



AGENDA
Committee on Ways and Means
Tuesday, February 28, 2017 @ 3:30 p.m.
Council Conference Room, City Hall

Councilmember Jody Washington, Chair
Councilmember Kathie Dunbar, Vice Chair
Councilmember Carol Wood, Member

- 1. Call to Order**
- 2. Roll Call**
- 3. Minutes**
 - February 14, 2017
- 4. Public Comment on Agenda Items**
- 5. Presentation:**
 - Lansing Housing Commission Financial Reports- T. Baltimore
- 6. Discussion/Action:**
 - A.) RESOLUTION – Grant Application; Local Bridge Program Building
- 7. Other**
- 8. Adjourn**

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MINUTES

**Committee on Ways and Means
Tuesday, February 14, 2017 @ 3:30 p.m.
10th Floor Conference Room, City Hall**

CALL TO ORDER

The meeting was called to order at 3:30 p.m. by Vice Chairperson Dunbar

ROLL CALL

Councilmember Jody Washington, Chair-excused
Councilmember Kathie Dunbar, Vice Chair
Councilmember Carol Wood, Member

OTHERS PRESENT

Sherrie Boak, Council Staff
Eric Brewer, Council Internal Auditor
Robert Engel, Office of Financial Empowerment
Michael Tobin, Emergency Management
Denis Prisk, LPD
Heather Sumner, City Attorney Office

Minutes

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE MINUTES FROM NOVEMBER 1, 2016 AS PRESENTED. MOTION CARRIED 2-0.

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE MINUTES FROM NOVEMBER 16, 2016 AS PRESENTED. MOTION CARRIED 2-0.

Public Comment on Agenda Items

No Public Comment.

Discussion/Action:

RESOLUTION – Grant; Capital Region Community Foundation

Mr. Engel provided information on his scope of work and what the grant will cover. The program works to assist offenders during the pre-sentencing phase with three methods of preparing their financial lives for impending incarceration. Those being child support, modifications request, freezing credit and finding a safe place for their money while they are incarcerated. The grant is to fund Mr. Engel's services to these offenders.

Council Member Dunbar asked if they were assisting County or State offenders, and Mr. Engel confirmed both, only if they are incarcerated beyond 90 days.

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Council Member Wood asked Mr. Engel if they had utilized the funds since it appeared the grant was awarded in November, 2016. Mr. Engel acknowledged they have been putting things in place with processing, making the connections, setting up a team, and working with the offices of Friend of the Court, Probation and the parole offices. There is a partnership in place and the partnership is handling the funding while his office works on the transition. Council Member Wood asked again when the office received the award, and Ms. Bennett answered it was December, 2016.

Council Member Wood stated to Ms. Bennett and the other grant applicants that were present that City Council needs to be made aware of the grant when they are notified, and there should not be a lag in the time frame before it comes to Council.

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE RESOLUTION FOR THE CAPITAL REGION COMMUNITY FOUNDATION GRANT. MOTION CARRIED 2-0.

RESOLUTION – Grant; 2016 Emergency Management Performance

Mr. Tobin corrected the form so Committee was aware the correct Grand Fund Amount was \$59,347.00. This grant pays for 35.7% of the Emergency Management Coordinators position. Mr. Tobin then went onto explain why the grant form states it was awarded in May, 2016 and the Council is seeing it now. The grant is a FEMA grant which goes through the State, and then after the State takes their amount it disburses it to the City. This application through the process of Public Act 390 and the State can decide under that Act when to give to the local municipalities and if they will even give.

Council Member Wood asked for clarification with the resolution which stated the funds covers salary in one “Whereas” but states salary and fringe benefits in another “Whereas”. Mr. Tobin corrected the resolution stating it should be for both salary and fringe benefits.

Council Member Wood then asked how many years the City has been awarded this grant, and Mr. Tobin acknowledge 22, however some years it was not called Emergency Management.

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE RESOLUTION FOR THE 2016 EMERGENCY MANAGEMENT PERFORMANCE GRANT WITH THE CORRECTION TO STATED IT WILL COVER SALARY AND FRINGE BENEFITS. MOTION CARRIED 2-0.

RESOLUTION – Grant; Homeland Security

Mr. Tobin corrected the grant information form and resolution with the correct dates of the Grant being 2015 – 2018, which would change the duration from 20 months to 32 months. Mr. Tobin then outlined the grant, noting that the State applied in October 2015 with FEMA, and this is a sub-grant with the City. The grant provides \$8.5 million to the State who then breaks it down for the municipalities in the Region One. Mr. Tobin acknowledged it was awarded in March 2016 as stated on the grant information form, however after the award the State has to complete a “work book” which then has to get approved by FEMA before any release of funds to the State. The grant covers one full time personnel as a Region Coordinator, two part time positions with one in special response and one in communications. It will also cover goods and services for \$64,102.63. This will be for equipment for Urban Search and Rescue Team; search camera, ropes, software and rescue hardware. The funds will also contribute to Mass Communication System (Code RED) and fund the purchase of a K9 for the LPD. The cost of the K9 is about \$18,000 which provides for training, the expense of training the officer and retention training kids. The K9 will be trained for rescue and has to be trained for bombs. This would make three in the area, one current with MSU and the State has one. Council Member Wood asked if they would be also used at the airport, and Mr. Tobin stated he was not aware of that task.

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Council Member Wood asked if the search cameras were infrared, Mr. Tobin clarified they were for underwater and building collapse. The cost of the cameras comes in at \$17,600.00, and the mass communication item is at \$25,000.00. There are no matching funds from the City.

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE CORRECTED RESOLUTION FOR THE FY2015 HOMELAND SECURITY GRANT PROGRAM. MOTION CARRIED 2-0.

Ms. Sumner asked what was in Region One, and Mr. Tobin outlined all the jurisdictions. It was noted that the K9 must be available for disasters however will be the property of the City of Lansing.

RESOLUTION – Grant; 2016 Justice Assistance

Mr. Prisk outlined the grant request which would cover the funds necessary to increase the law enforcement efficiencies. This will introduce new technology and equipment (\$87,990.00), technology/equipment for the City of East Lansing (\$4,000.00) and technology/equipment for the Ingham County Sheriff Department (\$4,000.00). The technology will include in-car systems compatible with the body cameras, licensing and video storage. East Lansing plans to use their \$4,000 to enlarge their public announcement system and Ingham County plans to use their \$4,000 for laptops.

The award is a one-time 4 year grant, which even though taking effect in October 2015, the Department of Justice does not release it until September 2016, at which point the City can then apply and request the award. The grant cycle runs from 10/1/2015 to 9/30/2019.

Council Member Dunbar asked if this was also a sub-grant, and Mr. Prisk stated it is not, the grant is the City of Lansing and they sub-grant it to East Lansing and Ingham County. He also clarified that even though it is a 4-year grant, the City does not receive the funds until it is one year into the cycle which only gives them 3 years. The City could seek out purchases that were retro the award, however has never done that practice. There are multiple JAG grants open consistently there is no need to. Recently the Department of Justice has changed their process also where the City has to lock-in their needs during the application process and if other needs arise after the award, then he does a grant amendment.

Council Member Wood asked what the storage time was on the data from the video equipment in the cars. Mr. Prisk did not have specifics on the video but they are using the same vendor where they purchased the body cams. Council Member Wood then asked what the life expectancy was on the equipment, and Mr. Prisk did not have the information but would provide it.

MOTION BY COUNCIL MEMBER WOOD TO APPROVE THE JAG 2016 GRANT. MOTION CARRIED 2-0.

DISCUSSION – FY2017/2018 City Council & Internal Auditor Budget Proposal (Internal Auditor)

Council Member Wood stated that the Council budget has been reviewed by the President and Vice President and now the Committee on Ways and Means will review it before it is sent onto Finance to be incorporated into the overall budget that will get presented.

Mr. Brewer referenced his memos and reports dated January 30, 2017. These included the Council Budget, Internal Auditor Budget and the Internal Auditor Performance Measures. Mr. Brewer outlined his steps that he used to determine an increases or decreases in the request. The request for Council is at \$685,556.00 and the Internal Auditor is at \$179,606.00. The

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handout included a breakdown on expenditures back to 2014. Council Member Wood inquired into "Abandoned Auto Auction" on the Item 4 sheet of the Council. Mr. Brewer did not have detail on that; however Ms. Bennett stated that some funds might have been deposited into that account by error and moved. This would cause for the creation of the line item. On Item 5, Mr. Brewer stated he projected based on the posting date and these did project close to the Finance projections. In Item 5 for Fringe, Mr. Brewer noted he projected lower and Finance's estimate was higher so he went with that amount.

Council Member Wood explained why the budget included an addition of \$500 for a Cesar Chavez event. The Ad Hoc on Diversity will be helping in the planning of this.

The Committee continued review of the handout page by page, and spoke briefly on the Temporary account and the telephone account which showed a spike from \$1,116.71 in February 2016 to \$3,736.40 in March 2016. Mr. Brewer stated he would research it, along with the spike in the Internal Auditor same account from \$58.01 in May 2016 to \$375.98 in June 2016.

MOTION BY COUNCIL MEMBER WOOD TO FORWARD THE BUDGET DOCUMENTS TO THE FINANCE DEPARTMENT FOR THE UPCOMING BUDGET. MOTION CARRIED 2-0.

Ms. Bennett pointed out that there will be a technical review and there may be a flux in the amounts for the benefits since they will get more specific numbers on those costs over the next couple weeks. Mr. Brewer will be advised of any changes.

Council Staff stated they would forward the documents to the entire Council at this time.

ADJOURN

Adjourn at 4:52 p.m.

Submitted by,

Sherrie Boak, Recording Secretary Lansing City Council

Approved by the Committee on _____

January 9, 2017

To the Board of Commissioners
Lansing Housing Commission

We have audited the financial statements of Lansing Housing Commission (LHC or the "Commission") as of and for the year ended June 30, 2016 and have issued our report thereon dated January 9, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 7, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of LHC. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of LHC's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of LHC, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated January 9, 2017 regarding our consideration of LHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated September 9, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by LHC are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2016.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates other than the actuarial assumptions utilized in determining the net OPEB obligation and the net pension liability. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The presentation of the restricted assets as current assets rather than noncurrent assets is not consistent with GAAP, but is considered the required treatment by HUD. As such, this item has not been corrected on the financial statements; however, management has determined that the effect is immaterial.

January 9, 2017

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Commission, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 9, 2017.

