



# **TRAVERSE CITY HOUSING COMMISSION**

**Financial Statements**  
(With Supplemental Information)

**For the Year Ended June 30, 2009**



SMITH & KLACZKIEWICZ, PC  
CPA'S AND CONSULTANTS

# TRAVERSE CITY HOUSING COMMISSION

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Financial Statements for the Year Ended June 30, 2009</b>	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12-18
<b>Other Supplementary Information</b>	
Financial Data Schedules	19-30
<b>Single Audit</b>	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	31-32
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	33-34
Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-37



SMITH & KLACZKIEWICZ, PC  
CPA'S AND CONSULTANTS

THOMAS J. SMITH, CPA 989-751-1167

ROBERT R. KLACZKIEWICZ, CPA 989-751-3064

A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Traverse City Housing Commission  
Traverse City, Michigan

We have audited the accompanying financial statements of the business-type activities and the major fund of the *Traverse City Housing Commission*, as of and for the year ended June 30, 2009, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the *Traverse City Housing Commission's* management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 and the major fund of the *Traverse City Housing Commission*, as of June 30, 2009, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2009, on our consideration of the *Traverse City Housing Commission's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Smith + Klaychewicz PC*

**Saginaw, Michigan**  
December 8, 2009

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*June 30, 2009*

---

As management of the Traverse City Housing Commission we offer reviewers of this audit report this management discussion and analysis of the Traverse City Housing Commission's financial activities for the fiscal year ended June 30, 2009. This discussion and analysis of the Traverse City Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following financial statements.

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

**FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Housing Commission's total net assets as of June 30, 2009 were \$2,966,676. The net assets increased by \$49,578, an increase of 1.70% over the prior year.

Revenues and contributions for the Housing Commission were \$2,033,429 for the fiscal year ended June 30, 2009. This was a decrease of \$43,417 or 2.1% under the prior year.

Expenses for the Commission were \$1,983,851 for the fiscal year ended June 30, 2009. This was a decrease of \$24,660 or 1.3% under the prior year.

HUD operating grants were \$1,331,934 for the fiscal year ended June 30, 2009. This was a decrease of \$11,228 or .8% under the prior year. Capital contributions were \$151,068 for the fiscal year ended June 30, 2009. This was a decrease of \$19,352 or 11.4% from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Required Financial Statements**

The *Statement of Net Assets* includes the Housing Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*June 30, 2009*

---

obligations of the Housing Commission's creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Commission.

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

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

*Notes to the Financial Statements*

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

*Supplemental Information*

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

The Financial Data Schedule reports the Housing Commission's operations in more detail. The Housing Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,966,676 at the close of the fiscal year ended June 30, 2009 an increase from \$2,917,098 in 2008. The increase in net assets of \$49,578 was due to the change in net assets for the fiscal year.

The unrestricted net assets were \$297,387 as of June 30, 2009. This amount may be used to meet the Housing Commission's ongoing obligations. The Housing Commission had net assets classified as restricted in the amount of \$219,358 that are subject to external restrictions on how they may be used. The entire amount of restricted net assets is restricted for excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Housing Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*June 30, 2009*

---

**STATEMENT OF NET ASSETS**

	<b>Business-type Activities</b>	
	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 933,289	\$ 1,374,920
Capital assets not being depreciated	297,665	297,665
Capital assets being depreciated	2,602,364	2,053,277
Total assets	3,833,318	3,725,862
Liabilities, current	242,203	166,006
Liabilities, non-current	624,439	642,758
Total liabilities	866,642	808,764
Net Assets		
Invested in capital assets, net of related debt	2,449,931	2,347,092
Restricted	219,358	215,964
Unrestricted	297,387	354,042
Total net assets	\$ 2,966,676	\$ 2,917,098

Total current assets decrease of \$441,631 was due, in large part to the purchase of capital assets as evident in the increase of capital assets being depreciated which increased \$549,087.

Current liabilities increased by \$76,197, in large part, due to accounts payable increasing which is due to the timing of when invoices are received versus the check being disbursed.

The largest portion of the Housing Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation, net of related debt. The Housing Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. Part of the net assets are restricted for the amount that HUD overfunded the Housing Choice Program.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of these changes.

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*June 30, 2009*

---

**STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS**

	<b>Business-type Activities</b>	
	<b>2009</b>	<b>2008</b>
Revenues:		
Program revenues:		
Charges for services-tenant rent	\$ 360,971	\$ 353,161
Program rents and subsidies	1,331,934	1,343,908
Other governmental grants	57,228	69,607
Capital grants	151,068	170,420
General revenues:		
Other revenue	122,323	116,721
Interest earned on deposits	9,905	23,029
Total revenues	2,033,429	2,076,846
 Expenses – housing program	 1,983,851	 2,008,511
 Increase (decrease) in net assets	 49,578	 68,335
 Net assets – beginning of year	 2,917,098	 2,848,763
 Net assets – end of year	 \$ 2,966,676	 \$ 2,917,098

*Revenues:*

As can be seen in the above table total revenues decreased by \$43,417, in part, due to a decrease in interest earned on deposits of \$13,124. This decrease is because of the decreased cash balances and interest rates not being as high as they were in the previous years. Capital grants decreased \$19,352 from the prior year to current year. This decrease was due to the normal incremental reduction in the allocation of capital grants from HUD.

*Expenses:*

Total expenses for the fiscal year ending June 30, 2008 were \$2,008,511 while for the fiscal year ending June 30, 2009 they were \$1,983,851. This represents a 2.3% decrease in our operating costs. The expenses were decreased, in large part, because the Housing Commission was able to cut costs in many areas.

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*June 30, 2009*

---

**CAPITAL ASSETS**

The Traverse City Housing Commission's investment in capital assets, net of related debt as of June 30, 2009 amounts to \$2,449,931 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

	<b>2009</b>	<b>2008</b>
Capital assets not being depreciated		
Land	\$297,665	\$297,665
Construction in progress	-	14,394
Subtotal	297,665	312,059
Capital assets being depreciated		
Buildings and improvements	6,238,990	5,510,268
Furniture, equipment and machinery – dwelling	111,417	111,420
Furniture, equipment and machinery – administration	228,016	228,866
Site improvements	347,320	312,616
Subtotal	6,925,743	6,163,170
Total capital assets	7,223,408	6,475,229
Less: accumulated depreciation	(4,323,379)	(4,124,287)
Total net capital assets	\$2,900,029	\$2,350,942

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

Capital assets, net of accumulated depreciation increased by \$549,087, because renovations to the Riverview Terrace and Orchardview apartments and the refurbishing of the generator at Riverview Terrace.

