

CITY OF MANISTEE HOUSING COMMISSION
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
FOR THE YEAR ENDED DECEMBER 31, 2015

CITY OF MANISTEE HOUSING COMMISSION

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INTRODUCTION

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

Report on Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the 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 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 City of Manistee Housing Commission, as of December 31, 2015, and the respective changes in financial position and the cash flows for the year then ended in conformity 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 information on pages 3 through 10 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 City of Manistee Housing Commission's basic financial statements. The financial data schedules, and schedule of actual modernization costs incurred on certain closed projects are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic 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 use 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 financial data schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relating 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 July 7, 2016, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Manistee Housing Commission's internal control over financial reporting and compliance.

Zenk & Associates, P.C.

July 7, 2016

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The assets of the Commission exceeded its liabilities at the close of the current fiscal year by \$2,102,507 (net position) as opposed to \$2,123,477 for the prior fiscal year.
- The Commission's cash and investments balance as of the close of the current fiscal year was \$544,799, representing a decrease of \$13,764 from the prior fiscal year.
- The Commission had total revenues of \$1,505,703 and total expenses of \$1,589,390 for the current fiscal year. Revenues increased by \$46,700 and Expenses decreased by \$74,411.
- The Commission expended \$175,488 in Capital Grant Funding (Hard Costs) for improvements to the Public Housing units.

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE Commission

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

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

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

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

	<u>2015</u>	<u>2014</u>	<u>Total Change</u>	<u>% Change</u>
Current and Other Assets	\$589,259	\$613,758	(\$24,499)	-3.99%
Capital Assets and Other Assets	3,337,976	3,366,972	(28,996)	-0.86%
Deferred Outflow of Resources	<u>8,476</u>	<u>0</u>	<u>8,476</u>	100.00%
Total Assets and Deferred Outflows of Resources	3,927,235	3,980,730	(53,495)	-1.34%
Current and Other Liabilities	189,034	181,153	7,881	4.35%
Long-Term Liabilities	<u>1,644,170</u>	<u>1,676,100</u>	<u>(31,930)</u>	-1.91%
Total Liabilities	1,833,204	1,857,253	(24,049)	-1.29%
Invested in Capital Assets, Net of Related Debt	1,626,949	1,687,719	(60,770)	-3.60%
Unrestricted	<u>475,558</u>	<u>435,758</u>	<u>39,800</u>	9.13%
Total Net Position	<u>2,102,507</u>	<u>2,123,477</u>	<u>(20,970)</u>	-0.99%
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$3,935,711</u></u>	<u><u>\$3,980,730</u></u>	<u><u>(\$45,019)</u></u>	-1.13%

As illustrated in the Combined Statement of Net Position, the overall Net Position of the Commission decreased by \$20,970. The “Invested in Capital Assets, Net of Related Debt” decreased by \$60,770 as a result of current year payments of the EPC Loan in Public Housing and depreciation. Unrestricted Net Position increased by \$39,800 due to operations and decrease in Net Invested in Capital Assets. Current Assets decreased by \$24,499 due to the receivable from HUD for grant funding received this year. Current Liabilities increased by \$7,881. Capital Assets decreased by \$81,759 due mostly to depreciation. Non-current Liabilities decreased \$31,930 primarily as the result of a current payment of EPC Loan.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Net Position 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 Position
TABLE II

	<u>2015</u>	<u>2014</u>	<u>Total Change</u>
Tenant Revenues	\$583,498	\$624,766	(\$41,268)
Grant Funding	820,639	628,276	192,363
Other Revenue	101,566	205,961	(104,395)
	<hr/>	<hr/>	<hr/>
Total Revenue	1,505,703	1,459,003	46,700
Administrative	478,027	377,402	100,625
Tenant Services	70,515	61,456	9,059
Utilities	178,069	191,860	(13,791)
Maintenance	342,981	488,714	(145,733)
General	235,973	237,002	(1,029)
Depreciation	283,825	307,367	(23,542)
	<hr/>	<hr/>	<hr/>
Total Expenses	1,589,390	1,663,801	(74,411)
Change in Net Position	(83,687)	(204,798)	121,111
Beginning Net Position	2,123,477	2,327,061	(203,584)
Transfer of Equity/PP Adj	62,717	1,214	61,503
	<hr/>	<hr/>	<hr/>
Ending Net Position	<u>\$2,102,507</u>	<u>\$2,123,477</u>	<u>(\$20,970)</u>

Other revenue represents insurance claims, laundry income, other tenant revenue and interest income.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

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

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

	Low Rent Public Housing/Capital <u>Fund Program</u>	<u>State/Local</u>	<u>Total</u>
Tenant Revenues	\$574,125	\$9,373	\$583,498
Grant Funding	820,639	0	820,639
Other Income	100,547	1,019	101,566
	<hr/>	<hr/>	<hr/>
Total Revenue	1,495,311	10,392	1,505,703
Administrative	467,417	10,610	478,027
Tenant Services	70,515	0	70,515
Utilities	178,069	0	178,069
Maintenance	339,111	3,870	342,981
Protective Services	0	0	0
General	233,563	2,410	235,973
Depreciation	273,969	9,856	283,825
	<hr/>	<hr/>	<hr/>
Total Expenses	1,562,644	26,746	1,589,390
Change in Net Position	(67,333)	(16,354)	(83,687)
Beginning Net Position	2,254,885	(131,408)	2,123,477
Operating Transfers	0	0	0
Transfer of Equity/Adj	62,717	0	62,717
	<hr/>	<hr/>	<hr/>
Ending Net Position	<u>\$2,250,269</u>	<u>(\$147,762)</u>	<u>\$2,102,507</u>

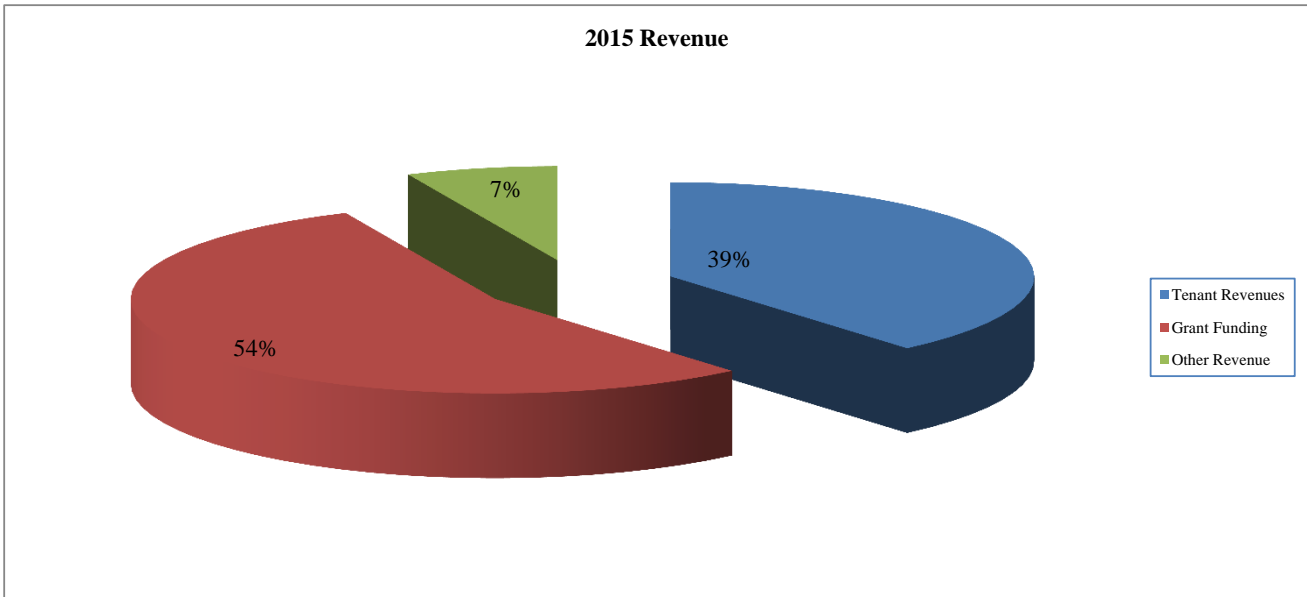
Women's Domestic Violence Program listed under State/Local Program had tenant revenue of \$9,373.

