

# **Detroit Housing Commission**

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**Financial Report  
with Supplemental Information  
June 30, 2010**

# Detroit Housing Commission

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To the Board of Commissioners  
Detroit Housing Commission  
Detroit, Michigan

We have audited the accompanying financial statements of the total primary government business-type activities and the aggregate discretely presented component units of the Detroit Housing Commission (the "Commission") as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, other than the Gardenview entities and Woodbridge ILF Associates. These discretely presented component units audited by other auditors represent 80 percent of the assets and 89 percent of the total revenue of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

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. The discretely presented component units were not audited under *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Detroit Housing Commission at June 30, 2010 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion thereon.

To the Board of Commissioners  
Detroit Housing Commission

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplement information, including the financial data schedules, schedules of actual program costs and advances, and the schedule of expenditures of federal awards and related statements, is presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Commission.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2011 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting on compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

March 21, 2011

# **Detroit Housing Commission**

## **Management's Discussion and Analysis (Unaudited)**

As management of the Detroit Housing Commission (the "Commission" or "DHC"), we offer the readers of our financial statements this narrative overview and analysis of the financial activities of the Commission for the year ended June 30, 2010. The purpose of this summary is to assist the reader in focusing on significant financial issues, to provide an overview of DHC's financial activities for the year, to highlight changes in DHC's financial position, and to identify individual fund or program issues or concerns. However, this MD&A does not include the information of the discretely presented component units.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, we encourage readers to consider the information presented here in conjunction with the Commission's accompanying financial statements and notes.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Eugene Jones, Detroit Housing Commission, 1301 E. Jefferson Avenue, Detroit, MI 48207.

### **Mission**

**The Detroit Housing Commission will effectively and efficiently develop, manage, and preserve quality affordable housing.**

On July 5, 2005, a Cooperative Endeavor Agreement (CEA) was entered into between the City of Detroit and the U.S. Department of Housing and Urban Development (HUD), due to the troubled status of the Commission. The scope of the CEA is outlined in Note I of the accompanying Financial Statements.

### **Financial Highlights**

- The assets of the Commission exceeded its liabilities as of June 30, 2010 by \$226,299,734 (net assets).
- The Commission's cash and cash equivalents totaled \$19,993,623 at June 30, 2010.
- The Commission had operating revenue from HUD of \$63,669,209 and HUD capital grants of \$27,048,150, which include funds for redevelopment and capital asset activities.
- Public housing has maintained occupancy of an average of 86 percent for the fiscal year ended June 30, 2010 (gross of 64 percent before adjusting for closed/demolished sites such as Douglas, Jeffries, some scattered sites).
- The Commission utilized 94.2 percent of its Section 8 baseline vouchers under the Housing Choice Voucher program, and spent 121.6 percent of its annual budget authority, due to a change in funding formula which required housing authorities to use much of their HAP equity reserves for current operations.
- HUD loans Hope VI and Replacement Housing Factor (RHF) funds to discrete component units for the redevelopment and acquisition of housing. In addition, the Commission has other sources of funds that were loaned as well.

# Detroit Housing Commission

## Management's Discussion and Analysis (Unaudited) (Continued)

- The discrete component units are required to repay these funds of \$72,458,923 to the Commission, which are included the notes, loans, and mortgages receivable at June 30, 2010.
- During fiscal year 2010, DHC complied with all the rules and provisions of asset management, which involved more detailed budgeting, tracking, and reporting of all activities in the Low Income Public Housing program.
- DHC also used the Central Office Cost Center to carry out the management and administrative activities required by all our programs.

### The Commission's Programs

The Commission's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and follow the business-type activity reporting requirements of the Governmental Accounting Standards Board (GASB). All of the Commission's activities are presented in a single business activity enterprise fund, on the full accrual basis of accounting. The Enterprise Fund basis is similar to accounting used in the private sector. Many of the programs maintained by DHC are set up as required by HUD. Other programs are segregated to enhance accountability and control. The Commission's significant programs are described below.

**Low Income Public Housing (LIPH)** - Under this program, DHC rents units that it owns in 26 AMPs (one or more developments grouped for management purposes) and 401 scattered sites within the City of Detroit to low-income households. This program is operated under the annual contributions contract (ACC) with HUD, and HUD provides operating subsidy to enable DHC to provide the housing at a cost that is based upon 30 percent of household income, adjusted for family composition and certain allowances. DHC currently owns and operates 3,983 subsidized units in this program.

**Section 8 Program** - Within the main Section 8 program, which is known as the Housing Choice Voucher (HCV) program, DHC administers contracts with private landlords that own and lease units within our community. DHC subsidizes the family's rent through a monthly housing assistance payment (HAP) made to the landlord. These programs are operated under annual contribution contracts (ACC) with HUD, which enables DHC to structure a lease that sets the "participants" housing costs at 30 percent of household income, adjusted for family composition and certain allowances. DHC currently administers 5,893 housing choice vouchers, 200 new construction (site-based) vouchers, and 305 moderate rehabilitation units (also site-based).

**Capital Fund Program** - Under this program, DHC receives funding for physical and management improvements to its owned units within the low-income housing program. DHC uses many independent contractors to provide construction/rehab services. The Capital Fund Program is operated under the annual contributions contract (ACC) with HUD.

# Detroit Housing Commission

## Management's Discussion and Analysis (Unaudited) (Continued)

**Capital Fund Recovery Grant** - in March 2009, DHC received over \$17 million in CFRG funding received under the American Recovery and Reinvestment Act (ARRA) and created a comprehensive plan to rehab the Scattered Sites portfolio and complete some other long-deferred capital upgrades to DHC's developments. The Commission had spent approximately \$5,000,000 of these funds as of June 30, 2010.

**Development Program** - Business activities include programs such as homeownership commissions, non-federal activities, and developer fees.

### Overview of Financial Statements

The entity-wide financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis as noted above. Over time, significant changes in the Commission's net assets serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of the Commission, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD-mandated program administrative changes, pro-ration of available funding, and the physical condition of capital assets.

The financial statements include two columns which present the activities of the Commission as the primary government and the Commission's discretely presented component units. The discrete component units are required to be presented as the primary government is held to be financially accountable for these legally separate entities since the Commission provides significant specific financial benefits to these entities. The following financial statements are presented:

- Statement of Net Assets - This is a balance sheet which reports the Commission's assets, liabilities, and net assets at the end of the fiscal year. The Commission's net assets are the difference between what the Commission owns (assets) and what the Commission owes (liabilities). Net assets (formerly known as equity) are reported in three broad categories: net assets invested in capital assets (net of related debt and depreciation), restricted net assets, and unrestricted net assets.
- Statement of Revenue, Expenses, and Changes in Net Assets - Similar to an income statement, this statement presents information showing how the Commission's net assets increased or decreased during the current fiscal year. This statement includes operating revenue such as federal funding and rental income; operating expenses such as administrative, tenant services, utilities, maintenance, protective services, general, depreciation and HAP expense; and nonoperating revenue and expense such as capital contributions revenue, interest income, and gains and losses on the disposal of fixed assets. The focus of this statement is the "change in net assets", which is similar to net income or loss.

# Detroit Housing Commission

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## Management's Discussion and Analysis (Unaudited) (Continued)

- Statement of Cash Flows - This statement presents information showing the total cash receipts and cash disbursements of the Commission during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e., capital additions, debt service, prior period obligations, etc.). In addition, this statement reflects the receipt of cash that was obligated to the Commission in prior periods and subsequently received during the current fiscal year (i.e., accounts receivable, notes receivable, etc.).
- Notes to the Financial Statements - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Commission and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, the notes reflect the impact (if any) of any uncertainties the Commission may face.

In addition to the basic financial statements listed above, our report includes supplemental information which we feel will assist the reader in understanding the financial statements. This information is provided in order to provide more detail on the Commission's various programs and also includes the required information mandated by regulatory bodies that fund the Commission's various programs.

The following statements are condensed versions of our full financial statements, for the purpose of analysis and discussion. See the full financial statements for more details on the results of operations and the Commission's financial position.

# Detroit Housing Commission

## Management's Discussion and Analysis (Unaudited) (Continued)

### Financial Analysis

The following table represents the condensed statement of net assets compared to the prior year for all of DHC's programs combined:

	<b>Balance Sheet</b>		
	<u>2010</u>	<u>2009</u>	<u>Net Change</u>
Current assets	\$ 29,516,082	\$ 28,841,443	\$ 674,639
Capital assets - Net	128,123,104	117,380,051	10,743,053
Other noncurrent assets	<u>80,440,785</u>	<u>66,471,888</u>	<u>13,968,897</u>
Total assets	<u>\$238,079,971</u>	<u>\$212,693,382</u>	<u>\$ 25,386,589</u>
Current liabilities	\$ 11,581,494	\$ 6,456,219	\$ 5,125,275
Other noncurrent liabilities	<u>198,743</u>	<u>233,215</u>	<u>(34,472)</u>
Total liabilities	<u>11,780,237</u>	<u>6,689,434</u>	<u>5,090,803</u>
Invested in capital assets - Net	128,123,105	117,380,051	10,743,054
Restricted net assets	76,549,805	75,323,516	1,226,289
Unrestricted net assets	<u>21,626,824</u>	<u>13,300,381</u>	<u>8,326,443</u>
Total net assets	<u>226,299,734</u>	<u>206,003,948</u>	<u>20,295,786</u>
Total liabilities and net assets	<u>\$238,079,971</u>	<u>\$212,693,382</u>	<u>\$25,386,589</u>

Current assets increased by \$674,639 primarily due to an increase in the receivables due from HUD.

Net capital assets increased by \$10,743,053 primarily due to increased development activity and the renovations completed through the Capital Grant program, offset by the annual depreciation expense.

Other noncurrent assets increased by the additional loans made primarily to the discrete component units using Hope VI and RHF grant funds.

Total assets increased by \$25,386,589 due to the increases in the components as noted above.

# Detroit Housing Commission

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## Management's Discussion and Analysis (Unaudited) (Continued)

Total liabilities increased by \$5,090,803 primarily due to the increase in payables and other accrued liabilities and the decrease in the pension liability.

**Net Assets** - the difference between an organization's assets and its liabilities is its net assets. Net assets are categorized as one of three types.

1. Invested in Capital Assets - Net - Capital assets, net of accumulated depreciation and related debt, is due to the capital asset and long-term debt activity;
2. Restricted - The Commission's net assets whose use is subject to constraints imposed by law or agreement (consisting primarily of HAP equity and restricted notes receivable related to the Hope VI loans);
3. Unrestricted - The Commission's net assets that are neither invested in capital assets nor restricted which increase principally due to operations. These resources are available to meet the Commission's ongoing obligations to its residents and creditors.

Restricted net assets remained relatively consistent with the prior year. Net assets invested in capital assets, net of related debt increased primarily by additional funding of HOPE VI loans. Unrestricted net assets increase is a function of the net result of operations.

# Detroit Housing Commission

## Management's Discussion and Analysis (Unaudited) (Continued)

The following schedule compares the revenue and expenses for the current and previous fiscal years for all DHC's programs:

	<u>Change in Net Assets</u>		
OPERATING REVENUE	<u>2010</u>	<u>2009</u>	<u>Net Change</u>
HUD operating revenue	\$63,669,209	\$ 55,725,848	\$ 7,943,361
Tenant revenue, net	4,292,600	3,936,561	356,039
Other operating revenue	<u>897,754</u>	<u>1,292,053</u>	<u>(394,299)</u>
Total operating revenue	<u>68,859,563</u>	<u>60,954,462</u>	<u>7,905,101</u>
OPERATING EXPENSES			
Administrative	13,238,162	14,485,254	(1,247,092)
Tenant services	151,390	259,838	(108,448)
Utilities	4,125,594	4,189,497	(63,903)
Maintenance	8,614,587	7,021,429	1,593,158
Protective services	951,895	759,435	192,460
General	2,706,500	3,478,216	(771,716)
Depreciation	3,993,034	3,405,026	588,008
Housing assistance payments	<u>43,475,244</u>	<u>39,481,932</u>	<u>3,993,312</u>
Total operating expenses	<u>77,256,406</u>	<u>73,080,627</u>	<u>4,175,779</u>
OPERATING (LOSS) INCOME	<u>\$(8,396,843)</u>	<u>\$(12,126,165)</u>	<u>\$3,729,322</u>

# Detroit Housing Commission

## Management's Discussion and Analysis (Unaudited) (Continued)

NONOPERATING REVENUE (EXPENSES)	2010	2009	Net Change
Grant revenue	\$189,892	\$320,728	\$(130,836)
Loss on disposal of fixed assets	(4,690)	(272,160)	267,470
Interest income - Unrestricted	1,454,452	241,085	1,213,367
Interest income - Restricted	4,825	891,288	(886,463)
Total nonoperating revenue	1,644,479	1,180,941	463,538
Change in net assets before capital contributions	(6,752,364)	(10,945,224)	4,192,860
CAPITAL CONTRIBUTIONS			
Capital contributions - HUD	27,048,150	11,916,808	15,131,342
Capital contributions - City of Detroit	-	2,918,050	(2,918,050)
Change in net assets	20,295,786	3,889,634	16,406,152
Total net assets - Beginning	206,003,948	202,114,314	3,889,634
Total net assets - Ending	\$226,299,734	\$206,003,948	\$20,295,786

Total operating revenue increased by approximately \$8,00,000 for the fiscal year ended June 30, 2010, primarily due to the increase in HUD subsidy for the Low Income Housing program. This year's subsidy formula included a 103% funding level for calendar year 2010 (affecting six months of DHC's fiscal year funding).

Operating expenses are categorized by the Commission as administrative, tenant services, utilities, maintenance, protective services, general, depreciation expense, and housing assistance payments. The net increase of approximately \$4,100,000 in total operating expenses is primarily attributable to an increase in capital grants soft costs, and the increase in HAP expense and related administrative expenses due to higher lease-up rates.

Nonoperating revenue (expenses) increased by approximately \$460,000 primarily due to increased interest income earned on increased balance of notes receivable.

# Detroit Housing Commission

## Management's Discussion and Analysis (Unaudited) (Continued)

Capital contributions increased by \$15,131,342 due to the increase in development and capital funding for activities. There was no donated property recorded from the City of Detroit for the year ended June 30, 2010. The City still holds a group of properties that are yet to be legally transferred, in the amount of approximately \$1 million which includes land, buildings, and equipment.

### Capital Asset and Debt Activity

After the Commission became independent from the City of Detroit, the City signed over the HUD properties to DHC. DHC recorded these donated assets at fair market value based on appraisals. The assets are currently only adjusted from this value by accumulated depreciation in the financial statements.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change in Capital Assets</u>
Nondepreciable:			
Land	\$ 46,641,643	\$ 46,641,643	\$ -
Construction in progress	<u>19,721,189</u>	<u>8,639,286</u>	<u>11,081,903</u>
Total nondepreciable	<u>66,362,832</u>	<u>55,280,929</u>	<u>11,081,903</u>
Depreciated:			
Structures and improvements	70,307,831	65,954,568	4,353,263
Equipment - Dwelling	2,890,551	3,903,524	(1,012,973)
Equipment - Administrative	<u>787,845</u>	<u>588,172</u>	<u>199,673</u>
Total depreciated	<u>73,986,227</u>	<u>70,446,264</u>	<u>3,539,963</u>
Total capital assets	<u>140,349,059</u>	<u>125,727,193</u>	<u>14,621,866</u>
Total accumulated depreciation	<u>(12,225,955)</u>	<u>(8,347,142)</u>	<u>(3,878,813)</u>
Capital assets, net	<u>\$128,123,104</u>	<u>\$117,380,051</u>	<u>\$ 10,743,053</u>

The Commission has no long-term debt as of June 30, 2010.

# **Detroit Housing Commission**

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## **Management's Discussion and Analysis (Unaudited) (Continued)**

### **Factors Affecting Next Year's Budget**

The Commission is primarily dependent upon HUD for the funding of its Low Income Public Housing, Housing Choice Voucher, and Public Housing Capital Fund programs; therefore, the Authority is affected more by the federal budget than by local economic conditions. The proration of funding of these programs in the future could be significantly affected by the 2010 and 2011 federal budgets.

### **Economic Factors**

Significant economic factors that can potentially affect the Commission are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development;
- Economic factors such as prevailing interest rates and related banking fees;
- Local labor supply and demand, which can affect salary and wage rates;
- Increased regulatory requirements;
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income; and
- Inflationary pressure on utility rates, housing costs, supplies, and other costs.