Capital projects planned for the next fiscal year include upgrades to the elevators, lobby flooring, replacement of shower valves at Riverview Terrace and kitchen cabinet replacements in the three bedroom townhomes at Orchardview.

**DEBT ACTIVITY**

As of the year ended June 30, 2009, the Housing Commission had \$641,201 in long-term debt outstanding compared to \$658,756 in the prior year. The decrease is a result of the Housing Commission making the required payments.

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*June 30, 2009*

---

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

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

The Housing Commission was awarded \$201,528 in American Recovery and Reinvestment Act funds during the fiscal year ending June 30, 2009. The Housing Commission is planning on using these grant funds during fiscal year June 30, 2010 for elevator upgrades at Riverview Terrace.

**REQUEST FOR INFORMATION**

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

Ilah Honson, Executive Director  
10200 E. Carter Center  
Traverse City, Michigan 49684

**Traverse City Housing Commission**  
**Statement of Net Assets**  
**June 30, 2009**

---

<b>Current assets</b>	
Cash and cash equivalents	\$ 188,139
Cash and cash equivalents - restricted	383,249
Cash - tenant security deposits	34,660
Investments	171,004
Accounts receivable, net	22,697
Prepaid expenses	115,212
	914,961
<b>Noncurrent assets</b>	
Capital assets:	
Nondepreciable	297,665
Depreciable	6,925,743
Less: accumulated depreciation	(4,323,379)
	2,900,029
Other assets	18,328
	2,918,357
Total assets	3,833,318
<b>Current liabilities</b>	
Accounts payable	134,042
Accrued liabilities	27,335
Tenant security deposits	34,660
Unearned revenue	3,216
Current portion long term debt	21,293
Accrued compensated absences, current portion	21,657
	242,203
<b>Noncurrent liabilities</b>	
Long term debt	619,908
Accrued compensated absences	4,531
	624,439
Total liabilities	866,642
<b>Net assets</b>	
Invested in capital assets, net of related debt	2,449,931
Restricted	219,358
Unrestricted	297,387
	2,966,676
Total net assets	\$ 2,966,676

The accompanying notes are integral part of these financial statements.

**Traverse City Housing Commission**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2009**

---

**Operating Revenues**

Tenant revenue	\$ 360,971
Program grants - subsidies	1,331,934
Other governmental grants	57,228
Other income	122,323

Total operating revenues	1,872,456
--------------------------	-----------

**Operating Expenses**

Administration	310,344
Tenant services	2,162
Utilities	161,547
Maintenance	224,073
Insurance	31,823
General	23,923
Housing assistance payments	985,808
Depreciation	210,913

Total operating expenses	1,950,593
--------------------------	-----------

Operating (loss)	(78,137)
------------------	----------

**Nonoperating revenues and (expenses)**

Capital grants	151,068
Interest income	9,905
Interest expense	(32,280)
Bond amortization costs	(978)

Total nonoperating revenues and (expenses)	127,715
--	---------

Change in net assets	49,578
----------------------	--------

Net assets - Beginning of year	2,917,098
--------------------------------	-----------

Net assets - End of year	\$ 2,966,676
--------------------------	--------------

The accompanying notes are integral part of these financial statements.

**Traverse City Housing Commission**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2009**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 559,107
Cash received from grants and subsidies	1,331,539
Cash payments to suppliers for goods and services	(1,433,475)
Cash payments for wages and related benefits	<u>(306,551)</u>
Net cash provided by (used in) operating activities	<u>150,620</u>
<b>Cash flows from capital and related financing activities</b>	
Capital grants	151,068
Acquisition of capital assets	(760,000)
Interest paid on debt	(32,280)
Principal paid on debt	(20,266)
Amortization of bond issuance costs	<u>(978)</u>
Net cash provided by (used in) capital and related financing activities	<u>(662,456)</u>
<b>Cash flows from investing activities</b>	
Purchase of investments	(106,702)
Investment income	<u>9,905</u>
Net cash provided by (used in) investing activities	<u>(96,797)</u>
Net increase (decrease) in cash and cash equivalents	(608,633)
<b>Cash and cash equivalents - beginning of year</b>	<u>1,214,681</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 606,048</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating income (loss)	\$ (78,137)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	210,913
Changes in assets and liabilities	
Decrease (increase) in receivables	15,778
Decrease (increase) in prepaid expenses	(77,635)
Increase (decrease) in accounts payable	73,496
Increase (decrease) in accrued liabilities	3,793
Increase (decrease) in tenant security deposits	2,807
Increase (decrease) in unearned revenue	<u>(395)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 150,620</u></u>
<b>Reconciliation of cash and cash equivalents per the Statement of Net Assets to the Statement of Cash Flows</b>	
Cash and cash equivalents	\$ 188,139
Cash and cash equivalents - restricted	383,249
Cash - tenant security deposits	<u>34,660</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 606,048</u></u>

The accompanying notes are integral part of these financial statements.

# TRAVERSE CITY HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

---

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

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

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

#### **Reporting Entity**

The Housing Commission’s financial reporting entity is comprised of the primary government. In determining the financial reporting entity, the Housing 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 Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities that meet the criteria.

The *Traverse City Housing Commission* was formed by the Traverse City Commission under Public Act 18 of 1933 of the State of Michigan. The Housing Commission operates under a Board of Commissioners appointed by the City mayor.

These financial statements include all activities of the Housing Commission, which include a Low Income Housing Program (136 units) and Section 8 Vouchers (198 units). These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (“HUD”).

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

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

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

Project MI08000001 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program.

# TRAVERSE CITY HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2009

---

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

2 State / Local accounts for the revenue and related operations of the CDBG program and the operating subsidy received from Grand Traverse County.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the 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 the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Housing Commission has elected not to follow subsequent private-sector guidance.

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

#### **Assets and Liabilities**

##### **Deposits and Investments**

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

Cash and cash equivalents – restricted recorded on the statement of net assets has been restricted since it can only be used for future housing assistance payments to landlords, unspent loan proceeds and tenant security deposits.

