

CITY OF MANISTEE HOUSING COMMISSION
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
FOR THE YEAR ENDED DECEMBER 31, 2009

CITY OF MANISTEE HOUSING COMMISSION

TABLE OF CONTENTS

Independent Auditor's Report	1
Management Discussion and Analysis	2-9
Basic Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12-13
Notes to the Financial Statements	14-21
Required Supplementary Information:	
Schedule of Fund Progress	22
Statement of Net Assets - (FDS Schedule Format)	23
Statement of Revenues, Expenses, and Changes in Net Assets & Additional Information - (FDS Schedule Format)	24-25
Schedule of Expenditures of Federal Awards	26
Notes to the Schedule of Expenditures of Federal Awards	27
Reports on Compliance and Internal Control:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	30-31
Status of Prior Audit Findings	32
Schedule of Findings and Questioned Costs	33-34
Report on Agreed-Upon Procedures:	
Independent Accountants' Report on Applying Agreed-Upon Procedures	36
Agreed-upon Procedures	37

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners,
City of Manistee Housing Commission
Manistee, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities of the City of Manistee Housing Commission, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the City of Manistee Housing Commission's management. 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 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 its business-type activities of the City of Manistee Housing Commission, as of December 31, 2009, 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 September 7, 2010 on our consideration of the City of Manistee 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 controls over financial reporting on compliance and the results of that testing, and not to provide opinions 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 conjunction with this report in considering the results of our audit.

The management discussion and analysis on pages 2 through 9 are not a required part of the basic financial statements but are supplementary information required by the 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 opinions on the financial statements that collectively comprise the City of Manistee Housing Commission's basic financial statements. The financial data schedules and supplemental data listed in the table of contents are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are not a required part of the basic financial statements of the City of Manistee Housing Commission. 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 Government and Non-Profit Organizations* and is not a required part of the basic financial statements of the City of Manistee Housing Commission. The financial data schedules and the schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Zenk & Associates, P.C.

September 7, 2010

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Manistee Housing Commission offers the readers of the financial statements this narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2009. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the current fiscal year by \$2,973,150 (net assets) as opposed to \$3,018,636 for the prior fiscal year.
- The Authority's cash and investments balance as of the close of the current fiscal year was \$340,616 representing a decrease of \$7,596 from the prior fiscal year.
- The Authority had total revenues of \$1,991,743 and total expenses of \$2,040,952 for the current fiscal year.
- The Authority expended \$393,362 in Capital Grant Funding (Hard Costs) for improvements to the Public Housing units.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Assets (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year's revenues, expenses, and changes in net assets are accounted for in the Statement of Revenues, Expenses and Net Assets. This statement measures the success of the Authority's operations over the past fiscal year.

The Statement of Cash Flows is to provide information about the Authority's cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Statement of Net Assets and the Statement of Revenues, Expenses and Net Assets report information about the Authority's activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority's Statement of Net Assets is presented in Table I.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

**Manistee Housing Commission
Combined Statement of Net Assets
TABLE I**

	<u>2009</u>	<u>2008</u>	<u>Total Change</u>	<u>% Change</u>
Current and Other Assets	\$ 421,680	\$ 430,155	\$ (8,475)	-1.97%
Capital Assets	<u>3,310,129</u>	<u>3,219,541</u>	<u>90,588</u>	2.81%
Total Assets	3,731,809	3,649,696	82,113	2.25%
Current and Other Liabilities	227,239	116,728	110,511	94.67%
Long-Term Liabilities	<u>531,420</u>	<u>514,332</u>	<u>17,088</u>	3.32%
Total Liabilities	758,659	631,060	127,599	20.22%
Invested in Capital Assets, Net of Related Debt	2,810,129	2,719,541	90,588	3.33%
Unrestricted	<u>163,021</u>	<u>299,095</u>	<u>(136,074)</u>	-45.50%
Total Net Assets	<u>2,973,150</u>	<u>3,018,636</u>	<u>(45,486)</u>	-1.51%
Total Liabilities & Net Assets	<u>\$ 3,731,809</u>	<u>\$ 3,649,696</u>	<u>\$ 82,113</u>	2.25%

As illustrated in the Combined Statement of Net Assets, the overall Net Assets of the Authority decreased by \$45,486. The "Invested in Capital Assets, Net of Related Debt" increased by \$90,588 as a result of the final loan on the DVG Grant program houses. Unrestricted Net Assets decreased by \$136,074 due to operations. Current Assets and Current Liabilities remained virtually unchanged. Non-current Liabilities increased \$110,511 primarily as the result of an increase in compensated absences and payables.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

While the Statement of Net Assets shows the change in financial position, the Statement of Revenues, Expenses, and Net Assets breaks down our revenues and expenses further. Table II, which follows, provides a combined statement of these changes.

Manistee Housing Commission
Combined Statement of Revenues, Expenses, and Change in Net Assets
TABLE II

	<u>2009</u>	<u>2008</u>	<u>Total Change</u>	<u>% Change</u>
Tenant Revenues	\$ 545,549	\$ 541,937	\$ 3,612	0.67%
Grant Funding	1,379,829	589,914	789,915	133.90%
Other Income	<u>66,365</u>	<u>92,322</u>	<u>(25,957)</u>	-28.12%
 Total Revenue	 <u>1,991,743</u>	 <u>1,224,173</u>	 <u>767,570</u>	 62.70%
Administrative	526,130	427,348	98,782	23.12%
Tenant Services	434,706	47,817	386,889	809.10%
Utilities	185,939	189,392	(3,453)	-1.82%
Maintenance	424,617	436,094	(11,477)	-2.63%
Protective Services	4,118	330	3,788	1147.88%
General	162,667	151,615	11,052	7.29%
Depreciation	<u>302,775</u>	<u>294,504</u>	<u>8,271</u>	2.81%
 Total Expenses	 <u>2,040,952</u>	 <u>1,547,100</u>	 <u>493,852</u>	 31.92%
 Change in Net Assets	 (49,209)	 (322,927)	 273,718	 -84.76%
Beginning Net Assets	3,018,637	3,337,788	(319,151)	-9.56%
Transfer of Equity/Adjustments	<u>3,722</u>	<u>3,775</u>	<u>(53)</u>	100.00%
 Ending Net Assets	 <u>\$ 2,973,150</u>	 <u>\$ 3,018,636</u>	 <u>\$ (45,486)</u>	 -1.51%

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Table III provides the reader with a Statement of Revenues, Expenses and Change in Net Assets by Program.