# Detroit Housing Commission

## Statement of Net Assets June 30, 2010

Assets	Primary Government - Business-type Activities	Total Discrete Component Units
<b>Current Assets</b>		
Cash and cash equivalents - Unrestricted (Note 2)	\$ 15,299,392	\$ 3,364,604
Cash and cash equivalents - Restricted (Note 2)	4,628,747	2,832,334
Receivables, net	413,169	366,579
Prepaid expenses	283,726	104,544
Due from other governments	8,891,048	-
Total current assets	29,516,082	6,668,061
<b>Noncurrent Assets</b>		
Cash and cash equivalents - Restricted (Note 2)	65,484	-
Capital assets, net (Notes 3 and 10)	128,123,104	105,317,452
Accrued interest receivable - Unrestricted (Note 6)	338,470	-
Accrued interest receivable - Restricted (Note 6)	5,226,736	-
Other noncurrent assets		1,065,835
Notes, loans and mortgages receivable - Net (Note 6)	74,810,095	-
Total assets	\$ 238,079,971	\$ 113,051,348
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt (Note 10)	\$ -	\$ 10,556,755
Bank overdraft	-	2,018
Accounts payable	6,616,236	9,203,248
Due to HUD	73,184	-
Accrued interest payable	-	1,028,118
Accrued salaries and benefits	690,662	-
Accrued contingency liability (Note 8)	295,000	-
Due to other governments	31,814	37,527
Tenant security deposits (Note 2)	304,458	245,553
Deferred revenue	2,032,541	33,584
Other current liabilities	1,537,600	1,538,427
Total current liabilities	11,581,495	22,645,230
<b>Noncurrent Liabilities</b>		
Long-term debt (Note 10)	-	81,962,139
Accrued compensated absences	133,668	-
Family self-sufficiency escrow - Long-term (Note 2)	65,075	-
Other noncurrent liabilities	-	4,880,814
Total liabilities	11,780,238	109,488,183
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	128,123,104	12,798,558
Restricted	76,549,805	2,590,773
Unrestricted	21,626,824	(11,826,166)
Total net assets	226,299,733	3,563,165
Total liabilities and net assets	\$ 238,079,971	\$ 113,051,348

# Detroit Housing Commission

## Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

	Primary Government - Business-type Activities	Discrete Component Units
<b>Operating Revenue</b>		
HUD operating revenue	\$ 63,669,209	\$ -
Tenant revenue - Net	4,292,600	3,835,387
Other operating revenue	897,754	69,017
Total operating revenue	68,859,563	3,904,404
<b>Operating Expenses</b>		
Administrative	13,238,163	1,459,533
Tenant services	151,390	-
Utilities	4,125,594	623,135
Maintenance	8,614,587	835,745
Protective services	951,895	-
General	2,706,500	692,132
Depreciation	3,993,034	3,695,776
Housing assistance payments	43,475,244	-
Total operating expenses	77,256,407	7,306,321
<b>Operating Loss Before Nonoperating Revenue (Expenses)</b>	(8,396,844)	(3,401,917)
<b>Nonoperating Revenue (Expenses)</b>		
Grant revenue	189,892	-
Loss on disposal of fixed assets	(4,690)	-
Investment income - Unrestricted	750,873	104,998
Interest income - Restricted	708,404	-
Interest expense	-	(1,731,999)
Total nonoperating revenue (expenses)	1,644,479	(1,627,001)
<b>Change in Net Assets Before Capital Contributions</b>	(6,752,365)	(5,028,918)
<b>Capital Contributions</b>		
Capital contributions - HUD	27,048,150	-
Partner contributions	-	3,682,426
Partner distributions	-	(83,234)
Change in net assets	20,295,785	(1,429,726)
<b>Net Assets - Beginning of year</b>	206,003,948	4,992,891
<b>Net Assets - End of year</b>	<u>\$ 226,299,733</u>	<u>\$ 3,563,165</u>

# Detroit Housing Commission

## Statement of Cash Flows Year Ended June 30, 2010

<b>Cash Flows from Operating Activities</b>	
Cash received from HUD operating subsidies and grants	\$ 65,911,043
Cash received from tenants	4,292,768
Other receipts	897,754
Cash payments for housing assistance	(43,462,636)
Cash payments to employees	(11,598,232)
Cash payments to suppliers	<u>(14,211,801)</u>
Net cash provided by operating activities	1,828,896
<b>Cash Flows from Investing Activities</b>	
Investment in notes receivable	(10,874,843)
Interest received	<u>340,624</u>
Net cash used in investing activities	(10,534,219)
<b>Cash Flows from Capital and Related Financing Activities</b>	
HUD capital grants	21,750,850
Proceeds from sale of property and equipment	33,280
Purchase of property and equipment	<u>(16,868,021)</u>
Net cash provided by capital and related financing activities	4,916,109
<b>Cash Flows from Noncapital Activities - Other miscellaneous revenue</b>	<u>189,892</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(3,599,322)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>23,592,945</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 19,993,623</u></u>
<b>Cash Reconciliation</b>	
Current cash and cash equivalents - Unrestricted	\$ 15,299,392
Current cash and cash equivalents - Restricted	4,628,747
Noncurrent cash and cash equivalents - Restricted	<u>65,484</u>
Total cash and cash equivalents	<u><u>\$ 19,993,623</u></u>

# Detroit Housing Commission

## Statement of Cash Flows (Continued) Year Ended June 30, 2010

### Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$	(8,396,844)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation		3,993,034
Bad debt		585,071
(Increase) decrease in operating assets:		
Receivables - Net		(443,048)
Due from other governments		997,953
Prepaid expenses and other assets		1,925
Increase (decrease) in operating liabilities:		
Accounts payable		3,119,381
Due to HUD		14,192
Accrued salaries and benefits		(8,906)
Tenant security deposits		14,379
Deferred revenue and other liabilities		1,951,759
		<hr/>
Net cash provided by operating activities	\$	<u><u>1,828,896</u></u>

# Detroit Housing Commission

## Combining Balance Sheet for Discretely Presented Component Units

	The Villages at Parkside II Year Ended 6/30/2010	The Villages at Parkside IV Year Ended 6/30/2010	Woodbridge Estates Apartments I, LLC Year Ended 12/31/2009	Woodbridge Estates Apartments II, LLC Year Ended 12/31/2009	Woodbridge Estates Apartments III, Limited Dividend Housing Association, LLC Year Ended 12/31/2009	Woodbridge Estates Apartments IV, Limited Dividend Housing Association, LLC Year Ended 12/31/2009
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents - Unrestricted	\$ 10,731	\$ 3,973	\$ 11,735	\$ 33,052	\$ 28,756	\$ 32,136
Cash and cash equivalents - Restricted	431,460	708,355	139,305	178,672	115,723	136,153
Receivables - Net	12,622	18,199	64,422	62,126	59,750	45,273
Prepaid expenses	11,052	25,528	21,142	12,288	8,898	10,805
Total current assets	465,865	756,055	236,604	286,138	213,127	224,367
<b>Noncurrent Assets</b>						
Construction in progress	-	-	-	-	-	-
Capital assets - Net	15,631,575	13,373,581	5,337,797	6,981,214	5,669,711	6,872,897
Other noncurrent assets	5,465	5,537	283,875	390,131	65,209	36,325
Total assets	<u>\$ 16,102,905</u>	<u>\$ 14,135,173</u>	<u>\$ 5,858,276</u>	<u>\$ 7,657,483</u>	<u>\$ 5,948,047</u>	<u>\$ 7,133,589</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Current portion of long-term debt	\$ -	\$ -	\$ 16,000	\$ 22,900	\$ 11,200	\$ 14,700
Bank overdraft	-	-	-	-	-	-
Accounts payable	285,594	246,813	2,350	5,951	17,764	33,020
Due to other governments	-	-	-	32,527	-	-
Accrued interest payable	-	-	9,162	13,157	7,630	10,072
Tenant security deposits	29,765	26,684	24,623	39,308	22,234	23,639
Deferred revenue	7,283	8,755	3,872	3,133	2,621	381
Other current liabilities	14,316	14,411	43,314	11,644	17,432	22,347
Total current liabilities	336,958	296,663	99,321	128,620	78,881	104,159
<b>Noncurrent Liabilities</b>						
Long-term debt	25,514,772	20,990,363	3,661,596	4,899,832	3,563,868	4,249,866
Other noncurrent liabilities	1,537,110	1,113,439	333,473	487,200	239,471	273,970
Total liabilities	27,388,840	22,400,465	4,094,390	5,515,652	3,882,220	4,627,995
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	(9,883,197)	(7,616,782)	1,660,201	2,058,482	2,094,643	2,608,331
Restricted net assets	401,695	681,671	114,682	139,364	93,489	112,514
Unrestricted net assets	(1,804,433)	(1,330,181)	(10,997)	(56,015)	(122,305)	(215,251)
Total net assets	(11,285,935)	(8,265,292)	1,763,886	2,141,831	2,065,827	2,505,594
Total liabilities and net assets	<u>\$ 16,102,905</u>	<u>\$ 14,135,173</u>	<u>\$ 5,858,276</u>	<u>\$ 7,657,483</u>	<u>\$ 5,948,047</u>	<u>\$ 7,133,589</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Detroit Housing Commission

## Combining Balance Sheet for Discretely Presented Component Units (Continued)

	Woodbridge Estates Apartments V, Limited Dividend Housing Association, LLC Year Ended 12/31/2009	Woodbridge ILF Associates LDHA, Ltd. Partnership Year Ended 12/31/2009	Gardenview Homes I Limited Dividend Housing Association, LLC Year Ended 12/31/2009	Gardenview Homes II (a,b,and c) Limited Dividend Housing Association, LLC Year Ended 6/30/10	Alexandrine Square Limited Dividend Housing Association Limited Partnership Year Ended 12/31/2009	Total Discrete Component Units
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents - Unrestricted	\$ 40,873	\$ 164,072	\$ 1,917,376	\$ 1,121,675	\$ 225	\$ 3,364,604
Cash and cash equivalents - Restricted	187,092	626,523	309,051	-	-	2,832,334
Receivables - Net	12,802	67,504	10,640	-	13,241	366,579
Prepaid expenses	14,831	-	-	-	-	104,544
Total current assets	255,598	858,099	2,237,067	1,121,675	13,466	6,668,061
<b>Noncurrent Assets</b>						
Construction in progress	-	-	-	9,265,126	-	9,265,126
Capital assets - Net	10,006,110	11,899,972	18,265,018	-	2,014,451	96,052,326
Other noncurrent assets	171,886	107,407	-	-	-	1,065,835
Total assets	<b>\$ 10,433,594</b>	<b>\$ 12,865,478</b>	<b>\$ 20,502,085</b>	<b>\$ 10,386,801</b>	<b>\$ 2,027,917</b>	<b>\$ 113,051,348</b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Current portion of long-term debt	\$ 23,600	\$ -	\$ 10,468,355	\$ -	\$ -	\$ 10,556,755
Bank overdraft	-	-	-	-	2,018	2,018
Accounts payable	179,853	32,923	3,882,320	4,351,223	165,437	9,203,248
Due to other governments	-	-	5,000	-	-	37,527
Accrued interest payable	16,154	700,861	271,082	-	-	1,028,118
Tenant security deposits	35,636	28,992	10,680	-	3,992	245,553
Deferred revenue	2,786	2,242	2,443	-	68	33,584
Other current liabilities	234,844	35,167	1,060,004	-	84,948	1,538,427
Total current liabilities	492,873	800,185	15,699,884	4,351,223	256,463	22,645,230
<b>Noncurrent Liabilities</b>						
Long-term debt	5,742,600	3,713,014	3,504,600	5,400,428	721,200	81,962,139
Other noncurrent liabilities	309,347	-	-	-	586,804	4,880,814
Total liabilities	6,544,820	4,513,199	19,204,484	9,751,651	1,564,467	109,488,183
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	4,239,910	8,186,958	4,292,063	3,864,698	1,293,251	12,798,558
Restricted net assets	151,456	597,531	298,371	-	-	2,590,773
Unrestricted net assets	(502,592)	(432,210)	(3,292,833)	(3,229,548)	(829,801)	(11,826,166)
Total net assets	3,888,774	8,352,279	1,297,601	635,150	463,450	3,563,165
Total liabilities and net assets	<b>\$ 10,433,594</b>	<b>\$ 12,865,478</b>	<b>\$ 20,502,085</b>	<b>\$ 10,386,801</b>	<b>\$ 2,027,917</b>	<b>\$ 113,051,348</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Detroit Housing Commission

## Combining Statement of Revenue, Expenses and Changes in Net Assets for Discretely Presented Component Units

	The Villages of Parkside II	The Villages of Parkside IV	Woodbridge Estates Apartments I, LLC Year Ended 12/31/2009	Woodbridge Estates Apartments II, LLC Year Ended 12/31/2009	Woodbridge Estates Apartments III, LLC Year Ended 12/31/2009	Woodbridge Estates Apartments IV, LLC Year Ended 12/31/2009
<b>Operating Revenue</b>						
Tenant revenue - Net	\$ 550,558	\$ 524,344	\$ 338,770	\$ 483,211	\$ 296,982	\$ 362,799
Other operating revenue	1,596	9,681	4,130	2,174	7,879	318
Total operating revenue	552,154	534,025	342,900	485,385	304,861	363,117
<b>Operating Expenses</b>						
Administrative	231,972	218,556	105,792	147,022	92,334	107,657
Utilities	139,258	135,115	18,010	31,071	20,955	19,958
Maintenance	242,932	251,630	38,782	55,573	31,224	35,970
General	141,221	143,226	51,551	87,020	39,161	49,499
Depreciation and amortization	1,103,387	967,369	155,310	202,665	152,607	185,076
Total operating expenses	1,858,770	1,715,896	369,445	523,351	336,281	398,160
<b>Operating Loss</b>	(1,306,616)	(1,181,871)	(26,545)	(37,966)	(31,420)	(35,043)
<b>Nonoperating Revenue (Expense)</b>						
Interest income - Unrestricted	2,204	5,802	42,050	41,325	-	-
Interest expense	(296,919)	(94,457)	(154,992)	(224,442)	(179,471)	(217,389)
Total nonoperating expense	(294,715)	(88,655)	(112,942)	(183,117)	(179,471)	(217,389)
<b>Change in Net Assets Before Capital Contributions</b>	(1,601,331)	(1,270,526)	(139,487)	(221,083)	(210,891)	(252,432)
<b>Capital Contributions</b>						
Partner contributions	-	-	605,775	233,291	-	-
Partner distributions	-	-	-	-	(14,439)	(30,239)
<b>Change in Net Assets</b>	(1,601,331)	(1,270,526)	466,288	12,208	(225,330)	(282,671)
<b>Deficit - Beginning of year</b>	(9,684,604)	(6,994,766)	1,297,598	2,129,623	2,291,157	2,788,265
<b>Deficit - End of year</b>	<u>\$ (11,285,935)</u>	<u>\$ (8,265,292)</u>	<u>\$ 1,763,886</u>	<u>\$ 2,141,831</u>	<u>\$ 2,065,827</u>	<u>\$ 2,505,594</u>

The Notes to Financial Statements are an Integral Part of this Statement.