##### **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.

##### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Housing Commission as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# TRAVERSE CITY HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2009

---

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 (ranging from five to forty years) of the assets, using the straight-line method over the following estimated useful lives are as follows:

Buildings	10 to 40 years
Furniture, equipment and machinery – dwelling	7 years
Furniture, equipment and machinery – administration	5 to 10 years
Leasehold improvements	5 to 15 years

#### **Compensated Absences**

It is the Housing Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days. Employees of the Housing Commission are permitted to carry over 24 hours of unused sick days from one year to the next. Liabilities are recorded based on historical trends using short-term and long-term liabilities. Upon separation from the Housing Commission, employees will be paid their balance of unused vacation days

#### **Unearned Revenue**

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

#### **Equity**

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

*Invested in capital assets, net of related debt* - Consists of capital assets including, restricted capital assets, net of accumulated depreciation, unspent loan proceeds, unamortized bond costs and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net assets* - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets".

#### **Revenues and Expenses**

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

# TRAVERSE CITY HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

---

### Estimates

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

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

#### Deposits and Investments

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

	<u>Carrying Amount</u>
Financial Statement Captions	
Cash and cash equivalents	\$ 188,139
Cash and cash equivalents – restricted	383,249
Cash and cash equivalents – tenant security deposits	34,660
Investments	<u>171,004</u>
	<u>\$ 777,052</u>
Notes to Financial Statements	
Cash on hand	\$ 250
Deposits	605,798
Certificates of deposit	<u>171,004</u>
	<u>\$ 777,052</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 acceptances of United States banks

# TRAVERSE CITY HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2009

---

- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

#### *Interest Rate Risk*

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

#### *Credit Risk*

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

#### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned. State law does not require and the Housing Commission does not have a policy for deposit custodial credit risk. At year-end, the entire Housing Commission's bank balance of \$777,695 was not exposed to custodial credit risk because it was insured.

#### *Concentration of Credit Risk*

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

#### **Accounts Receivable**

Receivable balances at June 30, 2009 is as follows:

Due from other governments	\$	18,976
Interest receivable		1,156
Tenant receivables	\$	3,111
Allowance for doubtful accounts		<u>(546)</u>
Tenant receivables, net	\$	<u>22,697</u>

# TRAVERSE CITY HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2009

#### Capital Assets

Capital asset activity for the year ended March 31, 2009, was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated				
Land	\$ 297,665	\$ -	\$ -	\$ 297,665
Construction in progress	<u>14,395</u>	<u>-</u>	<u>(14,395)</u>	<u>-</u>
Total capital assets not being depreciated	<u>312,060</u>	<u>-</u>	<u>(14,395)</u>	<u>297,665</u>
Capital assets being depreciated				
Buildings and improvements	5,510,268	728,722	-	6,238,990
Furniture, equipment and machinery – dwelling	111,420	4,274	(4,277)	111,417
Furniture, equipment and machinery – administration	228,866	6,694	(7,544)	228,016
Site improvements	<u>312,616</u>	<u>34,704</u>	<u>-</u>	<u>347,320</u>
Total capital assets being depreciated	6,163,170	774,394	(11,821)	6,925,743
Less accumulated depreciation	<u>(4,124,287)</u>	<u>(210,913)</u>	<u>11,821</u>	<u>(4,323,379)</u>
Net capital assets being depreciated	<u>2,038,883</u>	<u>563,481</u>	<u>-</u>	<u>2,602,364</u>
Total net capital assets	<u>\$ 2,350,943</u>	<u>\$ 563,481</u>	<u>\$ (14,395)</u>	<u>\$ 2,900,029</u>

#### Long-Term Debt

##### Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended March 31, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due Within One Year</u>
HUD Loan maturing through March 2028, bearing interest of 4.95%	\$ 661,467	\$ -	\$ (20,266)	\$ 641,201	\$ 21,293
Accrued compensated absences	<u>28,689</u>	<u>-</u>	<u>(2,501)</u>	<u>26,188</u>	<u>21,657</u>
Total	<u>\$ 690,156</u>	<u>\$ -</u>	<u>\$ (22,767)</u>	<u>\$ 667,389</u>	<u>\$ 42,950</u>

# TRAVERSE CITY HOUSING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

---

Maturities of the HUD loan are as follows for the years ending September 30:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 21,293	\$ 31,261
2011	22,371	30,183
2012	23,504	29,050
2013	24,694	27,860
2014	25,944	26,609
2015-2019	150,811	111,958
2020-2024	193,063	69,706
2025-2028	<u>179,521</u>	<u>17,546</u>
	<u>\$ 641,201</u>	<u>\$ 344,173</u>

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

#### **Concentration of Revenue**

The Housing Commission is dependent upon the Department of Housing and Urban Development to fund its operations through operating subsidies and capital funding grants. Total revenue received from the Department of Housing and Urban Development for 2009 and 2008 was \$1,501,031 or 74% and \$1,513,582 or 79% of revenue.

#### **Contingencies**

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

#### **Risk Management**

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

#### **Employee Benefit Plan**

The Housing Commission participates in a 457 Deferred Compensated Pension Plan covering full-time employees that have completed a six-month probation period. Employees are not required to contribution to the plan, however, if they do participate, the Housing Commission matches the employee contribution to the Plan up to 3 percent of the employees gross salary. Once a year, the Housing Commission contributes 4 percent of gross wages to the plan for all full time employees, whether or not they participate. Upon separation, accrued funds remain the property of that individual. During the fiscal year ended June 30, 2009 the Housing Commission contributed a total of \$24,350 to the Plan.

\* \* \* \* \*

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Project Balance Sheet**  
**June 30, 2009**

<b>Line Item #</b>	<b>Account Description</b>	<b>Total</b>	<b>Project MI080000001</b>
111	Cash - unrestricted	\$ 188,139	\$ 188,139
112	Cash-restricted-modernization and development	172,775	172,775
114	Cash - tenant security deposits	34,660	34,660
100	Total Cash	<u>395,574</u>	<u>395,574</u>
126	Accounts receivable - tenants	3,111	3,111
126.1	Allowance for doubtful accounts - tenants	(546)	(546)
129	Accrued interest receivable	1,156	1,156
120	Total receivables, net of allowance for doubtful accounts	<u>3,721</u>	<u>3,721</u>
131	Investments - unrestricted	171,004	171,004
142	Prepaid expenses and other assets	29,799	29,799
144	Inter-program due from	75,368	75,368
150	Total Current Assets	<u>675,466</u>	<u>675,466</u>
161	Land	297,665	297,665
162	Buildings	6,238,993	6,238,993
163	Furniture, equipment & machinery - dwellings	111,418	111,418
164	Furniture, equipment & machinery - administration	225,083	225,083
165	Leasehold improvements	347,316	347,316
166	Accumulated depreciation	(4,320,446)	(4,320,446)
160	Total capital assets net of accumulated depreciation	<u>2,900,029</u>	<u>2,900,029</u>
174-050	Other assets - Other	18,328	18,328
174-060	Other - Comment		CFFP Loan
174	Other assets	<u>18,328</u>	<u>18,328</u>
180	Total Non-Current Assets	<u>2,918,357</u>	<u>2,918,357</u>
190	Total Assets	<u>\$ 3,593,823</u>	<u>\$ 3,593,823</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Project Balance Sheet (Continued)**  
**June 30, 2009**