State/Local Program ending net position is (\$147,762), which is attributed mostly to prior period losses.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

REVENUES

In reviewing the Statement of Revenues, Expenses, and Net Position, you will note that 54% 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 39% of total revenue. Other Revenue include Interest from Investments, insurance claims, laundry income, comprised the remaining 7%. Compared to the Fiscal Year Ended December 31, 2014, revenues had an overall increase of \$46,700 (3.20%) due to an increase in grant funding.



Tenant Revenue - Tenant Revenue decreased from \$624,766 to \$583,498, a decrease of 7%.

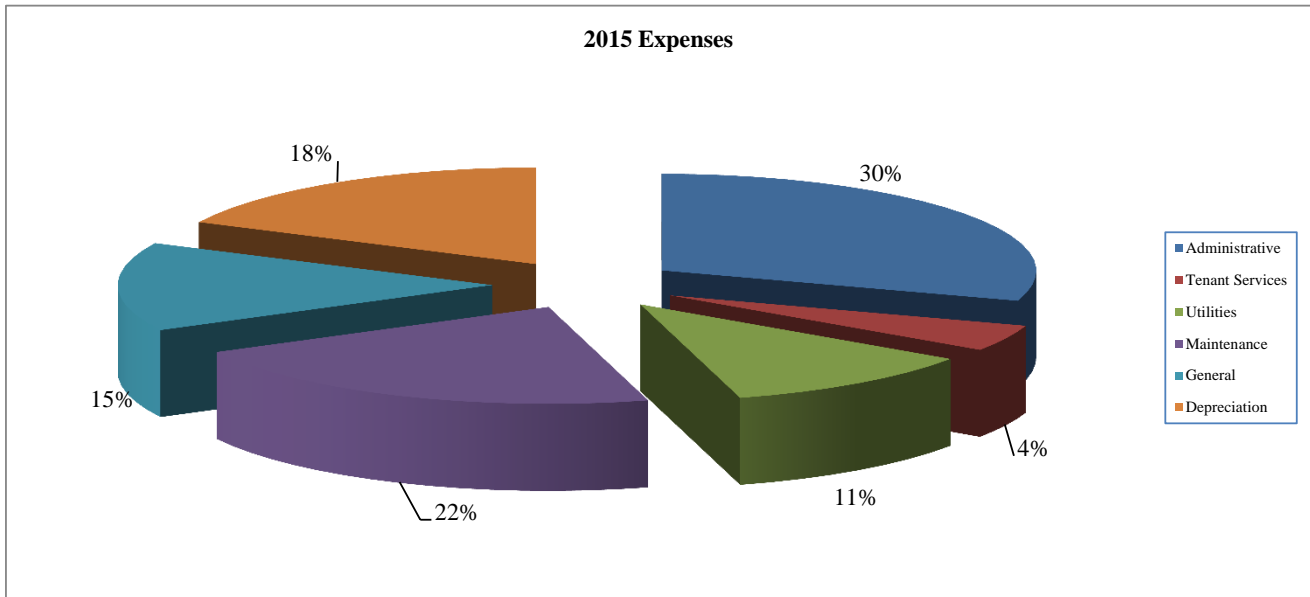
Program Grants/Subsidies – Grant revenue increased \$192,363 (31%) compared to the previous year. This was due to an increase Capital Grant funding and a decrease in operating subsidy.

Other Revenue - Other Revenue decreased from \$205,961 to \$101,566, an decrease of 51%.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

EXPENSES

The City of Manistee Housing Commission experienced a decrease in expenses for the current year from \$1,663,801 to \$1,589,390 or \$74,411 (4.47%). 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. Administrative costs increased by \$100,625 (27%), resulting from increases in salaries, benefits, and sundry administrative costs.

Tenant Services – Tenant Services costs include all costs incurred by the Commission to provide social services to the residents. Tenant services costs increased by \$9,059 (15%) due to increased program activity.

Utilities - The total utilities expense for the Commission decreased by \$13,791 (7%).

Maintenance – Maintenance costs are all costs incurred by the Commission 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 Commission decreased by \$145,733 (30%) primarily due to decrease in materials.

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 decreased by \$1,029 (less than 1%) due to decreases 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 decreased by \$23,542 (8%) as a result of more assets being fully depreciated in the prior year.

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

CAPITAL ASSETS

At the end of fiscal year 2015 the Commission had invested in Capital Assets \$3,285,213 net of depreciation. As of December 31, 2015, the total amount in Capital Assets had decreased by \$81,759 to \$3,285,213 from \$3,366,972. The following illustrates the Capital Asset values for 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Land	\$360,272	\$360,272	\$0	0.00%
Buildings	10,005,526	9,959,683	45,843	0.46%
Equipment	779,863	758,718	21,145	2.79%
Construction in Progress	135,078	0	135,078	100.00%
	<u>11,280,739</u>	<u>11,078,673</u>	<u>202,066</u>	<u>1.82%</u>
Accumulated Depreciation	<u>(7,995,526)</u>	<u>(7,711,701)</u>	<u>(283,825)</u>	<u>3.68%</u>
Total Capital Assets	<u><u>\$3,285,213</u></u>	<u><u>\$3,366,972</u></u>	<u><u>(\$81,759)</u></u>	<u><u>-2.43%</u></u>

Some of the major project and additions are as follows:

The Commission had capital assets additions and improvements under the Capital Fund Program in the amount of \$175,488.

The Commission began Modernization of the Harborview elevators in 2015, a project totaling \$371,881. As of December 31, 2015, the Commission expended \$122,698 on this project, with \$52,925 of those funds coming from Capital Fund year 2011 and \$69,773 coming from Capital Fund year 2012. The project is planned to be completed before the end of FY 2016.

LONG-TERM DEBT OBLIGATIONS

As of December 31, 2015, the Commission had \$1,658,264 in long-term debt and capital lease obligations compared to \$1,679,253 at December 31, 2015, for a \$20,989 decrease. The following summarizes these obligations:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Mortgage 1 MSHDA	\$166,000	\$166,000	\$0
Mortgage 2 MSHDA	160,000	160,000	0
Mortgage 3 MSHDA	174,000	174,000	0
Energy Program - Capital Lease	1,158,264	1,179,253	(20,989)
Total Long-Term Debt Obligations	<u><u>\$1,658,264</u></u>	<u><u>\$1,679,253</u></u>	<u><u>(\$20,989)</u></u>

CITY OF MANISTEE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(UNAUDITED)

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.
- Health care and other insurance costs have increased dramatically over the last several years.

CONCLUSION

Overall, the City of Manistee Housing Commission's net position slipped a bit this year. Revenues for the year have increased and expenses have decreased, both by small percentages. Management is continuing efforts to increase revenues. 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 Commission 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 Commission'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.