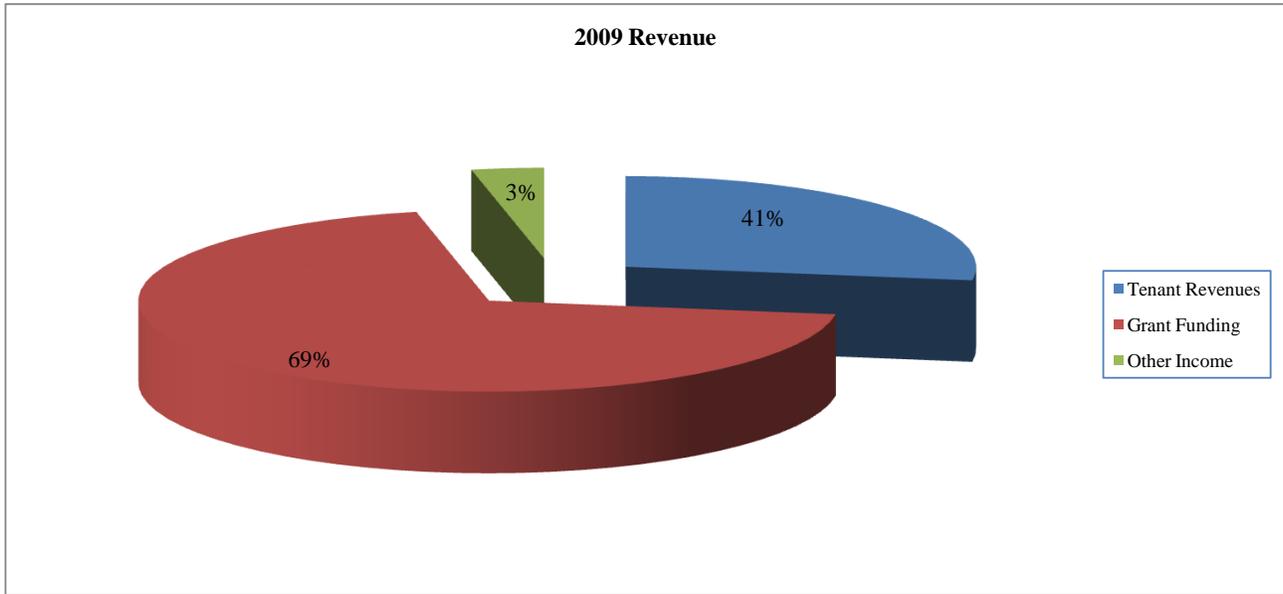
Manistee Housing Commission
Combined Statement of Revenues, Expenses, and Change in Net Assets - By Program
TABLE III

	<u>FSS Ross Grant</u>	<u>Opportunities For Youthbuild</u>	<u>Low Rent Public Housing/Capital Fund Program</u>	<u>Formula Capital Fund Stimulus Grant</u>	<u>State/Local And Business Activities</u>	<u>Total</u>
Tenant Revenues	\$ -	\$ -	\$ 528,292	\$ -	\$ 17,257	\$ 545,549
Grant Funding	210,060	264,989	725,985	178,795	-	1,379,829
Other Income	<u>-</u>	<u>-</u>	<u>41,058</u>	<u>-</u>	<u>25,307</u>	<u>66,365</u>
 Total Revenue	 <u>210,060</u>	 <u>264,989</u>	 <u>1,295,335</u>	 <u>178,795</u>	 <u>42,564</u>	 <u>1,991,743</u>
 Administrative	 -	 -	 469,665	 17,467	 38,998	 526,130
Tenant Services	191,346	246,683	(3,323)	-	-	434,706
Utilities	-	-	180,839	-	5,100	185,939
Maintenance	4,124	-	403,578	-	16,915	424,617
Protective Services	-	-	2,791	-	1,327	4,118
General	-	18,306	126,540	-	17,821	162,667
Depreciation	<u>1,672</u>	<u>-</u>	<u>291,813</u>	<u>-</u>	<u>9,290</u>	<u>302,775</u>
 Total Expenses	 <u>197,142</u>	 <u>264,989</u>	 <u>1,471,903</u>	 <u>17,467</u>	 <u>89,451</u>	 <u>2,040,952</u>
 Change in Net Assets	 12,918	 -	 (176,568)	 161,328	 (46,887)	 (49,209)
Beginning Net Assets	-	-	3,093,009	-	(74,372)	3,018,637
Operating Transfers	-	-	-	-	-	-
Transfer of Equity/Adj	<u>-</u>	<u>-</u>	<u>165,050</u>	<u>(161,328)</u>	<u>-</u>	<u>3,722</u>
 Ending Net Assets	 <u>\$ 12,918</u>	 <u>\$ -</u>	 <u>\$ 3,081,491</u>	 <u>\$ -</u>	 <u>\$ (121,259)</u>	 <u>\$ 2,973,150</u>

CITY OF MANISTEE HOUSING COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2009

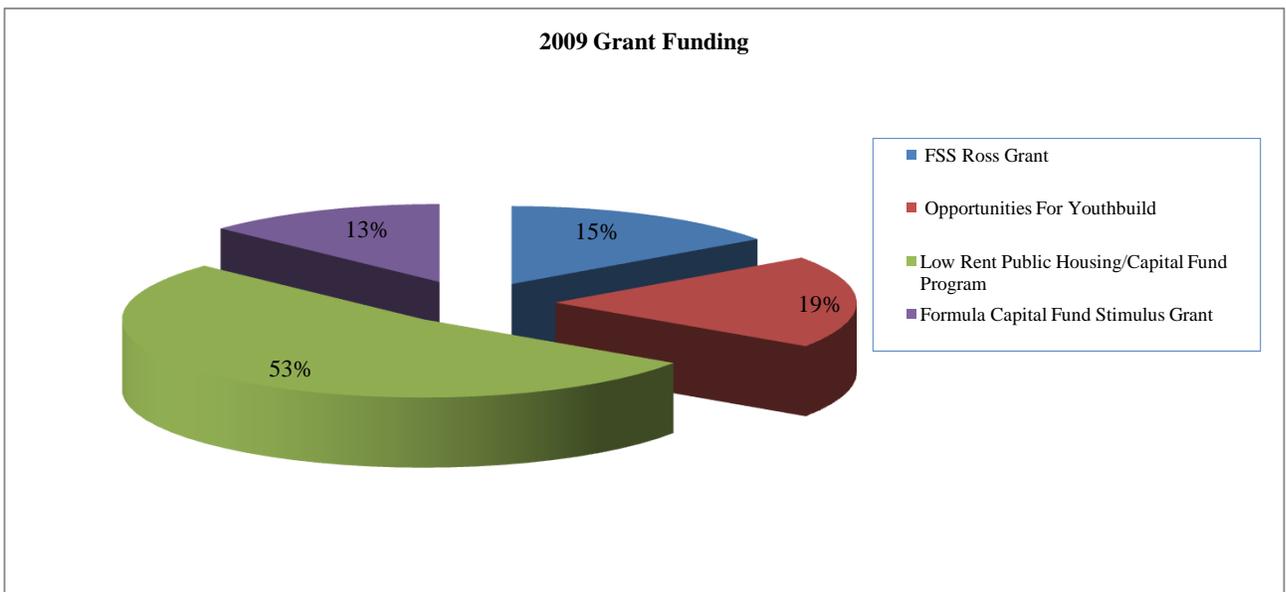
REVENUES

In reviewing the Statement of Revenues, Expenses, and Net Assets, you will note that 69% of the Commission's revenues are derived from grants from the Department of Housing and Urban Development and Others. The Commission received revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges of 41% of total revenue. Other Revenue including Interest from Investments comprised the remaining 3%. Compared to the Fiscal Year Ended December 31, 2008, revenues had an overall increase of \$767,570 (62.70%) due to a new programs such as FSS and Stimulus grants. Also, there was a substantial increase in the Youthbuild grant.