<b>Line Item #</b>	<b>Account Description</b>	<b>Total</b>	<b>Project MI080000001</b>
312	Accounts payable <= 90 days	\$ 113,479	\$ 113,479
321	Accrued wage / payroll taxes payable	4,152	4,152
322	Accrued compensated absences - current portion	9,143	9,143
333	Accounts payable - other government	18,357	18,357
341	Tenant security deposits	34,660	34,660
342-030	Deferred revenue - Other	3,216	3,216
342	Deferred revenue	<u>3,216</u>	<u>3,216</u>
343-010	CFFP	<u>21,293</u>	<u>21,293</u>
343	Current portion of long-term debt - capital projects / mortgage revenue bonds	<u>21,293</u>	<u>21,293</u>
310	Total Current Liabilities	<u>204,300</u>	<u>204,300</u>
351-010	Long-term debt - CFFP	<u>619,908</u>	<u>619,908</u>
351	Capital Projects/ Mortgage Revenue Bonds	<u>619,908</u>	<u>619,908</u>
354	Accrued compensated absences - noncurrent	<u>1,916</u>	<u>1,916</u>
350	Total non-current liabilities	<u>621,824</u>	<u>621,824</u>
190	Total Liabilities	<u>826,124</u>	<u>826,124</u>
508.1	Investment in capital assets, net of related debt	2,449,931	2,449,931
512.1	Unrestricted net assets	<u>317,768</u>	<u>317,768</u>
513	Total Net Assets	<u>2,767,699</u>	<u>2,767,699</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 3,593,823</u>	<u>\$ 3,593,823</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Project Income Statement**  
**For the Year Ended June 30, 2009**

Line Item #	Account Description	Total Projects	MI080000001	Operating Fund Program	Capital Fund Program
70300	Net tenant rental revenue	\$ 360,069	\$ 360,069	\$ 360,069	\$ -
70400	Tenant revenue - other	902	902	902	-
70500	Total Tenant Revenue	<u>360,971</u>	<u>360,971</u>	<u>360,971</u>	<u>-</u>
70600	HUD PHA operating grants	212,390	212,390	212,390	-
70610	Capital grants	151,068	151,068	-	151,068
71100	Investment income - unrestricted	7,104	7,104	7,104	-
71500	Other revenue	116,308	116,308	116,308	-
72000	Investment income - restricted	2,801	2,801	2,801	-
91000	Total Revenue	<u>850,642</u>	<u>850,642</u>	<u>699,574</u>	<u>151,068</u>
91100	Administrative salaries	41,296	41,296	41,296	-
91200	Auditing fees	3,780	3,780	3,780	-
91400	Advertising and marketing	443	443	443	-
91500	Employee benefit contributions - administrative	16,502	16,502	16,502	-
91600	Office expenses	25,796	25,796	25,796	-
91700	Legal expenses	6,762	6,762	6,762	-
91800	Travel	3,639	3,639	3,639	-
91900	Other	5,828	5,828	5,828	-
91000	Total Operating-Administrative	<u>104,046</u>	<u>104,046</u>	<u>104,046</u>	<u>-</u>
92400	Tenant services - other	2,162	2,162	2,162	-
92500	Total tenant services	<u>2,162</u>	<u>2,162</u>	<u>2,162</u>	<u>-</u>
93100	Water	26,707	26,707	26,707	-
93200	Electricity	114,976	114,976	114,976	-
93300	Gas	19,864	19,864	19,864	-
93000	Total Utilities	<u>161,547</u>	<u>161,547</u>	<u>161,547</u>	<u>-</u>
94100	Ordinary maintenance and operations - labor	63,973	63,973	63,973	-
94200	Ordinary maintenance and operations - materials and other	20,115	20,115	20,115	-
94300-010	Garbage and Trash Removal Contracts	10,503	10,503	10,503	-
94300-020	Heating & Cooling Contracts	5,654	5,654	5,654	-
94300-030	Snow removal Contracts	7,010	7,010	7,010	-
94300-040	Elevator Maintenance Contracts	12,128	12,128	12,128	-
94300-050	Landscape and grounds Contracts	12,598	12,598	12,598	-
94300-060	Unit Turnaround Contracts	16,225	16,225	16,225	-
94300-070	Electrical Contracts	4,736	4,736	4,736	-
94300-080	Plumbing Contracts	2,755	2,755	2,755	-
94300-090	Extermination Contracts	1,980	1,980	1,980	-
94300-100	Janitorial Contracts	1,076	1,076	1,076	-
94300-110	Routine Maintenance Contracts	4,474	4,474	4,474	-
94300-120	Miscellaneous contracts	34,753	34,753	34,753	-
94300	Ordinary Maintenance and Operations Contracts	<u>113,892</u>	<u>113,892</u>	<u>113,892</u>	<u>-</u>
94500	Employee benefit contributions	26,093	26,093	26,093	-
94000	Total Maintenance	<u>224,073</u>	<u>224,073</u>	<u>224,073</u>	<u>-</u>
96110	Property insurance	27,757	27,757	27,757	-
96130	Workmen's compensation	3,740	3,740	3,740	-
96140	All other insurance	326	326	326	-
96100	Total insurance premiums	<u>31,823</u>	<u>31,823</u>	<u>31,823</u>	<u>-</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Project Income Statement (Continued)**  
**For the Year Ended June 30, 2009**

