467</u>
131	Investments - Unrestricted	142,043	-	142,043	142,043
142	Prepaid Expenses and Other Assets	12,743	308	13,051	13,051
143	Inventories	2,477	-	2,477	2,477
143.1	Allowance for Obsolete Inventories	(248)	-	(248)	(248)
150	Total Current Assets	<u>550,787</u>	<u>100,807</u>	<u>651,594</u>	<u>651,594</u>
161	Land	243,557	-	243,557	243,557
162	Buildings	5,440,681	-	5,440,681	5,440,681
164	Furniture, Equipment & Machinery - Administration	244,933	6,356	251,289	251,289
166	Accumulated Depreciation	(3,780,074)	(6,356)	(3,786,430)	(3,786,430)
167	Construction in Progress	32,470	-	32,470	32,470
160	Total Capital Assets, Net of Accumulated Depreciation	<u>2,181,567</u>	<u>-</u>	<u>2,181,567</u>	<u>2,181,567</u>
180	Total Non-Current Assets	<u>2,181,567</u>	<u>-</u>	<u>2,181,567</u>	<u>2,181,567</u>
190	Total Assets	<u>\$ 2,732,354</u>	<u>\$ 100,807</u>	<u>\$ 2,833,161</u>	<u>\$ 2,833,161</u>
312	Accounts Payable <= 90 Days	\$ 8,285	\$ 192	\$ 8,477	\$ 8,477
321	Accrued Wage/Payroll Taxes Payable	26,565	-	26,565	26,565
322	Accrued Compensated Absences - Current Portion	8,103	857	8,960	8,960
333	Accounts Payable - Other Government	21,433	-	21,433	21,433
341	Tenant Security Deposits	39,952	-	39,952	39,952
342	Deferred Revenues	9,721	316	10,037	10,037
346	Accrued Liabilities - Other	11,154	-	11,154	11,154
310	Total Current Liabilities	<u>125,213</u>	<u>1,365</u>	<u>126,578</u>	<u>126,578</u>
354	Accrued Compensated Absences - Non Current	3,641	422	4,063	4,063
350	Total Non-Current Liabilities	<u>3,641</u>	<u>422</u>	<u>4,063</u>	<u>4,063</u>
300	Total Liabilities	<u>128,854</u>	<u>1,787</u>	<u>130,641</u>	<u>130,641</u>
508.1	Invested In Capital Assets, Net of Related Debt	2,181,567	-	2,181,567	2,181,567
511.1	Restricted Net Assets	-	28,084	28,084	28,084
512.1	Unrestricted Net Assets	421,933	70,936	492,869	492,869
513	Total Equity/Net Assets	<u>2,603,500</u>	<u>99,020</u>	<u>2,702,520</u>	<u>2,702,520</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 2,732,354</u>	<u>\$ 100,807</u>	<u>\$ 2,833,161</u>	<u>\$ 2,833,161</u>

**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Income Statement**  
**For the Year Ended March 31, 2014**

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
70300	Net Tenant Rental Revenue	\$ 344,597	\$ -	\$ 344,597	\$ 344,597
70400	Tenant Revenue - Other	41,441	-	41,441	41,441
70500	Total Tenant Revenue	<u>386,038</u>	<u>-</u>	<u>386,038</u>	<u>386,038</u>
70600	HUD PHA Operating Grants	286,881	212,501	499,382	499,382
70610	Capital Grants	60,001	-	60,001	60,001
71100	Investment Income - Unrestricted	3,348	102	3,450	3,450
71400	Fraud Recovery	-	1,884	1,884	1,884
71500	Other Revenue	35,588	113	35,701	35,701
70000	Total Revenue	<u>771,856</u>	<u>214,600</u>	<u>986,456</u>	<u>986,456</u>
91100	Administrative Salaries	109,782	15,053	124,835	124,835
91200	Auditing Fees	3,348	252	3,600	3,600
91400	Advertising and Marketing	2,757	487	3,244	3,244
91500	Employee Benefit contributions - Administrative	50,060	7,018	57,078	57,078
91600	Office Expenses	13,166	1,005	14,171	14,171
91700	Legal Expense	3,447	259	3,706	3,706
91800	Travel	5,662	893	6,555	6,555
91900	Other	28,980	4,070	33,050	33,050
91000	Total Operating - Administrative	<u>217,202</u>	<u>29,037</u>	<u>246,239</u>	<u>246,239</u>
92100	Tenant Services - Salaries	6,297	-	6,297	6,297
92300	Employee Benefit Contributions - Tenant Services	1,249	-	1,249	1,249
92400	Tenant Services - Other	28,334	-	28,334	28,334
92500	Total Tenant Services	<u>35,880</u>	<u>-</u>	<u>35,880</u>	<u>35,880</u>
93100	Water	11,902	-	11,902	11,902
93200	Electricity	72,710	-	72,710	72,710
93300	Gas	38,233	-	38,233	38,233
93600	Sewer	8,591	-	8,591	8,591
93000	Total Utilities	<u>131,436</u>	<u>-</u>	<u>131,436</u>	<u>131,436</u>
94100	Ordinary Maintenance and Operations - Labor	100,045	-	100,045	100,045
94200	Ordinary Maintenance and Operations - Materials and Other	43,741	-	43,741	43,741
94300	Ordinary Maintenance and Operations Contracts	55,529	-	55,529	55,529
94500	Employee Benefit Contributions - Ordinary Maintenance	45,123	-	45,123	45,123
94000	Total Maintenance	<u>244,438</u>	<u>-</u>	<u>244,438</u>	<u>244,438</u>
96110	Property Insurance	11,562	-	11,562	11,562
96120	Liability Insurance	5,874	409	6,283	6,283
96130	Workmen's Compensation	2,321	168	2,489	2,489
96140	All Other Insurance	2,300	146	2,446	2,446
96100	Total Insurance Premiums	<u>22,057</u>	<u>723</u>	<u>22,780</u>	<u>22,780</u>