# Detroit Housing Commission

## Combining Statement of Revenue, Expenses and Changes in Net Assets for Discretely presented Component Units (Continued)

	Woodbridge Estates Apartments V, LLC Year Ended 12/31/2009	Woodbridge ILF Associates LDHA, Ltd. Partnership Year Ended 12/31/2009	Gardenview Homes I Limited Dividend Housing Association, LLC Year Ended 12/31/2009	Gardenview Homes II (a,b,and c) Limited Dividend Housing Association, LLC Year Ended 6/30/10	Alexandrine Square Limited Dividend Housing Association Limited Partnership Year Ended 12/31/2009	Total Discrete Component Units
<b>Operating Revenue</b>						
Tenant revenue - Net	\$ 514,766	\$ 702,587	\$ 6,213	\$ -	\$ 55,157	\$ 3,835,387
Other operating revenue	978	39,224	25	-	3,012	69,017
Total operating revenue	515,744	741,811	6,238	-	58,169	3,904,404
<b>Operating Expenses</b>						
Administrative	143,997	338,893	31,866	-	41,444	1,459,533
Utilities	30,584	152,349	16,052	-	59,783	623,135
Maintenance	50,902	88,538	3,446	-	36,748	835,745
General	69,275	50,938	7,685	-	52,556	692,132
Depreciation and amortization	268,892	427,615	124,557	-	108,298	3,695,776
Total operating expenses	563,650	1,058,333	183,606	-	298,829	7,306,321
<b>Operating Loss</b>	(47,906)	(316,522)	(177,368)	-	(240,660)	(3,401,917)
<b>Nonoperating Revenue (Expense)</b>						
Interest income - Unrestricted	-	-	13,617	-	-	104,998
Interest expense	(302,837)	(218,744)	(13,648)	-	(29,100)	(1,731,999)
Total nonoperating expense	(302,837)	(218,744)	(31)	-	(29,100)	(1,627,001)
<b>Change in Net Assets Before Capital Contributions</b>	(350,743)	(535,266)	(177,399)	-	(269,760)	(5,028,918)
<b>Capital Contributions</b>						
Partner contributions	-	-	1,475,000	635,150	733,210	3,682,426
Partner distributions	(22,771)	(15,785)	-	-	-	(83,234)
<b>Change in Net Assets</b>	(373,514)	(551,051)	1,297,601	635,150	463,450	(1,429,726)
<b>Net assets - Beginning of year</b>	4,262,288	8,903,330	-	-	-	4,992,891
<b>Net assets - End of year</b>	<b>\$ 3,888,774</b>	<b>\$ 8,352,279</b>	<b>\$ 1,297,601</b>	<b>\$ 635,150</b>	<b>\$ 463,450</b>	<b>\$ 3,563,165</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Detroit Housing Commission

Notes to Financial Statements  
June 30, 2010

## Note I - Summary of Significant Accounting Policies

### Organization and Program Descriptions

The Detroit Housing Commission (the "Commission" or "DHC") is a Michigan public body corporation operating as a public housing authority under the Michigan Housing Facilities Act, MCL 125.653. The Commission was established in 1933 under the Public Facilities Act by the City of Detroit (the "City"). The Commission's mission statement is to effectively and efficiently develop, manage, and preserve quality affordable housing. To achieve this mission, the Commission promotes the development and provides property management for affordable housing; provides facilities and supportive services to nurture neighborhoods; and provides economic development and self-sufficiency activities for residents while also assuring equal access to safe, quality housing for low and moderate income families throughout the community. The Commission is not considered a component unit of the City, under Governmental Accounting Standards Board Statement No. 14, as amended, *The Report Entity* (GASB No. 14). The Commission's board independently oversees the Commission's operations.

The Commission was designated as a "Troubled" performer under the U.S. Department of Housing and Urban Development (HUD) public housing assessment system. On July 5, 2005, an Agreement was entered into between the Mayor of the City and the Secretary of HUD, under which a HUD Recovery Administrator has been designated to act as the Commission's Board of Commissioners and to handle the day-to-day administration of the Commission. The Recovery Administrator has authority to take all actions that are within the authority of the Board of Commissioners, including approval and execution of contracts and agreements on behalf of the Commission.

The Commission owns and provides subsidy and operating support of housing units located throughout the City. The Commission's assets, liabilities, net assets, and changes in net assets are included in its primary government fund and are segregated by program activity. A summary of each significant program or activity is provided below:

**Low Rent Housing Program** - The Low Rent Housing Program is the Commission's primary source of operating funds. The program is designed to provide subsidized housing to low-income residents. The programs include the following: asset management projects (AMPs), which include public housing operations funded through the operating subsidy, as well as components of the Capital Fund; HOPE VI grant programs; Replacement Housing Factor Programs; Capital Fund Recovery Grant program (funded through the American Recovery and Reinvestment Act, ARRA) and various other related HUD grant programs.

# Detroit Housing Commission

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**Notes to Financial Statements  
June 30, 2010**

## **Note I - Summary of Significant Accounting Policies (Continued)**

The purpose of the low-income public housing program is to provide decent, safe, and affordable housing to low-income families at reduced rental rates. The housing units are owned, maintained, and managed by the Commission or other private landlords and/or managed by other unrelated property management firms.

In addition to the funding of the program operations and development by federal annual contributions, operating subsidies, and grants disclosed above, the Commission also collects tenant rents (determined as a percentage of family income, adjusted for family composition and other allowances).

**Housing Assistance Programs** - The Commission administers the leasing of privately owned units throughout the city through the housing assistance programs. These programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants. In addition, the Commission receives an administrative fee to cover operating expenses. These programs include the Section 8 Housing Choice Voucher program, Section 8 New Construction, and Section 8 Moderate Rehabilitation.

**Hope VI Programs and Mixed Financing** - The Hope VI programs are for the redevelopment and acquisition of additional housing units utilizing financing from HUD and other public and private sources. The Commission has entered into Mixed-Finance Annual Contributions Contracts approved by HUD for the discretely presented component units. HUD, through the Commission, has provided Hope VI, Replacement Housing, and capital funds for the developments. As disclosed in Note 6, the Hope VI funds received by the Commission from HUD were converted into mortgage notes and were loaned to the respective discretely presented component units, which are required to repay the respective mortgage notes when the respective properties realize net cash flows from operations as defined in the respective agreements.

**Central Office Cost Center** - The Central Office Cost Center (COCC) is a business unit within the Commission that generates revenue through fees for services from other Commission programs and activities.

**Business Activities** - The Commission also participates in other development and component unit management activities that are not sponsored by HUD that are classified as business activities. These activities are reported in the total programs.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Reporting Entity**

The reporting entity of the Commission includes its primary government and discretely presented component units. The primary government consists of all of the Commissions, AMPS, COCC, and all programs described above as well as the blended component units.

**Component Units** - The definition of the reporting entity, as defined by GASB 14, is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and/or it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

**Blended Component Units** - Some component units, despite being legally separate, are so integrated with the primary government that they are in substance, part of the primary government. The Commission's primary government includes five blended component units. These blended component units that are controlled by the Commission and for which it is financially accountable are as follows:

- Detroit Resident Empowerment and Asset Management Services, Inc. (D.R.E.A.M.S.)
- DHC Parkside (DHCP)
- Parkside Development Corporation, Inc. (PDC)
- DHC Woodbridge
- Detroit Housing Finance Corporation

All of the above component units are related entities created as instrumentalities of the Commission for the purpose of providing and developing affordable housing opportunities and implementing housing policies and programs for the Commission.

**Discretely Presented Component Units** - The following component units meet the criteria for discrete component unit presentation and are presented separately from the primary government in the basic financial statements to clearly distinguish the component unit balances and transactions from the primary government.

## **Note I - Summary of Significant Accounting Policies (Continued)**

The discretely presented component units are as follow:

- The Villages at Parkside II, LLC (TVP II)
- The Villages at Parkside IV, LLC (TVP IV)
- Woodbridge Estates Apartments I, LLC (WEA I)
- Woodbridge Estates Apartments II, LLC (WEA II)
- Woodbridge Estates Apartments III, Limited Dividend Housing Association, LLC (WEA III)
- Woodbridge Estates Apartments IV, Limited Dividend Housing Association, LLC (WEA IV)
- Woodbridge Estates Apartments V, Limited Dividend Housing Association, LLC (WEA V)
- Woodbridge ILF Associates Limited Dividend Housing Association, Limited Partnership (WILF)
- Alexandrine Square Limited Dividend Housing Association, Limited Partnership
- Gardenview Homes I Limited Dividend Housing Association, LLC
- Gardenview Homes II (phases A, B and C) Limited Dividend Housing Association, LLC

All of the above discrete component units are either for-profit limited liability corporations or for-profit partnerships that were created for the development and management of the respective properties. Although they do not follow government accounting, for presentation purposes, certain transactions may be reflected differently in these financial statements than in the separately issued discrete component unit financial statements in order for them to conform to the presentation of the primary government.

All of the discretely presented component units reported, with the exception of TVP II and IV and Gardenview Homes II (phases A, B and C) which have a year end the same as the Commission, have a fiscal year end of December 31, 2009, which differs from the Commission's year end. For consolidation purposes, the information reported in the basic financial statements is presented for the 12-month period ended and as of December 31, 2009. Due to fiscal year-end differences between the Commission and the discrete component units, certain related receivables of the Commission do not have offsetting equal liabilities reflected in the discrete component units. Each of the discretely presented component units is independent of the Commission; however, the Commission has an economic interest in each of the respective properties. Separately issued financial statements for each discretely presented component unit can be obtained by contacting the Commission at 1301 E. Jefferson Avenue, Detroit, MI 48226.

# Detroit Housing Commission

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**Notes to Financial Statements  
June 30, 2010**

## **Note I - Summary of Significant Accounting Policies (Continued)**

**Other Component Units** - The following component units have been created by the Commission but had little or no activity during the year ended June 30, 2010, and therefore are not included in the basic financial statements:

- DHC Marwood, Inc.
- Parkside Services, Inc.
- TVP Residents Association I, Inc.
- TVP Resident Association II, Inc.
- TVP Resident Association III, Inc.
- TVP Resident Association IV, Inc.
- TVP Residents, Inc.
- The Villages at Parkside, LLC
- The Outer Drive Housing Finance Corporation
- The Villages at Parkside I, LLC
- The Villages at Parkside III, LLC
- Gardenview Homes III Limited Dividend Housing Association, LLC
- Gardenview Homes IV Limited Dividend Housing Association, LLC

### **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Commission follows the business-type activities reporting requirements of GASB Statement No. 34 which provides a comprehensive one-line look at the Authority's financial activities. The Commission reports all of its operations as a single business activity in a single enterprise fund. The enterprise fund is a propriety fund, which distinguishes operating revenue and expenses from nonoperating items. The operating revenue of the Commission consists primarily of rental charges to tenants and operating grants from HUD and other operating revenue that offset operating expenses. Operating expenses include the cost of administrative, tenant services, utilities, maintenance, protective services, general operations, depreciation, and housing assistance payments. All revenue and expenses not meeting the operating definitions are reported as nonoperating with the exception of HUD capital contributions, which are reported separately.

# Detroit Housing Commission

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**Notes to Financial Statements  
June 30, 2010**

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Basis of Accounting**

The Commission's basis of accounting is determined by the measurement focus. A proprietary fund uses the flow of economic resources measurement focus. As a proprietary fund, the Commission's financial activities operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services. For financial reporting purposes, the Commission considers its grants associated with operations as operating revenue because these funds more closely represent revenue generated from operating activities rather than nonoperating activities. Grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity as capital contributions on the accompanying statement of revenue, expenses and changes in net assets. The Commission applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as all Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Commission only applies applicable GASB pronouncements.

### **Assets, Liabilities, and Net Assets**

**Cash and Cash Equivalents** - The Commission considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The Commission also considers the U.S. government money market funds to be cash and cash equivalents.

**Receivables - Net** - Current receivables consist of revenue earned at year end and not yet received. As of June 30, 2010, there is an allowance for uncollectible tenant receivables of approximately \$450,000. Allowances are determined by management based on periodic aging and prior experience.

**Due from Other Governments** - This receivable consist of monies due to the primary government for operating subsidies, capital fund programs, and other HUD programs. The HUD receivable is principally a result of grant revenue being accrued for allowable program expenses not yet funded. The amount due from HUD for the Capital Fund is approximately \$7.4 million and the amount due from HUD for rental subsidy is approximately \$1.5 million.

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note I - Summary of Significant Accounting Policies (Continued)

**Notes, Loans, and Mortgages Receivable - Net** - Notes, loans, and mortgages receivable consist of mortgage loans made to the discretely presented component units, primarily utilizing Hope VI funds, as well as loans made to tenants for their participation in the Homeownership Program. Since HOPE VI notes maturity is several years in the future, management has estimated that these notes are fully collectible and there is no basis for a bad debt reserve as of June 30, 2010. The homeownership loans are presented net of their related amortization.

**Accrued Interest Receivable Restricted** - Accrued interest receivable restricted consists of the interest receivable related to the mortgage loans made to the discretely presented component units; interest for these notes is not due within the next 12 months and therefore is classified as noncurrent. The accrued interest receivable is considered restricted due to the fact that the related loans were made using Hope VI funds and therefore are restricted upon repayment by HUD guidelines.

**Capital Assets - Net** - The Commission's policy is to capitalize purchased assets with a value in excess of \$1,000 and self-constructed assets with a value in excess of \$5,000, and a useful life in excess of one year. The Commission capitalizes the costs of site acquisition and improvement, structures, equipment, and direct development costs meeting the capitalization policy. Charges for maintenance and repairs are expensed when incurred, and capital improvements are capitalized. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at fair market value on the date contributed. No assets were donated to the Commission during 2010.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Structures and improvements	15-40 years
Equipment - Dwelling and administrative	5-10 years

If an indicator of impairment is identified and the decline in service utility was unexpected and significant, an impairment loss is calculated in consideration of whether the capital asset will continue to be used by the Commission. An impairment loss is generally measured by identifying the historical cost of the service utility of the capital asset that cannot be used due to the impairment event or circumstance.

Impaired capital assets that will no longer be used by the Commission are reported at the lower of carrying value or fair value, or written off entirely. In 2010, there were no impairments recorded.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**Compensated Absences** - Full-time permanent employees are granted leave benefits up to a maximum of 400 hours, depending on tenure with the Commission. Generally, after six months of service, employees are entitled to all accrued vacation leave upon termination. Employees are entitled to 60 percent of accrued sick leave upon retirement after 25 years of service. The estimated liability for vested leave benefits is recorded when it is earned as an expense in the basic financial statements. The compensated absences included in other liabilities at June 30, 2010 totaled approximately \$400,000.

**Deferred Revenue** - The Commission's deferred revenue balance represents receipt of HUD or other intergovernmental program funding applicable to future periods. Deferred revenue also includes money received in full for future land leases which are reflected into revenue over the life of the lease.

**Net Assets** - Net assets are comprised of three categories: (1) invested in capital assets net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Commission's positive value of unrestricted net assets in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to first apply restricted resources. Each component of net assets is reported separately on the statement of net assets.

- i. *Invested in Capital Assets - Net of Related Debt* - This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. *Restricted Net Assets* - This category consists of net assets restricted in their use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation. The balance sheet of the Commission for the primary government reports \$76,549,805 of restricted net assets which consists of Section 8 HAP reserves that are restricted by HUD guidelines in the amount of \$4,324,289, as well as mortgage notes receivable that were loaned using Hope VI funds and therefore are restricted upon repayment by HUD guidelines, which totaled \$72,222,516.

The restricted net assets of the discretely presented component units represent required reserves and security deposits held.

# Detroit Housing Commission

Notes to Financial Statements  
June 30, 2010

## Note I - Summary of Significant Accounting Policies (Continued)

- iii. *Unrestricted Net Assets* - This category includes all of the remaining net assets that do not meet the definition of the other two categories.

**Operating Revenue and Expenses** - The Commission's operating revenue includes HUD funding and other amounts received from tenants for rent and other charges for services provided. Operating expenses are costs incurred during the operation of its primary housing activities. Such revenue and expenses are reported as earned or incurred, respectively.

**Nonoperating Revenue and Expenses** - The Commission's nonoperating revenue primarily includes nonexchange revenue from subsidies and grants, which are recognized when funds are measurable or at the time of compliance with program expenditure requirements, in accordance with GASB Statement No. 33, *Accounting for Nonexchange Transactions*. Nonoperating expenses are expenditures derived from transactions other than those associated with the Commission's primary housing operations and are reported as incurred.

**Capital Grants** - The Commission records grants received for capital outlay as contributions - capital grants.

**Eliminations** - Certain accounts are eliminated from the Commission's primary government financial statements. The accounts that are eliminated are:

- *Interprogram Due to/from* - In the normal course of operations, certain programs pay for common costs that create interprogram receivables or payables. These interprogram receivables or payables are eliminated for the presentation of the Commission as a whole. For the year ended June 30, 2010, \$1,313,011 was eliminated.
- *Management Fees* - The Commission's Central Office Cost Center internally charges fees to the AMPs of the Commission. These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes, \$4,740,717 of management fees have been eliminated for the year ended June 30, 2010.
- *Fee for Service* - The Commission's Central Office Cost Center internally charges fees to other programs and projects of the Commission. These charges include legal and specialized maintenance expenses. For financial reporting purposes, \$148,241 of internal charges have been eliminated for the year ended June 30, 2010.

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Commission's deposits are included at their carrying values on the statement of net assets under the following classifications:

Cash and cash equivalents - Unrestricted	\$15,299,392
Cash and cash equivalents - Restricted (current)	4,628,747
Cash and cash equivalents - Restricted (noncurrent)	<u>65,484</u>
Total	<u>\$19,993,623</u>

The above amounts are classified by Governmental Accounting Standards Board Statements No. 3 and No. 40 in the following categories as of June 30, 2010:

Bank deposits	\$ 3,557,904
Sweep accounts - Less than two months	<u>16,435,719</u>
Total	<u>\$19,993,623</u>

## **Note 2 - Deposits and Investments (Continued)**

As of June 30, 2010, the Commission's cash and cash equivalents consist of cash in banks of \$22,765,361.