Line Item #	Account Description	Total Projects	MI08000001	Operating Fund Program	Capital Fund Program
96200	Other general expenses	\$ 10	\$ 10	\$ 10	\$ -
96300	Payment in lieu of taxes	18,357	18,357	18,357	-
96400	Bad debt - tenant rents	3,244	3,244	3,244	-
96000	Total Other General Expenses	<u>21,611</u>	<u>21,611</u>	<u>21,611</u>	<u>-</u>
96710	Interest of Mortgage (or Bonds) Payable	32,280	32,280	-	32,280
96730	Amortization of Bond Issue Costs	978	978	978	-
96700	Total Interest Expense and Amortization Cost	<u>33,258</u>	<u>33,258</u>	<u>978</u>	<u>32,280</u>
96900	Total Operating Expenses	<u>578,520</u>	<u>578,520</u>	<u>546,240</u>	<u>32,280</u>
97000	Excess Revenue Over Operating Expenses	<u>272,122</u>	<u>272,122</u>	<u>153,334</u>	<u>118,788</u>
97400	Depreciation expense	<u>210,913</u>	<u>210,913</u>	<u>203,773</u>	<u>7,140</u>
90000	Total Expenses	789,433	789,433	750,013	39,420
10010	Operating transfer in	17,556	17,556	17,556	-
10020	Operating transfer out	<u>(17,556)</u>	<u>(17,556)</u>	<u>-</u>	<u>(17,556)</u>
10100	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,556</u>	<u>(17,556)</u>
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	61,209	61,209	(32,883)	94,092
11020	Required Annual Debt Principal Payments	17,556	17,556	-	17,556
11030	Beginning equity	2,706,490	2,706,490	2,540,323	166,167
11040-010	Accrued interest expense for CFFP from 06/30/08 transferred from operations to CFP	-	-	2,718	(2,718)
11040-070	Equity Transfers	<u>-</u>	<u>-</u>	<u>154,616</u>	<u>(154,616)</u>
11040	Prior period adjustments, equity transfers and correction of errors	-	-	157,334	(157,334)
11190	Unit months available	1,620	1,620	1,620	-
11210	Unit months leased	1,561	1,561	1,561	-
11270	Excess cash	268,592	268,592	268,592	-
11620	Building Purchases	58,080	58,080	-	58,080
11640	Furniture & Equipment-Administrative Purchases	5,734	5,734	-	5,734
11650	Leasehold Improvements Purchases	34,700	34,700	-	34,700

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Program Financials - Balance Sheet**  
**June 30, 2009**

Line Item #	Account Description	Total Programs	2 State / Local	14.871 Housing Choice Vouchers
111	Cash - unrestricted	\$ -	\$ -	\$ -
113	Cash - other restricted	210,474	-	210,474
100	Total Cash	<u>210,474</u>	<u>-</u>	<u>210,474</u>
122	Accounts receivable - HUD other projects	4,165	-	4,165
124	Account receivable - other government	14,811	14,811	-
120	Total receivables, net of allowance for doubtful accounts	<u>18,976</u>	<u>14,811</u>	<u>4,165</u>
142	Prepaid expenses and other assets	<u>85,413</u>	<u>-</u>	<u>85,413</u>
150	Total Current Assets	<u>314,863</u>	<u>14,811</u>	<u>300,052</u>
164	Furniture, equipment & machinery - administration	2,933	-	2,933
166	Accumulated depreciation	<u>(2,933)</u>	<u>-</u>	<u>(2,933)</u>
160	Total capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
180	Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>
190	Total Assets	<u>\$ 314,863</u>	<u>\$ 14,811</u>	<u>\$ 300,052</u>
312	Accounts payable <= 90 days	\$ 2,206	\$ 555	\$ 1,651
321	Accrued wage / payroll taxes payable	1,168	398	770
322	Accrued compensated absences - current portion	12,514	4,586	7,928
346	Accrued liabilities - other	22,015	-	22,015
347	Inter-program due to	75,368	57,673	17,695
310	Total Current Liabilities	<u>113,271</u>	<u>63,212</u>	<u>50,059</u>
354	Accrued compensated absences- Non-current	<u>2,615</u>	<u>1,017</u>	<u>1,598</u>
350	Total Non-current liabilities	<u>2,615</u>	<u>1,017</u>	<u>1,598</u>
190	Total Liabilities	<u>115,886</u>	<u>64,229</u>	<u>51,657</u>
511.1	Restricted net assets	219,358	-	219,358
512.1	Unrestricted net assets	<u>(20,381)</u>	<u>(49,418)</u>	<u>29,037</u>
513	Total Net Assets	<u>198,977</u>	<u>(49,418)</u>	<u>248,395</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 314,863</u>	<u>\$ 14,811</u>	<u>\$ 300,052</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Program Financials - Income Statement**  
**For the Year Ended June 30, 2009**

Line Item #	Account Description	Total	2 State / Local	14.871 Housing Choice Vouchers
70600-010	Housing assistance payments	\$ 984,854	\$ -	\$ 984,854
70600-020	Ongoing administrative fees earned	101,865	-	101,865
70600-031	FSS Coordinator	32,825	-	32,825
70600	HUD PHA operating grants	<u>1,119,544</u>	<u>-</u>	<u>1,119,544</u>
70800	Other government grants	<u>57,228</u>	<u>57,228</u>	<u>-</u>
71100-010	Administrative fee	293	-	293
71100	Investment income - unrestricted	<u>293</u>	<u>-</u>	<u>293</u>
71400-010	Housing Assistance Payment	1,373	-	1,373
71400-020	Administrative Fee	1,374	-	1,374
71400	Fraud recovery	<u>2,747</u>	<u>-</u>	<u>2,747</u>
72000-010	Housing Assistance Payment	2,975	-	2,975
72000	Investment income - restricted	<u>2,975</u>	<u>-</u>	<u>2,975</u>
70000	Total Revenue	<u>1,182,787</u>	<u>57,228</u>	<u>1,125,559</u>
91100	Administrative salaries	122,044	48,056	73,988
91200	Auditing fees	2,520	-	2,520
91500	Employee benefit contributions - administrative	41,635	17,925	23,710
91600	Office Expenses	21,379	4,519	16,860
91700	Legal Expense	135	135	-
91800	Travel	9,970	2,008	7,962
91900	Other	8,615	1,149	7,466
91000	Total Operating-Administrative	<u>206,298</u>	<u>73,792</u>	<u>132,506</u>
96200	Other general expenses	240	-	240
96210	Compensated absences	2,072	281	1,791
96000	Total Other General Expenses	<u>2,312</u>	<u>281</u>	<u>2,031</u>
96000	Total Operating Expenses	<u>208,610</u>	<u>74,073</u>	<u>134,537</u>
97000	Excess Revenue Over Operating Expenses	<u>974,177</u>	<u>(16,845)</u>	<u>991,022</u>
97300-020	Home-Ownership	11,983	-	11,983
97300-050	All Other	973,825	-	973,825
97300	Housing assistance payments	<u>985,808</u>	<u>-</u>	<u>985,808</u>
90000	Total Expenses	<u>1,194,418</u>	<u>74,073</u>	<u>1,120,345</u>
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	(11,631)	(16,845)	5,214
11030	Beginning equity	210,608	(32,573)	243,181