**Mt. Pleasant Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Income Statement**  
*For the Year Ended March 31, 2014*

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
96210	Compensated Absences	\$ 19,215	\$ 1,519	\$ 20,734	\$ 20,734
96300	Payments in Lieu of Taxes	21,433	-	21,433	21,433
96400	Bad debt - Tenant Rents	2,937	-	2,937	2,937
96000	Total Other General Expenses	<u>43,585</u>	<u>1,519</u>	<u>45,104</u>	<u>45,104</u>
96900	Total Operating Expenses	<u>694,598</u>	<u>31,279</u>	<u>725,877</u>	<u>725,877</u>
97000	Excess of Operating Revenue over Operating Expenses	77,258	183,321	260,579	260,579
97300	Housing Assistance Payments	-	192,631	192,631	192,631
97400	Depreciation Expense	<u>179,877</u>	<u>-</u>	<u>179,877</u>	<u>179,877</u>
90000	Total Expenses	<u>874,475</u>	<u>223,910</u>	<u>1,098,385</u>	<u>1,098,385</u>
10010	Operating Transfer In	27,188	-	27,188	27,188
10020	Operating Transfer Out	<u>(27,188)</u>	<u>-</u>	<u>(27,188)</u>	<u>(27,188)</u>
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(102,619)	(9,310)	(111,929)	(111,929)
11030	Beginning Equity	2,706,119	108,330	2,814,449	2,814,449
11170	Administrative Fee Equity	-	70,936	70,936	70,936
11180	Housing Assistance Payments Equity	-	28,084	28,084	28,084
11190	Unit Months Available	1,476	600	2,076	2,076
11210	Number of Unit Months Leased	1,450	527	1,977	1,977
11270	Excess Cash	353,719	-	353,719	353,719
11620	Building Purchases	62,066	-	62,066	62,066
11640	Furniture & Equipment - Administrative Purchases	799	-	799	799



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A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITOR'S 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**

To the Board of Commissioners  
Mt. Pleasant Housing Commission

We have audited, 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, the financial statements of the business-type activities of the *Mt. Pleasant Housing Commission*, a component unit of the City of Mt. Pleasant, Michigan as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the *Mt. Pleasant Housing Commission's* basic financial statements and have issued our report thereon dated August 5, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the *Mt. Pleasant Housing Commission's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *Mt. Pleasant Housing Commission's* internal control. Accordingly, we do not express an opinion on the effectiveness of the *Mt. Pleasant Housing Commission's* internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith + Klaczynski PC*

***Saginaw, Michigan***

August 5, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners  
Mt. Pleasant Housing Commission

**Report on Compliance for Each Major Federal Program**

We have audited the *Mt. Pleasant Housing Commission's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the *Mt. Pleasant Housing Commission's* major federal programs for the year ended March 31, 2014. The *Mt. Pleasant 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the *Mt. Pleasant Housing Commission's* major federal programs based on our audit of the types of compliance requirements referred to above. 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 the *Mt. Pleasant 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Mt. Pleasant Housing Commission's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the *Mt. Pleasant Housing Commission*, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

## **Report on Internal Control over Compliance**

Management of the *Mt. Pleasant Housing Commission* is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the *Mt. Pleasant Housing Commission's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the *Mt. Pleasant Housing Commission's* internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Smith + Klayhewig PC*

*Saginaw, Michigan*

August 5, 2014



**Mt. Pleasant Housing Commission**  
**Schedule of Expenditures of Federal Awards**  
*For the Year Ended March 31, 2014*

<b>Federal Agency / Pass Through Agency / Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Project/Grant Number</b>	<b>Amount Expended</b>
<b>Department of Housing and Urban Development</b>			
Direct programs:			
Public and Indian Housing	14.850	MI074-00000113D	\$ 247,693
Section 8 Housing Choice Vouchers	14.871	n/a	212,501
Public Housing Capital Func	14.872	MI33P074501-12 MI33P074501-13	9,584 32,433
Public Housing Capital Fund - Emergency Safety & Security Gran	14.872	MI33E074501-13	<u>57,172</u>
Total Federal Financial Assistance			<u><u>\$ 559,383</u></u>

Footnotes to Schedule of Expenditures of Federal Award

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the **Mt. Pleasant Housing Commission** under programs of the federal government for the year ended March 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the **Mt. Pleasant Housing Commission**, it is not intended to and does not present the financial position or changes in net position of the **Mt. Pleasant Housing Commission**.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenses are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Subrecipients

None of the federal expenditures presented in the Schedule were provided to subrecipient:

**Mt. Pleasant Housing Commission**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended March 31, 2014**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified:  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Type of auditor's report issued on compliance for major program(s): Unmodified

Internal control over major program(s)

- Material weakness(es) identified:  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

**Identification of major program(s):**

CFDA Number	Name of Federal Program(s) or Cluster(s)
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualify as a low-risk auditee?  Yes  No

**Mt. Pleasant Housing Commission**  
**Schedule of Findings and Questioned Costs** *(concluded)*  
*For the Year Ended March 31, 2014*

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**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings and Questioned Costs**

None

**Section IV - Prior Year Findings**

None