BASIC FINANCIAL STATEMENTS

CITY OF MANISTEE HOUSING COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	491,277
Cash - Tenant Security Deposits		53,522
Due From Other Governmental Units		4,291
Accounts Receivables - Net		6,737
Prepaid Expenses		33,432
TOTAL CURRENT ASSETS		589,259

NONCURRENT ASSETS

Capital Assets:		
Nondepreciable		495,350
Depreciable		10,785,389
Less: Accumulated Depreciation		(7,995,526)
Net Capital Assets		3,285,213
Other Assets		52,763
TOTAL NONCURRENT ASSETS		3,337,976

Deferred Outflow of Resources		8,476
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TOTAL ASSETS AND DEFERRED OUFLOW OF RESOURCES		\$ 3,935,711
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable		\$27,108
Accrued Liabilities		24,772
Due From Other Governmental Units		37,145
Tenant Security Deposits		53,522
Unearned Revenue		5,704
Accrued Compensated Absences, Current Portion		14,891
Capital Leases - Current Portion		25,892
TOTAL CURRENT LIABILITIES		189,034

NONCURRENT LIABILITIES

Long-Term Debt - Net of Current Portion		500,000
Capital Leases - Net of Current Portion		1,132,372
Accrued Salaries, Wages and Compensated Absences		11,798
TOTAL NONCURRENT LIABILITIES		1,644,170

TOTAL LIABILITIES		1,833,204
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NET POSITION

Invested in Capital Assets, Net of Related Debt		1,626,949
Unrestricted		475,558
TOTAL NET POSITION		2,102,507

TOTAL LIABILITIES AND NET POSITION		\$ 3,935,711
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"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 POSITION
YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES:		
Tenant Revenues	\$	583,498
Program Grants - Subsidies		645,151
Other Revenue		<u>100,416</u>
TOTAL OPERATING REVENUES		1,329,065
OPERATING EXPENSES:		
Administrative		478,027
Tenant Services		70,515
Utilities		178,069
Maintenance		342,981
Insurance		80,974
General		9,130
Payments in Lieu of Taxes		37,145
Bad Debts		33,362
Extraordinary Maintenance/Casualty Losses		500
Depreciation		<u>283,825</u>
TOTAL OPERATING EXPENSES		<u>1,514,528</u>
OPERATING LOSS		(185,463)
NON - OPERATING REVENUE (EXPENSES):		
Interest and Investment Income		1,150
Interest Expense		<u>(74,862)</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)		<u>(73,712)</u>
LOSS BEFORE CONTRIBUTIONS		(259,175)
Capital Contributions		<u>175,488</u>
CHANGE IN NET POSITION		(83,687)
NET POSITION - BEGINNING OF YEAR		<u>2,123,477</u>
Prior Period Adjustment		<u>62,717</u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED		<u>2,186,194</u>
NET POSITION - END OF YEAR	\$	<u><u>2,102,507</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$	582,520
Cash Received from Grants and Subsidies		645,151
Cash Payments to Suppliers for Goods and Services		(772,184)
Cash Payments for Wages and Related Benefits		(445,262)
Other Income		<u>100,416</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		110,641

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Contributed Capital for Capital Grants		185,153
Acquisition of Capital Assets		(214,857)
Payments For Debt Instruments - Principle		(20,989)
Payments For Debt Instruments - Interest		<u>(74,862)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(125,555)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Investment Income		<u>1,150</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>1,150</u>

DECREASE IN CASH AND CASH EQUIVALENTS (13,764)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 558,563

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 544,799

RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Loss		\$ (185,463)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities		
Depreciation		283,825
Bad Debts		33,362
Changes in Assets (Increase) Decrease in:		
Receivables		1,027
Prepaid Expenses		(10,574)
Deferred Outflows of Resources		(8,476)
Changes in Liabilities Increase (Decrease) in:		
Accounts Payable		5,725
Accrued Liabilities		(6,780)
Tenant Security Deposits		(4,520)
Unearned Revenue		<u>2,515</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ <u><u>110,641</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS

Cash and Cash Equivalents		\$ 491,277
Cash - Security Deposits		<u>53,522</u>
CASH AND CASH EQUIVALENTS, ENDING		\$ <u><u>544,799</u></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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the City of Manistee Housing Commission (the "Commission) conform to accounting principles generally accepted in the United States of America as applied to governmental entities.

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

Financial Reporting Entity

The City of Manistee Housing Commission is a discrete component unit of the City of Manistee, Michigan. The Commission is considered to be a component unit of the City because the City Council has the ability to impose its will upon the Commission by appointing and removing a member of the Commission's Board of Commissioners before the expiration of his or her term.

The Commission's financial reporting entity is comprised of the primary government. In determining the financial reporting entity, the Commission complies with the provisions of GASB Statement No. 14, as amended by GASB Statement No. 39, "*The Financial Reporting Entity*" and includes all component units, if any, of which the Housing Commission appoints a voting majority of the units' board; the 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 that meet the criteria.

The City of Manistee Housing Commission was formed by the City of Manistee, Michigan under U.S. Housing Act of 1937. The Commission operates under a Board of Commissioners appointed by the City Mayor.

These financial statements include all activities of the Commission, which includes a Low Income Housing Program (220 units). This program receives subsidies and annual contributions from the Department of Housing and Urban Development ("HUD").

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 the related cash flows.

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 Commission are federal grants and charges to customers for services. Operating expenses include housing assistance payments, administrative expenses, tenant services, maintenance, utilities, 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 Commission's programs:

Project MI078000001 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program and is labeled Harborview in PIC and covers scattered/family sites.

Project MI078000002 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program and is labeled Century Terrace in PIC and covers Century Terrace and Harborview high rises.

MSDA Domestic Violence Program which is a state and local program, accounts for the revenue and related operations of the Domestic Violence Program.

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have an option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

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

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.

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.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses.

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CITY OF MANISTEE HOUSING COMMISSION
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DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost 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 contracted. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is recorded over the estimated useful lives of the assets, using the straight-line method as follows:

Buildings	40 Years
Improvements	15 Years
Equipment	5-10 Years

Compensated Absences

It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provision of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to received sick pay benefits.

Tenant Security Deposits

Tenant security deposits represents amounts withheld from tenants of the public housing low income program and the domestic violence program.

Payments in Lieu of 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.

Unearned Revenue

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

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Position consists of the following:

Invested in Capital Assets - Consists of capital assets at historical cost, net of accumulated depreciation.

Restricted Net Position - Consists of Housing Assistance Payments received from HUD in excess of payments made to landlords. These excess funds can only be used for future landlord payments.

Unrestricted Net Position - Consists of all other assets that do not meet the definition of "restricted" or "Invested in Capital Assets".

Revenue and Expenses

Operating revenue and expenses are those that result from providing services and producing and delivering goods and/or other services. Also included, all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified as operating or nonoperating.

Due From/To Other Programs

Interprogram receivables and payables as of December 31, 2015 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

Deferred Outflows/Inflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission has one item that qualifies for reporting in this category, which is deferred outflows of resources related to the defined pension plan. The deferred outflows of resources result from one transaction: the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Commission does not have any inflows to report in the statement of financial position as of December 31, 2015.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Standard

GASB 68 - Accounting and Financial Reporting for Pension

During the year, the Commission implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As a result of implementing this statement, the beginning net position of business-type activities was increased by \$62,077.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the carrying amount of the Commission's deposits was as follows:

Cash and Cash Equivalents	\$491,277
Cash and Cash Equivalents - Restricted	53,522
Total	<u>544,799</u>
Cash on Hand	300
Deposits	<u>544,499</u>
Total	<u><u>\$544,799</u></u>

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 acceptance 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 a least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the Commission 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.

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CITY OF MANISTEE HOUSING COMMISSION
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 DECEMBER 31, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS, Continued

Interest Rate Risk

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

Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require and the Commission does not have a policy for deposit custodial risk. At year end, \$294,499 of the Commission's bank balance of \$544,499 was exposed to custodial credit risk because it was uninsured, however, it was collateralized with government securities with a market value of \$294,499.