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Program Financials - Income Statement (Continued)**  
**For the Year Ended June 30, 2009**

<b>Line Item #</b>	<b>Account Description</b>	<b>Total</b>	<b>2 State / Local</b>	<b>14.871 Housing Choice Vouchers</b>
11170-001	Administrative Fee Equity - Beginning Balance	\$ 27,217	\$ -	\$ 27,217
11170-010	Administrative Fee Revenue	101,865	-	101,865
11170-031	FSS Coordinator	32,825	-	32,825
11170-040	Investment Income	293	-	293
11170-045	Fraud Recovery Revenue	1,374	-	1,374
11170-060	Total Admin Fee Revenues	136,357	-	136,357
11170-080	Total Operating Expense	134,537	-	134,537
11170-110	Total Expenses	134,537	-	134,537
11170-002	Net Administrative Fee	1,820	-	1,820
11170-003	Administrative Fee Equity - Ending Balance	29,037	-	29,037
11170	Administrative Fee Equity	29,037	-	29,037
11180-001	Housing Assistance Payments Equity - Beginning Balance	215,964	-	215,964
11180-010	Housing Assistance Payment Revenues	984,854	-	984,854
11180-015	Fraud Recovery Revenue	1,373	-	1,373
11180-025	Investment income	2,975	-	2,975
11180-030	Total HAP Revenues	989,202	-	989,202
11180-080	Housing Assistance Payments	985,808	-	985,808
11180-100	Total Housing Assistance Payments Expenses	985,808	-	985,808
11180-002	Net Housing Assistance Payments	3,394	-	3,394
11180-003	Housing Assistance Payments Equity - Ending Balance	219,358	-	219,358
11180	Housing Assistance Payments Equity	\$ 219,358	\$ -	\$ 219,358
11190-210	Total ACC HCV Units	2,376	-	2,376
11190-220	Unfunded Units	(243)	-	(243)
11190-230	Other Adjustments	3	-	3
11190	Unit Months Available	2,136	-	2,136
11210	Unit Months Leased	2,136	-	2,136

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Balance Sheet**  
**June 30, 2009**

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
111	Cash - unrestricted	\$ 188,139	\$ -	\$ 188,139	\$ 188,139
112	Cash-restricted-modernization and development	172,775	-	172,775	172,775
113	Cash - other restricted	-	210,474	210,474	210,474
114	Cash - tenant security deposits	34,660	-	34,660	34,660
100	Total Cash	<u>395,574</u>	<u>210,474</u>	<u>606,048</u>	<u>606,048</u>
122	Accounts receivable - HUD other projects	-	4,165	4,165	4,165
124	Account receivable - other government	-	14,811	14,811	14,811
126	Accounts receivable - tenants	3,111	-	3,111	3,111
126.1	Allowance for doubtful accounts - tenants	(546)	-	(546)	(546)
129	Accrued interest receivable	1,156	-	1,156	1,156
120	Total receivables, net of allowance for doubtful accounts	<u>3,721</u>	<u>18,976</u>	<u>22,697</u>	<u>22,697</u>
131	Investments - unrestricted	171,004	-	171,004	171,004
142	Prepaid expenses and other assets	29,799	85,413	115,212	115,212
144	Inter-program due from	75,368	-	75,368	75,368
150	Total Current Assets	<u>675,466</u>	<u>314,863</u>	<u>990,329</u>	<u>990,329</u>
161	Land	297,665	-	297,665	297,665
162	Buildings	6,238,993	-	6,238,993	6,238,993
163	Furniture, equipment & machinery - dwellings	111,418	-	111,418	111,418
164	Furniture, equipment & machinery - administration	225,083	2,933	228,016	228,016
165	Leasehold improvements	347,316	-	347,316	347,316
166	Accumulated depreciation	(4,320,446)	(2,933)	(4,323,379)	(4,323,379)
160	Total capital assets, net of accumulated depreciation	<u>2,900,029</u>	<u>-</u>	<u>2,900,029</u>	<u>2,900,029</u>
174-050	Other assets - Other	18,328	-	18,328	18,328
174	Other assets	18,328	-	18,328	18,328
180	Total Non-Current Assets	<u>2,918,357</u>	<u>-</u>	<u>2,918,357</u>	<u>2,918,357</u>
190	Total Assets	<u>\$ 3,593,823</u>	<u>\$ 314,863</u>	<u>\$ 3,908,686</u>	<u>\$ 3,908,686</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Balance Sheet (Continued)**  
**June 30, 2009**

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
312	Accounts payable <= 90 days	\$ 113,479	\$ 2,206	\$ 115,685	\$ 115,685
321	Accrued wage / payroll taxes payable	4,152	1,168	5,320	5,320
322	Accrued compensated absences - current portion	9,143	12,514	21,657	21,657
333	Accounts payable - other government	18,357	-	18,357	18,357
341	Tenant security deposits	34,660	-	34,660	34,660
342-030	Deferred revenue - Other	3,216	-	3,216	3,216
342	Deferred revenue	3,216	-	3,216	3,216
343-110	CFFP	21,293	-	21,293	21,293
343	Current portion of long-term debt - capital projects / mortgage revenue bonds	21,293	-	21,293	21,293
346	Accrued liabilities - other	-	22,015	22,015	22,015
347	Inter-program due to	-	75,368	75,368	75,368
310	Total Current Liabilities	<u>204,300</u>	<u>113,271</u>	<u>317,571</u>	<u>317,571</u>
351-010	Long-term debt - CFFP	619,908	-	619,908	619,908
351	Capital Projects/ Mortgage Revenue Bonds	619,908	-	619,908	619,908
354	Accrued compensated absences - noncurrent	1,916	2,615	4,531	4,531
350	Total non-current liabilities	<u>621,824</u>	<u>2,615</u>	<u>624,439</u>	<u>624,439</u>
190	Total Liabilities	<u>826,124</u>	<u>115,886</u>	<u>942,010</u>	<u>942,010</u>
508.1	Investment in capital assets, net of related debt	2,449,931	-	2,449,931	2,449,931
511.1	Restricted net assets	-	219,358	219,358	219,358
512.1	Unrestricted net assets	317,768	(20,381)	297,387	297,387
513	Total Net Assets	<u>2,767,699</u>	<u>198,977</u>	<u>2,966,676</u>	<u>2,966,676</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 3,593,823</u>	<u>\$ 314,863</u>	<u>\$ 3,908,686</u>	<u>\$ 3,908,686</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Income Statement**  
**For the Year Ended June 30, 2009**