Tenant Revenue - Tenant Revenue increased from \$541,937 to \$545,549, an increase of 0.67%.

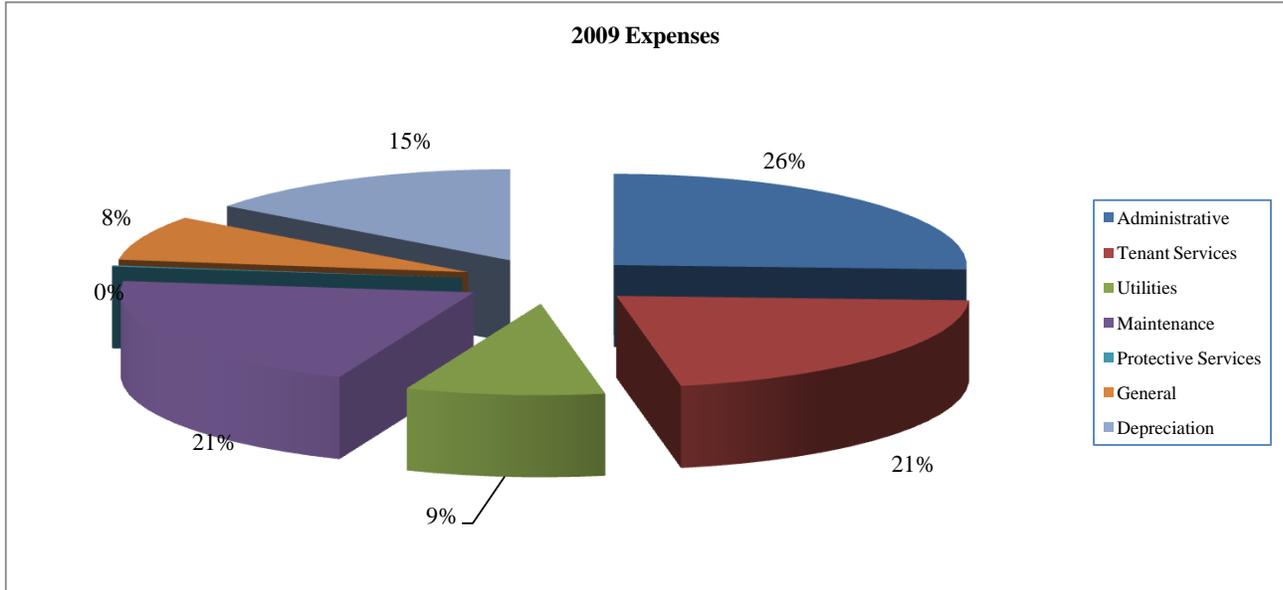
Program Grants/Subsidies – Grant revenue increased \$789,915 (133.90%) compared to the previous year. This was due to an increased Capital Grant funding and the stimulus grant. A new program, FSS grant was added and there was a substantial increase in the Youthbuild grant.



CITY OF MANISTEE HOUSING COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2009

EXPENSES

The Manistee Housing commission experienced an increase in expenses for the current year from \$2,040,952 to \$2,020,804 or \$493,852 (31.92%). The highlights of the expenses for the current year are as follows:



Administrative – Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2008, administrative costs increased by \$98,782 (23.12%), resulting from increases in salaries, benefits, and sundry administrative costs. These increases are due to new personnel being hired to help administer additional grant funding.

Tenant Services – Tenant Services costs include all costs incurred by the Authority to provide social services to the residents. Compared to 2008, tenant services costs increased by \$386,889 (809.10%) due to increased program activity in the Youthbuild and the added program for FSS grant.

Utilities - The total utilities expense for the Authority decreased by \$3,453 (1.82%) due to lower energy prices.

Maintenance – Maintenance costs are all costs incurred by the Authority to maintain the public housing units in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management and telephone/radio service, etc. The Maintenance Expense for the Authority decreased by \$11,477 (2.63%) primarily due to lower contract costs.

Protective Services – Protective services include security personnel and any material needed to patrol the units. These expenses increased by \$3,788 (1147.88%) due to increases in funding for these activities.

General Expenses – General Expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, etc.), collection losses, severance pay and interest expense. These expenses increased by \$11,052 (7.29%) due to increases in most categories.

Depreciation – Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation Expense for the current year increased by \$8,271 (2.81%) as a result of placing more Capital Fund assets into service.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

CAPITAL ASSETS

At the end of fiscal year 2008 the Commission had invested in Capital Assets \$3,219,541 net of depreciation. As of December 31, 2009, the investment in Capital Assets had increased by \$90,588 to \$3,310,129. The following illustrates the Capital Asset values for 2009 and 2008.

**Manistee Housing Commission
Combined Statement of Capital Assets
TABLE IV**

	<u>2009</u>	<u>2008</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 312,216	\$ 312,216	\$ -	0.00%
Buildings	8,052,563	7,785,974	266,589	3.42%
Equipment	684,188	633,276	50,912	8.04%
Construction in Progress	<u>241,424</u>	<u>165,563</u>	<u>75,861</u>	45.82%
	9,290,391	8,897,029	393,362	4.42%
Accumulated Depreciation	<u>(5,980,262)</u>	<u>(5,677,488)</u>	<u>(302,774)</u>	5.33%
Total Capital Assets	<u>\$ 3,310,129</u>	<u>\$ 3,219,541</u>	<u>\$ 90,588</u>	2.81%

LONG-TERM DEBT OBLIGATIONS

At the end of fiscal year 2009, the Commission owed the following:

\$500,000 on three (3) non-interest bearing, forgivable mortgages with the Michigan State Housing Development Authority. If the properties mortgaged are continuously used in the Domestic Violence program, the mortgages are forgivable over the 40 year term – 25% for each 10 years that the houses stay in the program.