The Commission's cash and cash equivalents are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does have a deposit policy for custodial credit risk, which requires collateral to be held in the Commission's name by its agent or by the bank's trust department for the qualifying accounts. As of June 30, 2010, the Commission was a part of the FDIC Transaction Guarantee Program for the primary government, which provided unlimited protection on noninterest-bearing accounts and select interest-bearing accounts.

As of July 1, 2010, participation in the program ceased, and the Commission had approximately \$3,500,000 of bank deposits (certificates of deposit, checking and savings accounts) in the primary government that were uninsured and uncollateralized. The discretely presented component units had approximately \$6.2 million in deposits, of which approximately \$2.9 million was uninsured and uncollateralized.

### **Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates.

The Commission's investment policy to limit its exposure to declines in fair values of its investment portfolio by only investing in HUD-allowed investments and by monitoring any such investments. At June 30, 2010, the Commission has investments in a sweep account with a fair value of \$16,435,719 and a weighted average maturity of two months.

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note 2 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Commission has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>
Government Repo Pool	\$16,435,719	n/a

#### **Restricted Cash**

The Commission's restricted cash at June 30, 2010 is as follows:

	<u>Primary Government - Business-type Activities</u>	<u>Total Discretely Presented Component Units</u>
Current:		
Tenant security deposits	\$ 304,458	\$ 245,553
Funded reserves	-	2,586,781
HAP equity	<u>4,324,289</u>	<u>-</u>
Subtotal current	4,628,747	2,832,334
Noncurrent - Family self-sufficiency escrow	<u>65,484</u>	<u>-</u>
Total restricted cash	<u>\$ 4,694,231</u>	<u>\$ 2,832,334</u>

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note 3 - Property and Equipment

A summary of property and equipment for the primary government by class is as follows:

	Balance at July 1, 2009	Transfers in/ Additions	Transfers out/ Deletions	Balance at June 30, 2010
Nondepreciable:				
Land	\$ 46,641,643	\$ -	\$ -	\$ 46,641,643
Construction in progress	<u>8,639,286</u>	<u>11,400,095</u>	<u>318,192</u>	<u>19,721,189</u>
Total nondepreciable	<u>55,280,929</u>	<u>11,400,095</u>	<u>318,192</u>	<u>66,362,832</u>
Depreciated:				
Structures and improvements	65,954,568	4,353,263	-	70,307,831
Equipment - Dwelling	3,903,524	533,613	1,546,586	2,890,551
Equipment - Administrative	<u>588,172</u>	<u>803,306</u>	<u>603,633</u>	<u>787,845</u>
Total depreciated	<u>70,446,264</u>	<u>5,690,182</u>	<u>2,150,219</u>	<u>73,986,227</u>
Total capital assets	<u>125,727,193</u>	<u>17,090,277</u>	<u>2,468,411</u>	<u>140,349,059</u>
Less accumulated depreciation:				
Structures and improvements	(7,568,207)	(3,463,715)	-	(11,031,922)
Equipment - Dwelling	(715,518)	116,463	-	(599,055)
Equipment - Administrative	<u>(63,417)</u>	<u>(564,776)</u>	<u>(33,215)</u>	<u>(594,978)</u>
Total accumulated depreciation	<u>(8,347,142)</u>	<u>(3,912,028)</u>	<u>(33,215)</u>	<u>(12,225,955)</u>
Capital assets - Net	<u>\$ 117,380,051</u>	<u>\$ 13,178,249</u>	<u>\$ 2,435,196</u>	<u>\$ 128,123,104</u>

Included in the above structures and improvements is approximately \$9,000,000 of assets for the Douglass Home property consisting of four multi-family high-rises, 96 townhomes, and two mid-rise buildings. As of June 30, 2010, this property remains vacant and the Commission is exploring redevelopment options.

### Note 4 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. As part of the Commission's risk management program, certain commercial insurance policies are purchased, and the Commission participates in commercial risk pools to cover designated exposures and potential loss situations. There were no significant reductions of insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

# **Detroit Housing Commission**

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**Notes to Financial Statements  
June 30, 2010**

## **Note 5 - Capital Donation from the City**

Previously, the Commission was considered a discrete component unit of the City and during that time all of their assets were held in the City's name. In separation of the Commission from the City by agreement, the City transferred all assets of the Commission to the separate government unit. These transferred assets were considered donations from the City and accordingly were recorded at fair market value. Subsequent to the donations, appraisals were obtained on all fixed assets, which included an estimate of their remaining useful lives. Based on these appraisals, the donated fixed assets were revalued. The total book value of the capital assets transferred from the City is recorded currently by the Commission at a value of approximately \$107 million.

## **Note 6 - Notes, Loans, and Mortgages Receivable**

The Commission has entered into Mixed Finance Annual Contributions Contracts approved by HUD for all the discretely presented component units. HUD, through the Commission, has provided Hope VI funds to the discrete component unit for development.

During 2010, the Commission made loans of approximately \$300,000 to new homeowners under the Homeownership Program. The loans do not have scheduled payments and are forgiven through time per the loan agreement; the Commission amortized the loan receivables over the seven year debt forgiveness schedule. The homeownership loans are presented net of the amortization of approximately \$140,000.

The discrete component units are required to repay their mortgage notes when the respective properties realize net cash flows from operation as defined in each mortgage and partnership agreement. The Commission has also provided payment for amounts related to contract retention on behalf of the discretely presented component units and will be repaid as cash becomes available. All notes receivable from the discretely presented component units are considered fully collectible and mature as listed in the table below.

The Commission has the following noncurrent notes, advances, loans, and mortgages receivable due from discretely presented component units and others (for the Homeownership program):

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note 6 - Notes, Loans, and Mortgages Receivable (Continued)

	Maturity Date	Interest Rate	Balance	Accrued Interest Receivable
<i>Due from discretely presented component units:</i>				
The Villages at Parkside II, LLC (Hope VI)*	December 2038	0.45%	\$ 22,930,194	\$ 1,198,640
The Villages at Parkside II, LLC (Business Activities)*	December 2038	7.00%	2,584,579	338,470
The Villages at Parkside IV, LLC (Hope VI)*	December 2038	0.45%	20,990,363	1,113,438
Woodbridge Estates Apartments I, LLC (Hope VI)*	January 2048	4.72%	1,279,824	447,930
Woodbridge Estates Apartments I, LLC (Hope VI)*	January 2048	0.00%	840,500	-
Woodbridge Estates Apartments II, LLC (Hope VI)*	January 2048	4.72%	1,888,460	665,232
Woodbridge Estates Apartments II, LLC (Hope VI)*	January 2048	0.00%	797,955	-
Woodbridge Estates Apartments III, Limited Dividend Housing Association, LLC (Hope VI)*	January 2051	4.61%	1,560,470	277,038
Woodbridge Estates Apartments IV, Limited Dividend Housing Association, LLC (Hope VI)*	January 2051	4.61%	1,764,801	319,462
Woodbridge Estates Apartments V, Limited Dividend Housing Association, LLC (Hope VI)*	January 2051	4.61%	2,057,829	365,715
Partnership (Hope VI)*	June 2049	5.20%	3,713,013	815,570
Alexandrine Square Limited Dividend Housing Association, Limited Partnership* (Hope VI)	January 2037	2.00%	265,780	23,711
Emerald Springs Limited Dividend Housing Association, LLC (Business Activities)	June 2011	0.00%	350,766	-
Cornerstone Limited Dividend Housing Association, LLC (Business Activities)	July 2060	0.00%	81,805	-
Cornerstone Limited Dividend Housing Association, LLC (Hope VI)	July 2060	0.00%	208,297	-
GVE Homeownership	September 2013	0.00%	85,977	-
Gardenview Homes I Limited Dividend Housing Association, LLC (Hope VI)*	December 2053	0.00%	9,363,089	-
Gardenview Homes II (phase A) Limited Dividend Housing Association, LLC* (Hope VI)	December 2054	0.00%	1,037,220	-
Gardenview Homes II (phase B) Limited Dividend Housing Association, LLC* (Hope VI)	December 2054	0.00%	946,032	-
Gardenview Homes II (phase C) Limited Dividend Housing Association, LLC* (Hope VI)	December 2054	0.00%	243,749	-
Gardenview Homes III	June 2011	0.00%	93,878	-
Subtotal			73,084,581	5,565,206
<i>Due from other:</i>				
Homeownership loans - Net (allowance for bad debts of \$233,407)	Various	0%	1,725,514	-
Total noncurrent notes receivable			\$ 74,810,095	\$ 5,565,206

\*Additional information related to these notes is presented in the long-term debt section of Note 10 for the Discretely Presented Component Units

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note 7 - Other Employee Benefits

**Plan Description** - The Commission participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Commission. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Commission's collective bargaining units and requires a contribution from the employees of 5 percent.

**Annual Pension Cost** - For the year ended June 30, 2010, the Commission's annual pension cost was \$710,646. The Commission contributed \$855,387 which was in excess of the annual pension cost in order to reduce the previous year's net pension obligation to zero. The pension cost for the three most recent years is as follows:

	Fiscal Year Beginning July 1		
	2007	2008	2009
Annual pension cost	\$ 626,313	\$ 706,236	\$ 710,646
Percentage of APC contributed	814.33%	153.23%	120.37%
Net pension obligation	\$ 516,193	\$ 140,252	\$ -

Funded status and funding progress:

	Actuarial Valuation as of December 31		
	2007	2008	2009
Actuarial value of assets	\$ 2,109,574	\$ 6,645,568	\$ 8,365,410
Actuarial accrued liability (AAL) (entry age)	\$ 3,015,442	\$ 8,452,592	\$ 8,713,885
Unfunded AAL (UAAL)	\$ 905,868	\$ 1,807,024	\$ 348,475
Funded ratio	69.96%	78.62%	96.00%
Covered payroll	\$ 5,375,509	\$ 5,966,229	\$ 5,783,636
UAAL as a percentage of covered payroll	16.85%	30.29%	6.03%

**Actuarial Methods and Assumptions** - In the December 31, 2009 actuarial valuation (the most recent valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) withdrawal rates based on years of service, (d) separate retirement rates applicable to the plan selected by the Commission, and (e) disability rates. Both (a) and (b) include an inflation component of 3-4 percent. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

# Detroit Housing Commission

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**Notes to Financial Statements  
June 30, 2010**

## **Note 7 - Other Employee Benefits (Continued)**

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

## **Note 8 - Commitments and Contingencies**

**Grants and Contracts** - The Commission participates in various federal and local grants, contracts, or sponsored agreements that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commission. As of the date of this report, management is not aware of any such disallowance.

**Section 8 Housing Choice Voucher Program** - The Commission has received cumulative funding in excess of housing assistance payments (HAP) and earned administrative fees through the Section 8 Housing Choice Voucher Program (the "program") under the implementation of the Consolidated Appropriations Act 2005, *Funding Provisions for the Housing Choice Voucher Program*. Due to decreases in federal funding, HUD decreased their HAP payments made to the Commission, forcing them to use their HAP reserves. As of June 30, 2010, the remaining HAP reserve is \$4,324,289, which is subject to possible future recapture.

**Funds Awarded** - The Commission receives funding from HUD through Hope VI, Replacement Housing Fund, Capital Fund, Public Housing Development Programs, and the Capital Fund Recovery Grant to help subsidize the cost of redevelopment of projects, project repairs, improvements, component unit developments, and certain operating costs. Awards available to be spent as of June 30, 2010 for qualifying eligible expenditures amounted to \$26,688,494, \$46,135,668, \$10,434,245, \$1,175,913, and \$11,286,752, respectively.

**Loans** - The Commission is obligated to make loans as needed to the discrete component units under development not to exceed approximately \$30 million in aggregate. As of June 30, 2010, the Commission is still liable for approximately \$18 million of this commitment.

**Accrued Contingency Liability** - The Commission is party to various pending or threatened legal actions arising in the normal course of operations. The Commission's management has accrued \$295,000 for future liabilities; accordingly, this liability has been included in the financial statements as an accrued contingency liability.

# **Detroit Housing Commission**

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## **Notes to Financial Statements June 30, 2010**

### **Note 9 - Concentrations**

The Commission operates in a heavily regulated environment. The operations of the Commission are subject to the administrative directives, rules, and regulations of federal, state and local regulatory agencies, including, but not limited to HUD.

Such administrative directives, rules, and regulations are subject to change by an Act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

For the year ended June 30, 2010, approximately 92 percent of the operating revenue reflected in the primary government basic financial statements is from HUD.

### **Note 10 - Discretely Presented Component Units**

The following entities are considered discrete component units of the Commission and are presented in accordance with GASB No. 14. Certain items may have changed for presentation purposes from the separately issued audited financial statements to conform to the Commission's presentation. The discrete component units disclosures included are those required under GASB No. 14 that are deemed essential to fair presentation of the financial entity's general purpose financial statements. The following disclosures are those that are material to the Commission and are not meant to be a full representation of each component unit's financial position and required disclosures. A copy of each component unit's separately issued financial statements can be obtained from the Commission's management.

The following are for-profit entities that follow all applicable FASB standards regardless of issue date:

- Woodbridge Estates Apartments I, LLC
- Woodbridge Estates Apartments II, LLC
- Woodbridge Estates Apartments III, Limited Dividend Housing Association, LLC
- Woodbridge Estates Apartments IV, Limited Dividend Housing Association, LLC
- Woodbridge Estates Apartments V, Limited Dividend Housing Association, LLC
- Woodbridge ILF Associates Limited Dividend Housing Association, Limited Partnership
- The Villages at Parkside II, LLC
- The Villages at Parkside IV, LLC
- Gardenview Homes I Limited Dividend Housing Association, LLC
- Gardenview Homes II (Phases A & B) Limited Dividend Housing Association, LLC
- Alexandrine Square Apartments Limited Dividend Housing Association Limited Partnership

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note 10 - Discretely Presented Component Units (Continued)

Each of the discrete component units are located in the City of Detroit and were formed as limited partnerships or limited liability companies for the purpose of owning, developing, and operating affordable housing projects.

The significant activity of the entities consists of residential rental operations and the primary assets are the land, buildings, improvements, and furniture, and fixtures. Debt is primarily long term in nature and is collateralized by the property. Equity is contributed by investor partners or members.

