

**CITY OF MANISTEE HOUSING COMMISSION**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the respective changes in financial position and the cash flows thereof 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 City of Manistee Housing Commission's basic financial statements. The accompanying supplemental data including the financial data schedules, are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedule, the statement and certification of actual modernization costs, 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 relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2017, 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.*

June 8, 2017

CITY OF MANISTEE HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(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 \$1,746,104 (net position) as opposed to \$2,147,633 for the prior fiscal year.
- The Commission's cash and investments balance as of the close of the current fiscal year was \$355,621, representing a decrease of \$144,785 from the prior fiscal year.
- The Commission had total revenues of \$1,252,658 and total expenses of \$1,653,177 for the current fiscal year. Revenues decreased by \$325,410 and Expenses increased by \$120,235.
- The Commission expended \$53,779 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, 2017  
(UNAUDITED)

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

	<u>2017</u>	<u>2016</u>	<u>Total Change</u>	<u>% Change</u>
Current and Other Assets	\$384,253	\$555,289	(\$171,036)	-30.80%
Capital Assets and Other Assets	3,154,140	3,383,953	(229,813)	-6.79%
Deferred Outflow of Resources	<u>24,086</u>	<u>43,657</u>	<u>(19,571)</u>	-44.83%
Total Assets and Deferred Outflows of Resources	3,562,479	3,982,899	(420,420)	-10.56%
Current and Other Liabilities	200,429	202,543	(2,114)	-1.04%
Long-Term Liabilities	<u>1,615,946</u>	<u>1,632,723</u>	<u>(16,777)</u>	-1.03%
Total Liabilities	1,816,375	1,835,266	(18,891)	-1.03%
Investment in Capital Assets				
Related Debt	1,535,991	1,729,950	(193,959)	-11.21%
Unrestricted	<u>210,113</u>	<u>417,683</u>	<u>(207,570)</u>	-49.70%
Total Net Position	<u>1,746,104</u>	<u>2,147,633</u>	<u>(401,529)</u>	-18.70%
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$3,562,479</u></u>	<u><u>\$3,982,899</u></u>	<u><u>(\$420,420)</u></u>	-10.56%

As illustrated in the Combined Statement of Net Position, the overall Net Position of the Commission decreased by \$401,445. The "Investment in Capital Assets decreased by \$193,959 as a result of current year payments of the EPC Loan in Public Housing, additions, disposals, and depreciation. Unrestricted Net Position decreased by \$207,486 due to operations. Current Assets decreased by \$171,036 due to the decrease in cash due to the decrease in tenant revenues. Current Liabilities decreased by \$2,114. Capital Assets decreased by \$229,813 due mostly to disposal of assets and current year depreciation. Non-current Liabilities decreased \$16,777 primarily as the result of a current payment of EPC Loan and capital lease.

CITY OF MANISTEE HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(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>2017</u>	<u>2016</u>	<u>Total Change</u>
Tenant Revenues	\$500,518	\$551,925	(\$51,407)
Grant Funding	626,730	914,090	(287,360)
Other Revenue	125,410	112,053	13,357
	<hr/>	<hr/>	<hr/>
Total Revenue	1,252,658	1,578,068	(325,410)
Administrative	460,886	429,351	31,535
Tenant Services	74,193	71,879	2,314
Utilities	177,768	182,732	(4,964)
Maintenance	406,175	350,575	55,600
General	222,088	200,622	21,466
Depreciation	312,067	297,783	14,284
	<hr/>	<hr/>	<hr/>
Total Expenses	1,653,177	1,532,942	120,235
Change in Net Position	(400,519)	45,126	(445,645)
Beginning Net Position	2,147,633	2,102,507	45,126
Transfer of Equity/PP Adj	(1,010)	0	(1,010)
Ending Net Position	<u>\$1,746,104</u>	<u>\$2,147,633</u>	<u>(\$401,529)</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, 2017  
(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 Fund Program	State/Local	Total
Tenant Revenues	\$489,356	\$11,162	\$500,518
Grant Funding	626,730	0	626,730
Other Income	125,219	191	125,410
	<hr/>	<hr/>	<hr/>
Total Revenue	1,241,305	11,353	1,252,658
Administrative	449,183	11,703	460,886
Tenant Services	74,193	0	74,193
Utilities	177,768	0	177,768
Maintenance	400,072	6,103	406,175
General	219,259	2,829	222,088
Depreciation	301,630	10,437	312,067
	<hr/>	<hr/>	<hr/>
Total Expenses	1,622,105	31,072	1,653,177
Change in Net Position	(380,800)	(19,719)	(400,519)
Beginning Net Position	<hr/>	<hr/>	<hr/>
	2,299,726	(152,093)	2,147,633
Prior Period Adjustment	(1,010)	0	(1,010)
Ending Net Position	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	1,917,916	(171,812)	1,746,104

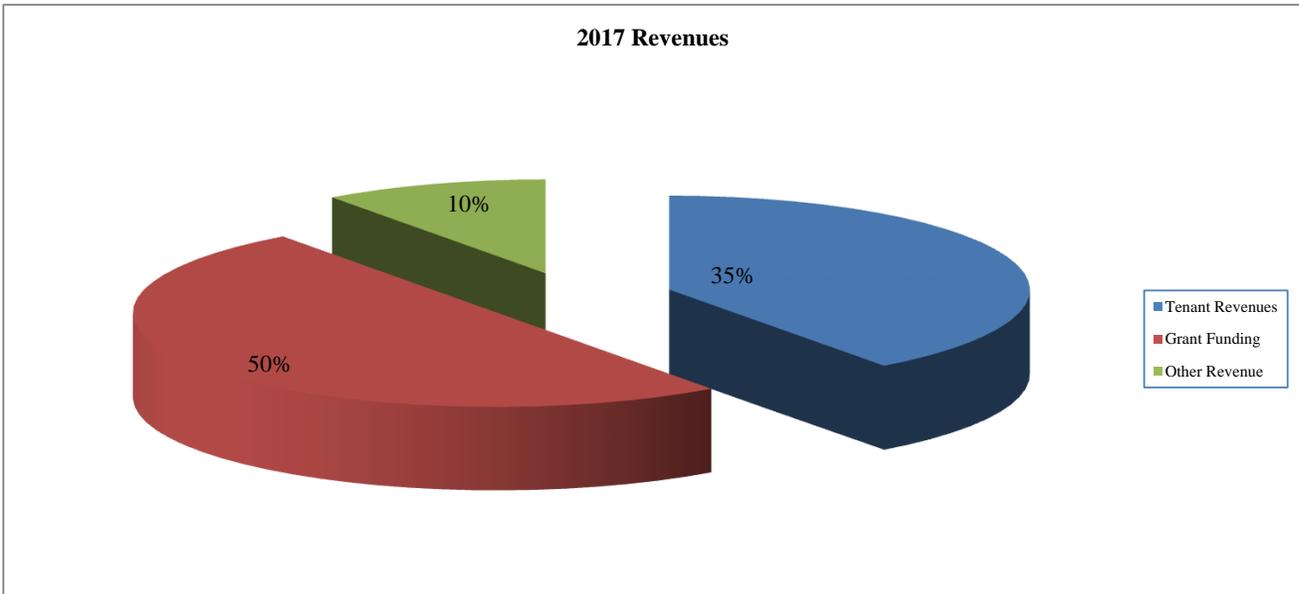
Women's Domestic Violence Program listed under State/Local Program had tenant revenue of \$11,162, a decrease from the prior year.