Custodial Credit Risk - Deposits

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

Concentration of Credit Risk

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

Restricted Cash and Investments

As of December 31, 2015, 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	\$52,356
MSHDA Domestic Violence Program:	
Tenant Security Deposits	<u>1,166</u>
Total Restricted Cash	<u><u>\$53,522</u></u>

NOTE 3 - TENANTS' ACCOUNTS RECEIVABLE

The tenants' accounts receivable balance at December 31, 2015 is comprised of the following:

Tenant Receivables	\$13,165
Allowance for Doubtful Accounts	<u>(8,841)</u>
Total Receivables, Net	<u><u>\$4,324</u></u>

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Balance</u> <u>January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2015</u>
Capital Assets not being depreciated				
Land	\$360,272	\$0	\$0	\$360,272
Construction in Progress	<u>0</u>	<u>135,078</u>	<u>0</u>	<u>135,078</u>
Total Capital Assets Not Being Depreciated	360,272	135,078	0	495,350
Capital Assets being depreciated				
Building	9,959,683	45,843	0	10,005,526
Furniture and Equipment - Dwell	244,824	14,418	0	259,242
Furniture and Equipment - Admin	<u>513,894</u>	<u>6,727</u>	<u>0</u>	<u>520,621</u>
Total Capital Assets Being Depreciated	10,718,401	66,988	0	10,785,389
Less Accumulated Depreciation:				
Building	(7,022,052)	(256,649)	0	(7,278,701)
Furniture and Equipment - Dwell	(218,169)	(6,958)	0	(225,127)
Furniture and Equipment - Admin	<u>(471,480)</u>	<u>(20,218)</u>	<u>0</u>	<u>(491,698)</u>
Total Accumulated Depreciation	(7,711,701)	(283,825)	0	(7,995,526)
Capital Assets, Net of Accumulated Depreciation	<u>3,006,700</u>	<u>(216,837)</u>	<u>0</u>	<u>2,789,863</u>
Total Net Capital Assets	<u><u>\$3,366,972</u></u>	<u><u>(\$81,759)</u></u>	<u><u>\$0</u></u>	<u><u>\$3,285,213</u></u>

Depreciation expense for the year ended December 31, 2015 was \$283,825.

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CITY OF MANISTEE HOUSING COMMISSION
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DECEMBER 31, 2015

NOTE 4 - CAPITAL ASSETS, Continued

The following summarizes the change in Capital Assets and Net Invested in Capital Assets as of December 31, 2015:

	Capital Assets	Net Invested in Capital Assets
Beginning Balance	\$3,366,972	\$1,687,719
Additions	202,066	202,066
Prior Period Adjustment	0	0
Payment of Capital Projects Debt	0	20,989
Retirements, Net of Depreciation	0	0
Depreciation	<u>(283,825)</u>	<u>(283,825)</u>
Ending Balance	<u><u>\$3,285,213</u></u>	<u><u>\$1,626,949</u></u>

NOTE 5 - COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended December 31, 2015:

	Balance		Balance	Due Within
<u>Description</u>	<u>2014</u>	<u>Increase</u>	<u>2015</u>	<u>One Year</u>
Accrued Compensated Absences	<u>\$32,460</u>	<u>\$111</u>	<u>(\$5,882)</u>	<u>\$14,891</u>

NOTE 6 - DEBT AND LEASE OBLIGATIONS

MSHDA Mortgages - In 2007, the Commission, through MSHDA, a government agency, borrowed \$326,000 maturing December 2047 and in 2008 borrowed \$174,000 maturing December 2048. These are three forgivable mortgages that are non-interest bearing and 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, 2015 is \$63,599.

The detail of the Commission's long term debt as of the year ended December 31, 2015 is as follows:

	Beginning <u>Balance</u>	Net <u>Change</u>	Ending <u>Balance</u>
Mortgage 1 MSHDA	\$166,000	\$0	\$166,000
Mortgage 2 MSHDA	160,000	0	160,000
Mortgage 3 MSHDA	<u>174,000</u>	<u>0</u>	<u>174,000</u>
Total Notes Payable	<u><u>\$500,000</u></u>	<u><u>\$0</u></u>	<u><u>\$500,000</u></u>

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 6 - DEBT AND LEASE OBLIGATIONS, Continued

Since the MSHDA mortgage payables are forgivable over 40 years there are no future debt service requirements for notes payable as of December 31, 2015.

Capital Lease - In November 2009, the Commission entered into an equipment lease-purchase agreement to acquire equipment under an energy performance contract to upgrade the heating and efficiency of several properties. The total amount of the contract is \$1,287,635, which began in January 2010 and was all committed as of December 31, 2010. Principal payments commenced March 2010. Interest from inception to March 2010 in the amount of \$19,981 was added to principal. The agreement ends in July 2030. The balance as of December 31, 2015 is \$1,158,264. The current portion is \$25,892.

Payments under the agreement are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$25,892	\$73,378	\$99,270
2017	31,244	71,568	102,812
2018	37,079	69,400	106,479
2019	43,432	66,845	110,277
2020	50,342	63,867	114,209
2021-2025	377,941	257,141	635,082
2026-2030	<u>592,333</u>	<u>95,294</u>	<u>687,627</u>
Total Capital Lease Payments	<u>\$1,158,264</u>	<u>\$697,493</u>	<u>\$1,855,757</u>

The detail of the Commission's long term debt as of the year ended December 31, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
MSHDA Mortgages	\$500,000	\$0	\$500,000
EPC Capital Lease	<u>1,179,253</u>	<u>(20,989)</u>	<u>1,158,264</u>
Total Notes Payable	<u>\$1,679,253</u>	<u>(\$20,989)</u>	<u>\$1,658,264</u>

NOTE 7 - PAYMENT IN LIEU OF TAXES

The Commission has executed a Cooperation Agreement with the City of Manistee that provides for tax exemption of the housing projects but requires the Commission to make payments in lieu of taxes for municipal services received based upon a prescribed formula related to rental income. As of December 31, 2015, those payments totaled \$37,145.

NOTE 8 - CONCENTRATION OF REVENUE

The 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 December 31, 2015 was \$820,639 and was 55% of revenue.

NOTE 9 - RISK MANAGEMENT

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

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 10 - CHANGE IN UNRESTRICTED NET POSITION

The following summarizes the change in Unrestricted Net Position as of December 31, 2015:

Beginning Balance	\$435,758
Results of Operations	(83,687)
Adjustments:	
Depreciation	283,825
Change in Debt	(20,989)
Disposal of Assets	0
Adjusted Results from Operations	179,149
Capital Expenditures	(202,066)
Prior Period Adjustment	62,717
Ending Balance	\$475,558

NOTE 11 - LEASE COMMITMENTS

The Commission leases office equipment under an operating lease agreement on a month-to-month basis. Total rent expense amounted to \$2,162 for the year ended December 31, 2015.

NOTE 12 - EMPLOYERS' RETIREMENT SYSTEM

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

Table 2

Benefit Multiplier:	1.50%
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25
	55/15
Final Average Compensation:	5 Years
Member Contributions:	6%
Act 88:	Yes (Adopted 4/1/2005)

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 12 - EMPLOYERS' RETIREMENT SYSTEM, Continued

Employees Covered by Benefit Terms

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	2
Active employees	7

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from \$0 to \$0 based on annual payroll for open divisions. The plan is closed to new employees. The Commission has an annual employer contribution amount of \$0. Employees contribute 6% of their payroll. The amount of employee contributions were \$16,760 as of December 31, 2015.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability was used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date

Actuarial Assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3-4%

Salaries Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.0%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 12 - EMPLOYERS' RETIREMENT SYSTEM, Continued

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate Of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employees contributions will be made at the rates agreed upon for employees assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

Calculating Net Pension Liability (Asset)

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/13	\$403,022	\$465,099	(\$62,077)
Service Cost (entered as a positive number)	21,794		21,794
Interest on Total Pension Liability	33,256		33,256
Changes in benefits	0		
Difference between expected and actual experience	0		
Changes in assumptions	0		
Employer Contributions	0		
Employee Contributions		17,388	(17,388)
Net investment income		29,430	(29,430)
Benefit payments, including employee refunds	(21,636)	(21,636)	0
Administrative expense (negative number)		(1,082)	1,082
Other changes**	0	0	0
Net changes	33,414	24,100	9,314
Balances as of 12/31/14	\$436,436	\$489,199	(\$52,763)

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 12 - EMPLOYERS' RETIREMENT SYSTEM, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the Employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	Sensitivity to Changes in Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
	7.25%	-8.25%	9.25%
Net Pension Liability (Asset) at 12/31/14		(\$52,763)	
Change in Net Pension Liability (NPL)	\$48,833		(\$38,396)
Calculated NPL for your Notes	(\$3,930)	(\$52,763)	(\$91,159)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended 2014, the employer recognized pension expense of \$838. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$0	\$0
Differences in Assumptions	\$0	\$0
Excess (Deficit) Investment Returns	\$8,476	\$0
Contributions Subsequent to the Measurement Date*	\$0	\$0
Total		

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in Net Pension Liability for the year ending 2016.