A summary of the components of fixed assets and debt is presented below:

Schedule of Component Unit Capital Assets June 30, 2010	Non-depreciable		Depreciable		Accumulated Depreciation	2010 Net Capital Assets	2010 Additions/ Depreciation and Adjustments	2009 Net Capital Assets
	Land	Buildings and Improvements	Furniture, Fixtures and Equipment					
Woodbridge Estates Apartments I, LLC	\$ -	\$ 6,180,465	\$ 5,588	\$ (848,256)	\$ 5,337,797	(155,310)	5,493,107	
Woodbridge Estates Apartments II, LLC	-	8,079,982	4,659	(1,103,427)	6,981,214	(202,665)	7,183,879	
Woodbridge Estates Apartments III, LDHA LLC	-	6,104,266	-	(434,555)	5,669,711	(152,607)	5,822,318	
Woodbridge Estates Apartments IV LDHA LLC	-	7,403,051	-	(530,154)	6,872,897	(185,076)	7,057,973	
Woodbridge Estates Apartments V LDHA LLC	-	10,699,537	14,036	(707,466)	10,006,107	(268,895)	10,275,002	
Woodbridge ILF Associates LDHA LP	291,667	12,537,129	767,174	(1,695,998)	11,899,972	(342,239)	12,242,211	
The Villages at Parkside II LLC	425,457	27,110,465	730,978	(12,635,325)	18,279,106	1,651,590	16,627,516	
The Villages at Parkside IV LLC	446,650	23,490,556	764,335	(11,327,960)	13,373,581	(869,598)	14,243,179	
Alexandrine Square Apartments LDHA LP	13,767	2,838,190	241,158	(1,078,664)	2,014,451	2,014,451	-	
Gardenview Homes I LDHA LLC	500,000	17,209,747	679,828	(124,557)	18,265,018	18,265,018	-	
Total fixed assets placed in service - June 30, 2010	1,677,541	121,653,388	3,207,756	(30,486,362)	96,052,323	17,107,138	78,945,185	
Gardenview Homes II LDHA LLC (Phases A&B) - Construction in progress - June 30, 2010					9,265,129	9,265,129	-	
Total Discrete Component Unit Net Capital Assets					\$ 105,317,452	\$ 26,372,267	\$ 78,945,185	

# Detroit Housing Commission

## Notes to Financial Statements June 30, 2010

### Note 10 - Discretely Presented Component Units (Continued)

Schedule of Component Unit Debt June 30, 2010	Lender	Interest Rate	Maturity Date	Balance - Beginning of Year	Payments	Balance - End of Year	Principal Due Within One Year
Woodbridge Estates Apartments I, LLC	SA Affordable Housing, LLC	7.06%	2035	\$ 1,561,088	(3,816)	\$ 1,557,272	\$ 16,000
	Detroit Housing Commission	AFR	2048	1,279,824	-	1,279,824	-
	Detroit Housing Commission	0.00%	2048	840,500	-	840,500	-
Woodbridge Estates Apartments II, LLC	SA Affordable Housing, LLC	7.06%	2035	2,241,798	(5,480)	2,236,318	22,900
	Detroit Housing Commission	AFR	2048	1,888,460	-	1,888,460	-
	Detroit Housing Commission	0.00%	2048	797,954	-	797,954	-
Woodbridge Estates Apartments III, LDHA LLC	SA Affordable Housing, LLC	6.04%	2047	1,526,366	(10,510)	1,515,856	11,200
	Detroit Housing Commission	4.61%	2042	1,559,212	-	1,559,212	-
	Detroit Housing Commission	4.52%	2036	500,000	-	500,000	-
Woodbridge Estates Apartments IV LDHA LLC	SA Affordable Housing, LLC	6.04%	2047	2,014,845	(13,872)	2,000,973	14,700
	Detroit Housing Commission	4.61%	2051	1,763,593	-	1,763,593	-
	Detroit Housing Commission	4.52%	2036	500,000	-	500,000	-
Woodbridge Estates Apartments V LDHA LLC	SA Affordable Housing, LLC	6.04%	2047	3,231,546	(22,250)	3,209,296	23,600
	Detroit Housing Commission	4.61%	2051	2,056,904	-	2,056,904	-
	Detroit Housing Commission	4.52%	2036	500,000	-	500,000	-
Woodbridge ILF Associates LDHA LP	Detroit Housing Commission	5.20%	2049	3,713,014	-	3,713,014	-
The Villages at Parkside II LLC	Detroit Housing Commission	0.45%	2038	22,930,193	-	22,930,193	-
	Detroit Housing Commission	7.00%	2038	2,584,578	-	2,584,578	-
The Villages at Parkside IV LLC	Detroit Housing Commission	0.45%	2038	20,990,363	-	20,990,363	-
Alexandrine Square Apartments LDHA LP	Detroit Housing Commission	AFR	2047	276,070	-	276,070	-
	Related Party to the General Partner	7.00%	2014	445,131	-	445,131	-
Gardenvue Homes I LDHA LLC	MSHDA - Construction Loan	6.00%	(a)	10,468,355	-	10,468,355	(a) 10,468,355
	Detroit Housing Commission	0.00%	2054	3,504,600	-	3,504,600	-
Gardenvue Homes II LDHA LLC (Phase A & B)	MSHDA - Section 1602 TCAP funds	0.00%	(b)	4,169,235	-	4,169,235	-
	Detroit Housing Commission	0.00%	2054	1,231,193	-	1,231,193	-
Totals				<u>\$ 92,574,822</u>	<u>\$ (55,928)</u>	<u>\$ 92,518,894</u>	<u>\$ 10,556,755</u>

(a) - Construction loan is expected to be paid off in 2011 with investor equity, leaving a MSHDA permanent loan amount of \$1,750,000, due in 35 years

(b) - TCAP funds will be forgivable at the end of the 15-year Section 42 compliance period if no default or recapture event has occurred.

## **Other Supplemental Information**

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Detroit Housing Commission  
Summary Financial Data Schedules  
June 30, 2010

Line Item No.	Account Description	Total AMPs 14.850	COCC Total	Total Programs	Eliminations	Total Primary Government	Total Component Units (Discretely Presented)	REAC Total (Primary Government and Component Units)
111	Cash - Unrestricted	6,497,955	158,974	8,642,463		15,299,392	3,364,605	18,663,997
112	Cash - Restricted - Modernization and Development	-	-	-		-	1,260,958	1,260,958
113	Cash - other restricted	-	-	4,324,289		4,324,289	1,388,259	5,712,548
114	Cash - Tenant Security Deposits	304,458	-	-		304,458	183,117	487,575
115	Cash - Restricted for payment of current liability	-	-	65,484		65,484	-	65,484
100	Total Cash	6,802,413	158,974	13,032,236	-	19,993,623	6,196,939	26,190,562
		-	-	-		-	-	-
121	Accounts Receivable - PHA Projects	-	-	-		-	-	-
122-010	Accounts receivable - HUD other projects - Operating Subsidy	1,497,866	-	-		1,497,866	-	1,497,866
122-020	Accounts receivable - HUD other projects - Capital fund	5,112,632	40,965	1,764,707		6,918,304	-	6,918,304
122-030	Accounts receivable - HUD other projects - Other	-	-	474,878		474,878	-	474,878
124	Accounts Receivable - other government	-	-	-		-	2,416	2,416
125	Accounts Receivable - Miscellaneous	-	5,052	-		5,052	15,333	20,385
126	Accounts Receivable - Tenants - Dwelling Rents	792,859	-	-		792,859	348,830	1,141,689
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(452,131)	-	-		(452,131)	-	(452,131)
126.2	Allowance for Doubtful Accounts - Other	(233,407)	-	-		(233,407)	-	(233,407)
127	Notes, Loans, & Mortgages Receivable - current	-	-	-		-	-	-
128	Fraud recovery	-	-	67,389		67,389	-	67,389
128.1	Allowance for doubtful accounts - fraud	-	-	-		-	-	-
129	Accrued interest receivable	5,226,736	-	338,470		5,565,206	-	5,565,206
120	Total Receivables, net of allowances for doubtful accounts	11,944,555	46,017	2,645,444	-	14,636,016	366,579	15,002,595
		-	-	-		-	-	-
131	Investments - Unrestricted	-	-	-		-	-	-
132	Investments - restricted	-	-	-		-	-	-
135	Investments - restricted for payment of current liability	-	-	-		-	-	-
142	Prepaid Expenses and Other Assets	137,680	38,636	107,410		283,726	104,544	388,270
143	Inventories	-	-	-		-	-	-
143.1	Allowance for Obsolete Inventories	-	-	-		-	-	-
144	Interprogram due from	-	1,163,011	150,000	(1,313,011)	-	-	-
145	Assets held for sale	-	-	-		-	-	-
146	Amounts to be provided	-	-	-		-	-	-
150	Total Current Assets	18,884,648	1,406,638	15,935,090	(1,313,011)	34,913,365	6,668,062	41,581,427
		-	-	-		-	-	-
161	Land	46,071,643	570,000	-		46,641,643	1,677,541	48,319,184
162	Buildings	69,324,932	982,899	-		70,307,831	114,762,893	185,070,724
163	Furniture, Equipment & Machinery - Dwellings	2,548,200	342,351	-		2,890,551	3,207,759	6,098,310
164	Furniture, Equipment & Machinery - Administration	383,280	367,632	36,933		787,845	-	787,845
165	Leasehold Improvements	-	-	-		-	6,890,495	6,890,495
166	Accumulated Depreciation	(11,943,491)	(274,550)	(7,914)		(12,225,955)	(30,486,362)	(42,712,317)
167	Construction In Progress	14,330,296	31,784	5,359,109		19,721,189	9,265,126	28,986,315
168	Infrastructure	-	-	-		-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	120,714,860	2,020,116	5,388,128	-	128,123,104	105,317,452	233,440,556
		-	-	-		-	-	-
171-050	Notes, loans, and mortgages receivable - Noncurrent Other	72,458,923	-	2,584,579		75,043,502	-	75,043,502
172	Notes, Loans, & Mortgages Receivable - past due	-	-	-		-	-	-
173	Grants receivable - noncurrent	-	-	-		-	-	-
174	Other Assets	-	-	-		-	1,065,835	1,065,835
176	Investment in joint ventures	-	-	-		-	-	-
180	Total Non-Current Assets	193,173,783	2,020,116	7,972,707	-	203,166,606	106,383,287	309,549,893
		-	-	-		-	-	-
190	Total Assets	212,058,431	3,426,754	23,907,797	(1,313,011)	238,079,971	113,051,349	351,131,320

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Line Item No.	Account Description	Total AMPs 14,850	COCC Total	Total Programs	Eliminations	Total Primary Government	Total Component Units (Discretely Presented)	REAC Total (Primary Government and Component Units)
311	Bank overdrafts	-	-	-	-	-	2,018	2,018
312	Accounts Payable <= 90 Days	4,727,143	204,841	1,341,355	-	6,273,339	9,203,249	15,476,588
313	Accounts Payable >90 Days Past Due	329,359	487	13,050	-	342,896	-	342,896
321	Accrued Wage/Payroll Taxes Payable	79,611	281,989	62,964	-	424,564	-	424,564
322	Accrued Compensated Absences	59,658	155,596	50,844	-	266,098	-	266,098
324	Accrued contingency liability	295,000	-	-	-	295,000	-	295,000
325	Accrued interest payable	-	-	-	-	-	1,028,118	1,028,118
331	Accounts Payable - HUD PHA Programs	1,584	-	71,600	-	73,184	-	73,184
332	Accounts Payable - PHA Projects	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	31,814	-	-	-	31,814	37,527	69,341
341	Tenant Security Deposits	304,458	-	-	-	304,458	245,553	550,011
342	Deferred Revenues	1,610,530	422,011	-	-	2,032,541	33,584	2,066,125
343	Current portion of L-T debt - capital projects	-	-	-	-	-	10,556,755	10,556,755
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-
345	Other current liabilities	845,350	155,740	536,510	-	1,537,600	-	1,537,600
345	FSS Escrow	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	-	-	-	-	-	1,538,427	1,538,427
347	Interprogram due to	318,815	10	994,186	(1,313,011)	-	-	-
348	Loan liability - current	-	-	-	-	-	-	-
310	<b>Total Current Liabilities</b>	<b>8,603,322</b>	<b>1,220,674</b>	<b>3,070,509</b>	<b>(1,313,011)</b>	<b>11,581,494</b>	<b>22,645,231</b>	<b>34,226,725</b>
351	Long-term debt, net of current - capital projects	-	-	-	-	-	81,962,139	81,962,139
352	Long-Term debt, net of current - operating borrowings	-	-	-	-	-	-	-
353	Noncurrent Liabilities - Other	-	-	65,075	-	65,075	4,880,814	4,945,889
353	FSS Escrow	-	-	-	-	-	-	-
354	Accrued compensated Absences - Non Current	21,154	79,145	33,369	-	133,668	-	133,668
355	Loan liability - noncurrent	-	-	-	-	-	-	-
350	<b>Total Noncurrent Liabilities</b>	<b>21,154</b>	<b>79,145</b>	<b>98,444</b>	<b>-</b>	<b>198,743</b>	<b>86,842,953</b>	<b>87,041,696</b>
300	<b>Total Liabilities</b>	<b>8,624,476</b>	<b>1,299,819</b>	<b>3,168,953</b>	<b>(1,313,011)</b>	<b>11,780,237</b>	<b>109,488,184</b>	<b>121,268,421</b>
508.1	Invested in capital assets, net of related debt	120,714,860	2,020,116	5,388,129	-	128,123,105	12,798,558	140,921,663
511.1	Restricted Net Assets	72,225,516	-	4,324,289	-	76,549,805	2,586,781	79,136,586
512.1	Unrestricted Net Assets	10,493,579	106,819	11,026,427	-	21,626,825	(11,822,174)	9,804,651
513	<b>Total Equity</b>	<b>203,433,955</b>	<b>2,126,935</b>	<b>20,738,844</b>	<b>-</b>	<b>226,299,734</b>	<b>3,563,165</b>	<b>229,862,899</b>
600	<b>Total Liabilities and Equity</b>	<b>212,058,431</b>	<b>3,426,754</b>	<b>23,907,797</b>	<b>(1,313,011)</b>	<b>238,079,971</b>	<b>113,051,349</b>	<b>351,131,320</b>

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Line Item No.	Account Description	Total AMPs 14,850	COCC Total	Total Programs	Eliminations	Total Primary Government	Total Component Units (Discretely Presented)	REAC Total (Primary Government and Component Units)
		-	-	-	-	-	-	-
70300	Net Tenant Rental Revenue	4,638,408	-	-	-	4,638,408	3,835,387	8,473,795
70400	Tenant Revenue - Other	97,408	-	-	-	97,408	69,017	166,425
70500	Total Tenant Revenue	4,735,816	-	-	-	4,735,816	3,904,404	8,640,220
		-	-	-	-	-	-	-
70600-010	Housing assistance payments	-	-	36,248,184	-	36,248,184	-	36,248,184
70600-020	Ongoing administrative fees earned	-	-	3,711,083	-	3,711,083	-	3,711,083
70600-030	Hard to house fee revenue	-	-	-	-	-	-	-
70600-031	FSS Coordinator	-	-	16,250	-	16,250	-	16,250
70600-040	Actual independent public accountant audit costs	-	-	-	-	-	-	-
70600-050	Total preliminary fees earned	-	-	-	-	-	-	-
70600-060	All other fees	-	-	-	-	-	-	-
70600-070	Admin fee calculation description	-	-	-	-	-	-	-
70600	HUD PHA Grants	20,951,038	253,840	2,505,064	-	23,709,942	-	23,709,942
70610	HUD PHA Capital Grants	17,416,417	212,904	9,418,829	-	27,048,150	-	27,048,150
		-	-	-	-	-	-	-
70710	Management Fee	-	3,958,292	-	(3,958,292)	-	-	-
70720	Asset Management Fee	-	38,481	-	(38,481)	-	-	-
70730	Book-Keeping Fee	-	743,944	-	(743,944)	-	-	-
70740	Front Line Service Fee	-	148,241	-	(148,241)	-	-	-
70750	Other Fees	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	4,888,958	-	(4,888,958)	-	-	-
		-	-	-	-	-	-	-
70800	Other government grants	-	-	189,892	-	189,892	-	189,892
71100	Investment Income - Unrestricted	230,531	163,658	194,450	-	588,639	104,998	693,637
71200	Mortgage interest income	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	16,157	-	16,157	-	16,157
71500	Other revenue	841,300	143,259	43,022	-	1,027,581	2,949,216	3,976,797
71600	Gain/Loss on Sale of Fixed Assets	(5,650)	960	-	-	(4,690)	-	(4,690)
72000	Investment income - restricted	703,579	-	4,825	-	708,404	-	708,404
70000	Total Revenue	44,873,031	5,663,579	52,347,756	(4,888,958)	97,995,408	6,958,618	104,954,026
		-	-	-	-	-	-	-
91100	Administrative salaries	1,740,616	2,381,429	1,458,894	-	5,580,939	869,300	6,450,239
91200	Auditing fees	69,000	9,000	32,000	-	110,000	-	110,000
91300	Management Fee	2,685,614	-	1,272,679	(3,958,293)	-	265,878	265,878
91310	Book-Keeping Fee	244,507	-	499,440	(743,947)	-	-	-
91400	Advertising and Marketing	35,449	15,469	4,750	-	55,668	-	55,668
91500	Employee benefit contributions - administrative	452,247	852,773	471,612	-	1,776,632	-	1,776,632
91600	Office Expenses	544,649	1,015,644	806,782	-	2,367,075	391,341	2,758,416
91700	Legal Expense	421,309	1,185	100,230	(28,812)	493,912	-	493,912
91800	Travel	41,621	149,905	41,398	-	232,924	-	232,924
91810	Allocated Overhead	-	-	-	-	-	-	-
91900	Other	1,281,221	114,427	1,225,366	-	2,621,014	-	2,621,014
		-	-	-	-	-	-	-
92000	Asset Management Fee	38,481	-	-	(38,481)	-	-	-
		-	-	-	-	-	-	-
92100	Tenant services - salaries	-	-	539	-	539	-	539
92200	Relocation Costs	875	-	13,605	-	14,480	-	14,480
92300	Employee benefit contributions - tenant services	-	41	-	-	41	-	41
92400	Tenant Services - Other	106,286	23,907	6,137	-	136,330	-	136,330