Management Consultations with Other Independent Accountants

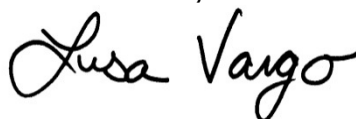
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

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

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Lisa Vargo". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Lisa Vargo, CPA
Partner

Lansing Housing Commission

**Financial Report
with Supplemental Information
June 30, 2016**

Lansing Housing Commission

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Independent Auditor's Report

To the Board of Commissioners
Lansing Housing Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lansing Housing Commission (the "Commission") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Lansing Housing Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Commissioners
Lansing Housing Commission

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Lansing Housing Commission as of June 30, 2016 and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lansing Housing Commission's basic financial statements. The financial data schedules and closed grants are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The closed grants have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Commissioners
Lansing Housing Commission

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017 on our consideration of Lansing Housing Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lansing Housing Commission's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 9, 2017

**Lansing Housing Commission
Lansing, Michigan**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

This management's discussion and analysis (MD&A) of Lansing Housing Commission provides an overview of the Commission's financial performance during the fiscal year ended June 30, 2016. The operations of the Lansing Housing Commission are comprised of a Low Income Public Housing Program, a Housing Choice Voucher program, a Capital Fund Program, a Section 8 New Construction Program, and a Shelter plus Care Program. The Public Housing Program is funded with rental revenue, miscellaneous tenant charges, and Department of Housing and Urban Development (HUD) grants. The remaining programs are funded entirely by federal grants. The Commission also maintains a central office cost center, various business activities, and component units. This MD&A covers only the Commission's primary government activities, which includes the blended component unit, Lansing Housing Commission Non Profit Development Corporation (LHCNPDC), and do not analyze the financial position or current year activity of the discretely presented component unit - Oliver Gardens LDHA Limited Partnership (Oliver Gardens). Please read this summary along with the accompanying audited financial statements of the Commission for the fiscal year ended June 30, 2016. The audited financial statements of Oliver Gardens have been presented in the financial statements of the Commission.

Financial Highlights

1. Total assets exceed total liabilities by	\$ 16,402,933
2. Unrestricted net position equals	2,254,800
3. Total net position increased by	2,411,451

Required Financial Statements

The financial statements of the Commission have been prepared on the accrual basis of accounting following the business-type activities reporting requirements of the Governmental Accounting Standards Board (GASB) as a single enterprise fund. These statements are as follows:

- Statement of net position - includes all of the Commission's assets and liabilities and provides information about the amounts and investments in assets and the obligations to commission creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Commission. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Commission is improving or deteriorating.
- Statement of revenue, expenses, and changes in net position - provides information as to the increase or decrease of current year revenue over expenses.
- Statement of cash flows - provides information about the Commission's cash receipts and disbursements during the reporting period. The statement discloses net cash provided by or used in operating activities and noncapital financing activities from capital and related financing activities and from investing activities.

Financial Analysis

Statement of Net Position

	Restated 2014	2015	2016	Change	Percent Change
Assets					
Current and restricted assets	\$ 3,459,833	\$ 3,339,211	\$ 6,090,137	\$ 2,750,926	82%
Capital assets	15,511,120	14,844,567	15,647,363	802,796	5%
Noncurrent assets	<u>1,464,346</u>	<u>1,478,780</u>	<u>909,675</u>	<u>(569,105)</u>	-38%
Total assets	20,435,299	19,662,558	22,647,175	2,984,617	15%
Deferred Outflows of Resources	118,212	208,788	992,302	783,514	375%
Total assets and deferred outflows of resources	20,553,511	19,871,346	23,639,477	3,768,131	19%
Liabilities					
Current liabilities	628,673	719,583	880,792	161,209	22%
Long-term liabilities	<u>4,966,888</u>	<u>5,160,281</u>	<u>6,273,462</u>	<u>1,113,181</u>	22%
Total liabilities	5,595,561	5,879,864	7,154,254	1,274,390	22%
Deferred Inflows of Resources	-	-	82,290	82,290	n/a
Net Position					
Net investment in capital assets	13,135,256	12,245,548	13,195,546	949,998	8%
Restricted	633,791	545,721	952,587	406,866	75%
Unrestricted	<u>1,188,903</u>	<u>1,200,213</u>	<u>2,254,800</u>	<u>1,054,587</u>	88%
Total net position	<u>\$ 14,957,950</u>	<u>\$ 13,991,482</u>	<u>\$ 16,402,933</u>	<u>\$ 2,411,451</u>	17%

As illustrated in the statement of net position, the overall net position of the Commission increased by \$2,411,451. Current assets increased primarily due to an increase in cash received from the sale of certain assets that were held for sale and an increase in accounts receivable due from HUD. Additions to construction work in progress accounts for the increase in capital assets. The decrease in noncurrent assets was due to the sale of certain assets that were held for sale. Current liabilities increased primarily due to the increases in the accounts payable related to the purchase of capital assets. Noncurrent liabilities increased due to an increase in OPEB liabilities and the addition of the net pension liability in accordance with GASB 68.

Financial Analysis (Continued)

Statement of Revenue and Expenses

	2014	2015	2016	Change	Percent Change
Revenue					
Tenant rental revenue	\$ 1,522,720	\$ 1,651,196	\$ 1,717,181	\$ 65,985	4%
Federal grants	16,488,971	15,003,554	17,108,785	2,105,231	14%
Other revenue	<u>575,926</u>	<u>1,090,110</u>	<u>1,500,717</u>	<u>410,607</u>	38%
Total revenue	<u>18,587,617</u>	<u>17,744,860</u>	<u>20,326,683</u>	<u>2,581,823</u>	15%
Expenses					
Administrative expenses	2,520,740	3,028,025	3,169,731	141,706	5%
Tenant services	97,939	69,978	21,976	(48,002)	-69%
Utilities	1,093,095	899,135	769,111	(130,024)	-14%
Maintenance and operations	2,488,488	2,178,672	2,108,351	(70,321)	-3%
Insurance and general expenses	367,237	481,043	430,957	(50,086)	-10%
Housing assistance payments	10,682,277	10,559,434	9,970,034	(589,400)	-6%
Depreciation and amortization	1,275,203	1,348,290	1,358,328	10,038	1%
Interest expense	<u>21,680</u>	<u>146,751</u>	<u>86,744</u>	<u>(60,007)</u>	-41%
Total expenses	<u>18,546,659</u>	<u>18,711,328</u>	<u>17,915,232</u>	<u>(796,096)</u>	-4%
Change in Net Position	<u>\$ 40,958</u>	<u>\$ (966,468)</u>	<u>\$ 2,411,451</u>	<u>\$ 3,377,919</u>	-350%

Revenue

In reviewing the statement of revenue and expenses, you will find that 84 percent of the Commission's revenue is derived from grants from the Department of Housing and Urban Development, 9 percent of the Commission's revenue is from dwelling rent, and 7 percent is from investment income and other income.

Expenses

In reviewing the statement of revenue and expenses, you will find that 56 percent of the Commission's expenses are for housing assistance payments, 18 percent for administrative, 4 percent are for utilities, 12 percent are for maintenance, 7 percent are for depreciation and amortization, and 3 percent are for tenant services, protective services, general expenses, and interest expense.

Change in Net Position

The Commission operated in fiscal year 2016 at a profit due to an increase in revenue coupled with a slight decrease in overall expenses. The overall revenue increase was primarily a result of the increases in available HUD funding over prior year and the gain on the sale of certain capital assets. Housing assistance payments decreased due to a repayment (to HUD) of a prior year advance that occurred in 2015. The decrease in utility expenses is the result of the Energy Performance Contract implemented during 2015. Other expenses fluctuated at relatively expected amounts due to changes in salaries, benefits, and other housing operating expenditures with the net effect on expenditures consistent overall to the prior year. Depreciation expense increases are a function of additional capital projects being placed in service at the capital grant close-out. Interest expense decreased due to the reduction in existing debt entered into in prior years.

Financial Analysis (Continued)

Capital Assets

As of year end, the Commission had \$15,647,363 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of 5 percent from the end of last year.

	2014	2015	2016	Change	Percent Change
Land	\$ 1,648,584	\$ 1,648,584	\$ 1,554,771	\$ (93,813)	-6%
Buildings	46,315,845	48,777,078	48,743,568	(33,510)	0%
Furniture and equipment	909,221	1,255,227	1,541,301	286,074	23%
Construction in progress	2,513,451	387,948	2,245,979	1,858,031	479%
Accumulated depreciation	(35,875,891)	(37,224,270)	(38,438,256)	(1,213,986)	3%
Net capital assets	<u>\$ 15,511,210</u>	<u>\$ 14,844,567</u>	<u>\$ 15,647,363</u>	<u>\$ 802,796</u>	5%

The following reconciliation summarizes the change in capital assets:

Beginning balance - July 1, 2015	\$ 14,844,567
Additions:	
Construction in progress	2,245,979
Furniture and equipment	17,445
Disposals net of depreciation	(102,300)
Depreciation expense	<u>(1,358,328)</u>
Ending balance - June 30, 2016	<u>\$ 15,647,363</u>

Debt Outstanding

As of the end of the fiscal year, the Commission had \$2,451,817 in debt outstanding compared to \$2,599,019 in the previous year. The net change in debt for the year was a decrease of \$147,202 of principal payments.

	Long-term Debt		
	2014	2015	2016
Note payable - Davenport	\$ 611,681	\$ 574,719	\$ 522,879
Note payable - PNC	<u>2,051,375</u>	<u>2,024,300</u>	<u>1,928,938</u>
Total long-term debt	<u>\$ 2,663,056</u>	<u>\$ 2,599,019</u>	<u>\$ 2,451,817</u>

Financial Analysis (Continued)

Economic Factors and Events Affecting Operations

Factors that may affect the financial position of the Commission in the subsequent fiscal year are as follows:

- Federal funding appropriations as budgeted by Congress for funding to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates and the need to contract more work because of employee hiring challenges
- Union contract negotiations
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs
- Pay down of underfunded pension liability

In the current year and for future years, the financial position of the Commission will also be impacted by the Commission's adoption of Governmental Accounting Standards Board (GASB) Statement No. 68 as of July 1, 2014. The beginning of the year net position was restated to comply with GASB 68,

the objective of which is to improve accounting and financial reporting by state and local employers about financial support for pensions that is provided by other entities. The Commission participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS) that covers all employees of the Commission. The Commission's net pension liability for this plan is determined annually using a measure of the total pension liability and the pension net position at the end of each calendar year.

REAC

The Real Estate Assessment Center's (REAC) mission is to provide and promote accurate information in assessing the condition of HUD's housing portfolio. The Commission receives a physical inspection and an annual financial evaluation provided by REAC. This performance data provides an annual assessment of how each Public Housing Commission compares to its peers.

Conclusion

The Commission's management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Commission continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development.

Contact

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Patricia Baines-Lake, Executive Director, Lansing Housing Commission, 419 Cherry, Lansing, MI 48933, or call (517)372-7996.