ECONOMIC FACTORS AND EVENTS AFFECTING OPERATIONS

Certain economic factors may affect the financial position of the Commission in subsequent fiscal years. Several of these factors are listed below:

- The Department of Housing and Urban Development has historically underestimated the subsidy needs of public housing authorities. HUD has recently implemented the Calendar Year Shift for operating subsidy payments. However, it is never clear what proration percentages will be used to fund the new system in the future as this is determined annually by Congress through the budgetary process.
- Budget deficits and funding for the Departments of Defense and Homeland Security will probably result in reduced appropriations for domestic program spending which will place further pressure on day to day operations.
- At the close of FY 2009, the funding and collection of low rent public housing end of year utility adjustments has been halted, and will not restart as the result of changes in the Operating Fund subsidy program regulations.
- Health care and other insurance costs are expected to increase dramatically over the next several years.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

CONCLUSION

Overall, the Manistee Housing Commission's net asset position slipped a bit this year. Personnel turnover and continued efforts to implement software have increased expenses. The management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development.

FINANCIAL CONTACT

This financial report is designed to provide our residents, the citizens of Manistee, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. If you have any questions regarding these financial statements or supplemental information, you may contact Clinton McKinven-Copus, Executive Director, at (231) 723-6201 or by writing: City of Manistee Housing Commission, 273 6th Avenue, Manistee, Michigan 49660.

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	242,613
Cash and Cash Equivalents - Restricted		98,003
Due From Other Governments		18,551
Receivables - Net of Allowance		10,096
Deferred Charges and Other Assets		<u>52,417</u>

TOTAL CURRENT ASSETS 421,680

NONCURRENT ASSETS

Fixed Assets - Net of Accumulated Depreciation		<u>3,310,129</u>
--	--	------------------

TOTAL ASSETS 3,731,809

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable		69,974
Accrued Salaries, Wages and Compensated Absences		32,918
Due To Other Governments		34,745
Trust and Deposit Liabilities		51,569
Deferred Revenue		<u>38,033</u>

TOTAL CURRENT LIABILITIES 227,239

NONCURRENT LIABILITIES

Debt		500,000
Accrued Salaries, Wages and Compensated Absences		<u>31,420</u>

TOTAL NONCURRENT LIABILITIES 531,420

TOTAL LIABILITIES 758,659

NET ASSETS

Invested in Capital Assets, Net of Related Debt		2,810,129
Unrestricted		<u>163,021</u>

TOTAL NET ASSETS 2,973,150

TOTAL LIABILITIES AND NET ASSETS \$ 3,731,809

"SEE INDEPENDENT AUDITOR'S REPORT"
"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUES:

Federal Grants	\$	986,467
Dwelling Rental		545,549
Other Revenue		<u>63,163</u>
TOTAL OPERATING REVENUES		1,595,179

OPERATING EXPENSES:

Administrative		526,130
Tenant Services		434,706
Utilities		185,939
Maintenance		424,617
Protective Services		4,118
Insurance		77,634
General Expense		36,532
Payments in Lieu of Taxes		34,745
Bad Debts		10,334
Extraordinary Maintenance		3,422
Depreciation		<u>302,775</u>
TOTAL OPERATING EXPENSES		<u>2,040,952</u>

OPERATING LOSS (445,773)

NON - OPERATING REVENUE (EXPENSES):

Interest and Investment Income		3,202
Capital Grants		<u>393,362</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)		<u>396,564</u>

CHANGE IN NET ASSETS (49,209)

TOTAL NET ASSETS - BEGINNING		3,018,637
PRIOR PERIOD ADJUSTMENT		<u>3,722</u>
TOTAL NET ASSETS - RESTATED		<u>3,022,359</u>
TOTAL NET ASSETS - ENDING	\$	<u><u>2,973,150</u></u>

"SEE INDEPENDENT AUDITOR'S REPORT"
"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from HUD	\$ 987,017
Cash Received from Tenants	543,950
Cash Payments for Administrative	(479,844)
Cash Payments for Other Operating Expenses	(1,136,735)
Other Income	<u>95,776</u>
NET CASH USED BY OPERATING ACTIVITIES	10,164
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contributed Capital for Capital Grants	417,068
Acquisition of Capital Assets	<u>(422,838)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,770)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Investment Income	<u>3,202</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,202</u>
INCREASE IN CASH AND CASH EQUIVALENTS	7,596
CASH AND CASH EQUIVALENTS, BEGINNING	<u>333,020</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ <u><u>340,616</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS	
Cash and Cash Equivalents	\$ 242,613
Restricted Cash and Cash Equivalents	<u>98,003</u>
CASH AND CASH EQUIVALENTS, ENDING	\$ <u><u>340,616</u></u>

"SEE INDEPENDENT AUDITOR'S REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES:

Operating Loss	\$	(445,773)
Adjustments to Reconcile Operating Loss to Net Cash used by Operating Activities		
Depreciation		302,775
Bad Debts		10,334
 (Increase) Decrease in:		
Receivables - Net of Allowance		(7,631)
Due From Other Governments		550
Deferred Charges and Other Assets		(554)
 Increase (Decrease) in:		
Accounts Payable		73,812
Accrued Wages, Salaries, and Compensated Absences		39,433
Due to Other Governments		(1,427)
Trust and Deposit Liabilities		6,478
Deferred Revenue		(446)
Deferred Credits and Other Liabilities		<u>32,613</u>
NET CASH USED BY OPERATING ACTIVITIES	\$	<u>10,164</u>

"SEE INDEPENDENT AUDITOR'S REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

CITY OF MANISTEE HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Manistee Housing Commission (the "Commission"), pertain to the financial activities of the Commission as a component unit of the City of Manistee, Michigan.

Organization and Reporting Entity

The Commission is a Public Housing Authority created by the City of Manistee on August 30, 1968, consisting of a five-member board appointed by the City of Manistee and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. An executive director is appointed by the Commission's Board to manage the day-to-day operations of the Commission. The Commission operates under the provisions of the U.S. Housing Act of 1937 (the "Act"). The Act, as amended, empowers the Commission to perform planning, construction, financing, maintenance, and management of the public housing developments in the City of Manistee.

Grants and Other Intergovernmental Revenues

The Commission has entered into contracts with the U.S. Department of Housing and Urban Development ("HUD"). Under Contract C-3077, the Commission constructed, maintains, and operates 220 units of subsidized housing in the City of Manistee, Michigan.

Basis of Accounting

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Commission follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Government activities, which normally are supported by intergovernmental (grant) revenues, are reported separately from any business-type activities, which would rely to a significant extent on fees and charges for support. All of the Commission's activities are considered business activities.

The Commission's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The Commission uses Enterprise Funds to maintain its financial records on an accrual basis. Under the accrual basis of accounting, revenues are recorded when earned, regardless of when received, and expenses are recorded when incurred, regardless of when paid.

The Commission also considers all revenues and expenses to be operating, as required by HUD, except capital funding, which is considered nonoperating income, as required by HUD.

Fund Accounting

The Commission maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is designed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in self-balancing groups of accounts and accounting entities that are separate from the activities reported in other funds.

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Low-Rent Housing Program Fund - This fund is used to account for the components of the Low-Rent Housing Programs subsidized by HUD. A summary of each of these programs is provided below.