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
70300	Net tenant rental revenue	\$ 360,069	\$ -	\$ 360,069	\$ 360,069
70400	Tenant revenue - other	902	-	902	902
70500	Total Tenant Revenue	<u>360,971</u>	<u>-</u>	<u>360,971</u>	<u>360,971</u>
70600-010	Housing assistance payments	-	984,854	984,854	984,854
70600-020	Ongoing administrative fees earned	-	101,865	101,865	101,865
70600-031	FSS Coordinator	-	32,825	32,825	32,825
70600	HUD PHA operating grants	<u>212,390</u>	<u>1,119,544</u>	<u>1,331,934</u>	<u>1,331,934</u>
70610	Capital grants	<u>151,068</u>	<u>-</u>	<u>151,068</u>	<u>151,068</u>
70800	Other government grants	<u>-</u>	<u>57,228</u>	<u>57,228</u>	<u>57,228</u>
71100-020	Administrative fee	-	293	293	293
71100	Investment income - unrestricted	<u>7,104</u>	<u>293</u>	<u>7,397</u>	<u>7,397</u>
71400-010	Housing Assistance Payment	-	1,373	1,373	1,373
71400-020	Administrative Fee	-	1,374	1,374	1,374
71400	Fraud recovery	<u>-</u>	<u>2,747</u>	<u>2,747</u>	<u>2,747</u>
71500	Other revenue	<u>116,308</u>	<u>-</u>	<u>116,308</u>	<u>116,308</u>
72000-010	Housing Assistance Payment	-	2,975	2,975	2,975
72000	Investment income - restricted	<u>2,801</u>	<u>2,975</u>	<u>5,776</u>	<u>5,776</u>
70000	Total Revenue	<u>850,642</u>	<u>1,182,787</u>	<u>2,033,429</u>	<u>2,033,429</u>
91100	Administrative salaries	41,296	122,044	163,340	163,340
91200	Auditing fees	3,780	2,520	6,300	6,300
91400	Advertising and marketing	443	-	443	443
91500	Employee benefit contributions - administrative	16,502	41,635	58,137	58,137
91600	Office expenses	25,796	21,379	47,175	47,175
91700	Legal expenses	6,762	135	6,897	6,897
91800	Travel	3,639	9,970	13,609	13,609
91900	Other	5,828	8,615	14,443	14,443
91000	Total Operating-Administrative	<u>104,046</u>	<u>206,298</u>	<u>310,344</u>	<u>310,344</u>
92400	Tenant services - other	<u>2,162</u>	<u>-</u>	<u>2,162</u>	<u>2,162</u>
92500	Total tenant services	<u>2,162</u>	<u>-</u>	<u>2,162</u>	<u>2,162</u>
93100	Water	26,707	-	26,707	26,707
93200	Electricity	114,976	-	114,976	114,976
93300	Gas	19,864	-	19,864	19,864
93000	Total Utilities	<u>161,547</u>	<u>-</u>	<u>161,547</u>	<u>161,547</u>
94100	Labor	63,973	-	63,973	63,973
94200	Materials & other	<u>20,115</u>	<u>-</u>	<u>20,115</u>	<u>20,115</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Income Statement (Continued)**  
**For the Year Ended June 30, 2009**

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
94300-010	Garbage and Trash Removal Contracts	\$ 10,503	\$ -	\$ 10,503	\$ 10,503
94300-020	Heating & Cooling Contracts	5,654	-	5,654	5,654
94300-030	Snow Removal Contracts	7,010	-	7,010	7,010
94300-040	Elevator Maintenance Contracts	12,128	-	12,128	12,128
94300-050	Landscape and grounds Contracts	12,598	-	12,598	12,598
94300-060	Unit Turnaround Contracts	16,225	-	16,225	16,225
94300-070	Electrical Contracts	4,736	-	4,736	4,736
94300-080	Plumbing Contracts	2,755	-	2,755	2,755
94300-090	Extermination Contracts	1,980	-	1,980	1,980
94300-100	Janitorial Contracts	1,076	-	1,076	1,076
94300-110	Routine Maintenance Contracts	4,474	-	4,474	4,474
94300-120	Miscellaneous contracts	34,753	-	34,753	34,753
94300	Ordinary Maintenance and Operations Contracts	<u>113,892</u>	<u>-</u>	<u>113,892</u>	<u>113,892</u>
94500	Employee benefit contributions	<u>26,093</u>	<u>-</u>	<u>26,093</u>	<u>26,093</u>
94000	Total Maintenance	<u>224,073</u>	<u>-</u>	<u>224,073</u>	<u>224,073</u>
96110	Property insurance	27,757	-	27,757	27,757
96130	Workmen's compensation	3,740	-	3,740	3,740
96140	All other insurance	326	-	326	326
96100	Total insurance premiums	<u>31,823</u>	<u>-</u>	<u>31,823</u>	<u>31,823</u>
96200	Other general expenses	10	240	250	250
96210	Compensated absences	-	2,072	2,072	2,072
96300	Payment in lieu of taxes	18,357	-	18,357	18,357
96400	Bad debt - tenant rents	3,244	-	3,244	3,244
96000	Total Other General Expenses	<u>21,611</u>	<u>2,312</u>	<u>23,923</u>	<u>23,923</u>
96710	Interest of Mortgage (or Bonds) Payable	32,280	-	32,280	32,280
96730	Amortization of Bond Issue Costs	978	-	978	978
96700	Total Interest Expense and Amortization Cost	<u>33,258</u>	<u>-</u>	<u>33,258</u>	<u>33,258</u>
96900	Total Operating Expenses	<u>578,520</u>	<u>208,610</u>	<u>787,130</u>	<u>787,130</u>
97000	Excess Revenue Over Operating Expenses	<u>272,122</u>	<u>974,177</u>	<u>1,246,299</u>	<u>1,246,299</u>
97300-020	Home-Ownership	-	11,983	11,983	11,983
97300-050	All Other	-	973,825	973,825	973,825
97300	Housing assistance payments	<u>-</u>	<u>985,808</u>	<u>985,808</u>	<u>985,808</u>
97400	Depreciation expense	<u>210,913</u>	<u>-</u>	<u>210,913</u>	<u>210,913</u>
90000	Total Expenses	789,433	1,194,418	1,983,851	1,983,851
10010	Operating transfer in	17,556	-	17,556	17,556
10020	Operating transfer out	(17,556)	-	(17,556)	(17,556)
10100	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	61,209	(11,631)	49,578	49,578
11020	Required Annual Debt Principal Payments	17,556	-	17,556	17,556

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Income Statement (Continued)**  
**For the Year Ended June 30, 2009**

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
11030	Beginning equity	\$ 2,706,490	\$ 210,608	\$ 2,917,098	\$ 2,917,098
11170-001	Administrative Fee Equity - Beginning Balance	-	27,217	27,217	27,217
11170-010	Administrative Fee Revenue	-	101,865	101,865	101,865
11170-031	FSS Coordinator	-	32,825	32,825	32,825
11170-040	Investment Income	-	293	293	293
11170-045	Fraud Recovery Revenue	-	1,374	1,374	1,374
11170-060	Total Admin Fee Revenues	-	136,357	136,357	136,357
11170-080	Total Operating Expense	-	134,537	134,537	134,537
11170-110	Total Expenses	-	134,537	134,537	134,537
11170-002	Net Administrative Fee	-	1,820	1,820	1,820
11170-003	Administrative Fee Equity - Ending Balance	-	29,037	29,037	29,037
11170	Administrative Fee Equity	-	29,037	29,037	29,037
11180-001	Housing Assistance Payments Equity - Beginning Balance	-	215,964	215,964	215,964
11180-010	Housing Assistance Payment Revenues	-	984,854	984,854	984,854
11180-015	Fraud Recovery Revenue	-	1,373	1,373	1,373
11180-025	Investment income	-	2,975	2,975	2,975
11180-030	Total HAP Revenues	-	989,202	989,202	989,202
11180-080	Housing Assistance Payments	-	985,808	985,808	985,808
11180-100	Total Housing Assistance Payments Expenses	-	985,808	985,808	985,808
11180-002	Net Housing Assistance Payments	-	3,394	3,394	3,394
11180-003	Housing Assistance Payments Equity - Ending Balance	-	219,358	219,358	219,358
11180	Housing Assistance Payments Equity	-	219,358	219,358	219,358
11190-210	Total ACC HCV Units	-	2,376	2,376	2,376
11190-220	Unfunded Units	-	(243)	(243)	(243)
11190-230	Other Adjustments	-	3	3	3
11190	Unit Months Available	1,620	2,136	3,756	3,756
11210	Unit Months Leased	1,561	2,136	3,697	3,697
11270	Excess Cash	\$ 268,592	\$ -	\$ 268,592	\$ 268,592
11620	Building Purchases	58,080	-	58,080	58,080
11640	Furniture & Equipment-Administrative Purchases	5,734	-	5,734	5,734
11650	Leasehold Improvements Purchases	34,700	-	34,700	34,700



SMITH & KLACZKIEWICZ, PC  
CPA'S AND CONSULTANTS

THOMAS J. SMITH, CPA 989-751-1167

ROBERT R. KLACZKIEWICZ, CPA 989-751-3064

A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITORS' 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**

Members of the Board of Commissioners  
Traverse City Housing Commission  
Traverse City, Michigan

We have audited the financial statements of the business-type activities and the major fund of the *Traverse City Housing Commission*, as of and for the year ended June 30, 2009, which collectively comprise the Housing Commission's basic financial statements and have issued our report thereon dated December 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the *Traverse City 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*.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Smith + Klaehowitz PC*

***Saginaw, Michigan***

December 8, 2009



SMITH & KLACZKIEWICZ, PC  
CPA'S AND CONSULTANTS

THOMAS J. SMITH, CPA 989-751-1167

ROBERT R. KLACZKIEWICZ, CPA 989-751-3064

A VETERAN OWNED BUSINESS

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

Board of Commissioners  
Traverse City Housing Commission  
Traverse City, Michigan

**Compliance**

We have audited the compliance of the *Traverse City Housing Commission* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The *Traverse City Housing Commission* major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the *Traverse City Housing Commissions'* management. Our responsibility is to express an opinion of the *Traverse City Housing Commission's* compliance based on our audit.

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

In our opinion, the *Traverse City Housing Commission* complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

### **Internal Control Over Compliance**

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

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

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

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

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Smith + Klayhewig PC*

*Saginaw, Michigan*

December 8, 2009

**Traverse City Housing Commission**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<b>Federal Agency / Pass Through Agency / Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Project/Grant Number</b>	<b>Amount Expended</b>
<b>Department of Housing and Urban Development</b>			
Direct programs:			
Public and Indian Housing	14.850		\$ 212,390
Section 8 Housing Choice Vouchers	14.871		1,087,520
Section 8 Housing Choice Vouchers Family Self-Sufficiency	14.871		32,825
Public Housing Capital Fund	14.872		151,068
Capital Fund Financing Program	14.872		516,445
Pass-through the Michigan State Housing Development Authority			
Community Development Block Grants / State's Program	14.228	MSC-2008-0708-HOA	17,228
Total Department of Housing and Urban Development			<u>\$ 2,017,476</u>

**Reconciliation to Statement of Activities**

Federal revenue reported on the Statement of Activities:			
Program grants - subsidies			\$ 1,331,934
Capital grants			151,068
Other governmental grants			57,228
County appropriation included in other governmental grants			(40,000)
Expenditures of loan proceeds from the Capital Fund Financing Program			516,445
Use of net assets to fund expenditures in Housing Choice Vouchers Program			801
Total expenditures per Schedule of Expenditures of Federal Award			<u>\$ 2,017,476</u>

**Note 1** The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Traverse City Housing Commission and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2** Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.

**Traverse City Housing Commission  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009**

---

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

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ X No

**Federal Awards**

Type of auditors' report issued on compliance for major program(s): Unqualified

Internal control over major program(s)

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

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

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

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

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

Auditee qualify as a low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X No

**Traverse City Housing Commission**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2009**

---

**Section II - Financial Statement Audit Findings**

None

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

None

**Section IV - Prior Year Findings**

None