Lansing Housing Commission

Statement of Net Position June 30, 2016

	Primary Government (LHC)	Discrete Component Unit - Oliver Gardens
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 3,844,361	\$ 30,294
Cash and cash equivalents - Restricted (Note 2)	984,529	275,431
Tenant security deposits - Restricted (Note 2)	117,127	4,406
Receivables:		
Tenant receivables	47,022	-
Accrued interest receivable	32,606	-
Other receivables	100,446	1,799
Due from other governmental units	408,372	-
Allowance for doubtful accounts	(3,202)	-
Investments (Note 2)	509,256	-
Prepaid expenses and other assets	49,620	5,161
Total current assets	6,090,137	317,091
Noncurrent Assets		
Investment in partnership	909,575	-
Other assets	100	43,554
Capital Assets - Nondepreciable (Note 3)	3,800,750	685,162
Capital Assets - Net of depreciation (Notes 3)	11,846,613	2,074,227
Total assets	22,647,175	3,120,034
Deferred Outflows of Resources - Pension (Note 5)	992,302	-
Total assets and deferred outflows of resources	\$ 23,639,477	\$ 3,120,034

Lansing Housing Commission

Statement of Net Position (Continued) June 30, 2016

	Primary Government (LHC)	Discrete Component Unit - Oliver Gardens
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable - Operating	\$ 357,937	\$ 3,685
Security deposits liability	139,991	4,499
Accrued liabilities and other:		
Accrued PILOT	161,903	25,067
Accrued interest	-	44,843
Accrued salaries and wages	49,876	-
Compensated absences < 1 year	12,878	-
Other current liabilities	-	58,875
Notes payable - Current portion (Note 4)	158,207	28,367
Total current liabilities	880,792	165,336
Noncurrent Liabilities		
Notes payable - Net of current portion (Note 4)	2,293,610	2,587,874
Compensated absences	72,972	-
Net OPEB obligation (Note 6)	1,372,830	-
Net pension liability (Note 5)	2,502,108	-
Other noncurrent liabilities	31,942	800,059
Total liabilities	7,154,254	3,553,269
Deferred Inflows of Resources - Pension (Note 5)	82,290	-
Net Position		
Net investment in capital assets	13,195,546	143,168
Restricted	952,587	-
Unrestricted	2,254,800	(576,403)
Total net position	16,402,933	(433,235)
Total liabilities, deferred inflows of resources, and net position	<u>\$ 23,639,477</u>	<u>\$ 3,120,034</u>

Lansing Housing Commission

Statement of Activities Year Ended June 30, 2016

	Primary Government (LHC)	Discrete Component Unit - Oliver Gardens
Operating Revenue		
Tenant revenue - Net	\$ 1,717,181	\$ 82,504
HUD operating revenue	14,862,802	172,653
Other grant revenue	747,910	-
Other operating revenue	288,857	-
Total operating revenue	17,616,750	255,157
Operating Expenses		
Administrative	3,169,731	42,218
Tenant services	21,976	-
Utilities	769,111	72,715
Maintenance	2,108,351	20,156
Insurance	235,525	12,587
Other general expenses	195,432	24,550
Housing assistance payments	9,970,034	-
Depreciation and amortization	1,358,328	141,627
Total operating expenses	17,828,488	313,853
Operating Loss	(211,738)	(58,696)
Nonoperating Income (Expenses)		
Investment income	7,429	18,717
Interest expense (Note 4)	(86,744)	(93,461)
Gain on sale of assets	456,521	-
Total nonoperating expenses	377,206	(74,744)
Gain (Loss) - Before contributions	165,468	(133,440)
Capital Contributions - Capital grants - HUD	2,245,983	-
Change in Net Position	2,411,451	(133,440)
Net Position - Beginning of year	13,991,482	(299,795)
Net Position - End of year	\$ 16,402,933	\$ (433,235)

Lansing Housing Commission

Statement of Cash Flows Year Ended June 30, 2016

	Primary Government
Cash Flows from Operating Activities	
Cash received from HUD operating subsidies and grants	\$ 14,638,886
Cash received from tenants	1,690,965
Other receipts	1,021,712
Cash payments for housing assistance	(9,970,034)
Cash payments for administrative expenses	(3,169,730)
Cash payments for other operating expenses	(1,721,731)
Net cash provided by operating activities	2,490,068
Cash Flows from Capital and Related Financing Activities	
Receipt of capital grants	2,245,983
Proceeds from sales of capital assets	246,646
Purchase of capital assets	(2,263,429)
Principal and interest paid on capital debt	(233,946)
Net cash used in capital and related financing activities	(4,746)
Cash Flows from Investing Activities	
Interest received on investments	3,581
Purchase of investment securities	(3,544)
Net cash provided by investing activities	37
Net Increase in Cash and Cash Equivalents	2,485,359
Cash and Cash Equivalents - Beginning of year	2,460,658
Cash and Cash Equivalents - End of year	\$ 4,946,017
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 3,844,361
Restricted cash	984,529
Tenant security deposits	117,127
Total cash and cash equivalents	\$ 4,946,017

Lansing Housing Commission

Statement of Cash Flows (Continued) Year Ended June 30, 2016

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (211,738)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	1,358,328
Bad debts	64,417
Deferred outflows and inflows	(701,225)
Changes in assets and liabilities:	
Receivables	(314,549)
Prepaid and other assets	907,638
Accounts payable	45,605
Security and other trust deposits	35,273
Accrued and other liabilities	1,306,319
Net cash provided by operating activities	<u>\$ 2,490,068</u>

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note I - Organization and Summary of Significant Accounting Policies

Organization and Program Descriptions

The Lansing Housing Commission (LHC or the "Commission") is a Michigan public body corporation operating as a public housing authority under the Michigan Housing Facilities Act, MCL 125.65 to provide decent, safe, and adequate housing for low-income program participants. The Commission owns and provides subsidy and operation support for housing units located throughout the Lansing area. LHC's assets, liabilities, net position, and changes in net position are included in its primary government fund and include all AMPs, COCC, business activities, and programs of the Commission. The Commission receives and administers funds from the U.S. Department of Housing and Urban Development (HUD) and has signed an annual contributions contract (ACC) under the provisions of the ACC and all applicable provisions of the United States Housing Act of 1937 (42 U.S.C 1437 Section 1.1). The ACC allows the Commission to obtain financial support from HUD and provide low-income housing throughout Lansing. The Commission administers the following significant programs:

Low-rent Public Housing - The Commission owns, operates, and maintains 833 units of public housing in four properties throughout the city of Lansing. The Low Rent Housing Assistance Program is designed to provide subsidized housing to low-income individuals who pay monthly rent in accordance with prescribed rent formulas based on family income limits. Revenue consists primarily of this rental income, other tenant fees collected, and an operating subsidy from HUD.

Housing Choice Voucher Program (HCVP) - Section 8 of the Housing and Community Development Act of 1974 provides Housing Assistance Payments on behalf of lower-income families to participating housing owners. Under the program, the landlord-tenant relationship is between a housing owner and a family, rather than the Commission and a family as in the Public Housing program. HUD contracts with the Commission to enter into contracts with owners to either make assistance payments or to pay the difference between the approved contract rent and the actual rent paid by the lower-income families. Housing assistance payments made to landlords and some participants are funded through annual contributions contracts, as well as the administrative cost of managing the program up to a per-unit limit established in the contracts. The Commission administered an average of 1,539 tenant-based vouchers monthly for the year ended June 30, 2016.

Capital Fund Program (CFP) - Funds from the Capital Fund Program provided by HUD are used to maintain and improve the Public Housing portfolio. Substantially all additions to land, structures, and equipment for these properties are accomplished by using capital grant funds.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Shelter Plus Care - This program provides rental assistance to homeless persons with disabilities and their families.

Recovery Agreement and Action Plan

On September 25, 2014, the Commission was designated as a troubled agency by HUD based on a failing Public Housing Assessment System audited financial score. When a public housing agency is determined to be substandard, it is asked to provide an assessment of its deficiencies from its own self diagnosis and identify solutions to recover its performance for long-term sustainability. The Commission has completed its Public Housing Agency Recovery and Sustainability Assessment and on January 6, 2016, entered into a Recovery Agreement and Action Plan with HUD. The Commission began submitting monthly progress reports to the local HUD Field Office commencing on March 1, 2016 and every month thereafter. The monthly reports will continue until the Recovery Agreement is terminated. These financial statements have not been modified for this status.

Reporting Entity

The nucleus of the financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended, is the primary government. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluation of how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the appointment of a voting majority plus the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

The five-member board of commissioners of LHC is appointed to five-year terms by the mayor of the City of Lansing, but the Commission board independently oversees the Commission's operation and designates its management. The City of Lansing is not financially accountable for the Commission as it cannot impose its will on the Commission, and there is no potential for the Commission to provide financial benefits to, or impose financial burdens on, the City of Lansing. Accordingly, the Commission is not a component unit of the financial reporting entity of the City of Lansing.

GASB Statements 14, 39, and 61 define a primary government and those organizations that should be reported as component units. The following organizations have been determined under this guidance to be component units of the Commission.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note I - Organization and Summary of Significant Accounting Policies (Continued)

Blended Component Units - One component unit, despite being legally separate, is so integrated with the primary government that it is in substance part of the primary government. The Commission has included as a blended component unit in business activities the operations of Lansing Housing Commission Non Profit Development Corporation (LHCNPDC), a nonprofit organization. LHCNPDC has a 99 percent ownership interest in Oliver Gardens, LLC. The Commission has financial accountability for the nonprofit and controls its board of directors and management. As of June 30, 2016, LHCNPDC had assets of \$737,090, liabilities of \$879,491, and net deficit position of (\$142,401). The total revenue and change in net position was \$3,288 for the year ended June 30, 2016.

Discretely Presented Component Unit - The component unit column in the financial statements includes the financial data of the Commission's legally separate component unit, Oliver Gardens LDHA Limited Partnership, which meets the criteria for discrete component presentation. The separate column presentation clearly distinguishes the component unit balances and transactions from that of the primary government. The balances are presented as of December 31, 2015. A complete financial report can be obtained at their administrative offices at 419 Cherry St., Lansing, MI 48933.

The Commission has a 1 percent managing member ownership interest in Oliver Gardens, LLC, which has a 0.01 percent general partner ownership interest in Oliver Gardens LDHA Limited Partnership (Oliver Gardens). Oliver Gardens is a residential apartment complex in Lansing, Michigan consisting of 30 low-income housing units. The Commission does have financial accountability for Oliver Gardens, but it does not have majority ownership of the entity.

Oliver Gardens follows all applicable Financial Accounting Standards Board (FASB) standards. Since it does not follow governmental 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.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note I - Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

The basic financial statements of the Commission have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), 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 Commission'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 proprietary fund, which distinguishes operating revenue and expenses from nonoperating items. The operating revenue of the Commission consists primarily of rental charges to tenants, operating grants from HUD, and other operating revenue that offsets operating expenses. Operating expenses include the cost of administrative, tenant services, utilities, maintenance, protective services, general operations, depreciation, and housing assistance payments.

As a proprietary fund, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 activities.

Budgets - The Commission is required by its HUD annual contributions contracts to adopt annual budgets for the Low Rent Public Housing Program and the Housing Choice Vouchers Program. Annual budgets are not required for the Capital Fund Program, as those budgets are approved for the length of any given project. Annual, project, and grant length budgets require grantor approval.

Appropriations are authorized at the function level. Management may transfer budget authorization between functions. All appropriations that are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the board.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note I - Organization and Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less.

Current Receivables and Recognition of Bad Debts - Current receivables consist of revenue that is earned at year end but not yet received. Tenant accounts generally are collectible as long as the tenant is occupying the unit; however, the Commission has established an allowance of \$3,202 as potentially uncollectible as of June 30, 2016. Tenant bad debt for the year ended June 30, 2016 was \$64,417.

Prepaid Expenses - Prepaid items consist of certain payments to vendors that reflect costs applicable to future fiscal years.

Investment in Partnership - The amount of this investment includes amounts invested in and due from the Commission's discretely presented component unit, Oliver Gardens LDHA LP. Of the amount due, \$405,767 is for developer fees earned that are payable from limited partner contributions or upon the availability of cash flow generated at the operating partnership level.

Capital Assets - Purchased assets and self-constructed assets and certain improvements are recorded as assets at cost in accordance with the Commission's capitalization policy. Costs equal or above the capitalization threshold of \$2,500 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following useful lives:

Property and Equipment	Years
Buildings	40
Building improvements	7-40
Furniture and fixtures, equipment, and machinery	3-10

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for the impairment of capital assets. 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. During 2016, no impairments were recorded.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note I - Organization and Summary of Significant Accounting Policies (Continued)

Restricted Cash - Restricted cash represents amounts held in escrow accounts in the name of the entity for insurance and PILOT expenses, FSS escrows, Section 8 funds, tenant deposits, and replacement reserves. Restrictions for use in operations and approval are governed by HUD, lender requirements, or other outside parties.