State/Local Program ending net position is (\$141,812), which is attributed mostly to prior period losses.

CITY OF MANISTEE HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)

**REVENUES**

In reviewing the Statement of Revenues, Expenses, and Net Position, you will note that 50% 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 35% of total revenue. Other Revenue include Interest from Investments, insurance claims, laundry income, comprised the remaining 10%. Compared to the Fiscal Year Ended December 31, 2016, revenues had an overall decrease of \$325,410 (21%) due to a decrease in grant funding.



**Tenant Revenue** - Tenant Revenue decreased from \$551,925 to \$500,518, a decrease of 9%.

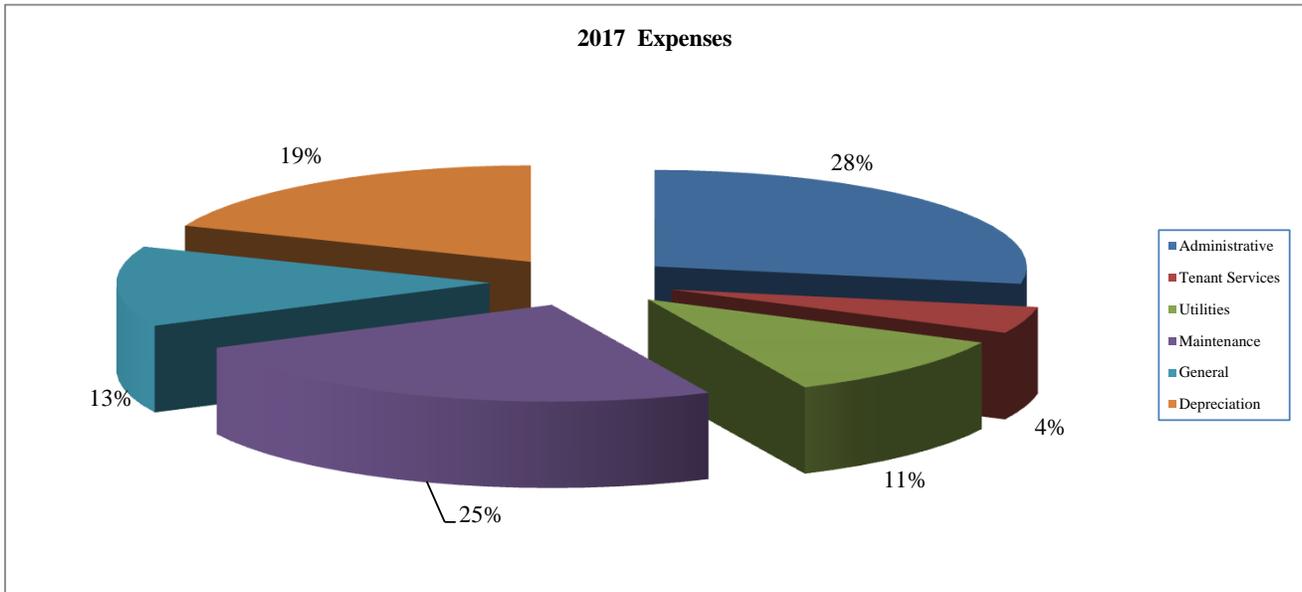
**Program Grants/Subsidies** – Grant revenue decreased \$287,360 (31%) compared to the previous year. This was due to a decrease Capital Grant funding and a decrease in operating subsidy.

**Other Revenue** - Other Revenue increased from \$112,053 to \$125,410, an increase of 12%.

CITY OF MANISTEE HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)

**EXPENSES**

The City of Manistee Housing Commission experienced an increase in expenses for the current year from \$1,532,942 to \$1,653,093 or \$120,151 (8%). 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 \$31,535 (7%), 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 \$2,314 (3%) due to increased program activity.

**Utilities** - The total utilities expense for the Commission decreased by \$4,964 (3%).

**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 increased by \$55,600 (16%) primarily due to an increase 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 \$21,466 (11%) due to increases in most categories.

**Depreciation** – Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation Expense for the current year increased by \$14,284 (5%) as a result of more asset additions in the current year.

CITY OF MANISTEE HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(UNAUDITED)

**CAPITAL ASSETS**

At the end of fiscal year 2017 the Commission had invested in Capital Assets \$3,154,140 net of depreciation. As of December 31, 2017, the total amount in Capital Assets had decreased by \$229,813 to \$3,154,140 from \$3,383,953. The following illustrates the Capital Asset values for 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Land	\$360,272	\$360,272	\$0	0.00%
Buildings	10,514,680	10,479,008	35,672	0.34%
Equipment	585,490	806,719	(221,229)	-27.42%
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	100.00%
	11,460,442	11,645,999	(185,557)	-1.59%
Accumulated Depreciation	<u>(8,306,302)</u>	<u>(8,262,046)</u>	<u>(44,256)</u>	0.54%
Total Capital Assets	<u><u>\$3,154,140</u></u>	<u><u>\$3,383,953</u></u>	<u><u>(\$229,813)</u></u>	-6.79%

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 \$53,779.

The Commission disposed of \$269,340 of capital assets during the year, primarily in Equipment - Administration.

**LONG-TERM DEBT OBLIGATIONS**

As of December 31, 2017, the Commission had \$1,618,149 in long-term debt and capital lease obligations compared to \$1,654,003 at December 31, 2016, for a \$35,854 decrease. The following summarizes these obligations:

	<u>2017</u>	<u>2016</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	1,101,128	1,132,373	(31,245)
Equipment Lease	<u>17,021</u>	<u>21,630</u>	<u>(4,609)</u>
Total Long-Term Debt Obligations	<u><u>\$1,618,149</u></u>	<u><u>\$1,654,003</u></u>	<u><u>(\$35,854)</u></u>

The total change is due to the payment of current portion of \$35,854 (\$4,609 for equipment lease and \$31,245 for EPC Lease).

Total interest expense was \$72,730 for 2017 compared to \$74,302 for 2016, a decrease of \$1,572 due to payment of principle.

CITY OF MANISTEE HOUSING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(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 6<sup>th</sup> Avenue, Manistee, Michigan 49660.