Conventional Public Housing Program - Under the Conventional Public Housing Program (CFDA #14.850), the Commission owns and manages dwelling units, which it rents to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC # C-3012) with HUD. HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a flat rate or a rate based upon 30% of household income, depending on the circumstances and choice of the renter. The Conventional Public Housing Program also includes the Capital Fund Program (CFDA # 14.872), which is the primary funding source for physical and management improvements to the Commission owned properties and its operations.

MSHDA Domestic Violence Program - Under the MSHDA Domestic Violence Program, the Commission administers the program to assist families in need of housing locate and end homelessness. The program is a 10 year plan that will allow families to have permanent housing. Tenants pay rent based on 30% of income through a HARP Voucher, however, is not limited only to those that receive the HARP Voucher. The grant is a 40 year loan that a portion is forgiven every 10 years until the balance is gone.

Youth Build Activity Program - Under the Youth Build Activity Program (CDFA #14.243), the Commission administers the program and oversees the activities as the coordinator. The program is operated by the CASMAN Academy and has a separate board that oversees their activities.

Business Activities - Under Business Activities, the Commission administers the MSHDA Domestic Violence Program. It is through this fund that the management fees are charged to oversee the MSHDA Domestic Violence Program.

General Budget Policies

The Commission adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level.

Use of Estimates

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

Cash and Cash Equivalents

Cash consists of cash on hand held by depository institutions and trustees in the Commission's name. For the purpose of the statement of cash flows, the Commission considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash accounts represents amounts held for security deposits and other cash restricted for specific programs by HUD.

Tenant Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants accounts receivable balances primarily consist of rents past due and vacated tenants.

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Allowance for Doubtful Accounts

The allowance for doubtful accounts is the amount necessary, in management's judgment to adequately reflect the net realizable balance of the accounts receivable.

Tenant Security Deposits

Tenant security deposits represents amounts withheld from tenants of the low-income rental project.

Capital Assets

Capital assets are recorded at historical cost at the date of acquisition. Assets are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	40 Years
Improvements	15 Years
Equipment and Vehicles	5 Years
Furniture	5 Years

The Commission has established a capitalization threshold of \$300.

Construction in Progress

Construction in progress consists of capital projects in process primarily funded by the Capital Grant Program.

Compensated Absences

The Commission's employees are granted vacation and sick pay in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and upon retirement, termination or death, may be compensated for certain amounts at their current rate of pay. The amount of vacation and sick pay recognized as expense is the amount earned by the employees each year.

In the propriety fund, the compensated absences are expensed when earned with the amount reported as fund liability.

Net Assets

Net assets consist of investment in capital assets, restricted net assets, and unrestricted net assets. Restricted net assets include the accumulation of contributions in the form of cash or other assets which generally do not have to be returned to the contributor. These funds are restricted by HUD as to use and must be approved before expending. Unrestricted assets are designated for use for program expenditures in future periods.

Due From/To Other Programs

Interprogram receivables and payables as of December 31, 2009 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

Deferred Revenue

Deferred revenue consists of cash received from residents of the Low Rent Housing Program for rent in advance of their actual due date.

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property Taxes

The Commission is a participant in a tax abatement program providing for payments in lieu of property taxes ("PILOT"). The payments are computed at 9.75% of rental income less utilities expense.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed. Prepaid expenses consist primarily of prepaid insurance.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The Commission's cash deposits are summarized below and were held by the Commission's bank in the Commission's name. The cash deposit was covered by a combination of federal depository insurance and securities held by the pledging financial institution trust department or agent in the Commission's name. The carrying amount of the Commission's deposits and the corresponding bank balances differ due to outstanding checks and other in-transit items. The carrying amount includes petty cash and cash on hand of \$496.

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
FDIC Insured Cash Deposits	\$ <u>299,191</u>	\$ <u>41,425</u>	\$ <u>-0-</u>	\$ <u>340,616</u>	\$ <u>340,616</u>

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the entity's name).

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

As of December 31, 2009, the Commission had the following cash and investments, the use of which was restricted under the terms of various grant programs, debt obligations, and other requirements.

<u>Cash</u>	
Conventional Program:	
Tenant Security Deposits	\$ 49,308
MSHDA Domestic Violence Program:	
Tenant Security Deposits	2,261
Operating Reserve	<u>46,434</u>
Total Restricted Cash	\$ <u>98,003</u>

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 4 - CAPITAL ASSETS

The following is a summary:

	<u>2009</u>
Land	\$ 312,216
Buildings	7,980,371
Furniture and Equipment - Dwell	217,813
Furniture and Equipment - Admin	466,375
Leasehold Improvements	72,192
Construction in Progress	<u>241,424</u>
Property and Equipment	9,290,391
Accumulated Depreciation	<u>(5,980,262)</u>
Capital Assets, Net of Accumulated Depreciation	\$ <u>3,310,129</u>

The following is a summary of changes:

	Balance <u>January 1, 2009</u>	Additions (Deletions) <u>Net</u>	Balance <u>December 31, 2009</u>
Land	\$ 312,216	\$ -0-	\$ 312,216
Building	7,785,974	194,397	7,980,371
Furniture and Equipment - Dwell	208,936	8,877	217,813
Furniture and Equipment - Admin	352,148	114,227	466,375
Leasehold Improvements	72,192	-0-	72,192
Construction in Progress	<u>165,563</u>	<u>75,861</u>	<u>241,424</u>
Total Capital Assets	8,897,029	393,362	9,290,391
Accumulated Depreciation	<u>(5,677,488)</u>	<u>(302,774)</u>	<u>(5,980,262)</u>
Capital Assets, Net of Accumulated Depreciation	\$ <u>3,219,541</u>	\$ <u>90,588</u>	\$ <u>3,310,129</u>

Depreciation expense for the year ended December 31, 2009 was \$294,504.

The following summarizes the change in Capital Assets as of December 31, 2009:

Beginning Balance	\$ 3,219,541
Additions	393,363
Prior Period Adjustment	-0-
Retirements Net of Depreciation	-
Depreciation	<u>(302,775)</u>
Ending Balance	\$ <u>3,310,129</u>

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 5 - CHANGE IN UNRESTRICTED NET ASSETS

The following summarizes the change in Unrestricted Net Assets as of December 31, 2009:

Beginning Balance	\$	299,095
Results of Operations		(49,209)
Adjustments:		
Depreciation (1)		302,775
Disposal of Assets		-
Adjusted Results from Operations		253,566
Capital Expenditures		(393,362)
Prior Period Adjustment		3,722
Ending Balance	\$	163,021

NOTE 6 - LONG TERM DEBT

A roll-forward of the Authority's long-term debt in 2009 is as follows:

		<u>Balance</u> <u>January 1, 2009</u>	<u>Net</u> <u>Change</u>		<u>Balance</u> <u>December 31, 2009</u>
Mortgage 1	\$	166,000	\$ -0-	\$	166,000
Mortgage 2		160,000	-0-		160,000
Mortgage 3		174,000	-0-		174,000
Total Notes Payable	\$	500,000	\$ -	\$	500,000

The detail of the Authority's long term debt at year end is as follows:

Notes Payable to MSHDA, a government agency, non-interest bearing, \$326,000 maturing December 2047 and \$174,000 maturing December 2048.. These are three forgivable mortgages secured by property and buildings. If the properties mortgaged are continuously used in the Domestic Violence program, the mortgages are forgivable over the 40 year term; 25% for each 10 years that the houses stay in the program. The Commission is required by the loan agreement to deposit money each year in a reserve account to cover maintenance and repairs for the homes over the term of the loans. The amount deposited in the reserve account as of December 31, 2009 is \$46,434.