Other Noncurrent Assets - Other assets of the component unit include \$45,415 of costs related to obtaining debt financing and \$22,917 of costs related to obtaining tax credits, net of accumulated amortization. These costs have been capitalized and are being amortized over 35 years and 15 years, respectively, using the straight-line method. Amortization expense for the year ended June 30, 2016 was \$2,825.

Compensated Absences - The Commission allows employees to accumulate earned but unused sick and vacation pay benefits. The Commission accrues a liability for benefits attributable to services already rendered by the Commission's employees. Employees are entitled to a specific amount of leave per month capped at 480 hours total. Upon separation from employment, employees with 20 years of service hired before December 31, 2009 are entitled to receive pay for 50 percent of their accrued unused sick time, and employees with 25 years of service hired on or after January 1, 2010 are entitled to receive pay for 25 percent of their accrued unused sick time. The liability for accrued and unused leave was \$85,850 at June 30, 2016, of which \$12,878 is current and \$72,972 is noncurrent.

Net Position - Net position is comprised of three categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Commission's positive value of unrestricted net position 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 position.

- i. *Net investment in capital assets* - This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. *Restricted* - This category equals the restricted cash of the Commission and consists of net position 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.
- iii. *Unrestricted* - This category includes all of the remaining net position that does not meet the definition of the other two categories.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note I - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition - The Commission receives funds from certain federal and other agencies under various grant programs. Receivables are recorded based upon amounts expended for the various programs for which funds have not been received, to the extent grant limits have not been exceeded.

The Commission leases properties to tenants under various rental arrangements. Payments from tenants are recognized as revenue in the period during which the associated use of premises occurred.

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 when earned or incurred, respectively.

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

Nonoperating Revenue and Expenses - Nonoperating revenue and expenses are derived from transactions other than those associated with the Commission's primary housing operations and are reported as incurred, including investment activity. During the year ended June 30, 2016, the Oliver Tower Property was sold for \$1,050,000, resulting in a gain on the sale of the asset of \$456,521.

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 period. Actual results could differ.

Subsequent Events - The financial statements and related disclosures include evaluation of events through and including January 9, 2017, which is the date the financial statements were available to be issued.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 2 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Primary Government (LHC)	Component Unit
Cash and cash equivalents - Unrestricted	\$ 3,844,361	\$ 30,294
Cash and cash equivalents - Restricted	984,529	275,431
Tenant security deposits - Restricted	117,127	4,406
Investments	509,256	-
Total designated	<u>\$ 5,455,273</u>	<u>\$ 310,131</u>

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 law also allows investments outside the state of Michigan when fully insured. 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 has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Commission's deposits and investment policies are in accordance with statutory authority.

The Commission's cash and investments 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 not have a deposit policy for custodial credit risk. At year end, the Commission had \$0 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a policy for custodial credit risk. At year end, \$259,256 of investment securities was uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Commission's name.

Note 3 - Capital Assets

A summary of property and equipment by class is as follows:

Primary Government	Balance July 1, 2015	Reclassifications	Additions	Reductions	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 1,648,584	\$ -	\$ -	\$ (93,813)	\$ 1,554,771
Construction in progress	387,948	(387,948)	2,245,979	-	2,245,979
Total nondepreciable assets	2,036,532	(387,948)	2,245,979	(93,813)	3,800,750
Capital assets being depreciated:					
Building and improvements	48,777,078	105,203	-	(138,713)	48,743,568
Furniture and fixtures, equipment, and machinery	1,255,228	282,745	17,445	(14,117)	1,541,301
Total depreciable capital assets	50,032,306	387,948	17,445	(152,830)	50,284,869
Accumulated depreciation	37,224,271	-	1,358,328	(144,343)	38,438,256
Net capital assets being depreciated	12,808,035	387,948	(1,340,883)	(8,487)	11,846,613
Net capital assets	\$ 14,844,567	\$ -	\$ 905,096	\$ (102,300)	\$ 15,647,363

Component Unit	Balance January 1, 2015	Additions	Disposals	Balance December 31, 2015
Capital assets not being depreciated - Land	\$ 685,162	\$ -	\$ -	\$ 685,162
Capital assets being depreciated:				
Buildings and improvements	3,318,485	-	-	3,318,485
Furniture and equipment	175,949	12,510	-	188,459
Subtotal	3,494,434	12,510	-	3,506,944
Accumulated depreciation	1,293,915	138,802	-	1,432,717
Net capital assets being depreciated	2,200,519	(126,292)	-	2,074,227
Net capital assets	\$ 2,885,681	\$ (126,292)	\$ -	\$ 2,759,389

Note 3 - Capital Assets (Continued)

Construction in Progress

Capital improvements made for LHC's low-rent housing units are financed by grant funds provided by HUD under capital grants. Capital grants are awarded annually based on a five-year comprehensive modernization plan submitted by the Commission. Related construction in progress are costs incurred for the modernization of low-rent units. When modernization projects are completed, HUD issues a modernization cost certificate for each grant, closing out the grant for that year, and at which time construction in progress for that grant is placed in service and transferred to the buildings or improvements categories.

Note 4 - Long-term Debt

Primary Government

LHC's debt is comprised of a promissory note payable to Davenport University and a lease with PNC for the Energy Performance Contract.

Davenport University

The Commission purchased an office building and land from Davenport University (the "Lender") in 2012 for \$950,000 with a \$700,000 promissory note payable to the Lender. The note bears an annual interest rate of 2.4 percent, which is subject to adjustment concurrently with changes in the Lender's cost of funds. Equal monthly payments of \$5,000 are due beginning on July 28, 2012. The outstanding principal and interest balance will be due when the note matures on June 28, 2022.

PNC

Energy Conservation Measures (ECMs), as defined in the Commission's Energy Performance Contract (EPC) dated December 11, 2013, are financed by PNC as stipulated in the Master Equipment Lease-Purchase Agreement in the principal amount of \$2,051,375. This obligation was issued pursuant to the provisions of Act 18, *Public Acts of Michigan 1933 (Ex. Sess)*, as amended, and Chapter 260 of the *Code of Ordinances of the City of Lansing*. HUD's Public Housing EPC program is an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost of installing ECMs. The project is financed with a tax-exempt lease for a term of 15 years at a fixed interest rate of 3.91 percent. PNC as the lender has a security interest in the ECMs.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 4 - Long-term Debt (Continued)

Component Unit

Oliver Gardens LDHA Limited Partnership (the "Partnership") has the following loans outstanding as of December 31, 2015 that are secured by land and substantially all real property owned by the Partnership:

Mortgage dated October 17, 2006 held by Michigan State Housing Development Authority (MSHDA) in the amount of \$1,775,482. The mortgage bears interest at a rate of 5.5 percent. However, an amount equal to 0.5 percent of interest is deferred until the mortgage principal balance is paid in full. Monthly payments of principal and interest are required in the amount of \$8,961 \$ 1,596,108

HOME loan dated June 1, 2006 in the amount of \$170,000. The loan is held by the City of Lansing under the HOME Investments Partnership Program and bears interest at a rate of 1 percent per annum. Principal and interest are due on the loan when it matures on December 31, 2041 170,000

Community Development Block Grant (CDBG) loan dated May 31, 2006 in the amount of \$550,000. The loan is held by the City of Lansing under the CDBG Program and bears interest at a rate of 1 percent per annum. Principal and interest are due on the loan when it matures on May 31, 2046 550,000

Lansing Housing Commission (LHC) note dated December 31, 2007 in the amount of \$300,133. The loan is held by LHC and bears an interest rate of 1 percent per annum. Principal and interest are due on the loan when it matures on January 1, 2048 300,133

Total 2,616,241

Less current portion 28,367

Long-term portion \$ 2,587,874

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 4 - Long-term Debt (Continued)

Primary Government

Future minimum principal and interest payments on the LHC promissory note with Davenport to maturity for the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 47,976	\$ 12,000	\$ 59,976
2018	49,000	11,000	60,000
2019	301,000	4,000	305,000
2020	58,000	2,000	60,000
2021	59,000	1,000	60,000
2022	7,903	468	8,371
Total payments	<u>\$ 522,879</u>	<u>\$ 30,468</u>	<u>\$ 553,347</u>

Future minimum principal and interest payments on LHC's lease with PNC to maturity for the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 110,231	\$ 77,000
2018	121,000	72,000
2019	131,000	67,000
2020	138,000	62,000
2021	144,000	56,000
2022-2026	813,000	184,000
2027-2029	471,707	25,000
Total payments	<u>\$ 1,928,938</u>	<u>\$ 543,000</u>

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 4 - Long-term Debt (Continued)

Component Unit

Future minimum principal and interest payments on long-term debt to maturity for the years ending December 31 for the discretely presented component unit are as follows:

	Principal	Interest
2016	\$ 28,367	\$ 79,166
2017	29,818	77,714
2018	31,343	76,189
2019	32,953	74,579
2020	34,638	72,894
2021-2025	201,659	336,001
2026-2030	258,801	278,859
2031-2035	332,135	205,525
2036-2040	426,248	111,412
2041-2045	390,146	314,672
2046-2048	850,133	-
Total payments	<u>\$ 2,616,241</u>	<u>\$ 1,627,011</u>

Changes in long-term debt for the year ended June 30, 2016 (or December 31, 2015 for the discretely presented component unit) are presented below:

	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year	Due in 1 Year
Primary government:					
Davenport	\$ 574,719	\$ -	\$ (51,840)	\$ 522,879	\$ 47,976
PNC	<u>2,024,300</u>	<u>-</u>	<u>(95,362)</u>	<u>1,928,938</u>	<u>110,231</u>
Total	<u>\$ 2,599,019</u>	<u>\$ -</u>	<u>\$ (147,202)</u>	<u>\$ 2,451,817</u>	<u>\$ 158,207</u>
Component unit:					
MSHDA	\$ 1,623,094	\$ -	\$ (26,986)	\$ 1,596,108	\$ 28,367
City of Lansing	<u>720,000</u>	<u>-</u>	<u>-</u>	<u>720,000</u>	<u>-</u>
LHC	<u>300,133</u>	<u>-</u>	<u>-</u>	<u>300,133</u>	<u>-</u>
Total	<u>\$ 2,643,227</u>	<u>\$ -</u>	<u>\$ (26,986)</u>	<u>\$ 2,616,241</u>	<u>\$ 28,367</u>

Interest expense for the year ended June 30, 2016 was \$86,744 for the primary government and interest expense for the year ended December 31, 2015 was \$93,461 for the discrete component unit.

Note 5 - Agent Defined Benefit Pension Plan Description

Plan Description - The Commission participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS), that covers all employees of the Commission. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS of Michigan at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers employees in the general open division hired before May 1, 2012, and employees hired after May 1, 2012.