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Line Item No.	Account Description	Total AMPs 14,850	COCC Total	Total Programs	Eliminations	Total Primary Government	Total Component Units (Discretely Presented)	REAC Total (Primary Government and Component Units)
93100	Water	557,205	8,059	-	-	565,264	274,373	839,637
93200	Electricity	1,063,509	109,975	840	-	1,174,324	348,762	1,523,086
93300	Gas	1,104,471	48,704	-	-	1,153,175	-	1,153,175
93400	Fuel	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-
93600	Sewer	1,213,647	19,184	-	-	1,232,831	-	1,232,831
93700	Employee benefit contributions - utilities	-	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-	-
94100	Ordinary Maintenance and Operations - Labor	1,712,132	173,452	25,057	-	1,910,641	494,562	2,405,203
94200	OMO - Materials and Other	733,142	50,569	9,190	-	792,901	288,738	1,081,639
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	122,836	2,660	-	-	125,496	-	125,496
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	209,214	24,928	-	-	234,142	-	234,142
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal Contracts	-	-	-	-	-	-	-
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	156,373	6,869	-	-	163,242	-	163,242
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	389,842	19,941	-	-	409,783	-	409,783
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	-	-	-	-	-	-	-
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	74,364	11,233	106,470	(42,011)	150,056	-	150,056
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	134,462	128	-	(48,683)	85,907	-	85,907
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	256,764	1,188	-	(15,351)	242,601	-	242,601
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	26,041	6,562	-	-	32,603	-	32,603
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	-	-	-	-	-	-	-
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	2,656,667	94,677	980,325	(13,380)	3,718,289	-	3,718,289
94300	Ordinary Maintenance and Operations - Contract Costs	4,026,563	168,186	1,086,795	(119,425)	5,162,119	-	5,162,119
94500	Employee Benefit Contributions - Ordinary Maintenance	613,820	117,703	17,403	-	748,926	-	748,926
95100	Protective Services - labor	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	693,064	-	258,831	-	951,895	48,999	1,000,894
95300	Protective Services - Other	-	-	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-	-	-
96110	Property Insurance	418,957	7,819	-	-	426,776	319,534	746,310
96120	Liability Insurance	-	-	-	-	-	-	-
96130	Workmen's Compensation	205,302	53,645	31,719	-	290,666	-	290,666
96140	All other Insurance	256,983	31,590	40,939	-	329,512	30,312	359,824
96200	Other General Expenses	1,190,718	-	-	-	1,190,718	148,248	1,338,966
96210	Compensated Absences	52,704	179,400	63,055	-	295,159	-	295,159
96300	Payments in Lieu of Taxes	31,814	-	-	-	31,814	174,933	206,747
96400	Bad Debt - Tenant Rents	443,216	-	-	-	443,216	38,800	482,016
96500	Bad Debt - Mortgages	141,855	-	-	-	141,855	-	141,855
96600	Bad Debt - Other	-	-	-	-	-	-	-
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	1,731,999	1,731,999
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-
96800	Severance Expense	-	-	-	-	-	-	-
96900	Total Operating Expenses	22,120,977	5,532,066	7,467,261	(4,888,958)	30,231,346	5,425,779	35,657,125
97000	Excess Operating Revenue over Operating Expenses	22,752,054	131,513	44,880,495	-	67,764,062	1,532,839	69,296,901
97100	Extraordinary Maintenance	-	-	-	-	-	-	-
97200	Casualty Losses - Non-Capitalized	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	-	43,475,244	-	43,475,244	-	43,475,244
97400	Depreciation Expense	3,854,056	133,702	5,276	-	3,993,034	3,695,776	7,688,810
97500	Fraud losses	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-
90000	Total Expenses	25,975,033	5,665,768	50,947,781	(4,888,958)	77,699,624	9,121,555	86,821,179
10010	Operating transfers in	1,712,105	-	-	(1,712,105)	-	-	-
10020	Operating transfers out	(1,712,105)	-	-	1,712,105	-	-	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-
10050	Proceeds from notes, loans and bonds	-	-	-	-	-	-	-
10060	Proceeds from property sales	-	-	-	-	-	-	-
10070	Extraordinary Items, net gain/loss	-	-	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	927,350	-	-	(927,350)	-	-	-
10092	Inter Project Excess Cash Transfer Out	(927,350)	-	-	927,350	-	-	-
10093	Special items, net gain/loss	-	-	-	-	-	-	-
10094	Special items, net gain/loss	-	-	-	-	-	-	-

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Line Item No.	Account Description	Total AMPs 14,850	COCC Total	Total Programs	Eliminations	Total Primary Government	Total Component Units (Discretely Presented)	REAC Total (Primary Government and Component Units)
10100	Total other financing sources (Uses)	-	-	-	-	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	18,897,998	(2,189)	1,399,975	-	20,295,784	(2,162,937)	18,132,847
11010	Capital Outlays Enterprise Fund	-	-	-	-	-	-	-
11020	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-	-
11030	Beginning Equity	175,653,511	2,129,124	28,221,313	-	206,003,948	4,992,891	210,996,839
11040	Prior Period Adjustments, Equity transfer and correction of errors	-	-	-	-	-	-	-
11040-070	Equity transfer	8,882,446	-	(8,882,446)	-	-	-	-
11190	Unit Months Available	36,204	-	76,776	-	112,980	-	112,980
11210	Number of Unit Months Leased	31,081	-	71,675	-	102,756	-	102,756
11170	Administrative Fee Equity	-	-	184,138	-	184,138	-	184,138
11180	Housing Assistance Payments Equity	-	-	4,324,289	-	4,324,289	-	4,324,289
11270	Excess Cash	8,734,993	-	-	-	8,734,993	-	8,734,993
11610	Land Purchases	5,693,291	-	5,802,190	-	11,495,481	-	11,495,481
11620	Building Purchases	1,190,232	-	-	-	1,190,232	-	1,190,232
11630	Furniture & Equipment - Dwelling Purchases	6,597,049	-	-	-	6,597,049	-	6,597,049
11640	Furniture & Equipment - Administrative Purchases	-	212,904	-	-	212,904	-	212,904
11650	Leasehold Improvements Purchases	524,439	-	-	-	524,439	-	524,439
11660	Infrastructure Purchases	7,028,045	-	-	-	7,028,045	-	7,028,045
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-

# **Detroit Housing Commission**

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## **Note to the Summary Financial Data Schedules June 30, 2010**

### **REAC Supplemental Information Requirement**

As required by HUD for REAC reporting purposes, the Commission prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format treats several items differently than required for financial statement presentation purposes under accounting principles generally accepted in the United States of America, as follows: (1) depreciation expense and housing assistance payments are excluded from operating activities; (2) investment revenue is included in operating activities; (3) tenant revenue and bad debt expense are reflected separately; (4) the blended component units' activities are presented in the business activities column, which is included in total programs; and (5) the total column includes the discretely presented component units and primary government.

**Detroit Housing Commission**

**SCHEDULE OF ACTUAL CAPITAL FUND  
PROGRAM COSTS AND ADVANCES**

**Year ended June 30, 2010**

<b>PROGRAM</b>	<b>MI28P001501-05</b>	<b>MI28P001501-06</b>	<b>MI28P001501-07</b>	<b>MI28P001507-08</b>	<b>MI28P001507-09</b>	<b>TOTAL</b>
<b>BUDGET</b>	9,663,792	8,490,408	8,709,303	9,463,798	8,560,535	44,887,836
<b>ADVANCES</b>						
Cash receipts - prior years	9,442,521	7,771,113	3,520,236	3,019,291		23,753,161
Cash receipts - current year	221,269	702,497	3,965,857	2,535,658	2,582,895	10,008,176
Cumulative as of June 30, 2010	9,663,790	8,473,610	7,486,093	5,554,949	2,582,895	33,761,337
<b>COSTS</b>						
Prior years	9,550,085	7,893,733	3,596,752	3,260,584		24,301,154
Current year	113,705	596,675	4,146,493	2,528,652	2,766,911	10,152,436
Cumulative as of June 30, 2010	9,663,790	8,490,408	7,743,245	5,789,236	2,766,911	34,453,590
<b>EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) HUD</b>	-	(16,798)	(257,152)	(234,287)	(184,016)	(692,253)
<b>SOFT COSTS</b>						
Prior years	1,487,889	3,828,098	2,537,033	2,924,903		10,777,923
Current year	86,142	348,932	846,338	1,220,292	2,742,745	5,244,449
Cumulative as of June 30, 2010	1,574,031	4,177,030	3,383,371	4,145,195	2,742,745	16,022,372
<b>HARD COSTS</b>						
Prior years	8,062,196	4,065,636	1,059,719	335,681		13,523,232
Current year	27,563	247,742	3,300,155	1,308,360	24,166	4,907,986
Cumulative as of June 30, 2010	8,089,759	4,313,378	4,359,874	1,644,041	24,166	18,431,218
<b>CUMULATIVE HARD, SOFT AND OTHER COSTS</b>	9,663,790	8,490,408	7,743,245	5,789,236	2,766,911	34,453,590

Detroit Housing Commission

SCHEDULE OF ACTUAL CAPITAL FUND RECOVERY GRANT  
COST AND ADVANCES

Year ended June 30, 2010

<b>PROGRAM</b>	<b>MI28S001501-09</b>
<b>BUDGET</b>	<u>\$ 17,275,908</u>
<b>ADVANCES</b>	
Cash receipts - prior years	\$ 346,500
Cash receipts - current year	<u>4,447,713</u>
Cumulative as of June 30, 2010	<u>4,794,213</u>
<b>COSTS</b>	
Prior years	808,297
Current year	<u>5,180,859</u>
Cumulative as of June 30, 2010	<u>5,989,156</u>
<b>EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) HUD</b>	<u>\$ (1,194,943)</u>
<b>SOFT COSTS</b>	
Prior years	\$ 40,487
Current year	<u>1,564,220</u>
Cumulative as of June 30, 2010	<u>1,604,707</u>
<b>HARD COSTS</b>	
Prior years	767,810
Current year	<u>3,616,639</u>
Cumulative as of June 30, 2010	<u>4,384,449</u>
<b>CUMULATIVE HARD, SOFT AND OTHER COSTS</b>	<u>\$ 5,989,156</u>

Detroit Housing Commission

SCHEDULE OF ACTUAL HOPE VI  
COSTS AND ADVANCES

Year ended June 30, 2010

<b>PROGRAM</b>	<b>MI28URD001194</b>	<b>MI28URD001196</b>	<b>MI28URD001296</b>	<b>MI28URD001D198</b>	<b>MI28URD001D199</b>	<b>Total</b>
<b>BUDGET</b>	<u>\$ 39,807,342</u>	<u>\$ 10,000,000</u>	<u>\$ 24,224,160</u>	<u>\$ 2,060,000</u>	<u>\$ 1,735,000</u>	<u>\$ 77,826,502</u>
<b>ADVANCES</b>						
Cash receipts - prior year	\$ 35,722,362	\$ 9,750,850	\$ 5,361,653			\$ 50,834,865
Cash receipts - current year	581,926	74,481	1,489,557	2,060,000	1,735,000	5,940,964
Cumulative as of June 30, 2010	<u>36,304,288</u>	<u>9,825,331</u>	<u>6,851,210</u>	<u>2,060,000</u>	<u>1,735,000</u>	<u>56,775,829</u>
<b>COSTS</b>						
Prior years	35,824,659	9,798,540	5,598,329			51,221,528
Current year	726,165	26,791	1,433,740	2,060,000	1,735,000	5,981,696
Cumulative as of June 30, 2010	<u>36,550,824</u>	<u>9,825,331</u>	<u>7,032,069</u>	<u>2,060,000</u>	<u>1,735,000</u>	<u>57,203,224</u>
<b>DEFICIENCY OF ADVANCES DUE FROM HUD</b>	<u>\$ (246,536)</u>	<u>\$ -</u>	<u>\$ (180,860)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (427,396)</u>
<b>SOFT COSTS</b>						
Prior years	\$ 19,581,494	\$ 74,078	\$ 2,556,572	\$ -	\$ -	\$ 22,212,144
Adjustment	(208,297)	-	(236,954)			(445,251)
Current year	433,953	-	390,567	-	-	824,520
Cumulative as of June 30, 2010	<u>19,807,150</u>	<u>74,078</u>	<u>2,947,139</u>	<u>-</u>	<u>-</u>	<u>22,828,367</u>
<b>HARD COSTS</b>						
Prior years	16,243,165	9,724,462	3,041,757			29,009,384
Adjustment	208,297	-	236,954			445,251
Current year	292,212	26,791	1,043,173	2,060,000	1,735,000	5,157,176
Cumulative as of June 30, 2010	<u>16,743,674</u>	<u>9,751,253</u>	<u>4,084,930</u>	<u>2,060,000</u>	<u>1,735,000</u>	<u>34,374,857</u>
<b>CUMULATIVE HARD AND SOFT COSTS</b>	<u>\$ 36,550,824</u>	<u>\$ 9,825,331</u>	<u>\$ 7,032,069</u>	<u>\$ 2,060,000</u>	<u>\$ 1,735,000</u>	<u>\$ 57,203,224</u>

Detroit Housing Commission

SCHEDULE OF ACTUAL REPLACEMENT HOUSING FUND PROGRAM  
COSTS ADVANCES

Year ended June 30, 2010

PROGRAM	MI28R001501-99	MI28R001501-00	MI28R001501-01	MI28R001501-02	MI28R001501-03	MI28R001501-04	MI28R001501-05	MI28R001501-07	MI28R001501-08
<b>BUDGET</b>	\$ 3,504,802	\$ 4,021,494	\$ 6,771,429	\$ 6,505,355	\$ 684,413	\$ 1,264,863	\$ 569,624	\$ 1,281,813	\$ 1,367,468
<b>ADVANCES</b>									
Cash receipts - prior year	\$ 883,538	14,337	\$ -	\$ 1,184,286	\$ 198,332	\$ 10,379	\$ 29,747	\$ 17,247	\$ -
Cash receipts - current year	1,033,032	1,258,029	3,305,343	3,109,917	49,189	-	4,488	-	78,117
Cumulative as of June 30, 2010	1,916,570	1,272,366	3,305,343	4,294,203	247,521	10,379	34,235	17,247	78,117
<b>COSTS</b>									
Prior years	1,244,629	19,820	-	1,450,801	198,332	10,379	29,747	17,247	-
Adjustment	(338,746)	-	-	-	-	-	-	-	-
Current year	1,023,259	1,954,191	3,930,730	5,156,398	486,081	23,836	4,488	-	88,314
Cumulative as of June 30, 2010	1,929,142	1,974,011	3,930,730	6,607,199	684,413	34,215	34,235	17,247	88,314
<b>DEFICIENCY OF ADVANCES DUE FROM HUD</b>	\$ (12,572)	\$ (701,646)	\$ (625,387)	\$ (2,312,995)	\$ (436,892)	\$ (23,836)	\$ -	\$ -	\$ (10,197)
<b>SOFT COSTS</b>									
Prior years	\$ 50,725	\$ 19,820	\$ -	\$ 658,741	\$ 198,332	\$ -	\$ 17,959	\$ 17,247	\$ -
Adjustment	(10,311)	(6,265)	-	(1,709)	(26,300)	-	-	(17,247)	-
Current year	87,613	59,145	380,319	226,177	-	23,836	4,488	-	88,314
Cumulative as of June 30, 2010	128,027	72,700	380,319	883,209	172,032	23,836	22,447	(0)	88,314
<b>HARD COSTS</b>									
Prior years	1,193,904	-	-	792,060	-	10,379	11,788	-	-
Adjustment	(328,435)	6,265	-	1,709	26,300	-	-	17,247	-
Current year	935,646	1,895,046	3,550,411	4,930,221	486,081	-	-	-	-
Cumulative as of June 30, 2010	1,801,115	1,901,311	3,550,411	5,723,990	512,381	10,379	11,788	17,247	-
<b>CUMULATIVE HARD AND SOFT COSTS</b>	\$ 1,929,142	\$ 1,974,011	\$ 3,930,730	\$ 6,607,199	\$ 684,413	\$ 34,215	\$ 34,235	\$ 17,247	\$ 88,314