NOTE 7 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Commission has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the insurance coverage in any of the past three fiscal years.

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 8 - DEFINED BENEFIT PENSION PLAN

The Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Commission participates in the Municipal Employees' Retirement System of Michigan ("MERS"), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800)767-6377.

Funding Policy

The Commission is not required to contribute to the plan. The Commission's eligible employees are required to contribute 6% of annual covered payroll to participate in the plan. The contribution requirements of the Commission are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and amended by the Commission's Board depending on the MERS contribution program adopted by the Commission.

Annual Pension Costs

For the year ended December 31, 2009, the Commission's annual pension cost of \$7,200 for MERS was equal to the administrative fees charged by MERS. The Commission is not required to contribute to the plan per the MERS contribution program adopted by the Commission.

NOTE 9 - POST RETIREMENT BENEFITS

Change in Accounting - The Governmental Accounting Standards Board (GASB) issued statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, in 2004.

GASB Statement No. 45 establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) and related liabilities and note disclosures in other plans in which the Commission participates. GASB No. 45 was effective for the Commission for the year beginning January 1, 2009. Current Year Expenses include the current year "pay-as-you-go" amount and the recognition of the unfunded current year actuarial recommended contribution (ARC) in the governmental activities. This change had no impact on beginning net assets. The changes in financial reporting as a result of this statement are outlined below.

Plan Description - The Commission employees who participated and retired under the pension plan, described in Note 8, will have the option of maintaining Blue Cross/Blue Shield for themselves and their dependents, the group premium for which will be paid 50% by the employer and 50% by the employee or spouse upon receipt of an invoice for the same. Employees who do not participated under the pension plan, described in Note 8, shall have the same option available upon retirement. Currently, one retired employee receives this benefit. The expense is recognized by the Commission as the payments to the employees are made. During the year ended December 31, 2009, the Commission paid \$5,784.

Funding Policy - The Commission has no obligation to make contributions in advance of when insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The Commission has made no contributions in advance.

Funding Process - For the year ended December 31, 2009, the Commission has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB No. 45. The study computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize an unfunded actuarial liabilities over a period not to exceed 30 years. This chart was not available when the audit was completed.

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants

The Commission received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Commission. The amount, if any, of disbursements which may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

Litigation and Claims

In the normal course of operations, the Commission may be subject to litigation and claims. At December 31, 2009, the Commission was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

NOTE 11 -PRIOR PERIOD ADJUSTMENTS

The Commission recorded an adjustment to correct net assets, which was understated as of December 31, 2009. The adjustment increased the reported net asset amount by \$3,722.

"SEE INDEPENDENT AUDITOR'S REPORT"

CITY OF MANISTEE HOUSING COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets {a}	Actuarial Liability {AAL} -Entry Age {b}	Unfunded AAL (UAAL) {b-a}	Funded Percent {a/b}	Covered Payroll {c}	UAAL as a Percentage of Covered Payroll
12/31/2009	\$ 405,962	\$ 323,364	\$ (82,598)	126%	\$ 462,192	0.00%
12/31/2008	\$ 373,361	\$ 290,024	\$ (83,337)	129%	\$ 328,437	0.00%
12/31/2007	\$ 347,061	\$ 275,646	\$ (71,415)	126%	\$ 298,313	0.00%
12/31/2006	\$ 317,826	\$ 222,115	\$ (95,711)	143%	\$ 267,847	0.00%
12/31/2005	\$ 276,658	\$ 180,160	\$ (96,498)	154%	\$ 254,191	0.00%

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
DECEMBER 31, 2009

FDS Line		Total	Total	Central				
Item No.	Account Description	Projects	Programs	Office Cost	Center	Subtotal	Elimination	Total

ASSETS								
111	Cash - Unrestricted	\$242,613	\$0	\$0		\$242,613	\$0	\$242,613
113	Cash - Other Restricted	0	46,434	0		46,434	0	46,434
114	Cash - Tenant Security Deposits	49,308	2,261	0		51,569	0	51,569
100	TOTAL CASH	291,921	48,695	0		340,616	0	340,616
121	Accounts Receivable - PHA Projects	0	0	0		0	0	0
122	Accounts Receivable - HUD Other Projects	4,456	14,095	0		18,551	0	18,551
125	Accounts Receivable - Misc	0	100	0		100	0	100
126	A/R Tenants - Dwelling Rents	16,471	1,760	0		18,231	0	18,231
126.1	Allowance for Doubtful Accounts	(8,235)	0	0		(8,235)	0	(8,235)
129	Accrued Interest Receivable	0	0	0		0	0	0
120	TOTAL ACCOUNTS RECEIVABLE	12,692	15,955	0		28,647	0	28,647
142	Prepaid Expenses & Other Assets	52,417	0	0		52,417	0	52,417
144	Interprogram Due From	28,826	42,057	0		70,883	(70,883)	0
150	TOTAL CURRENT ASSETS	385,856	106,707	0		492,563	(70,883)	421,680
161	Land	312,216	0	0		312,216	0	312,216
162	Buildings	7,621,666	358,705	0		7,980,371	0	7,980,371
163	Furniture and Equipment - Dwellings	217,813	0	0		217,813	0	217,813
164	Furniture and Equipment - Administrative	446,461	19,914	0		466,375	0	466,375
165	Leasehold Improvement	72,192	0	0		72,192	0	72,192
166	Accumulated Depreciation	(5,960,149)	(20,113)	0		(5,980,262)	0	(5,980,262)
167	Construction in Progress	241,424	0	0		241,424	0	241,424
160	TOTAL FIXED ASSETS, NET	2,951,623	358,506	0		3,310,129	0	3,310,129
180	TOTAL NON-CURRENT ASSETS	2,951,623	358,506	0		3,310,129	0	3,310,129
190	TOTAL ASSETS	\$3,337,479	\$465,213	\$0		\$3,802,692	(\$70,883)	\$3,731,809