Retirement benefits for employees in the open division are calculated as 2.25 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Early retirement age with reduced benefits is 55 with 15 years of service or 50 with 25 years of service. Vesting period is eight years. Employees are eligible for non-duty disability benefits after eight years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal 80 times the employee's final full-year salary. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for employees hired after May 1, 2012 are calculated as 1.70 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Early retirement age with reduced benefits is 55 with 15 years of service or 50 with 25 years of service. Vesting period is eight years. Employees are eligible for non-duty disability benefits after eight years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits for a surviving spouse equal 85 percent of the deceased member's accrued retirement allowance, computed in the same manner as a service retirement allowance, based on service and final average compensation at the time of death. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 5 - Agent Defined Benefit Pension Plan Description (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 3 percent, noncompounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the board of commissioners, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	<u>26</u>
Total employees covered by MERS	<u>74</u>

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2016, the average active employee contribution rate was 5.0 percent of annual pay and the Commission's average contribution rate was 15.05 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 5 - Agent Defined Benefit Pension Plan Description (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 8,728,461	\$ 7,227,277	\$ 1,501,184
Service cost	114,272	-	114,272
Interest	698,614	-	698,614
Differences between expected and actual experience	(123,435)	-	(123,435)
Changes in assumptions	405,966	-	405,966
Contributions - Employer	-	158,735	(158,735)
Contributions - Employee	-	55,586	(55,586)
Net investment income	-	(104,348)	104,348
Benefit payments, including refunds	(635,102)	(635,102)	-
Administrative expenses	-	(15,480)	15,480
Net changes	460,315	(540,609)	1,000,924
Balance at December 31, 2015	<u>\$ 9,188,776</u>	<u>\$ 6,686,668</u>	<u>\$ 2,502,108</u>

Assumption Changes - The change in the total pension liability as a result of changes in assumptions was due to the mortality table being adjusted to reflect longer lifetimes and the assumed annual rate of return, net of expenses, being lowered.

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

For the year ended June 30, 2016, the Commission recognized pension expense of \$451,061. At June 30, 2016, the Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 82,290
Changes in assumptions	270,644	-
Net difference between projected and actual earnings on pension plan investments	623,600	-
Employer contributions to the plan subsequent to the measurement date	98,058	-
Total	<u>\$ 992,302</u>	<u>\$ 82,290</u>

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 5 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$98,059), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 256,537
2018	256,537
2019	162,360
2020	136,520

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%	
Salary increases	3.75%	In the long term, plus a merit and longevity increase ranging from 0 to 11 percent
Investment rate of return	8.00 %	Net of pension plan investment expense

Mortality rates were a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables, all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 5 - Agent Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.00 %
Global fixed income	20	2.18
Real assets	12	4.23
Diversifying strategies	10	6.56

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Commission, calculated using the discount rate of 8.00 percent, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the Commission	\$ 3,497,190	\$ 2,502,108	\$ 1,659,805

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 5 - Agent Defined Benefit Pension Plan Description (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 6 - Other Postemployment Benefits

Plan Description - The Commission provides retiree healthcare benefits to eligible employees and their spouses. This is a single-employer defined benefit plan administered by the Commission and is provided under a separate collective bargaining agreement on health care. The plan does not issue a publicly available financial report.

Funding Progress - For the year ended June 30, 2016, the Commission has estimated the cost of providing retiree healthcare benefits through the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 plan members. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 421,898
Interest on the prior year's net OPEB obligation	2,118
Less adjustment to the annual required contribution	<u>(45,228)</u>
Annual OPEB cost	378,788
Amounts contributed:	
Payments of current premiums	(64,745)
Advance funding	<u>-</u>
Increase in net OPEB obligation	314,043
OPEB obligation - Beginning of year	<u>1,058,787</u>
OPEB obligation - End of year	<u>\$ 1,372,830</u>

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 6 - Other Postemployment Benefits (Continued)

The annual required contribution, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years as well as funding progress are as follows:

	Fiscal Year Ended	Annual Required Contribution *	Percentage Contributed	Net OPEB Obligation		
	6/30/16	\$ 421,898	15.3 %	\$ 1,372,830		
	6/30/15	291,357	28.3	1,058,787		
	6/30/14	330,416	24.7	879,953		
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/16	\$ -	\$ 3,687,831	\$ 3,687,831	- %	\$ 1,278,377	288.5 %
6/30/15	-	3,575,100	3,575,100	-	1,190,293	300.4
6/30/14	-	3,677,118	3,677,118	-	1,140,604	322.4

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of June 30, 2016, the unfunded actuarial liability (UAAL) of \$3,628,877 was equal to the actuarial accrued liability (AAL).

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55, or at the first subsequent year in which the member would qualify for benefits.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 6 - Other Postemployment Benefits (Continued)

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement. As of March 31, 1997, the policy changed to an employee-only benefit without spouse coverage at retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics; the 2002 version (Tables 2 and 3 from the National Vital Statistics Reports) for males and for females was used.

Turnover - Nongroup-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.0 percent was used initially, increased to an ultimate rate of 5.9 percent after six years.

Health insurance premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - A wage inflation rate of 1.5 percent was used based on Commission budgets averaging from 0 to 2.5 percent.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

The Commission expects little return over investment and has used a rate of .20 percent and a simplified version of the entry age actuarial cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 was 30 years.

Note 7 - Commitments and Contingencies

The Commission receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Commission. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Commission at June 30, 2016.

Lansing Housing Commission

Notes to Financial Statements June 30, 2016

Note 7 - Commitments and Contingencies (Continued)

The collective bargaining five-year agreement between the Housing Commission Employees' and Chapter of Local 1390.11 and Michigan Council #25, AFSCME, AFL-CIO covering approximately 60 percent of the Commission's labor force will be in place from July 1, 2014 through December 31, 2018.

Note 8 - Risk Management

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

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, 2016, approximately 84 percent of the operating revenue reflected in the primary government basic financial statements is from HUD.

Note 10 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Commission to recognize on the face of the financial statements its net OPEB liability related to its retiree healthcare benefits offered to retirees. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Commission's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Lansing Housing Commission

Required Supplemental Information Schedule of Changes in the Commission's Net Pension Liability and Related Ratios

	2016	2015
Total Pension Liability		
Service cost	\$ 114,272	\$ 114,461
Interest	698,614	684,653
Changes in benefit terms	-	-
Differences between expected and actual experience	(123,435)	-
Changes in assumptions	405,966	-
Benefit payments, including refunds	<u>(635,102)</u>	<u>(624,495)</u>
Net Change in Total Pension Liability	460,315	174,619
Total Pension Liability - Beginning of year	<u>8,728,461</u>	<u>8,553,842</u>
Total Pension Liability - End of year	<u>\$ 9,188,776</u>	<u>\$ 8,728,461</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 158,735	\$ 215,191
Contributions - Member	55,586	37,167
Net investment income	(104,348)	446,261
Administrative expenses	(15,480)	(16,314)
Benefit payments, including refunds	(635,102)	(624,495)
Other	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(540,609)	57,810
Plan Fiduciary Net Position - Beginning of year	<u>7,227,277</u>	<u>7,169,467</u>
Plan Fiduciary Net Position - End of year	<u>\$ 6,686,668</u>	<u>\$ 7,227,277</u>
Commission's Net Pension Liability - Ending	<u>\$ 2,502,108</u>	<u>\$ 1,501,184</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.77 %	82.80 %
Covered Employee Payroll	\$ 1,235,367	\$ 1,164,556
Commission's Net Pension Liability as a Percentage of Covered Employee Payroll	202.5 %	128.9 %

Lansing Housing Commission

Required Supplemental Information Schedule of Commission Contributions Calendar Year

	2015	2014
Actuarially determined contribution	\$ 103,079	\$ 213,163
Contributions in relation to the actuarially determined contribution	158,735	215,191
Contribution Deficiency	\$ (55,656)	\$ (2,028)
Covered Employee Payroll	\$ 1,235,367	\$ 1,164,556
Contributions as a Percentage of Covered Employee Payroll	12.8 %	18.5 %

Notes to Schedule of Commission Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10-year smoothed
Inflation	3.0 to 4.0 percent
Salary increases	4.5 percent, with merit and longevity increases ranging from 0 to 13 percent
Investment rate of return	8.0 percent
Retirement age	60
Mortality	50 percent male to 50 percent female blend of the 1994 Group Annuity Mortality Table
Other information	None

Other Supplemental Information

Lansing Housing Commission

Financial Data Schedules Year Ended June 30, 2016

		Public Housing Project Total	14.CFP Capital Fund	14.871 Housing Choice Vouchers	14.238 Supportive Housing Program	State/Local	Business Activities	Central Office Cost Center	Subtotal	Eliminations	Total	6.1 Component Units - Discretely Presented
	Balance Sheet											
	Assets											
111	Cash - Unrestricted	\$ 2,612,181	\$ -	\$ 487,127	\$ 4,239	\$ 63,583	\$ -	\$ 567,001	\$ 3,734,131	\$ -	\$ 3,734,131	\$ 30,291
113	Cash - Other restricted	-	-	984,529	-	-	-	-	984,529	-	984,529	275,431
114	Cash - Tenant security deposits	117,127	-	-	-	-	-	-	117,127	-	117,127	4,409
115	Cash - Restricted for payment of current liabilities	110,231	-	-	-	-	-	-	110,231	-	110,231	-
100	Total Cash	2,839,539	-	1,471,656	4,239	63,583	-	567,001	4,946,018	-	4,946,018	310,131
122	Total accounts receivable - HUD other projects	268,550	-	-	24,364	-	-	-	292,914	-	292,914	-
124	Accounts receivable - Other government	-	-	-	-	115,459	-	-	115,459	-	115,459	-
125	Total accounts receivable - Miscellaneous	-	-	-	-	-	-	99,776	99,776	-	99,776	1,799
126	Accounts receivable - Tenants - Dwelling rents	47,021	-	-	-	-	-	-	47,021	-	47,021	-
126.1	Allowance for doubtful accounts - Dwelling rents	(3,202)	-	-	-	-	-	-	(3,202)	-	(3,202)	-
128	Accounts and notes receivable fraud recovery	670	-	-	-	-	-	-	670	-	670	-
129	Accrued interest receivable	1,496	-	-	-	-	31,110	-	32,606	-	32,606	-
120	Total Receivables - Net Of Allowances For Doubtful Accounts	314,535	-	-	24,364	115,459	31,110	99,776	585,244	-	585,244	1,799
131	Investments - Unrestricted	509,256	-	-	-	-	-	-	509,256	-	509,256	-
142	Prepaid expenses and other assets	28,540	-	2,548	-	-	-	18,531	49,619	-	49,619	5,161
144	Interprogram - Due from	-	-	-	-	-	-	902,755	902,755	(902,755)	-	-
150	Total Current Assets	3,691,870	-	1,474,204	28,603	179,042	31,110	1,588,063	6,992,892	(902,755)	6,090,137	317,091
161	Land	1,364,771	-	-	-	-	-	190,000	1,554,771	-	1,554,771	685,162
162	Buildings	48,022,801	-	-	-	-	-	720,764	48,743,565	-	48,743,565	3,318,485
163	Furniture - Equipment and machinery - Dwellings	1,125,675	-	-	-	-	-	-	1,125,675	-	1,125,675	-
164	Furniture - Equipment and machinery - Administration	-	-	27,596	-	-	-	388,030	415,626	-	415,626	175,949
166	Accumulated depreciation	(37,637,437)	-	(26,891)	-	-	-	(773,928)	(38,438,256)	-	(38,438,256)	(1,432,717)
167	Construction in progress	2,245,982	-	-	-	-	-	-	2,245,982	-	2,245,982	12,510
160	Total Fixed Assets - Net Of Accumulated Depreciation	15,121,792	-	705	-	-	-	524,866	15,647,363	-	15,647,363	2,759,389
171	Total notes - Loans - And mortgages receivable - Noncurrent	-	-	-	-	-	705,880	203,695	909,575	-	909,575	-
174	Total other assets	-	-	-	-	-	100	-	100	-	100	43,554
180	Total Noncurrent Assets	15,121,792	-	705	-	-	705,980	728,561	16,557,038	-	16,557,038	2,802,943
190	Total Assets	18,813,662	-	1,474,909	28,603	179,042	737,090	2,316,624	23,549,930	(902,755)	22,647,175	3,120,034
200	Deferred outflow of resources	688,244	-	181,076	-	-	-	122,982	992,302	-	992,302	-
290	Total Assets and Deferred Outflow of Resources	\$ 19,501,906	\$ -	\$ 1,655,985	\$ 28,603	\$ 179,042	\$ 737,090	\$ 2,439,606	\$ 24,542,232	\$ (902,755)	\$ 23,639,477	\$ 3,120,034