Detroit Housing Commission

SCHEDULE OF ACTUAL REPLACEMENT HOUSING FUND PROGRAM  
COSTS ADVANCES

Year ended June 30, 2010

PROGRAM	MI28R001502-03	MI28R001502-04	MI28R001502-05	MI28R001502-07	MI28R001502-08	MI28R001502-09	Total
<b>BUDGET</b>	\$ 5,728,700	\$ 7,554,331	\$ 8,697,612	\$ 8,449,443	\$ 2,816,919	\$ 4,229,235	\$ 70,053,879
<b>ADVANCES</b>							
Cash receipts - prior year	\$ 337,251	\$ 57,044	\$ 1,420,081	\$ 105,253	\$ 8,691	\$ -	\$ 4,266,185
Cash receipts - current year	464,864	442,422	422,554	822,462	106,042	-	11,096,459
Cumulative as of June 30, 2010	802,115	499,466	1,842,635	927,715	114,733	-	15,362,644
<b>COSTS</b>							
Prior years	420,150	101,152	1,551,863	105,253	14,650	-	5,164,022
Adjustment	-	-	-	-	-	-	(338,746)
Current year	427,701	470,491	428,046	877,811	100,083	27,282	14,998,711
Cumulative as of June 30, 2010	847,851	571,643	1,979,909	983,064	114,733	27,282	19,823,987
<b>DEFICIENCY OF ADVANCES DUE FROM HUD</b>	\$ (45,736)	\$ (72,177)	\$ (137,274)	\$ 55,349	\$ 0	\$ (27,282)	\$ (4,461,343)
<b>SOFT COSTS</b>							
Prior years	\$ 419,622	\$ 101,152	\$ 305,638	\$ 105,253	\$ 14,650	\$ -	\$ 1,909,139
Adjustment	-	-	-	(105,253)	-	-	(167,085)
Current year	381,966	273,110	304,176	141,082	100,083	27,282	2,097,591
Cumulative as of June 30, 2010	801,588	374,262	609,814	141,082	114,733	27,282	3,839,645
<b>HARD COSTS</b>							
Prior years	528	-	1,246,225	-	-	-	3,254,884
Adjustment	-	-	-	105,253	-	-	(171,661)
Current year	45,735	197,381	123,870	736,729	-	-	12,901,120
Cumulative as of June 30, 2010	46,263	197,381	1,370,095	841,982	-	-	15,984,343
<b>CUMULATIVE HARD AND SOFT COSTS</b>	\$ 847,851	\$ 571,643	\$ 1,979,909	\$ 983,064	\$ 114,733	\$ 27,282	\$ 19,823,987

Detroit Housing Commission

SCHEDULE OF ACTUAL DEVELOPMENT GRANT  
COSTS ADVANCES

Year ended June 30, 2010

<b>PROGRAM</b>	<b>PDEV</b>
<b>BUDGET</b>	<u>\$ 19,578,300</u>
<b>ADVANCES</b>	
Cash receipts - prior year	\$ 16,466,592
Cash receipts - current year	<u>1,823,175</u>
Cumulative as of June 30, 2010	<u>18,289,767</u>
<b>COSTS</b>	
Prior years	17,670,799
Current year	<u>731,588</u>
Cumulative as of June 30, 2010	<u>18,402,387</u>
<b>DEFICIENCY OF ADVANCES DUE FROM HUD</b>	<u>\$ (112,620)</u>
<b>SOFT COSTS</b>	
Prior years	\$ 7,706,203
Adjustment	(165,794)
Current year	<u>86,573</u>
Cumulative as of June 30, 2010	<u>7,626,982</u>
<b>HARD COSTS</b>	
Prior years	9,964,596
Adjustment	165,794
Current year	<u>645,015</u>
Cumulative as of June 30, 2010	<u>10,775,405</u>
<b>OTHER COSTS</b>	
Prior years	-
Current year	<u>-</u>
Cumulative as of June 30, 2010	<u>-</u>
<b>CUMULATIVE HARD AND SOFT COSTS</b>	<u>\$ 18,402,387</u>

# Detroit Housing Commission

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Direct Programs:		
Public and Indian Housing - Low-income Public Housing	14.850a	\$ 14,021,798
Public and Indian Housing - Lower-income Housing Assistance Program - Development	14.850b	<u>731,588</u>
Total Public and Indian Housing - Low-income Public Housing		14,753,386
Section 8 Housing Choice Vouchers -		
Lower-income Housing Assistance Program - Voucher Mainstream Program	14.871	36,904,519
Capital Fund Program Cluster:		
Public Housing Capital Fund Program	14.872	24,812,401
ARRA - Public Housing Capital Fund	14.885	<u>5,180,862</u>
Total Capital Fund Program Cluster		29,993,263
Lower-income Section 8 Project-based Cluster:		
Lower-income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	1,857,424
Section 8 New Construction and Substantial Rehabilitation	14.182	<u>1,213,574</u>
Total Section 8 Project-based Cluster		3,070,998
Demolition and Revitalization of Severely Distressed Public Housing (Hope VI)	14.866	5,981,695
Resident Opportunities and Support Services - Service Coordinators	14.870	<u>29,748</u>
<b>Total federal assistance</b>		<b><u>\$ 90,733,609</u></b>

# **Detroit Housing Commission**

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010**

### **Note 1 - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Detroit Housing Commission under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the Detroit Housing Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Detroit Housing Commission. Pass-through entity identifying numbers are presented where available.

**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***

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Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Board of Commissioners  
Detroit Housing Commission

We have audited the financial statements of the total primary government business-type activities and the aggregate discretely presented component units of the Detroit Housing Commission as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 21, 2011. Our report was modified to include reference to other auditors. We have 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. We did not audit the financial statements of the discretely presented component units, other than the Gardenvue entities and Woodbridge ILF Associates. These discretely presented component units audited by other auditors represent 80 percent of the assets and 89 percent of the total revenue of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Commissioners  
Detroit Housing Commission

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

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of the Detroit Housing Commission in a separate letter dated March 21, 2011.

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

*Plante & Moran, PLLC*

March 21, 2011

**Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

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Report on Compliance with Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance  
with OMB Circular A-133

To the Board of Commissioners  
Detroit Housing Commission

## Compliance

We have audited the compliance of the Detroit Housing Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The major federal programs of the Detroit Housing Commission are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Detroit Housing Commission's management. Our responsibility is to express an opinion on the Detroit Housing Commission's compliance based on our audit.

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

As described in findings 10-04 and 10-06 in the accompanying schedule of findings and questioned costs, the Detroit Housing Commission did not comply with requirements regarding special tests and provisions and eligibility that are applicable to its Section 8 Project-based Cluster program. Compliance with such requirements is necessary, in our opinion, for the Detroit Housing Commission to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Detroit Housing Commission did not comply, in all material respects, with the requirements above that could have a direct and material effect on the Section 8 Project-based Cluster.

To the Board of Commissioners  
Detroit Housing Commission

As described in findings 10-01, 10-02, 10-04, and 10-07 in the accompanying schedule of findings and questioned costs, the Detroit Housing Commission did not comply with requirements regarding special tests and provisions and eligibility that are applicable to its Low-rent Public Housing and Development and Section 8 Housing Choice Voucher programs. Compliance with such requirements is necessary, in our opinion, for the Detroit Housing Commission to comply with the requirements applicable to each of those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Detroit Housing Commission complied, in all material respects, with the requirements above that are applicable to its Low-rent Public Housing and Development and Section 8 Housing Choice Voucher programs.

Also, in our opinion, the Detroit Housing Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal programs for the year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of the Detroit Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Detroit Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

To the Board of Commissioners  
Detroit Housing Commission

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-01, 10-02, 10-04, 10-06, and 10-07 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-03, 10-05, and 10-08 to be significant deficiencies.

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

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

*Plante & Moran, PLLC*

March 21, 2011

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs Year Ended June 30, 2010

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

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major program(s):

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs:

- 14.850a and 14.850b - Low-rent Public Housing and Development - Qualified
- 14.871 Section 8 - Housing Choice Voucher - Qualified
- 14.872 and 14.885 - Public Housing Capital Funds - Unqualified
- 14.182 and 14.856 Section 8 - Project-based Cluster - Adverse

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

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section I - Summary of Auditor's Results (Continued)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.850a and 14.850b	Low-rent Public Housing and Development
14.871	Section 8 Housing Choice Voucher Program
14.872 and 14.885	Public Housing Capital Funds
14.182 and 14.856	Section 8 Project-based Cluster

Dollar threshold used to distinguish between type A and type B programs: \$2,722,008

Auditee qualified as low-risk auditee?       Yes       No

### Section II - Financial Statement Audit Findings

None

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings

Reference Number	Findings
10-01	<p>U.S. Department of Housing and Urban Development - Direct programs - Low-rent Public Housing and Development - 14.850a and 14.850b</p> <p><b>Finding Type</b> - Material noncompliance/Material weakness in internal control over compliance with Special Tests and Provisions</p> <p><b>Criteria</b> - In accordance with 24 CFR 982.201 through 982.207, the Public Housing Authority (PHA) should follow the policies and procedures documented in its administrative plan for selecting applicants from the waiting list.</p> <p><b>Condition</b> - The Detroit Housing Commission (DHC or the "Commission") did not have an adequate system in place to provide documentation that applicants were properly selected from the waitlist in accordance with the PHA's Admissions and Continued Occupancy Policy (ACOP).</p> <p><b>Questioned Costs</b> - Not applicable</p> <p><b>Context</b> - Separate waiting lists are maintained at each individual property. The waiting lists were provided for review during the course of the audit. However, the Commission was unable to provide documentation to support that eligible applicants were admitted into the program from the waiting list in proper sequential order (i.e., new entrants were removed from the intact waiting list so we were unable to determine if the new entrants were included on the original waiting list). Historical data was not maintained to support the original placement and order of new participants on the waitlist.</p> <p><b>Cause and Effect</b> - The Commission does not have adequate systems and controls in place to provide documentation that the Commission is housing families in the proper order. As a result, we were unable to determine if new entrants were appropriately selected.</p> <p><b>Recommendation</b> - The Commission should implement procedures which would provide adequate documentation that a resident selected from the waitlist was properly selected in accordance with the PHA's ACOP.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-01 (Continued)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - The DHC, at the time of the audit, did not have an adequate system in place that would clearly demonstrate that an applicant was properly selected from the waiting list in accordance with the ACOP. To address this issue, all property managers have been instructed to maintain a copy of each month's waiting list so that it can be reviewed. Additionally, the records of each site will be reviewed by the DHC Quality Assurance Analyst to test each site's waiting list for compliance with DHC's ACOP. By the end of the second quarter of FY 2012, DHC will have installed a new software system that will maintain electronic records related to wait list administration and in accordance with the ACOP.

Reference Number	Findings
10-02	<p>U.S. Department of Housing and Urban Development - Direct programs – Low-rent Public Housing and Development - 14.850a and 14.850b</p> <p><b>Finding Type</b> - Material noncompliance/Material weakness in internal control over compliance with eligibility requirements</p> <p><b>Criteria</b> - 24 CFR 960.259 requires the PHA to obtain and document third-party verification of income and other factors that affect the determination of rent. Internal controls should be in place to ensure compliance with HUD requirements as well as to ensure complete and accurate tenant records.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
I0-02 (Continued)	<p data-bbox="415 558 1435 667"><b>Condition</b> - Some participant files tested did not include complete information to support participant eligibility and/or the level of benefits provided. Sixty tenant files were tested and the results are as follows:</p> <ul data-bbox="431 716 1435 1016" style="list-style-type: none"><li data-bbox="431 716 1435 749">• One file did not have a signed lease and tenant itemized worksheet.</li><li data-bbox="431 753 1435 787">• One file did not have a signed new rental agreement with the tenant.</li><li data-bbox="431 791 1435 863">• Four files did not have any documentation of a recertification during the current fiscal year.</li><li data-bbox="431 867 1435 900">• Two files were missing a Social Security cards.</li><li data-bbox="431 905 1435 976">• One recertification was performed outside of the 12 month deadline (13 months).</li><li data-bbox="431 980 1435 1016">• One file had an incorrect calculation of income.</li></ul> <p data-bbox="431 1064 1435 1173">Out of the same sample of tenant files tested, the following items were originally not included in the tenant files; however, were subsequently obtained after being brought to the Commission’s attention by the auditors:</p> <ul data-bbox="431 1222 1435 1367" style="list-style-type: none"><li data-bbox="431 1222 1435 1255">• Two files were missing the signed lease and tenant itemized worksheet.</li><li data-bbox="431 1260 1435 1293">• One file did not have documentation of a recertification performed.</li><li data-bbox="431 1297 1435 1331">• Three files were missing Social Security cards.</li><li data-bbox="431 1335 1435 1367">• Two files were missing third-party verification of income.</li></ul> <p data-bbox="415 1419 883 1453"><b>Questioned Costs</b> - Not applicable</p> <p data-bbox="415 1499 1435 1570"><b>Context</b> - Several participant files contained incomplete information as documented above.</p> <p data-bbox="415 1617 1435 1755"><b>Cause and Effect</b> - The Commission is not completely following the policies and procedures in place to ensure proper compliance with regard to tenant eligibility requirement. The Commission could be charging the incorrect amount of rent or could be housing ineligible tenants.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-02 (Continued)	<p><b>Recommendation</b> - The Commission should establish procedures to ensure participant eligibility is documented and complete tenant files are maintained. Periodic internal review of tenant files would help identify errors in a timely manner.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The DHC has established procedures to ensure that applicants' and residents' eligibility and continued eligibility are documented and complete and accurate tenant files are maintained. Specifically, the DHC has completed a model tenant file that has been made available to all DHC property managers; a similar file is being developed for AME sites and will be implemented by March 15, 2011. All files will also contain a completeness check-list that must be reviewed by the Property Manager III or Regional Manager. The files will be reviewed for compliance by the Quality Assurance Analyst at least quarterly.</p>
Reference Number	Findings
10-03	<p>U.S. Department of Housing and Urban Development - Direct programs - Section 8 Project-based Cluster - 14.182 and 14.856</p> <p><b>Finding Type</b> - Significant deficiency in internal control over compliance with special tests and provisions</p> <p><b>Criteria</b> -In accordance with 24 CFR Sections 880.611, 881.601, 882.411, 882.808(f), 883.701, 884.106, 886.109, and 886.309, the PHA should reduce claims for assistance on vacant units.</p> <p><b>Condition</b> - The Commission does not have a reliable internal control to ensure that housing assistance payments are suspended on vacant units in all instances. Out of a sample of eight vacant unit files tested, housing assistance payments for one unit continued for two months subsequent to the tenant moving out and the overpayment was not recovered by the Commission.</p> <p><b>Questioned Costs</b> - Not applicable</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-03	<p><b>Context</b> - As described above, the Commission paid rent for two months on a vacant unit. While the amount was not significant, the lack of internal control procedures in this area creates the possibility for greater error.</p> <p><b>Cause and Effect</b> - A tenant moved out of a unit on April 1, 2010. The internal control structure did not trigger the suspension of housing assistance payments on the vacant unit until two months after the move-out date.</p> <p><b>Recommendation</b> - The Commission should implement procedures to ensure timely review of move-outs as well as accurate and complete recoveries of overpayments.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Commission has implemented procedures to ensure timely review of move-outs as well as accurate and complete recoveries of overpayments. Deficiencies were noted in program operations and the entire MOD-Rehab program operations have been successfully reassigned. The standard operational procedures for the MOD-Rehab program operations are continually being addressed.</p>
10-04	<p>U.S. Department of Housing and Urban Development - Direct programs - Section 8 Project-based Cluster - 14.182 and 14.856 and Section 8 Housing Choice Vouchers - 14.871</p> <p><b>Finding Type</b> - Material noncompliance/Material weakness in internal control over compliance with special tests and provisions</p> <p><b>Criteria</b> - In accordance with 24 CFR Sections 880.603, 881.601, 882.514, 882.808(b)(2), 883.701, 884.214, and 886 Subparts A and C (Project-based Cluster) and 24 CFR 982.201 through 982.207 (Housing Choice Vouchers), the Commission should follow the policies and procedures documented in its administrative plan for selecting applicants from the waiting list.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-04 (Continued)	<p><b>Condition</b> - It was noted that the Commission did not have an adequate system in place to provide documentation that applicants were properly selected from the waitlist in accordance with the PHA's Admissions and Continued Occupancy Policy (ACOP). It was also noted that the Commission was not tracking applicants that either moved in or were determined to be nonresponsive or ineligible.</p> <p><b>Questioned Costs</b> - Not applicable</p> <p><b>Context</b> - During 2008, the Commission engaged a consultant to randomly order the applicant waiting list. This waiting list contained approximately 8,000 applicants. The Commission's policy is to select new participants from the waiting list as space becomes available. The waiting list was provided for review during the course of the audit. However, the Commission was unable to provide documentation to support that eligible applicants were admitted into the program from the waiting list in proper sequential order (i.e., new entrants were removed from the intact waiting list so we were unable to determine if the new entrants were included on the original waiting list). Historical data was not maintained to support the original placement and order of new participants on the waitlist.</p> <p><b>Cause and Effect</b> - The Commission does not have adequate systems and controls in place to ensure the waiting list is properly maintained and conforms to the required standards. As a result, it could not be determined that the PHA is housing families in the proper order on the waiting list.</p> <p><b>Recommendation</b> - The Commission should implement procedures which would provide adequate documentation that a resident selected from the waitlist was properly selected in accordance with the PHA's ACOP. The Commission should also implement systems and controls to adequately track which applicants are housed or given the opportunity to be housed in the proper order.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-04 (Continued)	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Commission has implemented procedures which would provide adequate documentation that a resident selected from the waitlist was properly selected in accordance with the PHA's ACOP. Our software system has been customized to allow DHC to ensure compliance with all applicable HUD rules and regulations.</p>
10-05	<p>U.S. Department of Housing and Urban Development - Direct programs - Section 8 Project-based Cluster - 14.182 and 14.856 and Section 8 Housing Choice Vouchers - 14.871</p> <p><b>Finding Type</b> - Significant deficiency in internal control over compliance with special tests and provisions</p> <p><b>Criteria</b> - In accordance with 24 CFR Sections 982.158(d) and 982.405(b), the PHA must prepare a unit inspection report at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. Also, in accordance with 24 CFR Section 982.517, the PHA must maintain an up-to-date utility allowance schedule.</p> <p><b>Condition</b> - The Commission did not have an adequate system in place to ensure documentation of inspections and documentation of utility allowance calculations were in the tenant files in accordance with Commission policies.</p> <p>Twenty-six of the 40 files tested in the Section 8 Project-based Cluster did not originally have documentation of inspections and 9 of the 40 files did not originally have documentation of the tenant utility allowance.</p> <p>Of the 60 files tested in the Section 8 Housing Choice Vouchers program, one inspection was not performed timely (within 12 months), one failed inspection was not followed up on timely, and 15 of the files did not originally have documentation of inspections.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-05 (Continued)	<p><b>Questioned Costs</b> - Not applicable</p> <p><b>Context</b> - The Commission was subsequently able to provide documentation that the inspections were completed. However, it was noted that the systems in place did not provide the Commission the ability to provide documentation of re-inspections on units with noted deficiencies. The Commission was unable to provide the original form used to calculate the tenant utility allowance, but was able to provide copies.</p> <p><b>Cause and Effect</b> - The Commission does not have adequate systems and controls in place to ensure the proper forms are being filed in the tenant files. This could result in the inability to track completion of work correctly, the potential for untimely inspections of units, and/or the incorrect calculation of tenant utility allowances.</p> <p><b>Recommendation</b> - The Commission should implement procedures which would require all forms to be filed in the unit files and require re-inspection forms to be filed in the unit files that had noted deficiencies. This documentation could be in the form of a checklist. The Commission should also implement a review process to ensure all forms are included and calculations are performed and are accurate.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - A new third-party inspections company has been selected to perform inspections and track the need for any subsequent inspections for deficiencies noted and re-inspection of these units. Quality control measures have been put into place that ensure the proper documentation for both inspections and utility allowance calculations are placed in the tenant files.</p> <p>DHC has begun a rigorous staff training program to ensure all staff understands the importance of proper file protocol and that they follow the recertification document checklist, which includes the utility allowance sheet. Furthermore, the addition of two supervisory level staff will provide an opportunity for an at least 10 percent file quality control review by management, so any further such matters might be resolved promptly and at the lowest possible level.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-06	<p>U.S. Department of Housing and Urban Development - Direct programs - Section 8 Project-based Cluster - 14.182 and 14.856</p> <p><b>Finding Type</b> - Material noncompliance, material weakness in internal control over compliance with Eligibility requirements</p> <p><b>Criteria</b> - In accordance with 24 CFR Sections 5.212, 5.230, 5.609, 982.201, 982.202 through 982.207, 982.515, and 982.516, the head of household and applicable household members must sign a release to allow the PHA to obtain information from third parties and the PHA must do the following:</p> <ul style="list-style-type: none"><li>• Require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility</li><li>• Obtain and document in the family file third-party verification of annual income, value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income</li><li>• Determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification</li><li>• Re-examine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary</li></ul>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-06 (Continued)	<p><b>Condition</b> - Out of the sample of 40 participant files tested, the following files did not include complete information to support participant eligibility:</p> <ul style="list-style-type: none"><li>• Two files were missing the application of enrollment into the program.</li><li>• Five files were missing the signed release of information form.</li><li>• One file was missing third-party verification of allowances which reduced income.</li><li>• One file was missing third-party verification of assets.</li><li>• Six files were missing third-party verification of income.</li><li>• One file was missing documentation showing evidence of citizenship or eligible immigrant status.</li><li>• One file had different rent amounts between the 50058 and the contract.</li></ul> <p>The following items were originally not included in the tenant files, however, the items were subsequently provided to the auditors after being brought to the Commission's attention:</p> <ul style="list-style-type: none"><li>• One file was missing the application of enrollment into the program.</li><li>• One file was missing the signed release of information form.</li><li>• Six files were missing copies of the participant's Social Security cards.</li><li>• One file was missing third-party verification of allowances used to arrive at adjusted income.</li><li>• One file was missing documents showing evidence of citizenship or eligible immigrant status.</li><li>• Five files did not have a third-party verification of FAP income.</li><li>• Twelve files were missing third-party verification of income.</li></ul> <p><b>Questioned Costs</b> - Not applicable</p> <p><b>Context</b> - Several participant files contained incomplete information as documented above.</p> <p><b>Cause and Effect</b> - The Commission is not completely following the policies and procedures in place to ensure proper compliance with regard to tenant eligibility requirement. The Commission could be charging the incorrect amount of rent or could be housing ineligible tenants.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-06 (Continued)	<p><b>Recommendation</b> - The Commission should establish procedures to ensure participant eligibility is documented and complete tenant files are maintained. Periodic internal review of tenant files would help identify errors in a timely manner.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Deficiencies were noted in program operations and the entire MOD-Rehab program operations have been successfully reassigned. The standard operational procedures for the MOD-Rehab program operations are continually being addressed. Management will ensure that files are maintained according to the policies and procedures in place.</p>