## **BASIC FINANCIAL STATEMENTS**

CITY OF MANISTEE HOUSING COMMISSION  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	309,144
Cash - Tenant Security Deposits		46,477
Due From Other Governmental Units		-
Accounts Receivables - Net		11,304
Prepaid Expenses		<u>17,328</u>
TOTAL CURRENT ASSETS		384,253

NONCURRENT ASSETS

Capital Assets:		
Nondepreciable		360,272
Depreciable		11,100,170
Less: Accumulated Depreciation		<u>(8,306,302)</u>
Net Capital Assets		<u>3,154,140</u>
TOTAL NONCURRENT ASSETS		3,154,140

Deferred Outflow of Resources		<u>24,086</u>
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TOTAL ASSETS AND DEFERRED OUFLOW OF RESOURCES		<u>\$ 3,562,479</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable		\$26,567
Accrued Liabilities		27,639
Due From Other Governmental Units		29,223
Tenant Security Deposits		46,477
Unearned Revenue		4,553
Accrued Compensated Absences, Current Portion		23,999
Capital Leases - Current Portion		<u>41,971</u>
TOTAL CURRENT LIABILITIES		200,429

NONCURRENT LIABILITIES

Long-Term Debt - Net of Current Portion		500,000
Capital Leases - Net of Current Portion		1,076,178
Accrued Salaries, Wages and Compensated Absences		10,589
Net Pension Liability		<u>29,179</u>
TOTAL NONCURRENT LIABILITIES		<u>1,615,946</u>

TOTAL LIABILITIES		1,816,375
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NET POSITION

Net Investment in Capital Assets		1,535,991
Unrestricted		<u>210,113</u>
TOTAL NET POSITION		<u>1,746,104</u>

TOTAL LIABILITIES AND NET POSITION		<u>\$ 3,562,479</u>
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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, 2017

OPERATING REVENUES:	
Tenant Revenues	\$ 500,518
Program Grants - Subsidies	572,951
Other Revenue	<u>125,681</u>
TOTAL OPERATING REVENUES	1,199,150
OPERATING EXPENSES:	
Administrative	460,886
Tenant Services	74,193
Utilities	177,768
Maintenance	406,175
Insurance	81,755
General	8,124
Payments in Lieu of Taxes	29,223
Bad Debts	30,256
Depreciation	<u>312,067</u>
TOTAL OPERATING EXPENSES	<u>1,580,447</u>
OPERATING LOSS	(381,297)
NON - OPERATING REVENUE (EXPENSES):	
Interest and Investment Income	771
Interest Expense	(72,730)
Gain on Disposal of Capital Asset	<u>(1,042)</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>(73,001)</u>
LOSS BEFORE CONTRIBUTIONS	(454,298)
Capital Contributions	<u>53,779</u>
CHANGE IN NET POSITION	(400,519)
NET POSITION - BEGINNING OF YEAR	2,147,633
Prior Period Adjustment	<u>(1,010)</u>
Net Position - Retated	<u>2,146,623</u>
NET POSITION - END OF YEAR	\$ <u><u>1,746,104</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 637,374
Cash Received from Grants and Subsidies	572,951
Cash Payments to Suppliers for Goods and Services	(770,229)
Cash Payments for Wages and Related Benefits	(460,316)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(20,220)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Contributed Capital for Capital Grants	67,031
Acquisition of Capital Assets	(83,783)
Payments For Debt Instruments - Principle	(35,854)
Payments For Debt Instruments - Interest	(72,730)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(125,336)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Investment Income	771
NET CASH PROVIDED BY INVESTING ACTIVITIES	771

DECREASE IN CASH AND CASH EQUIVALENTS (144,785)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 500,406

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 355,621

RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Loss	\$ (381,297)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities	
Depreciation	312,067
Bad Debts	30,256
Changes in Assets (Increase) Decrease in:	
Receivables	15,871
Prepaid Expenses	1,727
Deferred Outflows of Resources	19,571
Changes in Liabilities Increase (Decrease) in:	
Accounts Payable	(4,439)
Accrued Liabilities	(9,280)
Tenant Security Deposits	(2,613)
Unearned Revenue	(2,083)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (20,220)

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS

Cash and Cash Equivalents	\$ 309,144
Cash - Security Deposits	46,477
CASH AND CASH EQUIVALENTS, ENDING	\$ 355,621

"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, 2017

**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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**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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**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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**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:

*Net Investment 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 "Investment 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, 2017 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, 2017.

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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**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments may be invested in the following HUD-approved vehicles:

- \* Direct obligations of the federal government backed by the full faith and credit of the United States;
- \* Obligations of government agencies;
- \* Securities of government sponsored agencies;
- \* Demand and savings deposits; and,
- \* Time deposits and repurchase agreements

At December 31, 2017, cash was in bank deposits and certificates of deposit, all of which were fully insured or collateralized with securities held by the Commission or by its agent in the Commission's name. The Commission's cash balances at December 31, 2017, totaled \$500,406. The Commission has no investments.

- Interest Rate Risk - The Commission's formal investment policy does not specifically address the exposure to this risk.
- Credit Risk - The Commission's formal investment policy does not specifically address credit risk. - Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.
- Custodial Credit Risk - The Commission's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or guarantee of principal and interest by the U.S. Government.
- Concentration of Credit Risk - The Commission's investment policy does not restrict the amount that the Commission may invest in any one issuer.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Commission's deposits may have been higher than the December 31, 2017 balances detailed below. This means that the Commission's risk and exposure could be higher at times. The Commission had no significant type of deposit during the year not included below.

<u>Deposits</u>	<u>Amount</u>
Bank Deposits	\$ 355,321
Petty Cash	<u>300</u>
Total December 31, 2017	\$ <u><u>355,621</u></u>

Reconciliation of cash and cash equivalents to the balance sheet:

Cash and Cash Equivalents	\$ 309,144
Cash - Security Deposits	<u>46,477</u>
Total	\$ <u><u>355,621</u></u>

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CITY OF MANISTEE HOUSING COMMISSION  
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**NOTE 2 - CASH AND INVESTMENTS** , Continued

Deposits and investments with stated interest rates (savings accounts, certificates of deposit) are stated at cost.

Investment income is allocated to the fund that owns the deposit.

**Restricted Cash and Investments**

As of December 31, 2017, 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	\$45,086
 MSHDA Domestic Violence Program:	
Tenant Security Deposits	<u>1,391</u>
 Total Restricted Cash	<u><u>\$46,477</u></u>

**NOTE 3 - TENANTS' ACCOUNTS RECEIVABLE**

The tenants' accounts receivable balance at December 31, 2017 is comprised of the following:

Tenant Receivables	\$39,972
Allowance for Doubtful Accounts	<u>(28,676)</u>
Total Receivables, Net	<u><u>\$11,296</u></u>

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**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Balance</u> <u>January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 2017</u>
Capital Assets not being depreciated				
Land	\$360,272	\$0	\$0	\$360,272
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	360,272	0	0	360,272
Capital Assets being depreciated				
Building	10,479,008	35,672	0	10,514,680
Furniture and Equipment - Dwell	253,132	10,060	(1,988)	261,204
Furniture and Equipment - Admin	<u>553,587</u>	<u>38,051</u>	<u>(267,352)</u>	<u>324,286</u>
Total Capital Assets Being Depreciated	11,285,727	83,783	(269,340)	11,100,170
Less Accumulated Depreciation:				
Building	(7,545,025)	(280,521)	0	(7,825,546)
Furniture and Equipment - Dwell	(223,548)	(7,320)	1,472	(229,396)
Furniture and Equipment - Admin	<u>(493,472)</u>	<u>(24,226)</u>	<u>266,338</u>	<u>(251,360)</u>
Total Accumulated Depreciation	(8,262,045)	(312,067)	267,810	(8,306,302)
Capital Assets, Net of Accumulated Depreciation	<u>3,023,682</u>	<u>(228,284)</u>	<u>(1,530)</u>	<u>2,793,868</u>
Total Net Capital Assets	<u><u>\$3,383,954</u></u>	<u><u>(\$228,284)</u></u>	<u><u>(\$1,530)</u></u>	<u><u>\$3,154,140</u></u>

Depreciation expense for the year ended December 31, 2017 was \$312,067.