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CITY OF MANISTEE HOUSING COMMISSION
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NOTE 12 - EMPLOYERS' RETIREMENT SYSTEM, Continued

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended:</u>	
2015	\$2,119
2016	\$2,119
2017	\$2,119
2018	\$2,119
2019	
Thereafter	\$2,119

NOTE 13 - POSTEMPLOYMENT BENEFITS

The Commission does not participate in a postemployment benefits plan. Under the current union contract, the Commission is required to contribute \$100 for each retiree and \$100 for each spouse monthly to help subsidize the premiums for supplemental health insurance.

For the year ended December 31, 2015, the Commission had one covered retiree and contributed \$300.

NOTE 14 - 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. City of Manistee Housing Commission management believes disallowances, if any, would be minimal.

NOTE 15 -PRIOR PERIOD ADJUSTMENTS

The Commission recorded an adjustment to correct net assets, which was overstated for Projects as of December 31, 2015. The adjustment decreased the reported net assets amount by \$62,077. This adjustment was to record net pension liability at year end due to implementation of GASB 68.

The Commission recorded an adjustment to correct net assets, which was overstated for Projects as of December 31, 2015. The adjustment decreased the reported net assets amount by \$640. This adjustment was to record prior period expense.

The breakdown for the Prior Period Adjustment as of December 31, 2015 is as follows:

	<u>Projects</u>	<u>Programs</u>	<u>Total</u>
Equity Transfer	\$0	\$0	\$0
Capital Assets	0	0	0
Income/Expense	(62,717)	0	(62,717)
Total	<u><u>(\$62,717)</u></u>	<u><u>\$0</u></u>	<u><u>(\$62,717)</u></u>

"SEE INDEPENDENT AUDITOR'S REPORT"

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANISTEE HOUSING COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS

	<u>2014</u>
Total Pension Liability	
Service Cost	\$21,794
Interest	33,256
Changes of Benefit Terms	0
Difference between expected and actual experience	0
Changes of assumptions	0
Benefit payments including employee refunds	(21,636)
Other	0
Net Change in Total Pension Liability	<u>33,414</u>
Total Pension Liability beginning	403,022
Total Pension Liability ending	<u><u>\$436,436</u></u>
Plan Fiduciary Net Position	
Contributions-employer	\$0
Contributions-employee	17,388
Net Investment income	29,430
Benefit payments including employee refunds	(21,636)
Administrative expense	(1,082)
Net Change in Plan Fiduciary Net Position	<u>24,100</u>
Plan Fiduciary Net Position beginning	465,099
Plan Fiduciary Net Position ending	<u><u>\$489,199</u></u>
Commission's Net Pension Liability (Asset)	<u><u>(\$52,763)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	112%
Covered Employee Payroll	\$287,136
Commission's Net Pension Liability (Asset) as a percentage of covered employee payroll	-18.38%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be prepared.

CITY OF MANISTEE HOUSING COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF THE NET PENSION LIABILITY (ASSET)

Fiscal Year Ended December 31	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$436,436	\$489,199	(\$52,763)	112.09%	\$287,136	-18.38%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, ten years of

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended December 31	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions Percentage of Covered Payroll
2014	\$0	\$17,388	(\$17,388)	\$287,136	6.06%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, ten years of data will be prepared.

Notes to Schedule of Contributions:

Valuation Date December 31, 2014

Notes Actuarially determined contribution rates are calculated as of December 31, 2015 that is 9 months prior to the beginning of the fiscal year for which the contributions are reported.

Other Information There were no benefit changes during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.5%
Salary Increases	4.5%
Investment rate of return	8.0%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PROJECTS - BALANCE SHEET
 DECEMBER 31, 2015

		MI078000001	
FDS Line		Harborview	
Item No.	Account Description	Apts	Subtotal
	ASSETS		
111	Cash - Unrestricted	\$428,844	\$428,844
113	Cash - Other Restricted	0	0
114	Cash - Tenant Security Deposits	52,356	52,356
100	TOTAL CASH	481,200	481,200
121	Accounts Receivable - PHA Projects	0	0
122	Accounts Receivable - HUD Other Projects	4,291	4,291
125	Accounts Receivable - Misc	2,413	2,413
126	A/R Tenants - Dwelling Rents	13,165	13,165
126.1	Allowance for Doubtful Accounts	(8,841)	(8,841)
129	Accrued Interest Receivable	0	0
120	TOTAL ACCOUNTS RECEIVABLE	11,028	11,028
142	Prepaid Expenses & Other Assets	33,432	33,432
144	Interprogram Due From	0	0
150	TOTAL CURRENT ASSETS	525,660	525,660
161	Land	360,272	360,272
162	Buildings	9,641,163	9,641,163
163	Furniture and Equipment - Dwellings	259,242	259,242
164	Furniture and Equipment - Administrative	520,621	520,621
165	Leasehold Improvement	0	0
166	Accumulated Depreciation	(7,919,552)	(7,919,552)
167	Construction in Progress	135,078	135,078
160	TOTAL FIXED ASSETS, NET	2,996,824	2,996,824
174	Other Assets	52,763	52,763
180	TOTAL NON-CURRENT ASSETS	3,049,587	3,049,587
200	Deferred Outflow of Resources	8,476	8,476
190	TOTAL ASSETS	\$3,583,723	\$3,583,723
	LIABILITIES		
312	Accounts Payable <=90 Days	\$26,858	\$26,858
321	Accrued Wages/Payroll Taxes	9,014	9,014
322	Accrued Compensated Absences	14,891	14,891
331	Accounts Payable - HUD	0	0
333	Accounts Payable - Other Governments	37,145	37,145
341	Tenant Security Deposits	52,356	52,356
342	Unearned Revenue	4,622	4,622
343	Current Portion of L-T Debt - Capital Projects	25,892	25,892
345	Other Current Liabilities	0	0
346	Accrued Liabilities - Other	15,758	15,758
347	Interprogram Due To	2,748	2,748
310	TOTAL CURRENT LIABILITIES	189,284	189,284
351	Long-term Debt, Net of Current -Capital Projects	1,132,372	1,132,372
353	Non-current Liabilities - Other	0	0
354	Accrued Compensated Absences - Noncurrent	11,798	11,798
350	TOTAL NONCURRENT LIABILITIES	1,144,170	1,144,170
300	TOTAL LIABILITIES	1,333,454	1,333,454
	EQUITY/NET POSITION		
508.1	Invested in Capital Assets, Net of Related Debt	1,838,560	1,838,560
512.1	Unrestricted Net Position	411,709	411,709
513	TOTAL EQUITY/NET POSITON	2,250,269	2,250,269
600	TOTAL LIABILITIES AND EQUITY/NET POS	\$3,583,723	\$3,583,723

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PROJECTS - INCOME STATEMENT
 DECEMBER 31, 2015

		MI07800001		MI07800001	
FDS Line		Harborview	Capital	Harborview	Total
Item No.	Account Description	Apts	Fund	Apts - Total	Programs