Lansing Housing Commission

Financial Data Schedules (Continued) Year Ended June 30, 2016

		Public Housing Project Total	14.CFP Capital Fund	14.871 Housing Choice Vouchers	14.238 Supportive Housing Program	State/Local	Business Activities	Central Office Cost Center	Subtotal	Eliminations	Total	6.1 Component Units - Discretely Presented
	Liabilities											
312	Accounts payable <= 90 Days	\$ 10,137	\$ -	\$ 30	\$ -	\$ -	\$ -	\$ 765	\$ 10,932	\$ -	\$ 10,932	\$ 3,685
321	Accrued wage/payroll taxes payable	28,832	-	10,223	-	-	-	10,821	49,876	-	49,876	-
322	Accrued compensated absences - Current portion	6,088	-	1,591	-	-	-	5,199	12,878	-	12,878	-
331	Total accounts payable - HUD Pha programs	9,194	-	-	-	-	-	-	9,194	-	9,194	-
333	Accounts payable - Other government	161,903	-	-	-	-	-	-	161,903	-	161,903	25,067
341	Tenant security deposits	117,127	-	-	-	-	-	-	117,127	-	117,127	4,499
342	Total deferred revenue	22,864	-	-	-	-	-	-	22,864	-	22,864	-
343	Total current portion of LTD-capital projects/mortgage revenue bonds	110,231	-	-	-	-	-	47,976	158,207	-	158,207	28,367
346	Accrued liabilities - Other	327,130	-	4,640	-	-	-	6,041	337,811	-	337,811	58,875
347	Interprogram - Due to	-	-	-	23,264	-	879,491	-	902,755	(902,755)	-	-
310	Total Current Liabilities	793,506	-	16,484	23,264	-	879,491	70,802	1,783,547	(902,755)	880,792	120,493
351	Total LTD-net of current-capital projects/mortgage revenue bonds	1,818,707	-	-	-	-	-	474,903	2,293,610	-	2,293,610	2,587,874
353	Noncurrent liabilities - Other	-	-	31,942	-	-	-	-	31,942	-	31,942	844,902
354	Accrued compensated absences - Non-current	34,497	-	9,015	-	-	-	29,460	72,972	-	72,972	-
357	Accrued pension and OPEB liabilities	2,559,215	-	859,346	5,482	-	-	450,895	3,874,938	-	3,874,938	-
350	Total Noncurrent Liabilities	4,412,419	-	900,303	5,482	-	-	955,258	6,273,462	-	6,273,462	3,432,776
300	Total Liabilities	5,205,925	-	916,787	28,746	-	879,491	1,026,060	8,057,009	(902,755)	7,154,254	3,553,269
400	Deferred inflow of resources	57,075	-	15,016	-	-	-	10,199	82,290	-	82,290	-
	Equity											
508.1	Invested in capital assets - Net of related debt	13,192,854	-	705	-	-	-	1,987	13,195,546	-	13,195,546	143,168
511.1	Restricted net assets	-	-	952,587	-	-	-	-	952,587	-	952,587	-
512.1	Unrestricted net assets	1,046,052	-	(229,110)	(143)	179,042	(142,401)	1,401,360	2,254,800	-	2,254,800	(576,403)
513	Total Equity / Net Assets	14,238,906	-	724,182	(143)	179,042	(142,401)	1,403,347	16,402,933	-	16,402,933	(433,235)
600	Total Liabilities And Equity / Net Assets	\$ 19,501,906	\$ -	\$ 1,655,985	\$ 28,603	\$ 179,042	\$ 737,090	\$ 2,439,606	\$ 24,542,232	\$ (902,755)	\$ 23,639,477	\$ 3,120,034

Lansing Housing Commission

Financial Data Schedules (Continued) Year Ended June 30, 2016

		Public Housing Project Total	14.CFP Capital Fund	14.871 Housing Choice Vouchers	14.238 Supportive Housing Program	State/Local	Business Activities	Central Office Cost Center	Subtotal	Eliminations	Total	6.1 Component Units - Discretely Presented
	Income Statement											
	Revenue											
70300	Net tenant rental revenue	\$ 1,591,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,591,996	\$ -	\$ 1,591,996	\$ 82,504
70400	Tenant revenue - Other	125,184	-	-	-	-	-	-	125,184	-	125,184	25
70500	Total Tenant Revenue	1,717,180	-	-	-	-	-	-	1,717,180	-	1,717,180	82,529
70600	Total HUD Pha operating grants	3,441,431	769,298	10,340,542	311,531	-	-	-	14,862,802	-	14,862,802	172,653
70610	Capital grants	-	2,245,983	-	-	-	-	-	2,245,983	-	2,245,983	-
70710	Management fee	-	-	-	-	-	-	1,029,107	1,029,107	(1,029,107)	-	-
70720	Asset management fee	-	-	-	-	-	-	73,560	73,560	(73,560)	-	-
70730	Bookkeeping fee	-	-	-	-	-	-	71,723	71,723	(71,723)	-	-
70750	Other fees	-	-	-	-	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-	1,174,390	1,174,390	(1,174,390)	-	-
70800	Other government grants	-	-	-	-	747,910	-	-	747,910	-	747,910	-
71100	Total investment income - Unrestricted	4,141	-	50	-	-	3,288	-	7,479	-	7,479	18,692
71400	Total revenue fraud recovery	1,005	-	3,238	-	-	-	-	4,243	-	4,243	-
71500	Other revenue	116,472	-	50,099	-	-	-	117,236	283,807	-	283,807	-
71600	Gain or loss on sale of fixed assets	367,908	-	-	-	-	-	88,613	456,521	-	456,521	-
70000	Total Revenue	\$ 5,648,137	\$ 3,015,281	\$ 10,393,929	\$ 311,531	\$ 747,910	\$ 3,288	\$ 1,380,239	\$ 21,500,315	\$ (1,174,390)	\$ 20,325,925	\$ 273,874

Lansing Housing Commission

Financial Data Schedules (Continued) Year Ended June 30, 2016

		Public Housing Project Total	14.CFP Capital Fund	14.871 Housing Choice Vouchers	14.238 Supportive Housing Program	State / Local	Business Activities	Central Office Cost Center	Subtotal	Eliminations	Total	6.1 Component Units - Discretely Presented
	Expenses											
91100	Administrative salaries	\$ 259,229	\$ -	\$ 206,874	\$ 9,090	\$ 24,601	\$ -	\$ 202,222	\$ 702,016	\$ -	\$ 702,016	\$ 8,508
91200	Auditing fees	74,020	-	91,900	-	-	-	18,380	184,300	-	184,300	6,300
91300	Management fee	470,212	371,390	187,505	-	-	-	-	1,029,107	(1,029,107)	-	20,464
91310	Bookkeeping fee	71,723	-	-	-	-	-	-	71,723	(71,723)	-	-
91400	Advertisting and marketing	371	-	-	-	-	-	220	591	-	591	-
91500	Employee benefit contributions - Administrative	509,492	-	224,120	2,763	10,993	-	132,765	880,133	-	880,133	-
91600	Office expenses	205,821	-	168,096	-	-	-	48,037	421,954	-	421,954	1,860
91700	Legal expense	86,974	-	-	-	-	-	1,529	88,503	-	88,503	-
91800	Travel	5,917	-	3,117	-	-	-	11,576	20,610	-	20,610	-
91900	Other	-	-	26,386	-	124,045	-	3,987	154,418	-	154,418	8,815
91000	Total Administrative	1,683,759	371,390	907,998	11,853	159,639	-	418,716	3,553,355	(1,100,830)	2,452,525	45,947
92000	Asset management fee	73,560	-	-	-	-	-	-	73,560	(73,560)	-	-
92400	Tenant services - Other	21,412	-	-	-	-	-	564	21,976	-	21,976	1,400
92500	Total Tenant Services	21,412	-	-	-	-	-	564	21,976	-	21,976	1,400
93100	Water	143,523	-	20	-	-	-	1,173	144,716	-	144,716	18,030
93200	Electricity	199,258	-	910	-	-	-	9,257	209,425	-	209,425	34,894
93300	Gas	204,634	-	46	-	-	-	1,592	206,272	-	206,272	14,929
93800	Other utilities expense	196,492	-	16	-	-	-	999	197,507	-	197,507	4,863
93000	Total Utilities	743,907	-	992	-	-	-	13,021	757,920	-	757,920	72,716
94100	Ordinary maintenance and operations - Labor	488,640	-	-	-	-	-	1,015	489,655	-	489,655	16,736
94200	Ordinary maintenance and operations - Materials and other	491,856	-	-	-	-	-	2,121	493,977	-	493,977	6,126
94300	Total ordinary maintenance and operations - Contract costs	1,446,590	-	37,424	-	-	-	85,102	1,569,116	-	1,569,116	10,733
94500	Employee benefit contributions - Ordinary maintenance	235,431	-	-	-	-	-	653	236,084	-	236,084	-
94000	Total Maintenance	2,662,517	-	37,424	-	-	-	88,891	2,788,832	-	2,788,832	33,595
95200	Protective services - Other contract costs	15,070	-	362	-	-	-	237	15,669	-	15,669	1,897
96110	Property insurance	122,458	-	313	-	-	-	3,746	126,517	-	126,517	10,975
96120	Liability insurance	52,401	-	15,464	-	-	-	1,344	69,209	-	69,209	1,612
96130	Workmens compensation	12,833	-	3,006	-	-	-	564	16,403	-	16,403	-
96140	All other insurance	21,663	-	-	-	-	-	1,733	23,396	-	23,396	-
96100	Total Insurance Premiums	\$ 209,355	\$ -	\$ 18,783	\$ -	\$ -	\$ -	\$ 7,387	\$ 235,525	\$ -	\$ 235,525	\$ 12,587