The following summarizes the change in Capital Assets and Net Invested in Capital Assets as of December 31, 2017:

	<u>Capital Assets</u>	<u>Net Invested in</u> <u>Capital Assets</u>
Beginning Balance	\$3,383,954	\$1,729,950
Additions	83,783	83,783
Prior Period Adjustment	0	0
Payment of Capital Projects Debt	0	35,855
Retirements, Net of Depreciation	(1,530)	(1,530)
Depreciation	<u>(312,067)</u>	<u>(312,067)</u>
Ending Balance	<u><u>\$3,154,140</u></u>	<u><u>\$1,535,991</u></u>

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**NOTE 5 - COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences for the year ended December 31, 2017:

<u>Description</u>	<u>Balance</u> <u>2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
Accrued Compensated Absences	\$27,829	\$13,929	(\$7,170)	\$34,588	\$23,999

**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, 2017 is \$63,599.

The detail of the Commission's long term debt as of the year ended December 31, 2017 is as follows:

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

Since the MSHDA mortgage payables are forgivable over 40 years there are no future debt service requirements for notes payable as of December 31, 2017.

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, 2017 is \$1,101,128. The current portion is \$37,079 and interest expense is \$71,567.

Capital Lease - In March 2016, the Commission entered into an equipment lease-purchase agreement to acquire equipment. The total amount of the contract is \$25.036, with interest rate 5.95%. Principal payments commenced April 2016. The agreement ends in March 2021. The balance as of December 31, 2017 is \$21,630. The current portion is \$4,610 and interest expense is \$1,163.

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**NOTE 6 - DEBT AND LEASE OBLIGATIONS**, Continued

Payments under the agreement are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$41,971	\$70,281	\$112,252
2019	48,623	67,427	116,050
2020	55,850	64,131	119,981
2021	59,280	60,443	119,723
2022	66,003	56,494	122,497
2023-2027	478,337	202,802	681,139
2028-2030	<u>368,085</u>	<u>32,709</u>	<u>400,794</u>
Total Capital Lease Payments	<u>\$1,118,149</u>	<u>\$554,287</u>	<u>\$1,672,436</u>

The detail of the Commission's long term debt as of the year ended December 31, 2017 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	1,132,373	(31,245)	1,101,128
Capital Lease	<u>21,630</u>	<u>(4,609)</u>	<u>17,021</u>
Total Capital Leases	<u>1,154,003</u>	<u>(35,854)</u>	<u>1,118,149</u>
Total Notes Payable	<u>\$1,654,003</u>	<u>(\$35,854)</u>	<u>\$1,618,149</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, 2017, those payments totaled \$29,223.

**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, 2017 was \$626,730 and was 50% 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, 2017:

Beginning Balance	\$417,683
Results of Operations	(400,519)
Adjustments:	
Depreciation	312,067
Change in Debt	(35,855)
Disposal of Assets	<u>1,530</u>
Adjusted Results from Operations	(122,777)
Capital Expenditures	(83,783)
Prior Period Adjustment	<u>(1,010)</u>
Ending Balance	<u><u>\$210,113</u></u>

**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, 2017.

**NOTE 12 - 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 13 - SUBSEQUENT EVENTS**

The Commission has evaluated events and transactions for potential recognition of disclosures through June 8, 2017, which is the same date as the financial statements were available to be issued; the following events require disclosure as of December 31, 2017.

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CITY OF MANISTEE HOUSING COMMISSION  
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**NOTE 14 - 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](http://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)

Employees Covered by Benefit Terms

At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	2
Active employees	8

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 \$16,491 as of December 31, 2016.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2016, and the total pension liability was used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date

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**NOTE 14 - EMPLOYERS' RETIREMENT SYSTEM**, Continued

Actuarial Assumptions

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salaries Increases: 3.75% in the long-term

Investment rate of return: 7.75%, net of investment and administrative 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 of 2009-2013.

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 2016. 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.

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**NOTE 14 - EMPLOYERS' RETIREMENT SYSTEM**, Continued

Changes in Net Pension Liability (Asset)

Changes in Net Pension Liability (Asset)	<u>Calculating Net Pension Liability (Asset)</u>		
	Total Pension	Increase (Decrease)	Net Pension
	Liability	Plan Fiduciary	Liability
	(a)	Net Position	(a) - (b)
	_____	(b)	_____
Balances at 12/31/15	\$469,746	\$462,168	\$7,578
Service Cost (entered as a positive number)	21,924		21,924
Interest on Total Pension Liability	39,506		39,506
Changes in benefits	0		
Difference between expected and actual experience	1,117		1,117
Changes in assumptions	0		
Employer Contributions		0	
Employee Contributions		16,491	(16,491)
Net investment income		52,480	(52,480)
Benefit payments, including employee refunds	(27,746)	(27,746)	0
Administrative expense (negative number)		(1,035)	1,035
Other changes**	26,990	0	26,990
	_____	_____	_____
Net changes	61,791	40,190	21,601
	_____	_____	_____
Balances as of 12/31/16	\$531,537	\$502,358	\$29,179
	=====	=====	=====

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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

Net Pension Liability (Asset) at 12/31/16	Sensitivity to Changes in Discount Rate		
	1% Decrease	Current	1% Increase
	7.00%	Discount Rate	9.00%
	_____	8.00%	_____
Net Pension Liability (Asset) at 12/31/16		\$29,179	
Change in Net Pension Liability (NPL)	\$61,347		(\$51,662)
Calculated NPL for your Notes	\$90,526	\$29,179	(\$22,483)

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.

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**NOTE 14 - EMPLOYERS' RETIREMENT SYSTEM**, Continued

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

For the year ended 2016, the employer recognized pension expense of \$44,779. 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	\$894	\$0
Differences in Assumptions	\$0	\$0
Excess (Deficit) Investment Returns	\$18,313	\$0
Contributions Subsequent to the Measurement Date*	\$4,878	\$0
Total	\$24,085	\$0

\*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 2017.

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

<u>Year Ended:</u>	
2017	\$12,859
2018	\$7,981
2019	\$6,285
2020	
Thereafter	(\$3,040)

**NOTE 15 - 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, 2017, the Commission had one covered retiree and contributed \$300.