REVENUE					
70300	Net Tenant Rental Revenue	\$562,868	\$0	\$562,868	\$562,868
70400	Tenant Revenue - Other	11,257	0	11,257	11,257
70500	TOTAL TENANT REVENUE	574,125	0	574,125	574,125
70600	PHA HUD Grants	450,761	194,390	645,151	645,151
70610	Capital Grants	0	175,488	175,488	175,488
71100	Investment Income - Unrestricted	1,150	0	1,150	1,150
71500	Other Revenue	99,397	0	99,397	99,397
71600	Gain or Loss on Sale of Capital Assets	0	0	0	0
70000	TOTAL REVENUE	1,125,433	369,878	1,495,311	1,495,311

EXPENSES					
91100	Administrative Salaries	182,458	25,450	207,908	207,908
91200	Auditing Fees	8,500	0	8,500	8,500
91400	Advertising and Marketing	0	0	0	0
91500	Employee Benefit Contribution - Administrative	82,895	1,947	84,842	84,842
91600	Office Expense	0	0	0	0
91700	Legal Expense	24,621	0	24,621	24,621
91800	Travel Expense	27	0	27	27
91900	Other	103,627	37,892	141,519	141,519
92100	Tenant Services - Salaries	0	0	0	0
92200	Employee Benefit Contribution - Tenant Services	0	0	0	0
92400	Tenant Services - Other	70,515	0	70,515	70,515
93100	Water	53,665	0	53,665	53,665
93200	Electricity	93,633	0	93,633	93,633
93300	Gas	30,771	0	30,771	30,771
94100	Ordinary Maintenance and Operation - Labor	97,898	0	97,898	97,898
94200	Ordinary Maintenance and Operation - Materials	50,327	0	50,327	50,327
94300	Ordinary Maintenance and Operation - Cont Cost	110,582	17,474	128,056	128,056
94500	Employee Benefit Contribution - Rod Maintenance	62,830	0	62,830	62,830
95200	Protective Services - Other Contract Costs	0	0	0	0
96100	Insurance Premiums	80,974	0	80,974	80,974
96200	Other General Expenses	838	0	838	838
96210	Compensated Absences	5,882	0	5,882	5,882
96300	Payments in Lieu of Taxes	37,145	0	37,145	37,145
96400	Bad Debts - Tenant Rents	33,362	0	33,362	33,362
96720	Interest on Notes Payable (Short and Long Term)	74,862	0	74,862	74,862
96900	TOTAL OPERATING EXPENSES	1,205,412	82,763	1,288,175	1,288,175

97000	EXCESS OPERATING REVENUE OVER EXPENSES	(79,979)	287,115	207,136	207,136
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OTHER EXPENSES					
97100	Extraordinary - Maintenance	500	0	500	500
97200	Casualty Losses - Non Capitalized	0	0	0	0
97400	Depreciation Expense	262,373	11,896	274,269	274,269
90000	TOTAL EXPENSES	1,468,285	94,659	1,562,944	1,562,944

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PROJECTS - INCOME STATEMENT
 DECEMBER 31, 2015

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

	OTHER FINANCING SOURCES (USES)				
10010	Operating Transfer In	111,627	0	111,627	111,627
10020	Operating Transfer Out	0	(111,627)	(111,627)	(111,627)
	TOTAL OTHER FINANCING SOURCES (USES)	111,627	(111,627)	0	0
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(231,225)	163,592	(67,633)	(67,633)
11030	Beginning Equity	2,254,885	0	2,254,885	2,254,885
11040	Prior Period Adjustments, Equity Transfers	62,717	0	62,717	62,717
	ENDING EQUITY/NET POSITION	\$2,086,377	\$163,592	\$2,249,969	\$2,249,969

11190	Unit Months Available	2,568	0	2,568	2,568
11210	Unit Months Leased	2,436	0	2,436	2,436
11610	Land Purchases	0	0	0	0
11620	Building Purchases	0	171,275	171,275	171,275
11630	Furniture & Equipment - Dwelling Purchases	0	0	0	0
11640	Furniture & Equipment - Administrative Purchases	0	4,213	4,213	4,213
11650	Leasehold Improvements Purchases	0	0	0	0

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PROGRAM - BALANCE SHEET
 DECEMBER 31, 2015

		2	
FDS Line		State/	Total
Item No.	Account Description	Local	Program

ASSETS			
111	Cash - Unrestricted	\$62,433	\$62,433
113	Cash - Other Restricted	0	0
114	Cash - Tenant Security Deposits	1,166	1,166
100	TOTAL CASH	63,599	63,599
121	Accounts Receivable - PHA Projects	0	0
122	Accounts Receivable - HUD Other Projects	0	0
125	Accounts Receivable - Misc	0	0
126	A/R Tenants - Dwelling Rents	0	0
126.1	Allowance for Doubtful Accounts	0	0
129	Accrued Interest Receivable	0	0
120	TOTAL ACCOUNTS RECEIVABLE	0	0
142	Prepaid Expenses & Other Assets	0	0
144	Interprogram Due From	2,748	2,748
150	TOTAL CURRENT ASSETS	66,347	66,347
161	Land	0	0
162	Buildings	364,363	364,363
163	Furniture and Equipment - Dwellings	0	0
164	Furniture and Equipment - Administrative	0	0
165	Leasehold Improvement	0	0
166	Accumulated Depreciation	(75,974)	(75,974)
167	Construction in Progress	0	0
160	TOTAL FIXED ASSETS, NET	288,389	288,389
174	Other Assets	0	0
180	TOTAL NON-CURRENT ASSETS	288,389	288,389
200	Deferred Outflow of Resources	0	0
190	TOTAL ASSETS	\$354,736	\$354,736

LIABILITIES			
312	Accounts Payable <=90 Days	\$250	\$250
321	Accrued Wages/Payroll Taxes	0	0
322	Accrued Compensated Absences	0	0
331	Accounts Payable - HUD	0	0
333	Accounts Payable - Other Governments	0	0
341	Tenant Security Deposits	1,166	1,166
342	Unearned Revenue	1,082	1,082
343	Current Portion of L-T Debt - Capital Projects	0	0
345	Other Current Liabilities	0	0
346	Accrued Liabilities - Other	0	0
347	Interprogram Due To	0	0
310	TOTAL CURRENT LIABILITIES	2,498	2,498
351	Long-term Debt, Net of Current -Capital Projects	500,000	500,000
353	Non-current Liabilities - Other	0	0
354	Accrued Compensated Absences - Noncurrent	0	0
350	TOTAL NONCURRENT LIABILITIES	500,000	500,000
300	TOTAL LIABILITIES	502,498	502,498
EQUITY/NET POSITION			
508.1	Invested in Capital Assets, Net of Related Debt	(211,611)	(211,611)
512.1	Unrestricted Net Position	63,849	63,849
513	TOTAL EQUITY/NET POSITON	(147,762)	(147,762)
600	TOTAL LIABILITIES AND EQUITY/NET POSITON	\$354,736	\$354,736

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PROGRAM - INCOME STATEMENT
 DECEMBER 31, 2015

		2	
FDS Line		State/	Total
Item No.	Account Description	Local	Program

REVENUE			
70300	Net Tenant Rental Revenue	\$9,373	\$9,373
70400	Tenant Revenue - Other	0	0
70500	TOTAL TENANT REVENUE	9,373	9,373
70600	PHA HUD Grants	0	0
70610	Capital Grants	0	0
71100	Investment Income - Unrestricted	0	0
71500	Other Revenue	1,019	1,019
71600	Gain or Loss on Sale of Capital Assets	0	0
70000	TOTAL REVENUE	10,392	10,392