LIABILITIES								
312	Accounts Payable <=90 Days	\$44,711	\$25,263	\$0		\$69,974	\$0	\$69,974
321	Accrued Wages/Payroll Taxes	17,193	5,311	0		22,504	0	22,504
322	Accrued Compensated Absences	10,414	0	0		10,414	0	10,414
331	Accounts Payable - HUD	0	0	0		0	0	0
333	Accounts Payable - Other Governments	34,745	0	0		34,745	0	34,745
341	Tenant Security Deposits	49,308	2,261	0		51,569	0	51,569
342	Deferred Revenue	15,287	22,746	0		38,033	0	38,033
343	Current Portion of L-T Debt - Capital Projects	0	0	0		0	0	0
345	Other Current Liabilities	0	0	0		0	0	0
347	Interprogram Due To	52,910	17,973	0		70,883	(70,883)	0
310	TOTAL CURRENT LIABILITIES	224,568	73,554	0		298,122	(70,883)	227,239
353	Non-current Liabilities - Other	0	500,000	0		500,000	0	500,000
354	Accrued Compensated Absences - Noncurrent	31,420	0	0		31,420	0	31,420
350	TOTAL NONCURRENT LIABILITIES	31,420	500,000	0		531,420	0	531,420
300	TOTAL LIABILITIES	255,988	573,554	0		829,542	(70,883)	758,659
EQUITY								
508.1	Invested in Capital Assets, Net of Related Debt	2,951,623	(141,494)	0		2,810,129	0	2,810,129
512.1	Unrestricted Net Assets	129,868	33,153	0		163,021	0	163,021
513	TOTAL EQUITY	3,081,491	(108,341)	0		2,973,150	0	2,973,150
600	TOTAL LIABILITIES AND EQUITY	\$3,337,479	\$465,213	\$0		\$3,802,692	(\$70,883)	\$3,731,809

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
DECEMBER 31, 2009

FDS Line		Total	Total	Central				
Item No.	Account Description	Projects	Programs	Office Cost	Center	Subtotal	Elimination	Total

REVENUE								
70300	Net Tenant Rental Revenue	\$519,662	\$17,192	\$0		\$536,854	\$0	\$536,854
70400	Tenant Revenue - Other	8,630	65	0		8,695	0	8,695
70500	TOTAL TENANT REVENUE	528,292	17,257	0		545,549	0	545,549
70600	PHA HUD Grants	513,865	472,602	0		986,467	0	986,467
70610	Capital Grants	212,120	181,242	0		393,362	0	393,362
71100	Investment Income - Unrestricted	2,556	646	0		3,202	0	3,202
71500	Other Revenue	38,502	24,661	0		63,163	0	63,163
70000	TOTAL REVENUE	1,295,335	696,408	0		1,991,743	0	1,991,743

EXPENSES								
91100	Administrative Salaries	161,665	52,207	0		213,872	0	213,872
91200	Auditing Fees	8,225	0	0		8,225	0	8,225
91400	Advertising and Marketing	0	0	0		0	0	0
91500	Employee Benefit Contribution - Administrative	117,810	918	0		118,728	0	118,728
91600	Office Expense	0	0	0		0	0	0
91700	Legal Expense	12,446	0	0		12,446	0	12,446
91800	Travel Expense	5,304	0	0		5,304	0	5,304
91900	Other	164,215	3,340	0		167,555	0	167,555
92400	Tenant Services - Other	(3,323)	438,029	0		434,706	0	434,706
93100	Water	39,929	870	0		40,799	0	40,799
93200	Electricity	90,883	2,144	0		93,027	0	93,027
93300	Gas	50,027	2,086	0		52,113	0	52,113
94100	Ordinary Maintenance and Operation - Labor	179,335	0	0		179,335	0	179,335
94200	Ordinary Maintenance and Operation - Materials	37,601	170	0		37,771	0	37,771
94300	Ordinary Maintenance and Operation - Cont Cost	84,780	20,869	0		105,649	0	105,649
94500	Employee Benefit Contribution - Rod Maintenance	101,862	0	0		101,862	0	101,862
95200	Protective Services - Other Contract Costs	2,791	1,327	0		4,118	0	4,118
96100	Insurance Premiums	77,634	0	0		77,634	0	77,634
96200	Other General Expenses	405	36,127	0		36,532	0	36,532
96210	Compensated Absences	0	0	0		0	0	0
96300	Payments in Lieu of Taxes	34,745	0	0		34,745	0	34,745
96400	Bad Debts - Tenant Rents	10,334	0	0		10,334	0	10,334
96900	TOTAL OPERATING EXPENSES	1,176,668	558,087	0		1,734,755	0	1,734,755
97000	EXCESS OPERATING REVENUE OVER EXPENSES	118,667	138,321	0		256,988	0	256,988
OTHER EXPENSES								
97100	Extraordinary - Maintenance	3,422	0	0		3,422	0	3,422
97200	Casualty Losses - Non Capitalized	0	0	0		0	0	0
97400	Depreciation Expense	291,813	10,962	0		302,775	0	302,775
90000	TOTAL EXPENSES	1,471,903	569,049	0		2,040,952	0	2,040,952
OTHER FINANCING SOURCES (USES)								
10010	Operating Transfer In	41,429	0	0		41,429	0	41,429
10020	Operating Transfer Out	(41,429)	0	0		(41,429)	0	(41,429)
	TOTAL OTHER FINANCING SOURCES (USES)	0	0	0		0	0	0
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(176,568)	127,359	0		(49,209)	0	(49,209)
11030	Beginning Equity	3,093,009	(74,372)	0		3,018,637	0	3,018,637
11040	Prior Period Adjustments, Equity Transfers	165,050	(161,328)	0		3,722	0	3,722
	ENDING EQUITY	\$3,081,491	(\$108,341)	\$0		\$2,973,150	\$0	\$2,973,150

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
DECEMBER 31, 2009

				Central			
FDS Line		Total	Total	Office Cost			
Item No.	Account Description	Projects	Programs	Center	Subtotal	Elimination	Total

11190	Unit Months Available	2,580	36	0	2,616	0	2,616
11210	Unit Months Leased	2,142	36	0	2,178	0	2,178
11270	Excess Cash	19,457	0	0	19,457	0	19,457
11610	Land Purchases	0	0	0	0	0	0
11620	Building Purchases	373,448	0	0	373,448	0	373,448
11630	Furniture & Equipment - Dwelling Purchases	0	0	0	0	0	0
11640	Furniture & Equipment - Administrative Purchases	0	0	0	0	0	0
11650	Leasehold Improvements Purchases	0	0	0	0	0	0

CITY OF MANISTEE HOUSING COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2009

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing Program	14.850a	368,745 *
Public and Indian Housing Capital Fund Program	14.872	357,240 *
Resident Opportunity and Supportive Services	14.870	210,060
Formula Capital Fund Stimulus Grant	14.885	178,795
Opportunities For Youth - Youthbuild Program	14.243	<u>264,989</u>
Total Federal Assistance		\$ <u><u>1,379,829</u></u>

* Indicates Major Program

"SEE THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"

CITY OF MANISTEE HOUSING COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards presents the activity of all federal financial assistance programs of the City of Manistee Housing Commission and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A - 133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE 2 - SUBRECIPIENT AWARDS

Of the federal expenditures presented in the schedule, the City of Manistee Housing Commission provided federal awards to subrecipients as follows:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Description</u>	<u>Amount</u>
Opportunities For Youth - Youthbuild Program	14.243	CASMAN Academy	\$ <u>264,989</u>

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of 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,
City of Manistee Housing Commission
Manistee, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities of the City of Manistee Housing Commission as of and for the year ended December 31, 2009, which collectively comprise City of Manistee Housing Commission's basic financial statements and have issued our report thereon dated September 7, 2010. 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 the City of Manistee 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 the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manistee 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 Commission'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 Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission'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 Commission'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 weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manistee 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 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.