"SEE INDEPENDENT AUDITOR'S REPORT"

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF MANISTEE HOUSING COMMISSION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED DECEMBER 31, 2017

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$21,924	\$22,230	\$21,794
Interest	39,506	35,452	33,256
Changes of Benefit Terms	0	0	0
Difference between expected and actual experience	1,117	0	0
Changes of assumptions	0	0	0
Benefit payments including employee refunds	(27,746)	(35,655)	(21,636)
Other	26,990	11,283	0
Net Change in Total Pension Liability	<u>61,791</u>	<u>33,310</u>	<u>33,414</u>
Total Pension Liability beginning	469,746	436,436	403,022
Total Pension Liability ending	<u><u>\$531,537</u></u>	<u><u>\$469,746</u></u>	<u><u>\$436,436</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$0	\$0	\$0
Contributions-employee	16,491	16,760	17,388
Net Investment income	52,480	(7,089)	29,430
Benefit payments including employee refunds	(27,746)	(35,655)	(21,636)
Administrative expense	(1,035)	(1,047)	(1,082)
Net Change in Plan Fiduciary Net Position	<u>40,190</u>	<u>(27,031)</u>	<u>24,100</u>
Plan Fiduciary Net Position beginning	462,168	489,199	465,099
Plan Fiduciary Net Position ending	<u><u>\$502,358</u></u>	<u><u>\$462,168</u></u>	<u><u>\$489,199</u></u>
Commission's Net Pension Liability (Asset)	<u><u>\$29,179</u></u>	<u><u>\$7,578</u></u>	<u><u>(\$52,763)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	95%	98%	112%
Covered Employee Payroll	\$293,102	\$287,136	\$287,136
Commission's Net Pension Liability (Asset) as a percentage of covered employee payroll	9.96%	2.64%	-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, 2017

**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
2016	\$531,537	\$502,358	\$29,179	94.51%	\$293,102	9.96%
2015	\$469,746	\$462,168	\$7,578	98.39%	\$287,136	2.64%
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 data will be prepared.

**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
2016	\$0	\$16,491	(\$16,491)	\$293,102	5.63%
2015	\$0	\$68,971	(\$68,971)	\$287,136	24.02%
2014	\$0	\$9,671	(\$9,671)	\$287,136	3.37%

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, 2016

Notes                      Actuarially determined contribution rates are calculated as of December 31, 2016 that is 12 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, 2017

		MI078000001	
FDS Line		Harborview	Total
Item No.	Account Description	Apts	Projects
	<b>ASSETS</b>		
111	Cash - Unrestricted	\$258,269	\$258,269
113	Cash - Other Restricted	0	0
114	Cash - Tenant Security Deposits	45,086	45,086
100	<b>TOTAL CASH</b>	<b>303,355</b>	<b>303,355</b>
121	Accounts Receivable - PHA Projects	0	0
122	Accounts Receivable - HUD Other Projects	0	0
125	Accounts Receivable - Misc	8	8
126	A/R Tenants - Dwelling Rents	38,096	38,096
126.1	Allowance for Doubtful Accounts	(26,800)	(26,800)
129	Accrued Interest Receivable	0	0
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>11,304</b>	<b>11,304</b>
142	Prepaid Expenses & Other Assets	17,328	17,328
144	Interprogram Due From	0	0
150	<b>TOTAL CURRENT ASSETS</b>	<b>331,987</b>	<b>331,987</b>
161	Land	360,272	360,272
162	Buildings	10,141,449	10,141,449
163	Furniture and Equipment - Dwellings	261,204	261,204
164	Furniture and Equipment - Administrative	324,286	324,286
165	Leasehold Improvement	0	0
166	Accumulated Depreciation	(8,210,035)	(8,210,035)
167	Construction in Progress	0	0
160	<b>TOTAL FIXED ASSETS, NET</b>	<b>2,877,176</b>	<b>2,877,176</b>
180	<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,877,176</b>	<b>2,877,176</b>
200	Deferred Outflow of Resources	24,086	24,086
190	<b>TOTAL ASSETS</b>	<b>\$3,233,249</b>	<b>\$3,233,249</b>
	<b>LIABILITIES</b>		
312	Accounts Payable <=90 Days	\$26,413	\$26,413
321	Accrued Wages/Payroll Taxes	9,860	9,860
322	Accrued Compensated Absences	23,999	23,999
331	Accounts Payable - HUD	0	0
333	Accounts Payable - Other Governments	29,223	29,223
341	Tenant Security Deposits	45,086	45,086
342	Unearned Revenue	4,120	4,120
343	Current Portion of L-T Debt - Capital Projects	37,079	37,079
345	Other Current Liabilities	0	0
346	Accrued Liabilities - Other	17,779	17,779
347	Interprogram Due To	936	936
348	Loan Liability - Current	4,892	4,892
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>199,387</b>	<b>199,387</b>
351	Long-term Debt, Net of Current -Capital Projects	1,064,049	1,064,049
353	Non-current Liabilities - Other	0	0
354	Accrued Compensated Absences - Noncurrent	10,589	10,589
355	Loan Liability - Non Current	12,129	12,129
357	Accrued Pension and OPEB Liabilities	29,179	29,179
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,115,946</b>	<b>1,115,946</b>
300	<b>TOTAL LIABILITIES</b>	<b>1,315,333</b>	<b>1,315,333</b>
	<b>EQUITY/NET POSITION</b>		
508.1	Invested in Capital Assets, Net of Related Debt	1,759,027	1,759,027
512.1	Unrestricted Net Position	158,889	158,889
513	<b>TOTAL EQUITY/NET POSITON</b>	<b>1,917,916</b>	<b>1,917,916</b>
600	<b>TOTAL LIABILITIES AND EQUITY/NET POSITON</b>	<b>\$3,233,249</b>	<b>\$3,233,249</b>

CITY OF MANISTEE HOUSING COMMISSION  
 FINANCIAL DATA SCHEDULES  
 PROJECTS - INCOME STATEMENT  
 DECEMBER 31, 2017

		MI078000001		MI078000001	
FDS Line		Harborview	Capital	Harborview	Total
Item No.	Account Description	Apts	Fund	Apts - Total	Projects

<b>REVENUE</b>					
70300	Net Tenant Rental Revenue	\$481,501	\$0	\$481,501	\$481,501
70400	Tenant Revenue - Other	7,855	0	7,855	7,855
70500	<b>TOTAL TENANT REVENUE</b>	489,356	0	489,356	489,356
70600	PHA HUD Grants	491,266	81,685	572,951	572,951
70610	Capital Grants	0	53,779	53,779	53,779
71100	Investment Income - Unrestricted	771	0	771	771
71500	Other Revenue	125,490	0	125,490	125,490
71600	Gain or Loss on Sale of Capital Assets	(1,042)	0	(1,042)	(1,042)
70000	<b>TOTAL REVENUE</b>	1,105,841	135,464	1,241,305	1,241,305

<b>EXPENSES</b>					
91100	Administrative Salaries	182,507	0	182,507	182,507
91200	Auditing Fees	8,750	0	8,750	8,750
91400	Advertising and Marketing	0	0	0	0
91500	Employee Benefit Contribution - Administrative	107,484	0	107,484	107,484
91600	Office Expense	112,019	5,763	117,782	117,782
91700	Legal Expense	17,867	0	17,867	17,867
91800	Travel Expense	4,287	1,314	5,601	5,601
91900	Other	9,192	0	9,192	9,192
92100	Tenant Services - Salaries	0	0	0	0
92200	Employee Benefit Contribution - Tenant Services	0	0	0	0
92400	Tenant Services - Other	74,193	0	74,193	74,193
93100	Water	58,021	0	58,021	58,021
93200	Electricity	95,666	0	95,666	95,666
93300	Gas	24,081	0	24,081	24,081
94100	Ordinary Maintenance and Operation - Labor	107,734	0	107,734	107,734
94200	Ordinary Maintenance and Operation - Materials	44,873	5,034	49,907	49,907
94300	Ordinary Maintenance and Operation - Cont Cost	131,846	27,175	159,021	159,021
94500	Employee Benefit Contribution - Rod Maintenance	83,410	0	83,410	83,410
95200	Protective Services - Other Contract Costs	0	0	0	0
96100	Insurance Premiums	81,755	0	81,755	81,755
96200	Other General Expenses	0	0	0	0
96210	Compensated Absences	7,170	0	7,170	7,170
96300	Payments in Lieu of Taxes	29,223	0	29,223	29,223
96400	Bad Debts - Tenant Rents	28,381	0	28,381	28,381
96720	Interest on Notes Payable (Short and Long Term)	72,730	0	72,730	72,730
96900	<b>TOTAL OPERATING EXPENSES</b>	1,281,189	39,286	1,320,475	1,320,475