Reference Number	Findings
10-07	<p>U.S. Department of Housing and Urban Development - Direct programs - Section 8 Housing Choice Vouchers - 14.871</p> <p><b>Finding Type</b> - Material noncompliance/Material weakness in internal controls over eligibility requirements</p> <p><b>Criteria</b> - 24 CFR 982.516 requires internal controls to be in place to ensure compliance with HUD requirements as well as complete and accurate tenant files. The PHA's administrative plan also requires following proper procedures for determination of HAP and verification of income</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
10-07 (Continued)	<p><b>Condition</b> - Some participant files tested did not include complete information to support participant eligibility. Sixty tenant files were tested and the results were as follows:</p> <ul style="list-style-type: none"><li>• One file did not have a signed HAP contract.</li><li>• One file did not have a birth certificate or Social Security card.</li><li>• Two files lacked third-party verification of assets.</li><li>• Two files lacked third-party verification of income.</li><li>• Four files did not have a recertification performed within 12 months of the previous recertification.</li></ul> <p>It was also noted that six files did not have any supporting documentation for a current year recertification and nine files did not have the 50058 printed and filed in the folder. Details were subsequently obtained on these recertifications and 50058s after the control issue was brought to the PHA's attention; however, the Commission was unable to provide the items mentioned above.</p> <p><b>Questioned Costs</b> - Not applicable</p> <p><b>Context</b> - Several participant files contained incomplete information as documented above.</p> <p><b>Cause and Effect</b> - The Commission is not completely following the policies and procedures in place to ensure proper compliance with regard to tenant eligibility requirement. The Commission could be charging the incorrect amount of rent or could be housing ineligible tenants.</p> <p><b>Recommendation</b> - The Commission should establish procedures to ensure participant eligibility is documented and complete tenant files are maintained. Periodic internal review of tenant files would help identify errors in a timely manner.</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-07 (Continued)	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Assisted Housing Department has established procedures to ensure participant eligibility is documented and complete tenant files are maintained. The department was restructured in October 2010 to address this issue. Supervisory staff were hired specifically to assure that quality control mechanisms were put into place and monitored. Supervisory staff has the responsibility to review all participant transactions that occur by staff. We successfully restructured the continued occupancy unit such that the continued occupancy unit has more direct supervision by newly created supervisory positions and newly promoted senior housing specialists support.</p>

Reference Number	Findings
10-08	<p>U.S. Department of Housing and Urban Development - Direct programs - Section 8 Housing Choice Vouchers - 14.871</p> <p><b>Finding Type</b> - Significant deficiency in internal control over compliance with special tests and provisions</p> <p><b>Criteria</b> - In accordance with 24 CFR Sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507, the PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary.</p> <p><b>Condition</b> - Six tenant files tested did not contain evidence that a rent reasonableness determination was ever performed.</p> <p><b>Questioned Costs</b> - Not Applicable</p>

# Detroit Housing Commission

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
10-08 (Continued)	<p><b>Context</b> - Six of the 60 participant files tested did not originally include documentation to support rent reasonableness. When we brought it to the Commission's attention, it subsequently performed rent reasonableness on the six files identified to support rent reasonableness.</p> <p><b>Cause and Effect</b> - The Commission does not have controls in place to ensure that rent reasonableness tests are being performed and documentation is being filed in each tenant's file. As a result, the Commission could potentially be paying rent rates significantly higher than the FMR.</p> <p><b>Recommendation</b> - The Commission should implement procedures that identify when the rent reasonableness calculation needs to be checked and require rent reasonableness checks to be performed timely and documented in the tenant's file.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – In October 2010, newly created housing clerk positions were implemented to provide increased support to the rent reasonable documentation process, unit inspections, and leasing.</p>

# The Detroit Housing Commission

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2010

Finding	CFDA Number	Questioned Costs	Comments
09-1. Procedures to ensure full compliance with all of the HUD eligibility requirements are not properly implemented.	14.871	N/A	See finding 10-07
09-2. The Commission did not completely follow the policies and procedures in place to ensure proper compliance with regard to tenant eligibility requirements.	14.850	N/A	See finding 10-02
09-3. The Commission did not perform a utility study within 12 months of the previous study.	14.871	N/A	A utility study was performed within the required time period.
09-4. The Commission does not have adequate systems and controls in place to ensure the waiting list is properly maintained and conforms to the required standards.	14.850	N/A	See finding 10-01
09-5. The Commission did not have adequate systems and controls in place during the testing period to ensure the waiting list was properly maintained and conformed to the required standards.	14.871	N/A	See finding 10-04



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313.877.8000  
313.877.8500 TDDY

March 21, 2011

U.S. Department of Housing and Urban Development

The Detroit Housing Commission respectfully submits the following corrective action plan for the year ended June 30, 2010

Name and address of independent accounting firm:

Plante & Moran, PLLC  
2601 Cambridge Court, Suite 500  
Auburn Hills, MI 48326

Audit Period: July 1, 2009 - June 30, 2010

The findings from the June 30, 2010 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS AND MAJOR FEDERAL AWARD PROGRAMS

10-01      Special Tests and Provisions  
U.S. Department of Housing and Urban Development – Direct programs – Low Rent Public Housing & Development – 14.850a & 14.850b  
*Material noncompliance, Material weakness in internal control over compliance*

Auditor's Recommendation – The Commission should implement procedures which would provide adequate documentation that a resident selected from the waitlist was properly selected in accordance with the PHA's ACOP.

Action Taken - all property managers have been instructed to maintain a copy of each month's waiting list so that it can be reviewed. Additionally, the records of each site will be reviewed by the DHC Quality Assurance Analyst to test each site's waiting list for compliance with DHC's ACOP. By the end of the second quarter of FY 2012, DHC will have installed a new software system that will maintain electronic records related to Wait List Administration and in accordance with the ACOP.

10-02            Eligibility  
U.S. Department of Housing and Urban Development – Direct programs – Low Rent Public Housing & Development – 14.850a & 14.850b  
*Material noncompliance, Material weakness in internal control over compliance*

Auditor's Recommendation – The Commission should establish procedures to ensure participant eligibility is documented and complete tenant files are maintained. Periodic internal review of tenant files would help identify errors in a timely manner.

Action Taken - The DHC has established procedures to ensure that applicants' and residents' eligibility and continued eligibility are documented and complete and accurate tenant files are maintained. Specifically, the DHC has completed a model tenant file that has been made available to all DHC property managers; a similar file has been developed for AME sites and was implemented March 15, 2011. All files will also contain a completeness check-list that must be reviewed by the Property Manager III or Regional Manager. The files will be reviewed for compliance by the Quality Assurance Analyst at least quarterly.

10-03            Special Tests and Provisions U.S. Department of Housing and Urban Development – Direct programs – Section 8 Project Based Cluster – 14.182 & 14.856  
*Significant deficiency in internal control over compliance*

Auditor's Recommendation – The Commission should implement procedures to ensure timely review of move outs as well as accurate and complete recoveries of over payments.

Action Taken - The Commission has implemented procedures to ensure timely review of move outs as well as accurate and complete recoveries of over payments. The entire MOD-Rehab program operations have been successfully reassigned. The Standard Operational Procedures for the MOD-Rehab program operations are continually being addressed.

10-04            Special Tests and Provisions  
U.S. Department of Housing and Urban Development – Direct programs – Section 8 Project Based Cluster – 14.182 & 14.856 and Section 8 Housing Choice Vouchers – 14.871  
*Material noncompliance, Material weakness in internal control over compliance*

Auditor's Recommendation – The Commission should implement procedures which would provide adequate documentation that a resident selected from the waitlist was properly selected in accordance with the PHA's ACOP. The Commission should also implement systems and controls to adequately track which applicants are housed, or given the opportunity to be housed in the proper order.

Action Taken - The Commission has implemented procedures which would provide adequate documentation that a resident selected from the waitlist was properly selected in accordance with the PHA's ACOP. Our software system has been customized to allow DHC to ensure compliance with all applicable HUD rules and regulations.

10-05

Special Tests and Provisions

U.S. Department of Housing and Urban Development – Direct programs – Section 8 Project Based Cluster – 14.182 & 14.856 and Section 8 Housing Choice Vouchers – 14.871

*Significant deficiency in internal control over compliance*

Auditor's Recommendation – The Commission should implement procedures which would require all forms to be filed in the unit files and require re-inspection forms to be filed in the unit files that had noted deficiencies. This documentation could be in the form of a checklist. The Commission should also implement a review process to ensure all forms are included and calculations are performed and are accurate.

Action Taken - A new third party inspections company has been selected to perform inspections and track the need for any subsequent inspections for deficiencies noted and re-inspection of these units. Quality control measures have been put into place that ensures the proper documentation for both inspections and utility allowance calculations are placed in the tenant files.

DHC has begun a rigorous staff training program to ensure all staff understands the importance of proper file protocol and that they follow the recertification document checklist, which includes the utility allowance sheet. Furthermore, the addition of two supervisory level staff will provide an opportunity for an at least 10% file quality control review by management, so any further such matters might be resolved promptly and at the lowest possible level.

10-06

Eligibility

U.S. Department of Housing and Urban Development – Direct programs – Section 8 Project Based Cluster – 14.182 & 14.856

*Material noncompliance, Material weakness in internal control over compliance*

Auditor's Recommendation – The Commission should establish procedures to ensure participant eligibility is documented complete tenant files are maintained. Periodic internal review of tenant files would help identify errors in a timely manner.

Action Taken -The entire MOD-Rehab program operations have been successfully reassigned. The Standard Operational Procedures for the MOD-Rehab program operations are continually being addressed. Management will ensure that files are maintained according to the policies and procedures in place.

10-07

Eligibility

U.S. Department of Housing and Urban Development – Direct programs –  
Section 8 Housing Choice Vouchers – 14.871

*Material noncompliance, Material weakness in internal control over compliance*

Auditor's Recommendation – The Commission should establish procedures to ensure participant eligibility is documented complete tenant files are maintained. Periodic internal review of tenant files would help identify errors in a timely manner.

Action Taken - The Assisted Housing Department has established procedures to ensure participant eligibility is documented and complete tenant files are maintained. The department was restructured in October 2010 to address this issue. Supervisory staff were hired specifically to assure that quality control mechanisms were put into place and monitored. Supervisory staff has the responsibility to review all participant transactions that occur by staff. We successfully restructured the Continued Occupancy Unit such that Continued Occupancy Unit has more direct supervision by newly created Supervisory positions, and newly promoted Sr. Housing Specialists support.

10-08

Special Tests and Provisions

U.S. Department of Housing and Urban Development – Direct programs –  
Section 8 Housing Choice Vouchers – 14.871

*Significant deficiency in internal control over compliance*

Auditor's Recommendation – The Commission should implement procedures that identify when the rent reasonableness calculation needs to be checked and require rent reasonableness checks to be performed timely and documented in the tenant's file.

Action Taken - In October 2010, newly created Housing Clerk positions were implemented to provide increased support to the Rent Reasonable documentation process, Unit Inspections, and the Leasing.

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please contact Eugene Jones, Executive Director at 313.877.8000.