We noted certain matters that we reported to management of the City of Manistee Housing Commission, in a separate letter dated September 7, 2010.

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

Zenk & Associates, P.C.

September 7, 2010

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

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

Board of Commissioners,
City of Manistee Housing Commission
Manistee, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of City of Manistee 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, 2009. The City of Manistee 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 City of Manistee Housing Commission's management. Our responsibility is to express an opinion on the City of Manistee 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; 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 City of Manistee 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 the City of Manistee Housing Commission's compliance with those requirements.

In our opinion, the City of Manistee 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-02.

Internal Control over Compliance

The management of Manistee 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 consider Manistee 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 the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Manistee Housing Commission's internal control over compliance.

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 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 be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for limited purposes 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.

The Manistee Housing Commission's management response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Manistee Housing Commission's management response and, accordingly, we express no opinion on it.

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

Zenk & Associates, P.C.

September 7, 2010

CITY OF MANISTEE HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009

STATUS OF PRIOR FINDINGS

The prior audit report for the year ended December 31, 2008 contained a total of 2 audit findings:

Financial Statement Findings

2008-1	Finding:	Excessive Journal Entries
	Status:	Implemented

Federal Awards Findings

2008-2	Finding:	Significant Deficiency
	Status:	Not Implemented

CITY OF MANISTEE HOUSING COMMISSION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 SECTION .505
 YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under Section .510?	Yes
Major Programs (List):	CFDA# 14.850a Public and Indian Housing Program CFDA# 14.872 Public and Indian Housing Capital Fund Program (CFP)
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All Others
Low Risk Auditee?	Yes

CITY OF MANISTEE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
YEAR ENDED DECEMBER 31, 2009

2. FINDINGS RELATED TO FINANCIAL STATEMENTS
--

There are no findings or questioned costs for the year ended December 31, 2009.

3. FINDINGS RELATED TO FEDERAL AWARDS
--

Finding Reference Number	2009-01
--------------------------	---------

Program Name - Capital Fund Program CDFA# 14.870

Finding Type - Classification errors on the Capital Fund Program reimbursement reports for the draw down of funds.

Criteria - The Commission should take steps necessary to ensure the accuracy and completeness of the Capital Fund Program reimbursement reports for the draw down of funds.

Condition - We noted during the audit that a significant number of classification errors were made when completing the reimbursement reports for Capital Fund Program draw downs of funds.

Questioned Costs - None

Effect -The Commission's Capital Fund Program reimbursement reports for the draw down of funds did not agree with the general ledger. The general ledger had the correct classification for the funds drawn down.

Cause - Numerous classification errors were made when completing the reimbursement reports for the drawn down of funds from the Capital Fund Program.

Recommendations - We recommend that the Commission exercise more care in completing the Capital Fund Program reimbursement reports for the draw down of funds and ensuring that the report agrees to the general ledger.

Management's Response - Numerous adjusting entries were required to correct the general ledger's incorrect balances due to staff's and fee accountant's inaccuracies when entering and reviewing data in the general ledger.

Action Plan - The Commission will take steps to ensure the accuracy and completeness of the Capital Fund Program reimbursement reports for draw down of funds. The final request for funds will be corrected to show the reclassifications of funds.

CITY OF MANISTEE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
YEAR ENDED DECEMBER 31, 2009

3. FINDINGS RELATED TO FEDERAL AWARDS, continued

Finding Reference Number	2009-02
--------------------------	---------

Program Name - Low Income Public Housing Program CDFA# 14.850a

Finding Type - Significant Deficiency

Criteria - It was noted in our review of Low Income Public Housing Program tenants files that during recertification some of the required information was missing.

Condition - The Commission did not ensure that all required information was completed and received.

Questioned Costs - Unknown

Cause/Effect - The Commission did not ensure that required information was complete for Low Income Public Housing Program tenants. As a result, there was a breakdown of internal controls over the compliance of recertification of tenants.

Recommendations - We recommend adequate controls over the completing of recertification of Low Income Public Housing Program tenants to ensure compliance with the program.

Auditee Response - The Commission will review their internal control policies for compliance with Low Income Public Housing Program tenant recertification process.

Management's Response - The Commission will review their internal control policies for compliance with Low Income Public Housing Program tenant recertification process and the required documentation.

Action Plan - The Executive Director will review the program and determine which required documentation should be completed and received in the Low Rent Program.

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners,
City of Manistee Housing Commission
Manistee, Michigan

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have performed the procedure described in the second paragraph of this report, which was agreed upon by the City of Manistee Housing Commission and U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. The City of Manistee Housing Commission is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedures indicated agreement of the electronically submitted information and hard copy as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, Audits of States, Local Government, and Nonprofit Organizations, of the financial statements of the City of Manistee Housing Commission as of the year ended December 31, 2009, and have issued our report thereon dated September 7, 2010. The information in the "Hard Copy Documents" column was included within the scope or was a by-product, of that audit. Further, our opinion on the fair presentation of the supplemental information dated September 7, 2010, was expressed in relation to the general purpose financial statements of the City of Manistee Housing Commission taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditors' report is available in its entirety from the City of Manistee Housing Commission. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

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

Zenk & Associates, P.C.

September 7, 2010

CITY OF MANISTEE HOUSING COMMISSION
 AGREED-UPON PROCEDURES
 DECEMBER 31, 2009

UFRS Rule Information	Hard Copy Documents	Findings
Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDA's	Agrees
Footnotes	Footnotes to audited basic financial statements	Agrees
Type of opinion on FDS	Auditors' supplemental report on FDS	Agrees
Audit findings narrative	Schedule of Findings and Questioned Cost	Agrees
General information	OMB Data Collection Form	Agrees
Financial statement report information	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form	Agrees
Federal program report information	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form	Agrees
Federal agencies required to receive reporting package	OMB Data Collection Form	Agrees
Basic financial statements and auditors' reports required to be submitted electronically	Basic Financial Statements (inclusive of auditors' reports)	Agrees