EXPENSES			
91100	Administrative Salaries	0	0
91200	Auditing Fees	0	0
91400	Advertising and Marketing	0	0
91500	Employee Benefit Contribution - Administrative	0	0
91600	Office Expense	0	0
91700	Legal Expense	0	0
91800	Travel Expense	0	0
91900	Other	10,610	10,610
92100	Tenant Services - Salaries	0	0
92200	Employee Benefit Contribution - Tenant Services	0	0
92400	Tenant Services - Other	0	0
93100	Water	0	0
93200	Electricity	0	0
93300	Gas	0	0
94100	Ordinary Maintenance and Operation - Labor	0	0
94200	Ordinary Maintenance and Operation - Materials	1,493	1,493
94300	Ordinary Maintenance and Operation - Cont Cost	2,377	2,377
94500	Employee Benefit Contribution - Rod Maintenance	0	0
95200	Protective Services - Other Contract Costs	0	0
96100	Insurance Premiums	0	0
96200	Other General Expenses	2,410	2,410
96210	Compensated Absences	0	0
96300	Payments in Lieu of Taxes	0	0
96400	Bad Debts - Tenant Rents	0	0
96720	Interest on Notes Payable (Short and Long Term)	0	0
96900	TOTAL OPERATING EXPENSES	16,890	16,890
97000	EXCESS OPERATING REVENUE OVER		
	EXPENSES	(6,498)	(6,498)
OTHER EXPENSES			
97100	Extraordinary - Maintenance	0	0
97200	Casualty Losses - Non Capitalized	0	0
97400	Depreciation Expense	9,856	9,856
90000	TOTAL EXPENSES	26,746	26,746

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PROGRAM - INCOME STATEMENT
 DECEMBER 31, 2015

		Central	
FDS Line		Office Cost	
Item No.	Account Description	Center	Subtotal

OTHER FINANCING SOURCES (USES)			
10010	Operating Transfer In	0	0
10020	Operating Transfer Out	0	0
	TOTAL OTHER FINANCING SOURCES (USES)	0	0
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(16,354)	(16,354)
11030	Beginning Equity	(131,408)	(131,408)
11040	Prior Period Adjustments, Equity Transfers	0	0
	ENDING EQUITY/NET POSITION	(\$147,762)	(\$147,762)

11190	Unit Months Available	36	36
11210	Unit Months Leased	34	34
11610	Land Purchases	0	0
11620	Building Purchases	0	0
11630	Furniture & Equipment - Dwelling Purchases	0	0
11640	Furniture & Equipment - Administrative Purchases	0	0
11650	Leasehold Improvements Purchases	0	0

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PHA - BALANCE SHEET
 DECEMBER 31, 2015

FDS Line		Total	Total	Central				
Item No.	Account Description	Projects	Programs	Office Cost	Center	Subtotal	Elimination	Total
	ASSETS							
111	Cash - Unrestricted	\$428,844	\$62,433	\$0		\$491,277	\$0	\$491,277
113	Cash - Other Restricted	0	0	0		0	0	0
114	Cash - Tenant Security Deposits	52,356	1,166	0		53,522	0	53,522
100	TOTAL CASH	481,200	63,599	0		544,799	0	544,799
121	Accounts Receivable - PHA Projects	0	0	0		0	0	0
122	Accounts Receivable - HUD Other Projects	4,291	0	0		4,291	0	4,291
125	Accounts Receivable - Misc	2,413	0	0		2,413	0	2,413
126	A/R Tenants - Dwelling Rents	13,165	0	0		13,165	0	13,165
126.1	Allowance for Doubtful Accounts	(8,841)	0	0		(8,841)	0	(8,841)
129	Accrued Interest Receivable	0	0	0		0	0	0
120	TOTAL ACCOUNTS RECEIVABLE	11,028	0	0		11,028	0	11,028
142	Prepaid Expenses & Other Assets	33,432	0	0		33,432	0	33,432
144	Interprogram Due From	0	2,748	0		2,748	(2,748)	0
150	TOTAL CURRENT ASSETS	525,660	66,347	0		592,007	(2,748)	589,259
161	Land	360,272	0	0		360,272	0	360,272
162	Buildings	9,641,163	364,363	0		10,005,526	0	10,005,526
163	Furniture and Equipment - Dwellings	259,242	0	0		259,242	0	259,242
164	Furniture and Equipment - Administrative	520,621	0	0		520,621	0	520,621
165	Leasehold Improvement	0	0	0		0	0	0
166	Accumulated Depreciation	(7,919,552)	(75,974)	0		(7,995,526)	0	(7,995,526)
167	Construction in Progress	135,078	0	0		135,078	0	135,078
160	TOTAL FIXED ASSETS, NET	2,996,824	288,389	0		3,285,213	0	3,285,213
174	Other Assets	52,763	0	0		52,763	0	52,763
180	TOTAL NON-CURRENT ASSETS	3,049,587	288,389	0		3,337,976	0	3,337,976
200	Deferred Outflow of Resources	8,476	0	0		8,476	0	8,476
190	TOTAL ASSETS	\$3,583,723	\$354,736	\$0		\$3,938,459	(\$2,748)	\$3,935,711
	LIABILITIES							
312	Accounts Payable <=90 Days	\$26,858	\$250	\$0		\$27,108	\$0	\$27,108
321	Accrued Wages/Payroll Taxes	9,014	0	0		9,014	0	9,014
322	Accrued Compensated Absences	14,891	0	0		14,891	0	14,891
331	Accounts Payable - HUD	0	0	0		0	0	0
333	Accounts Payable - Other Governments	37,145	0	0		37,145	0	37,145
341	Tenant Security Deposits	52,356	1,166	0		53,522	0	53,522
342	Unearned Revenue	4,622	1,082	0		5,704	0	5,704
343	Current Portion of L-T Debt - Capital Projects	25,892	0	0		25,892	0	25,892
345	Other Current Liabilities	0	0	0		0	0	0
346	Accrued Liabilities - Other	15,758	0	0		15,758	0	15,758
347	Interprogram Due To	2,748	0	0		2,748	(2,748)	0
310	TOTAL CURRENT LIABILITIES	189,284	2,498	0		191,782	(2,748)	189,034
351	Long-term Debt, Net of Current -Capital Projects	1,132,372	500,000	0		1,632,372	0	1,632,372
353	Non-current Liabilities - Other	0	0	0		0	0	0
354	Accrued Compensated Absences - Noncurrent	11,798	0	0		11,798	0	11,798
350	TOTAL NONCURRENT LIABILITIES	1,144,170	500,000	0		1,644,170	0	1,644,170
300	TOTAL LIABILITIES	1,333,454	502,498	0		1,835,952	(2,748)	1,833,204
	EQUITY/NET POSITION							
508.1	Invested in Capital Assets, Net of Related Debt	1,838,560	(211,611)	0		1,626,949	0	1,626,949
512.1	Unrestricted Net Position	411,709	63,849	0		475,558	0	475,558
513	TOTAL EQUITY/NET POSITON	2,250,269	(147,762)	0		2,102,507	0	2,102,507
600	TOTAL LIABILITIES AND EQUITY/NET POSITON	\$3,583,723	\$354,736	\$0		\$3,938,459	(\$2,748)	\$3,935,711

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PHA - INCOME STATEMENT
 DECEMBER 31, 2015