Lansing Housing Commission

Financial Data Schedules (Continued) Year Ended June 30, 2016

		Public Housing Project Total	14.CFP Capital Fund	14.871 Housing Choice Vouchers	14.238 Supportive Housing Program	State / Local	Business Activities	Central Office Cost Center	Subtotal	Eliminations	Total	6.1 Component Units - Discretely Presented
96210	Compensated absences	\$ 35,929	\$ -	\$ 14,686	\$ -	\$ -	\$ -	\$ 11,424	\$ 62,039	\$ -	\$ 62,039	\$ -
96300	Payments in lieu of taxes	101,141	-	-	-	-	-	144	101,285	-	101,285	4,086
96400	Bad debt - Tenant rents	64,417	-	-	-	-	-	-	64,417	-	64,417	-
96000	Total Other General Expenses	201,487	-	14,686	-	-	-	11,568	227,741	-	227,741	4,086
96720	Interest on notes payable (hort and long-term)	73,584	-	-	-	-	-	13,160	86,744	-	86,744	93,459
96730	Amortization of bond issue costs	-	-	-	-	-	-	-	-	-	-	2,825
96700	Total Interest Expense And Amortization Cost	73,584	-	-	-	-	-	13,160	86,744	-	86,744	96,284
96900	Total Operating Expenses	5,684,651	371,390	980,245	11,853	159,639	-	553,544	7,761,322	(1,174,390)	6,586,932	268,512
97000	Excess revenue over operating expenses	(36,514)	2,643,891	9,413,684	299,678	588,271	3,288	826,695	13,738,993	-	13,738,993	5,362
97300	Total housing assistance payments	-	-	9,041,243	299,821	628,150	-	-	9,969,214	-	9,969,214	-
97400	Depreciation expense	1,248,163	-	821	-	-	-	109,344	1,358,328	-	1,358,328	138,802
98000	Total Other Nonoperating Expenses	1,248,163	-	9,042,064	299,821	628,150	-	109,344	11,327,542	-	11,327,542	138,802
90000	Total Expenses	6,932,814	371,390	10,022,309	311,674	787,789	-	662,888	19,088,864	(1,174,390)	17,914,474	407,314
10010	Operating transfers in	397,908	-	-	-	-	-	-	397,908	-	397,908	-
10020	Operating transfers out	-	(397,908)	-	-	-	-	-	(397,908)	-	(397,908)	-
10100	Total Other Financing Sources (Uses)	397,908	(397,908)	-	-	-	-	-	-	-	-	-
10000	Excess (Deficiency) Of Total Revenue Over (Under) Total Expenses	\$ (886,769)	\$ 2,245,983	\$ 371,620	\$ (143)	\$ (39,879)	\$ 3,288	\$ 717,351	\$ 2,411,451	\$ -	\$ 2,411,451	\$ (133,440)

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:	Modernization Project Number:
Lansing Housing Commission	MI33P058501-12

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	\$ 1,225,248.00
B. Funds Disbursed	\$ 1,225,248.00
C. Funds Expended (Actual Modernization Cost)	\$ 1,225,248.00
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

☐ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☒ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Patricia Baines-Lake

Signature of Executive Director (or Authorized Designee):

X

Date:

5/6/2016

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X

Date:

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

PHA Name:	Modernization Project Number:
Lansing Housing Commission	MI33P058501-13

The PHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Funds Approved	\$ 1,191,186.00
B. Funds Disbursed	\$ 1,191,186.00
C. Funds Expended (Actual Modernization Cost)	\$ 1,191,186.00
D. Amount to be Recaptured (A-C)	\$ 0
E. Excess of Funds Disbursed (B-C)	\$ 0

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

☐ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name & Title of Authorized Signatory (type or print clearly):

Patricia Baines-Lake

Signature of Executive Director (or Authorized Designee):

X

Date:

5/6/2016

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X

Date:

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

Lansing Housing Commission

**Federal Awards
Supplemental Information
June 30, 2016**

Lansing Housing Commission

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Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Commissioners
Lansing Housing Commission

We have audited the financial statements of the business-type activities and the discretely presented component unit of Lansing Housing Commission (the "Commission") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated January 9, 2017, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 9, 2017. We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the assets of the discretely presented component unit and revenue of the discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

January 9, 2017

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*

Independent Auditor's Report

To Management and the Board of Commissioners
Lansing Housing Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Lansing Housing Commission (the "Commission") as of and for the year ended June 30, 2016 and related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 9, 2017.

Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on Lansing Housing Commission's financial statements. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lansing Housing Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

To Management and the Board of Commissioners
Lansing Housing Commission

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

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

Lansing Housing Commission's Responses to Findings

Lansing Housing Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lansing Housing Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Morse, PLLC

January 9, 2017

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Commissioners
Lansing Housing Commission

Report on Compliance for Each Major Federal Program

We have audited Lansing Housing Commission's (the "Commission") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Lansing Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lansing Housing Commission's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lansing Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lansing Housing Commission's compliance.

To the Board of Commissioners
Lansing Housing Commission

Basis for Qualified Opinion on CFDA 14.871 Section 8 Housing Choice Vouchers

As described in the accompanying schedule of findings and questioned costs, Lansing Housing Commission did not comply with requirements regarding CFDA 14.871 Section 8 Housing Choice Vouchers, as described in Findings 2016-004 and 2016-005, for eligibility and special tests and provisions.

Compliance with such requirements is necessary, in our opinion, for Lansing Housing Commission to comply with the requirements applicable to that program.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Lansing Housing Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs in Finding 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

Lansing Housing Commission's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Lansing Housing Commission's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of Lansing Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lansing Housing Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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.

To the Board of Commissioners
Lansing Housing Commission

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 of those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2016-003, 2016-004, and 2016-005 to be material weaknesses.

Lansing Housing Commission's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Lansing Housing Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Plante & Moran, PLLC

Auburn Hills, MI
January 9, 2017

Lansing Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through	Total Amount		Federal Expenditures
		Entity Identifying Number	Provided to Subrecipients		
U.S. Department of Housing and Urban Development - Direct programs:					
Continuum of Care Program	14.267	n/a	\$ -	\$ 311,531	
Public and Indian Housing - Low-income Public Housing	14.850	n/a	-	3,441,431	
Housing Voucher Cluster - Section 8 Housing Choice Vouchers	14.871	n/a	-	10,340,542	
Public Housing Capital Fund Program	14.872	n/a	-	3,015,281	
Total federal assistance					\$ 17,108,785

Lansing Housing Commission

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lansing Housing Commission under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Lansing Housing Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lansing Housing Commission.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Lansing Housing Commission has not elected to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Lansing Housing Commission

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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 programs:

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

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

Unmodified opinion on #14.850 Low-rent Public Housing and Development and Qualified opinion on #14.871 Section 8 Housing Choice Vouchers

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?

☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.850	Low-rent Public Housing and Development
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001 (Repeat Finding)	Finding Type - Material weakness Criteria - Management should accurately record all adjustments for the financial statements in accordance with generally accepted accounting principals. Condition - Two journal entries were necessary to adjust various account balances in order to properly state them as of June 30, 2016. Context - One entry was identified by the auditor and posted by the Commission in order to properly reflect current year activity related to the net pension liability under GASB Statement No. 68. The adjustment affected the deferred inflows and deferred outflows related to pensions as well as the related expenses. The Commission had not utilized the appropriate figures from the GASB Statement No. 68 actuarial valuation to perform the calculation of the net pension liability activity. Another entry was identified by the auditor and posted by the Commission in order to properly reflect the net other postemployment benefit (OPEB) obligation under GASB Statement No. 45. The adjustment affected the net OPEB obligation liability as well as the related expense. The Commission had not reflected new employees properly when performing the initial calculation. Cause - For certain financial statement accounts, the Commission did not have a system in place to ensure that year-end balances agree to detail and are properly stated. Effect - As a result of this transactions not being properly recorded, several account balances required adjustment as of June 30, 2016. The financial statements were misstated prior to the auditor proposing the entries. Recommendation - The Commission should develop controls to ensure that all appropriate journal entries are made so that ending balances are correct. Views of Responsible Officials and Planned Corrective Actions - BDO, the Commission's fee accountant, and the Commission are confident that the misunderstanding regarding the two journal entries related to pension and OPEB that were required to fairly state various account balances as of June 30, 2016 have been resolved going forward based on year-end audit discussions with Plante & Moran, PLLC. The Commission through BDO has put a system into place to ensure year end financial statement balances are properly stated.

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-002	Finding Type - Material weakness Criteria - A combination of preventive and detective controls should be in place to reduce the opportunity for unauthorized transactions. Condition - A preventive control is lacking surrounding bank transfers. Context - Under the current control structure, wire transfers performed via online banking require a second online banking user's authorization; however, an account signer on a bank account can unilaterally send a wire transfer in person at the bank without the approval or notification of another signer on the account. Cause - A control does not exist at the bank to require another signer's authorization when transfers are done in person at the bank. Effect - There is a risk that a single account signer could authorize a wire transfer from the Commission's accounts if the wire is initiated in person at the bank. Recommendation - The Commission should work with the bank to identify other controls that could be implemented, such as a flag on the Commission's accounts or a notification to another signer, if such a transfer is initiated in person at the bank. Views of Responsible Officials and Planned Corrective Actions - The Commission has discussed the options for resolving this finding with Chase Bank and determined a flag can be placed on the account. However, the bank also acknowledged that a flag will not ensure the single signer will not have access. The flag directs a teller to make a telephone call which may or may not happen. As such, we have informed the entire board of this possibility and the safeguards in place which are: (a.) the principal signers have signed a pledge not to make a wire transfer, (b.) there is a fidelity bond in place to cover any losses due to fraud by the signers, (c.) staff and the director will review transactions daily to ensure no wire transfers have taken place and the Commission will initiate appropriate actions if such activity occurs, and (d.) the bank has video available that would show who initiated the transaction.

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings

Reference

Number

Finding

2016-003 **CFDA number, Federal Agency, and Program Name** - U.S. Department of Housing and Urban Development - Direct programs - Low-rent Public Housing and Development - 14.850

Federal Award Identification Number and Year - Not applicable

Pass-through Entity - Not applicable

Finding Type - Material weakness in internal controls over eligibility and material noncompliance with eligibility requirements

Repeat Finding - Yes; 2015-005

Criteria - Under 24 CFR 5.230, 5.601, 5.609, 960.206, 960.208, 960.253, 960.255, 960.257, and 960.259, the Commission must:

- a. As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the Commission to verify income eligibility.
- b. For both family income examinations and re-examinations, obtain and document in the family file third-party verification of: (1) reported family annual income, (2) the value of assets, (3) expenses related to deductions from annual income, and (4) other factors that affect the determination of adjusted income or income-based rent.
- c. Determine income eligibility and calculate the tenant's rent payment using documentation from third-party verification.
- d. Select tenants from the public housing waiting list (see Special Tests and Provisions - Public Housing Waiting List)
- e. Re-examine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification

Condition - Some participant files tested did not include complete information to support participant eligibility and/or the level of benefits provided.

Questioned Costs - Unknown

Identification of How Questioned Costs Were Computed - Not applicable as questioned costs could not be computed

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-003 (Con't)	Context - 60 tenant files were tested and the results are as follows: • Three tenant files included income at the incorrect amount on HUD-50058 due to improper determination of income based on third-party detail. • One tenant file did not have a completed annual recertification performed during the fiscal year. • One tenant file could not be located and the annual recertification performed during the fiscal year had to be recreated. • One tenant file did not include proper verification of the value of assets. • One tenant file included the utility allowance at the incorrect amount on HUD-50058. Cause and Effect - The Commission is not completely following the policies and procedures in place to ensure proper compliance with regard to tenant eligibility requirements. The Commission could be charging the incorrect amount of rent or could be housing ineligible tenants. 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. Views of Responsible Officials and Planned Corrective Actions - The Commission shall strengthen asset management file oversight, increase the number of file reviews conducted, and establish and maintain a file quality control process to improve regulatory compliance.