97000	<b>EXCESS OPERATING REVENUE OVER EXPENSES</b>	(175,348)	96,178	(79,170)	(79,170)
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<b>OTHER EXPENSES</b>					
97100	Extraordinary - Maintenance	0	0	0	0
97200	Casualty Losses - Non Capitalized	0	0	0	0
97400	Depreciation Expense	294,810	6,820	301,630	301,630
90000	<b>TOTAL EXPENSES</b>	1,575,999	46,106	1,622,105	1,622,105

CITY OF MANISTEE HOUSING COMMISSION  
 FINANCIAL DATA SCHEDULES  
 PROJECTS - INCOME STATEMENT  
 DECEMBER 31, 2017

		MI078000001		MI078000001	
FDS Line		Harborview	Capital	Harborview	Total
Item No.	Account Description	Apts	Fund	Apts - Total	Projects

	<b>OTHER FINANCING SOURCES (USES)</b>				
10010	Operating Transfer In	42,399	0	42,399	42,399
10020	Operating Transfer Out	0	(42,399)	(42,399)	(42,399)
	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>42,399</b>	<b>(42,399)</b>	<b>0</b>	<b>0</b>
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>	<b>(427,759)</b>	<b>46,959</b>	<b>(380,800)</b>	<b>(380,800)</b>
11030	Beginning Equity	2,299,726	0	2,299,726	2,299,726
11040	Prior Period Adjustments, Equity Transfers	(1,010)	0	(1,010)	(1,010)
	<b>ENDING EQUITY/NET POSITION</b>	<b>\$1,870,957</b>	<b>\$46,959</b>	<b>\$1,917,916</b>	<b>\$1,917,916</b>

11190	Unit Months Available	2,568	0	2,568	2,568
11210	Unit Months Leased	2,335	0	2,335	2,335
11610	Land Purchases	0	0	0	0
11620	Building Purchases	0	337,439	337,439	337,439
11630	Furniture & Equipment - Dwelling Purchases	0	0	0	0
11640	Furniture & Equipment - Administrative Purchases	0	11,169	11,169	11,169
11650	Leasehold Improvements Purchases	0	0	0	0

CITY OF MANISTEE HOUSING COMMISSION  
 FINANCIAL DATA SCHEDULES  
 PROGRAM - BALANCE SHEET  
 DECEMBER 31, 2017

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

<b>ASSETS</b>				
111	Cash - Unrestricted	\$50,875		\$50,875
113	Cash - Other Restricted	0		0
114	Cash - Tenant Security Deposits	1,391		1,391
100	<b>TOTAL CASH</b>	<b>52,266</b>		<b>52,266</b>
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	1,876		1,876
126.1	Allowance for Doubtful Accounts	(1,876)		(1,876)
129	Accrued Interest Receivable	0		0
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>0</b>		<b>0</b>
142	Prepaid Expenses & Other Assets	0		0
144	Interprogram Due From	936		936
150	<b>TOTAL CURRENT ASSETS</b>	<b>53,202</b>		<b>53,202</b>
161	Land	0		0
162	Buildings	373,231		373,231
163	Furniture and Equipment - Dwellings	0		0
164	Furniture and Equipment - Administrative	0		0
165	Leasehold Improvement	0		0
166	Accumulated Depreciation	(96,267)		(96,267)
167	Construction in Progress	0		0
160	<b>TOTAL FIXED ASSETS, NET</b>	<b>276,964</b>		<b>276,964</b>
180	<b>TOTAL NON-CURRENT ASSETS</b>	<b>276,964</b>		<b>276,964</b>
200	Deferred Outflow of Resources	0		0
190	<b>TOTAL ASSETS</b>	<b>\$330,166</b>		<b>\$330,166</b>

<b>LIABILITIES</b>				
312	Accounts Payable <=90 Days	\$154		\$154
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	1,391		1,391
342	Unearned Revenue	433		433
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
348	Loan Liability - Current	0		0
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>1,978</b>		<b>1,978</b>
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
355	Loan Liability - Non Current	0		0
357	Accrued Pension and OPEB Liabilities			
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>500,000</b>		<b>500,000</b>
300	<b>TOTAL LIABILITIES</b>	<b>501,978</b>		<b>501,978</b>
<b>EQUITY/NET POSITION</b>				
508.1	Invested in Capital Assets, Net of Related Debt	(223,036)		(223,036)
512.1	Unrestricted Net Position	51,224		51,224
513	<b>TOTAL EQUITY/NET POSITON</b>	<b>(171,812)</b>		<b>(171,812)</b>
600	<b>TOTAL LIABILITIES AND EQUITY/NET POSITON</b>	<b>\$330,166</b>		<b>\$330,166</b>

CITY OF MANISTEE HOUSING COMMISSION  
 FINANCIAL DATA SCHEDULES  
 PROGRAM - INCOME STATEMENT  
 DECEMBER 31, 2017

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

<b>REVENUE</b>			
70300	Net Tenant Rental Revenue	\$11,162	\$11,162
70400	Tenant Revenue - Other	0	0
70500	<b>TOTAL TENANT REVENUE</b>	<b>11,162</b>	<b>11,162</b>
70600	PHA HUD Grants	0	0
70610	Capital Grants	0	0
71100	Investment Income - Unrestricted	0	0
71500	Other Revenue	191	191
71600	Gain or Loss on Sale of Capital Assets	0	0
70000	<b>TOTAL REVENUE</b>	<b>11,353</b>	<b>11,353</b>

<b>EXPENSES</b>			
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	10,026	10,026
91700	Legal Expense	0	0
91800	Travel Expense	0	0
91900	Other	1,677	1,677
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	2,854	2,854
94300	Ordinary Maintenance and Operation - Cont Cost	3,249	3,249
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	954	954
96210	Compensated Absences	0	0
96300	Payments in Lieu of Taxes	0	0
96400	Bad Debts - Tenant Rents	1,875	1,875
96720	Interest on Notes Payable (Short and Long Term)	0	0
96900	<b>TOTAL OPERATING EXPENSES</b>	<b>20,635</b>	<b>20,635</b>
97000	<b>EXCESS OPERATING REVENUE OVER</b>		
	<b>EXPENSES</b>	<b>(9,282)</b>	<b>(9,282)</b>
<b>OTHER EXPENSES</b>			
97100	Extraordinary - Maintenance	0	0
97200	Casualty Losses - Non Capitalized	0	0
97400	Depreciation Expense	10,437	10,437
90000	<b>TOTAL EXPENSES</b>	<b>31,072</b>	<b>31,072</b>

CITY OF MANISTEE HOUSING COMMISSION  
 FINANCIAL DATA SCHEDULES  
 PROGRAM - INCOME STATEMENT  
 DECEMBER 31, 2017

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

	<b>OTHER FINANCING SOURCES (USES)</b>		
10010	Operating Transfer In	0	0
10020	Operating Transfer Out	0	0
	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>	<b>(19,719)</b>	<b>(19,719)</b>
11030	Beginning Equity	(152,093)	(152,093)
11040	Prior Period Adjustments, Equity Transfers	0	0
	<b>ENDING EQUITY/NET POSITION</b>	<b>(\$171,812)</b>	<b>(\$171,812)</b>

11190	Unit Months Available	36	36
11210	Unit Months Leased	27	27
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, 2017

FDS Line		Total	Total			
Item No.	Account Description	Projects	Programs	Subtotal	Elimination	Total
	<b>ASSETS</b>					
111	Cash - Unrestricted	\$258,269	\$50,875	\$309,144	\$0	\$309,144
113	Cash - Other Restricted	0	0	0	0	0
114	Cash - Tenant Security Deposits	45,086	1,391	46,477	0	46,477
100	<b>TOTAL CASH</b>	<b>303,355</b>	<b>52,266</b>	<b>355,621</b>	<b>0</b>	<b>355,621</b>
121	Accounts Receivable - PHA Projects	0	0	0	0	0
122	Accounts Receivable - HUD Other Projects	0	0	0	0	0
125	Accounts Receivable - Misc	8	0	8	0	8
126	A/R Tenants - Dwelling Rents	38,096	1,876	39,972	0	39,972
126.1	Allowance for Doubtful Accounts	(26,800)	(1,876)	(28,676)	0	(28,676)
129	Accrued Interest Receivable	0	0	0	0	0
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>11,304</b>	<b>0</b>	<b>11,304</b>	<b>0</b>	<b>11,304</b>
142	Prepaid Expenses & Other Assets	17,328	0	17,328	0	17,328
144	Interprogram Due From	0	936	936	(936)	0
150	<b>TOTAL CURRENT ASSETS</b>	<b>331,987</b>	<b>53,202</b>	<b>385,189</b>	<b>(936)</b>	<b>384,253</b>
161	Land	360,272	0	360,272	0	360,272
162	Buildings	10,141,449	373,231	10,514,680	0	10,514,680
163	Furniture and Equipment - Dwellings	261,204	0	261,204	0	261,204
164	Furniture and Equipment - Administrative	324,286	0	324,286	0	324,286
165	Leasehold Improvement	0	0	0	0	0
166	Accumulated Depreciation	(8,210,035)	(96,267)	(8,306,302)	0	(8,306,302)
167	Construction in Progress	0	0	0	0	0
160	<b>TOTAL FIXED ASSETS, NET</b>	<b>2,877,176</b>	<b>276,964</b>	<b>3,154,140</b>	<b>0</b>	<b>3,154,140</b>
180	<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,877,176</b>	<b>276,964</b>	<b>3,154,140</b>	<b>0</b>	<b>3,154,140</b>
200	Deferred Outflow of Resources	24,086	0	24,086	0	24,086
190	<b>TOTAL ASSETS</b>	<b>\$3,233,249</b>	<b>\$330,166</b>	<b>\$3,563,415</b>	<b>(\$936)</b>	<b>\$3,562,479</b>
	<b>LIABILITIES</b>					
312	Accounts Payable <=90 Days	\$26,413	\$154	\$26,567	\$0	\$26,567
321	Accrued Wages/Payroll Taxes	9,860	0	9,860	0	9,860
322	Accrued Compensated Absences	23,999	0	23,999	0	23,999
331	Accounts Payable - HUD	0	0	0	0	0
333	Accounts Payable - Other Governments	29,223	0	29,223	0	29,223
341	Tenant Security Deposits	45,086	1,391	46,477	0	46,477
342	Unearned Revenue	4,120	433	4,553	0	4,553
343	Current Portion of L-T Debt - Capital Projects	37,079	0	37,079	0	37,079
345	Other Current Liabilities	0	0	0	0	0
346	Accrued Liabilities - Other	17,779	0	17,779	0	17,779
347	Interprogram Due To	936	0	936	(936)	0
348	Loan Liability - Current	4,892	0	4,892	0	4,892
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>199,387</b>	<b>1,978</b>	<b>201,365</b>	<b>(936)</b>	<b>200,429</b>
351	Long-term Debt, Net of Current -Capital Projects	1,064,049	500,000	1,564,049	0	1,564,049
353	Non-current Liabilities - Other	0	0	0	0	0
354	Accrued Compensated Absences - Noncurrent	10,589	0	10,589	0	10,589
355	Loan Liability - Non Current	12,129	0	12,129	0	12,129
357	Accrued Pension and OPEB Liabilities	29,179	0	29,179	0	29,179
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,115,946</b>	<b>500,000</b>	<b>1,615,946</b>	<b>0</b>	<b>1,615,946</b>
300	<b>TOTAL LIABILITIES</b>	<b>1,315,333</b>	<b>501,978</b>	<b>1,817,311</b>	<b>(936)</b>	<b>1,816,375</b>
	<b>EQUITY/NET POSITION</b>					
508.1	Invested in Capital Assets, Net of Related Debt	1,759,027	(223,036)	1,535,991	0	1,535,991
512.1	Unrestricted Net Position	158,889	51,224	210,113	0	210,113
513	<b>TOTAL EQUITY/NET POSITON</b>	<b>1,917,916</b>	<b>(171,812)</b>	<b>1,746,104</b>	<b>0</b>	<b>1,746,104</b>
600	<b>TOTAL LIABILITIES AND EQUITY/NET POSITON</b>	<b>\$3,233,249</b>	<b>\$330,166</b>	<b>\$3,563,415</b>	<b>(\$936)</b>	<b>\$3,562,479</b>

CITY OF MANISTEE HOUSING COMMISSION  
 FINANCIAL DATA SCHEDULES  
 PHA - INCOME STATEMENT  
 DECEMBER 31, 2017

FDS Line		Total	Total	Central				
Item No.	Account Description	Projects	Programs	Office Cost	Center	Subtotal	Elimination	Total
	<b>REVENUE</b>							
70300	Net Tenant Rental Revenue	\$481,501	\$11,162	\$0		\$492,663	\$0	\$492,663
70400	Tenant Revenue - Other	7,855	0	0		7,855	0	7,855
70500	<b>TOTAL TENANT REVENUE</b>	<b>489,356</b>	<b>11,162</b>	<b>0</b>		<b>500,518</b>	<b>0</b>	<b>500,518</b>
70600	PHA HUD Grants	572,951	0	0		572,951	0	572,951
70610	Capital Grants	53,779	0	0		53,779	0	53,779
71100	Investment Income - Unrestricted	771	0	0		771	0	771
71500	Other Revenue	125,490	191	0		125,681	0	125,681
71600	Gain or Loss on Sale of Capital Assets	(1,042)	0	0		(1,042)	0	(1,042)
70000	<b>TOTAL REVENUE</b>	<b>1,241,305</b>	<b>11,353</b>	<b>0</b>		<b>1,252,658</b>	<b>0</b>	<b>1,252,658</b>
	<b>EXPENSES</b>							
91100	Administrative Salaries	182,507	0	0		182,507	0	182,507
91200	Auditing Fees	8,750	0	0		8,750	0	8,750
91400	Advertising and Marketing	0	0	0		0	0	0
91500	Employee Benefit Contribution - Administrative	107,484	0	0		107,484	0	107,484
91600	Office Expense	117,782	10,026	0		127,808	0	127,808
91700	Legal Expense	17,867	0	0		17,867	0	17,867
91800	Travel Expense	5,601	0	0		5,601	0	5,601
91900	Other	9,192	1,677	0		10,869	0	10,869
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	74,193	0	0		74,193	0	74,193
93100	Water	58,021	0	0		58,021	0	58,021
93200	Electricity	95,666	0	0		95,666	0	95,666
93300	Gas	24,081	0	0		24,081	0	24,081
94100	Ordinary Maintenance and Operation - Labor	107,734	0	0		107,734	0	107,734
94200	Ordinary Maintenance and Operation - Materials	49,907	2,854	0		52,761	0	52,761
94300	Ordinary Maintenance and Operation - Cont Cost	159,021	3,249	0		162,270	0	162,270
94500	Employee Benefit Contribution - Rod Maintenance	83,410	0	0		83,410	0	83,410
95200	Protective Services - Other Contract Costs	0	0	0		0	0	0
96100	Insurance Premiums	81,755	0	0		81,755	0	81,755
96200	Other General Expenses	0	954	0		954	0	954
96210	Compensated Absences	7,170	0	0		7,170	0	7,170
96300	Payments in Lieu of Taxes	29,223	0	0		29,223	0	29,223
96400	Bad Debts - Tenant Rents	28,381	1,875	0		30,256	0	30,256
96720	Interest on Notes Payable (Short and Long Term)	72,730	0	0		72,730	0	72,730
96900	<b>TOTAL OPERATING EXPENSES</b>	<b>1,320,475</b>	<b>20,635</b>	<b>0</b>		<b>1,341,110</b>	<b>0</b>	<b>1,341,110</b>
97000	<b>EXCESS OPERATING REVENUE OVER EXPENSES</b>	<b>(79,170)</b>	<b>(9,282)</b>	<b>0</b>		<b>(88,452)</b>	<b>0</b>	<b>(88,452)</b>
	<b>OTHER EXPENSES</b>							
97100	Extraordinary - Maintenance	0	0	0		0	0	0
97200	Casualty Losses - Non Capitalized	0	0	0		0	0	0
97400	Depreciation Expense	301,630	10,437	0		312,067	0	312,067
90000	<b>TOTAL EXPENSES</b>	<b>1,622,105</b>	<b>31,072</b>	<b>0</b>		<b>1,653,177</b>	<b>0</b>	<b>1,653,177</b>
	<b>OTHER FINANCING SOURCES (USES)</b>							
10010	Operating Transfer In	42,399	0	0		42,399	0	42,399
10020	Operating Transfer Out	(42,399)	0	0		(42,399)	0	(42,399)
	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>	<b>(380,800)</b>	<b>(19,719)</b>	<b>0</b>		<b>(400,519)</b>	<b>0</b>	<b>(400,519)</b>
11030	Beginning Equity	2,299,726	(152,093)	0		2,147,633	0	2,147,633
11040	Prior Period Adjustments, Equity Transfers	(1,010)	0	0		(1,010)	0	(1,010)
	<b>ENDING EQUITY/NET POSITION</b>	<b>\$1,917,916</b>	<b>(\$171,812)</b>	<b>\$0</b>		<b>\$1,746,104</b>	<b>\$0</b>	<b>\$1,746,104</b>

CITY OF MANISTEE HOUSING COMMISSION  
 FINANCIAL DATA SCHEDULES  
 PHA - INCOME STATEMENT  
 DECEMBER 31, 2017

				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	2,335	27	0	2,362	0	2,362
11610	Land Purchases	0	0	0	0	0	0
11620	Building Purchases	337,439	0	0	337,439	0	337,439
11630	Furniture & Equipment - Dwelling Purchases	0	0	0	0	0	0
11640	Furniture & Equipment - Administrative Purchases	11,169	0	0	11,169	0	11,169
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, 2017

ANNUAL CONTRIBUTION CONTRACT

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

	MI33PO78 <u>501-13</u>	MI33PO78 <u>501-14</u>	MI33PO78 <u>501-15</u>
Funds Approved	\$ 198,187	\$ 190,182	\$ 188,790
Funds Expended	<u>198,187</u>	<u>190,182</u>	<u>188,790</u>
Excess of Funds Approved	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Funds Approved	198,187	190,182	188,790
Funds Expended	<u>198,187</u>	<u>190,182</u>	<u>188,790</u>
Excess of Funds Approved	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

2. The distribution of costs as shown on the Final Statement of Modernization Costs, accompanying the Actual Modernization Cost Certificates submitted to HUD are in agreement with the Authority's Records.
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 General 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, 2017, 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 June 8, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Manistee Housing Commission's internal control over financial reporting (internal control) 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance and Other Matters

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

## **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.*

June 8, 2017

# 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 THE *UNIFORM GUIDANCE*

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

## **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 the Uniform Guidance, 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for other purposes.

*Zenk & Associates, P.C.*

June 8, 2017

CITY OF MANISTEE HOUSING COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2017

	<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	478,086
Public Housing Capital Fund Program	14.872	<u>436,004</u>
Total Federal Assistance		\$ <u>914,090</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, 2017

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, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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  
 YEAR ENDED DECEMBER 31, 2017

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of Auditor's Report	Unmodified
Internal Control Over Financial Reporting:	
Are any material weaknesses identified?	No
Are any significant weaknesses identified?	None Reported
Is any noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Federal Awards:	
Are any material weaknesses identified?	No
Are any significant weaknesses identified?	None Reported
Type of Auditor's Report	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.51(a)?	No
Identification of major federal programs:	
No major federal programs identified	
Dollar threshold used to distinguish between type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

CITY OF MANISTEE HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS**

None

**SECTION III - FINDINGS RELATED TO FEDERAL AWARDS**

None

CITY OF MANISTEE HOUSING COMMISSION  
STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017

<b>STATUS OF PRIOR FINDINGS</b>
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The prior audit report for the year ended December 31, 2016 contained no audit findings

**Financial Statement Findings**

None Reported

**Federal Awards Findings**

None Reported

**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 *Uniform Guidance* 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 accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, of the financial statements of the City of Manistee Housing Commission as of the year ended December 31, 2017, and have issued our report thereon dated June 8, 2017. 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 June 8, 2017, 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 the *Uniform Guidance*, 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.*

June 8, 2017

CITY OF MANISTEE HOUSING COMMISSION  
 AGREED-UPON PROCEDURES  
 DECEMBER 31, 2017

<b>UFRS Rule Information</b>	<b>Hard Copy Documents</b>	<b>Findings</b>
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