FDS Line		Total	Total	Central				
Item No.	Account Description	Projects	Programs	Office Cost	Center	Subtotal	Elimination	Total
	REVENUE							
70300	Net Tenant Rental Revenue	\$562,868	\$9,373	\$0		\$572,241	\$0	\$572,241
70400	Tenant Revenue - Other	11,257	0	0		11,257	0	11,257
70500	TOTAL TENANT REVENUE	574,125	9,373	0		583,498	0	583,498
70600	PHA HUD Grants	645,151	0	0		645,151	0	645,151
70610	Capital Grants	175,488	0	0		175,488	0	175,488
71100	Investment Income - Unrestricted	1,150	0	0		1,150	0	1,150
71500	Other Revenue	99,397	1,019	0		100,416	0	100,416
71600	Gain or Loss on Sale of Capital Assets	0	0	0		0	0	0
70000	TOTAL REVENUE	1,495,311	10,392	0		1,505,703	0	1,505,703
	EXPENSES							
91100	Administrative Salaries	207,908	0	0		207,908	0	207,908
91200	Auditing Fees	8,500	0	0		8,500	0	8,500
91400	Advertising and Marketing	0	0	0		0	0	0
91500	Employee Benefit Contribution - Administrative	84,842	0	0		84,842	0	84,842
91600	Office Expense	0	0	0		0	0	0
91700	Legal Expense	24,621	0	0		24,621	0	24,621
91800	Travel Expense	27	0	0		27	0	27
91900	Other	141,519	10,610	0		152,129	0	152,129
92100	Tenant Services - Salaries	0	0	0		0	0	0
92200	Employee Benefit Contribution - Tenant Services	0	0	0		0	0	0
92400	Tenant Services - Other	70,515	0	0		70,515	0	70,515
93100	Water	53,665	0	0		53,665	0	53,665
93200	Electricity	93,633	0	0		93,633	0	93,633
93300	Gas	30,771	0	0		30,771	0	30,771
94100	Ordinary Maintenance and Operation - Labor	97,898	0	0		97,898	0	97,898
94200	Ordinary Maintenance and Operation - Materials	50,327	1,493	0		51,820	0	51,820
94300	Ordinary Maintenance and Operation - Cont Cost	128,056	2,377	0		130,433	0	130,433
94500	Employee Benefit Contribution - Rod Maintenance	62,830	0	0		62,830	0	62,830
95200	Protective Services - Other Contract Costs	0	0	0		0	0	0
96100	Insurance Premiums	80,974	0	0		80,974	0	80,974
96200	Other General Expenses	838	2,410	0		3,248	0	3,248
96210	Compensated Absences	5,882	0	0		5,882	0	5,882
96300	Payments in Lieu of Taxes	37,145	0	0		37,145	0	37,145
96400	Bad Debts - Tenant Rents	33,362	0	0		33,362	0	33,362
96720	Interest on Notes Payable (Short and Long Term)	74,862	0	0		74,862	0	74,862
96900	TOTAL OPERATING EXPENSES	1,288,175	16,890	0		1,305,065	0	1,305,065
97000	EXCESS OPERATING REVENUE OVER EXPENSES	207,136	(6,498)	0		200,638	0	200,638
	OTHER EXPENSES							
97100	Extraordinary - Maintenance	500	0	0		500	0	500
97200	Casualty Losses - Non Capitalized	0	0	0		0	0	0
97400	Depreciation Expense	273,969	9,856	0		283,825	0	283,825
90000	TOTAL EXPENSES	1,562,644	26,746	0		1,589,390	0	1,589,390
	OTHER FINANCING SOURCES (USES)							
10010	Operating Transfer In	111,627	0	0		111,627	0	111,627
10020	Operating Transfer Out	(111,627)	0	0		(111,627)	0	(111,627)
	TOTAL OTHER FINANCING SOURCES (USES)	0	0	0		0	0	0
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(67,333)	(16,354)	0		(83,687)	0	(83,687)
11030	Beginning Equity	2,254,885	(131,408)	0		2,123,477	0	2,123,477
11040	Prior Period Adjustments, Equity Transfers	62,717	0	0		62,717	0	62,717
	ENDING EQUITY/NET POSITION	\$2,250,269	(\$147,762)	\$0		\$2,102,507	\$0	\$2,102,507

CITY OF MANISTEE HOUSING COMMISSION
 FINANCIAL DATA SCHEDULES
 PHA - INCOME STATEMENT
 DECEMBER 31, 2015

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

11190	Unit Months Available	2,568	36	0	2,604	0	2,604
11210	Unit Months Leased	2,436	34	0	2,470	0	2,470
11610	Land Purchases	0	0	0	0	0	0
11620	Building Purchases	171,275	0	0	171,275	0	171,275
11630	Furniture & Equipment - Dwelling Purchases	0	0	0	0	0	0
11640	Furniture & Equipment - Administrative Purchases	4,213	0	0	4,213	0	4,213
11650	Leasehold Improvements Purchases	0	0	0	0	0	0

CITY OF MANISTEE HOUSING COMMISSION
 STATEMENT AND CERTIFICATION OF CAPITAL FUND PROGRAM GRANT COSTS
 YEAR ENDED DECEMBER 31, 2015

ANNUAL CONTRIBUTION CONTRACT

1. The Actual Modernization Costs for the Locally-Owned Projects are as follows:

	MI33PO78 <u>501-11</u>	MI33PO78 <u>501-12</u>
Funds Approved	\$ 204,179	\$ 191,849
Funds Expended	<u>204,179</u>	<u>191,849</u>
Excess of Funds Approved	<u>-0-</u>	<u>-0-</u>
Funds Approved	204,179	191,849
Funds Expended	<u>204,179</u>	<u>191,849</u>
Excess of Funds Approved	\$ <u>-0-</u>	\$ <u>-0-</u>

- 2. The distribution of costs as shown on the Final Statement of Modernization Costs, accompanying the
- 3. All modernization costs have been paid and all related liabilities have been discharged through payment.

SINGLE AUDIT

Zenk & Associates, P.C.

Certified Public Accountants

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

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*

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

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, 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 of the United States, the financial statements of business-type activities of the City of Manistee Housing Commission as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Manistee Housing Commission's basic financial statements and have issued our report thereon dated July 7, 2016.

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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the City of Manistee 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 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 over financial reporting 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 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 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.

Compliance and Other Matters

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.

Zenk & Associates, P.C.

July 7, 2016

Zenk & Associates, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY *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

Report on Compliance for Each Major Federal Program

We have audited the City of Manistee 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 City of Manistee Housing Commission major federal programs for the year ended December 31, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Manistee 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; 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Manistee Housing Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Manistee Housing Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the City of Manistee 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, we considered the City of Manistee 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 our 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 City of Manistee Housing Commission's internal control over compliance.

A deficiency in 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 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 federal program that 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 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 the internal control over compliance was for limited purposes 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. 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 other purposes.

Zenk & Associates, P.C.

July 7, 2016

CITY OF MANISTEE HOUSING COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2015

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Low Rent Public Housing Program	14.850a	450,761 *
Public Housing Capital Fund Program	14.872	<u>369,878</u> *
Total Federal Assistance		\$ <u><u>820,639</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, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards (the Schedule) includes the federal grant of the City of Manistee Housing Commission under programs of the federal government for the year ended December 31, 2015. 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. Because the schedule presents only a selected portion of the operations of the City of Manistee Housing Commission, it is not intended to and does not present the financial position or change in net position of the City of Manistee Housing Commission.

NOTE 2 - 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 expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - SUBRECIPIENT AWARDS

Of the federal expenditures presented in the schedule, City of Manistee Housing Commission did not provide federal awards to subrecipients.

CITY OF MANISTEE HOUSING COMMISSION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 SECTION .505
 YEAR ENDED DECEMBER 31, 2015

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?	No
Major Programs (List):	CFDA# 14.850a Low Rent Public Housing CFDA# 14.872 Public Housing Capital Fund Program
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, 2015

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2015.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2015.

CITY OF MANISTEE HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014

STATUS OF PRIOR FINDINGS

The prior audit report for the year ended December 31, 2014 contained no audit findings

Financial Statement Findings

There are no findings or questioned costs for the year ended December 31, 2014.

Federal Awards Findings

There are no findings or questioned costs for the year ended December 31, 2014.

AGREED-UPON PROCEDURES

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, 2015, and have issued our report thereon dated July 7, 2016. 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 July 7, 2016, 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.

July 7, 2016

CITY OF MANISTEE HOUSING COMMISSION
 AGREED-UPON PROCEDURES
 DECEMBER 31, 2015

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