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-004	CFDA Number, Federal Agency, and Program Name - U.S. Department of Housing and Urban Development - Direct programs - Section 8 Housing Choice Vouchers - 14.871 Federal Award Identification Number and Year - Not applicable Pass-through Entity - Not applicable Finding Type - Material weakness in internal controls over eligibility and material noncompliance with eligibility Repeat Finding - Yes; 2015-004 and 2014-005 Criteria - Under the Housing Choice Voucher Program, the Commission accepts applications for rental assistance, selects applicants for admission, and issues family vouchers confirming eligibility. The Commission pays the owner of the unit that the family leases a portion of the rent (housing assistance payment - HAP) on behalf of the family. Under 24 CFR 5.230, 5.609, and 982.516, the Commission must verify and maintain documents supporting family income eligibility. 24 CFR 982.516 (f) requires PHAs to establish procedures that are appropriate and necessary to ensure that income data provided by the applicant or participant families is accurate and complete. Additionally, under 24 CFR 982.503, the Commission must base the subsidy amount on the payment standard that is set by the PHA between 90 percent and 110 percent of the fair market rent and if the payment standard is not between this percentage, HUD approval must be obtained. Condition - Some participant files tested did not include complete information to support eligibility. Questioned Costs - Unknown Identification of How Questioned Costs Were Computed - Not applicable as questioned costs could not be computed

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-004 (Con't)	Context - 60 tenant files were tested, and the results were as follows: Five tenant files used a payment standard that was not within the 90 percent and 110 percent threshold of the fair market rate set by HUD and the Commission did not have the proper board approval, as required by HUD. Three tenant files used a payment standard on HUD-50058 that differed from the board-approved payment standard. Three tenant files included income at the incorrect amount on HUD-50058 due to improper determination of income based on third-party detail. Cause and Effect - The Commission is not completely following the policies and procedures it has in place to ensure proper and timely compliance with regard to tenant rent calculations or eligibility. The Commission could be charging the incorrect amount of rent or could be housing ineligible tenants. Also, the Commission should be following the payment standard that is between 90 percent and 110 percent of the fair market rent or obtain the proper HUD approval. Recommendation - The Commission should establish procedures to ensure participant eligibility is documented, complete tenant files are maintained, and the correct payment standard is being followed. Periodic internal review of tenant files would help identify errors/omissions in a timely manner. Views of Responsible Officials and Planned Corrective Actions - The Commission has established procedures to ensure participant eligibility is documented, complete tenant files are maintained, and the correct payment standard is utilized. The Commission adopted a standard operating procedure in 2016 which standardizes Housing Choice Voucher file review format and volume. Additionally, the board approved the current (2016) 110 percent of FMR payment standard and will approve future actions. Some of the files reviewed for the 2016 audit have not been recertified since the board approved the policy in 2016; as such, they continue to reflect the utility allowance noted in the prior year audit.

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-005	CFDA Number, Federal Agency, and Program Name - U.S. Department of Housing and Urban Development - Direct programs - Section 8 Housing Choice Vouchers - 14.871 Federal Award Identification Number and Year - Not applicable Pass-through Entity - Not applicable Finding Type - Material weakness in internal controls over special tests and provisions and material noncompliance with special tests and provisions. Repeat Finding - No Criteria - Under 24 CFR section 982.517, the Commission must maintain an up-to-date utility allowance schedule. An update is required if there is a rate change of 10 percent or more for a utility category. Section 242 of the 2014 Appropriations Act (the "Act") established a cap on the utility allowance for families leasing oversized units. The Act limits the utility allowance payment to the family unit size for which the voucher is issued, irrespective of the size of the unit rented by the family. Condition - Lansing Housing Commission was not adhering to the requirement in Section 242 of the 2014 Appropriations Act for the full fiscal year or the utility allowance amount was not properly supported. Questioned Costs - Unknown Identification of How Questioned Costs Were Computed - Not applicable as questioned costs could not be computed Context - 60 tenant files were tested, and the results were as follows: • 14 tenant files included a utility allowance based on the greater of the number of bedrooms or family unit size, rather than the lesser of these two factors. • One tenant file included a utility allowance amount on HUD-50058 that did not agree to the calculated amount on the utility allowance schedule. Cause and Effect - The Commission is not completely following the policies and procedures it has in place to ensure proper and timely compliance with regard to tenant utility allowance calculations. The Commission could be charging the incorrect amount of rent due to the improper utility allowances or information not agreeing to the HUD-50058.

Lansing Housing Commission

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-005 (Con't)	Recommendation - The Commission should strengthen controls over the completion of HUD-50058 form as well as ensuring proper compliance with regard to tenant utility allowance calculation to ensure correct housing assistance payments to the owners. Views of Responsible Officials and Planned Corrective Actions - The Commission established procedures to ensure the correct payment utility standard is utilized. The board approved the current (2016) utility allowance and reviewed the methodology for determining the proper utility allowance. Future utility allowances will also be subject to board approval. Some of the files reviewed for the 2016 audit have not been recertified since the board approved the policy in 2016. As such, they continue to reflect the utility allowance noted in the prior year audit.

Lansing Housing Commission

Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number, and Name	Original Finding Description	Status/Partial Corrective Action (as applicable)	Planned Corrective Action (if finding not corrected)
2015-001	2014	Not applicable	The Commission failed to implement appropriate key accounting and control procedures. Bank reconciliations were not reconciled in a timely matter throughout the year. Subsidiary ledgers were not reconciled to the general ledger in a timely matter throughout the year. Support for transactions could not be located or was not maintained for an appropriate period of time to be available for review during the audit process. There were incompatible duties performed due to a lack of segregation of duties, both in finance and in the human resource department. Financial records for the year ended June 30, 2015 were not reconciled and ready for the audit process until October 2015.	Cleared	Cleared
2015-002	2015	Not applicable	A journal entry was necessary to adjust various account balances in order to properly state them as of June 30, 2015.	Repeat Finding 2016-001	See Finding 2016-001
2015-003	2014	Not applicable	The documentation and controls around the IT system are lacking. IT controls are either missing or the implementation is unable to be supported.	Cleared	Cleared
2015-004	2014	U.S. Department of Housing and Urban Development - Direct programs - Section 8 Housing Choice Vouchers - 14.871	Some participant files tested did not include complete information to support eligibility.	Repeat Finding 2016-004	See Finding 2016-004

Lansing Housing Commission

Summary Schedule of Prior Audit Findings (Continued) Year Ended June 30, 2016

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number, and Name	Original Finding Description	Status/Partial Corrective Action (as applicable)	Planned Corrective Action (if finding not corrected)
2015-005	2014	U.S. Department of Housing and Urban Development - Direct programs - Low-rent Public Housing and Development - 14.850	Some participant files tested did not include complete information to support participant eligibility and/or the level of benefits provided.	Repeat Finding 2016-003	See Finding 2016-003
2015-006	2014	U.S. Department of Housing and Urban Development - Direct programs - Low-rent Public Housing and Development - 14.850	The Commission was unable to provide adequate detail to support the amounts reported on the HUD-52722 and HUD-52723 forms.	Cleared	Cleared
2015-007	2014	U.S. Department of Housing and Urban Development - Direct programs: Low-rent Public Housing and Development - 14.850 Section 8 Housing Choice Vouchers - 14.871	The Commission is not depositing low-rent public housing and housing choice voucher funds into interest-bearing accounts as required by its depository agreements.	Cleared	Cleared



Virg Bernero, Mayor

OFFICE OF THE MAYOR

9th Floor, City Hall
124 W. Michigan Avenue
Lansing, Michigan 48933-1694
(517) 483-4141 (voice)
(517) 483-4479 (TDD)
(517) 483-6066 (Fax)

TO: City Council President Patricia Spitzley and Councilmembers
FROM: Mayor Virg Bernero
DATE: 2-8-17
RE: Application for Local Bridge Program Funding

The attached correspondence is forwarded for your review and appropriate action.

VB/rh
Attachment



City of Lansing
Inter-Departmental
Memorandum



To: Virg Bernero, Mayor

From: Chad A. Gamble, P.E., Director of Public Service

Subject: CITY COUNCIL AGENDA ITEM - Application for Local Bridge Program Funding

Date: February 7, 2017

Please forward this resolution to City Council for placement on the Agenda.

If you have any questions, or need additional information, please give me a call.

Attachments

RESOLUTION #2017-467
BY THE COMMITTEE ON WAYS AND MEANS
RESOLVED BY THE CITY COUNCIL OF THE CITY OF LANSING
RESOLUTION APPROVING APPLICATION TO MICHIGAN DEPARTMENT OF
TRANSPORTATION FOR LOCAL BRIDGE PROGRAM FUNDING

WHEREAS the Michigan Department of Transportation (MDOT) is currently soliciting applications for candidate projects for the Local Bridge Program to be funded in the 2020 fiscal year; and

WHEREAS May 1, 2017 is the anticipated deadline for submitting the applications; and

WHEREAS up to five funding applications for bridge projects can be submitted in accordance with the MDOT Call for Projects; and

WHEREAS the City of Lansing, Public Service Department, intends to submit Local Bridge Program funding applications to MDOT for the following four projects listed in the order of priority and funding category:

<u>Priority</u>	<u>Project</u>	<u>Funding Category</u>
1.	Aurelius Road over Pawlowski Creek	Rehabilitation
2.	Aurelius Road over GTW RR	Replacement
3.	E Elm Street over Red Cedar River	Replacement
4.	S. Washington Avenue over Grand River	Preventative Maintenance
5.	N Grand River Avenue over Grand River	Rehabilitation

WHEREAS, if successful, the City would receive state or federal funding to finance 95% of construction cost, and the City would fund 5% of the construction and 100% of the engineering costs for any bridge project selected; and

WHEREAS the estimated construction cost of the above listed projects and City's share of construction and engineering costs are tabulated below; and

#	Project	Estimated Construction Cost	City's Share		
			Match 5%	Engineering 25%	TOTAL
1	Aurelius Rd over Pawlowski Crk	\$396,000.00	\$19,800.00	\$99,000.00	\$118,800.00
2	Aurelius Road over GTW RR	\$2,649,000.00	\$132,450.00	\$662,250.00	\$794,700.00
3	E Elm St over Red Cedar River	\$2,316,000.00	\$115,800.00	\$579,000.00	\$694,800.00
4	S Washington at Grand River	\$330,000.00	\$16,500.00	\$82,500.00	\$99,000.00
5	N Grand River Ave over Grand River	\$1,501,000.00	\$75,050.00	\$375,250.00	\$450,300.00

WHEREAS, any one or any combination of the above five projects could be approved for 2020 funding: and

[30707:2:20170207:094943]

NOW, THEREFORE, BE IT RESOLVED that the Lansing City Council approves the submittal of the FY 2020 funding applications for the MDOT's Local Bridge Program as listed in the priority above.

BE IT FURTHER RESOLVED that upon grant award, the Mayor is authorized through the Public Service Director to appropriate administratively the necessary accounts for the Local Bridge Program funding and City costs associated with any bridge project selected will be budgeted in ACT 51 funds.

Approved for Placement on
the City Council Agenda:

James Smiertka
City Attorney

Date: