



# **TRAVERSE CITY HOUSING COMMISSION**

**(A Component Unit of the City of Traverse City, Michigan)**

## **Financial Statements** (With Supplementary Information)

**For the Year Ended June 30, 2019**



SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

# Traverse City Housing Commission

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SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the *Traverse City Housing Commission*, a component unit of the City of Traverse City, Michigan, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the ***Traverse City Housing Commission***, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 to 9) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Traverse City Housing Commission's*** basic financial statements. The financial data schedules and schedule of federal expenditures are presented for purposes 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of the ***Traverse City Housing Commission's*** control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ***Traverse City Housing Commission's*** internal control over financial reporting and compliance.

*Smith + Klayhewicz PC*

***Saginaw, Michigan***

December 20, 2019

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
***For the Year Ended June 30, 2019***

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As management of the Traverse City Housing Commission we offer readers of this audit report this management's discussion and analysis of the Traverse City Housing Commission's financial activities for the fiscal year ended June 30, 2019. This discussion and analysis of the Traverse City Housing Commission's financial performance should be read in conjunction with the auditor's report and the following financial statements.

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

**FINANCIAL HIGHLIGHTS**

The term "net position" refers to the difference between assets and liabilities. The Housing Commission's total net position at year-end was \$2,051,307. The net position decreased by \$192,895, or 8.6% from the prior year.

Revenues and contributions for the Housing Commission were \$2,294,485 during the year. This was an increase of \$141,146 or 6.6% from the prior year.

Expenses for the Housing Commission were \$2,487,380 during the year. This was an increase of \$247,390 or 11% from the prior year.

HUD operating grants were \$1,579,385 during the year. This represents an increase of \$210,560 or 15.4% from the prior year. Capital contributions were \$60,491 during the year. This was a decrease of \$44,303 or 43.3% from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Required Financial Statements**

The *Statement of Net Position* includes the Housing Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Commission's creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Commission.

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
***For the Year Ended June 30, 2019***

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

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

*Notes to the Financial Statements*

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

*Other Supplementary Information*

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

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

**FINANCIAL ANALYSIS**

Over time, changes in net position may serve as a useful indicator of the Housing Commission's financial position. As stated in the following table, assets exceeded liabilities by \$2,051,307 at the close of the fiscal year, a decrease of \$192,895. The decrease in net position was primarily attributed to normal business fluctuations from year to year.

The unrestricted net position was \$585,540 at year-end. This amount may be used to meet the Housing Commission's ongoing obligations. The Housing Commission had net position classified as restricted in the amount of \$101,865 which is subject to external restrictions on how the funds may be used. The amount of restricted net position is restricted for unexpended loan proceeds and an investment in a joint venture. At the end of the year, the Housing Commission is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*For the Year Ended June 30, 2019*

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	<u>2018</u>	<u>2019</u>
Current and other assets	\$ 916,871	\$ 888,702
Capital assets not being depreciated	297,665	297,665
Capital assets being depreciated, net	<u>1,758,449</u>	<u>1,560,445</u>
Total assets	<u>2,972,985</u>	<u>2,746,812</u>
Liabilities, current	231,573	266,879
Liabilities, noncurrent	<u>497,210</u>	<u>428,626</u>
Total liabilities	<u>728,783</u>	<u>695,505</u>
Net investment in capital assets	1,497,483	1,363,902
Restricted	101,817	101,865
Unrestricted	<u>644,902</u>	<u>585,540</u>
Total net position	<u>\$ 2,244,202</u>	<u>\$ 2,051,307</u>

The net decrease in total assets was due in large part to a net decrease in cash and capital assets.

The decrease in total liabilities was due in large part having made the required debt payments.

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

While the Statement of Net Position shows the balances in net position, the Statement of Revenues, Expenses and Changes in Fund Net Position provides answers as to the nature and source of these changes.



**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*For the Year Ended June 30, 2019*

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	<b>2018</b>	<b>2019</b>
Revenues:		
Program revenues:		
Charges for services-tenant rent	\$ 432,791	\$ 451,162
Program grants and subsidies	1,368,825	1,579,385
Capital grants	104,794	60,491
General revenues:		
Other revenue	244,414	199,630
Interest earned on deposits	<u>2,515</u>	<u>3,817</u>
Total revenues	<u>2,153,339</u>	<u>2,294,485</u>
Expenses – housing program	<u>2,239,990</u>	<u>2,487,380</u>
Increase (decrease) in net position	(86,651)	(192,895)
Net position – beginning of the year	<u>2,330,853</u>	<u>2,244,202</u>
Net position – end of the year	<u>\$ 2,244,202</u>	<u>\$ 2,051,307</u>

*Revenues:*

As shown in the above table, total revenues increased by \$141,146, due in large part to increases in grants from HUD. Other revenue decreased during the year which is attributed to a grant that the Housing Commission received in the prior year.

*Expenses:*

Total expenses increased \$247,390 or 11% from the prior year, due in large part to an increase in maintenance items and HAP to landlords.

**CAPITAL ASSETS**

The Housing Commission's investment in capital assets, net of related debt at the end of the year was \$1,363,902. This investment in capital assets includes land, buildings, improvements, and equipment.

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*For the Year Ended June 30, 2019*

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	<b>2018</b>	<b>2019</b>
Capital assets not being depreciated		
Land	\$ 297,665	\$ 297,665
Capital assets being depreciated		
Buildings and improvements	8,293,857	8,343,698
Furniture, equipment and machinery – dwelling	101,578	103,727
Furniture, equipment and machinery – administration	259,468	259,468
Subtotal	8,654,903	8,706,893
Total capital assets	8,952,568	9,004,558
Less: accumulated depreciation	(6,896,454)	(7,146,448)
Total net capital assets	\$ 2,056,114	\$ 1,858,110

Capital assets, net of accumulated depreciation decreased by \$198,004, because the amount of depreciation expense charged (\$252,451) exceeded the amount expended for replacement of capital assets (\$55,027).

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

**DEBT ACTIVITY**

At year end, the Housing Commission had \$494,208 in long-term debt outstanding compared to \$558,631 in the prior year. The decrease is a result of the Housing Commission making its normal required debt service payments.

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

As currently structured, the Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. At any time, the funding of programs could be significantly affected by the Federal Budget or by a Government Shutdown.

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

**Traverse City Housing Commission**  
**Management's Discussion and Analysis (MD&A)**  
*For the Year Ended June 30, 2019*

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In 2020 the Traverse City Housing Commission will continue its work on the Rental Assistance Demonstration (RAD) program for HUD. This will include preparing for a significant rehabilitation of Riverview Terrace and for the building of a new senior housing project within the City of Traverse City. Both projects will require significant investment from funding partners and the State and Federal Levels.

TCHC has elected to continue with a management agreement for the Elk Rapids Housing Commission where TCHC staff provides technical and management assistance to ERHC on a weekly basis. ERHC owns Noble Pines Apartments, a 20-unit senior housing development in the Village of Elk Rapids. In 2019, TCHC added maintenance management to the list of services provided and plans to continue that as well in 2020.

East Bay Flats, a 67-unit apartment building owned by TCHC, began leasing in 2019 and TCHC provides property management services for this property and plans to continue doing so throughout 2020.

As always, TCHC continues its efforts to house as many participants as possible, in order to maximize rent subsidy and Section 8 HCV Administrative Fees, within the authorized budget authority and decrease expenses for all programs whenever possible.

**REQUESTS FOR INFORMATION**

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

Tony Lentych, Executive Director  
150 Pine Street  
Traverse City, Michigan 49684

**Traverse City Housing Commission**  
**Statement of Net Position**  
*June 30, 2019*

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<b>Current assets</b>	
Cash and cash equivalents	\$ 571,538
Cash and cash equivalents - restricted	89,358
Cash - tenant security deposits	38,734
Investments	53,281
Accounts receivable, net	60,317
Prepaid expenses	474
Total current assets	813,702
<b>Noncurrent assets</b>	
Investment in joint venture	75,000
Capital assets	
Nondepreciable	297,665
Depreciable	8,706,893
Less: accumulated depreciation	(7,146,448)
Total noncurrent assets	1,933,110
Total assets	2,746,812
<b>Current liabilities</b>	
Accounts payable	35,118
Due to other governmental units	26,993
Accrued liabilities	24,325
Tenant security deposits	38,734
Unearned revenue	4,479
Current portion of long-term debt	67,600
Accrued compensated absences, current portion	7,137
Other current liabilities (payable from restricted assets)	62,493
Total current liabilities	266,879
<b>Noncurrent liabilities</b>	
Long-term debt	426,608
Accrued compensated absences	2,018
Total noncurrent liabilities	428,626
Total liabilities	695,505
<b>Net position</b>	
Net investment in capital assets	1,363,902
Restricted	101,865
Unrestricted	585,540
Total net position	\$ 2,051,307

*The accompanying notes are an integral part of these financial statements.*

**Traverse City Housing Commission**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
*For the Year Ended June 30, 2019*

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<b>Operating revenues</b>	
Tenant revenue	\$ 451,162
Program grants - subsidies	1,579,385
Other revenue	197,908
Total operating revenues	2,228,455
 <b>Operating expenses</b>	
Administration	396,240
Tenant services	47,320
Utilities	166,261
Maintenance	359,598
Insurance	30,962
General	34,049
Housing assistance payments	1,172,036
Depreciation	252,451
Total operating expenses	2,458,917
Operating income (loss)	(230,462)
 <b>Nonoperating revenues and (expenses)</b>	
Interest revenue - unrestricted	3,817
Fraud recovery	1,722
Gain / (loss) on sale of capital assets	(580)
HAP Portability - In	(1,780)
Interest expense	(26,103)
Total nonoperating revenues and (expenses)	(22,924)
Income (loss) before contributions	(253,386)
<b>Capital contributions</b>	60,491
Change in net position	(192,895)
<b>Net position - Beginning of year</b>	2,244,202
<b>Net position - End of year</b>	\$ 2,051,307

*The accompanying notes are an integral part of these financial statements.*

**Traverse City Housing Commission**  
**Statement of Cash Flows**  
*For the Year Ended June 30, 2019*

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 598,425
Cash received from grants and subsidies	1,579,385
Cash payments to suppliers for goods and services	(1,694,555)
Cash payments for wages and related benefits	(455,919)
Net cash provided by (used in) operating activities	27,336
<b>Cash flows from capital and related financing activities</b>	
Capital grants	60,491
Acquisition of capital assets	(55,027)
Interest paid on debt	(26,103)
Principal paid on debt	(64,423)
Net cash provided by (used in) capital and related financing activities	(85,062)
<b>Cash flows from noncapital and related financing activities</b>	
HAP Portability - In	(1,780)
Fraud recovery	1,722
Net cash provided by (used in) noncapital and related financing activities	(58)
<b>Cash flows from investing activities</b>	
Sale of investments	30,914
Investment income	3,817
Net cash provided by (used in) investing activities	34,731
Net increase (decrease) in cash and cash equivalents	(23,053)
<b>Cash and cash equivalents - beginning of year</b>	722,683
<b>Cash and cash equivalents - end of year</b>	\$ 699,630
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating income (loss)	\$ (230,462)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	252,451
Changes in assets and liabilities	
Decrease (increase) in receivables	(54,007)
Decrease (increase) in prepaid expenses	28,209
Increase (decrease) in accounts payable	24,958
Increase (decrease) in accrued liabilities	2,825
Increase (decrease) in tenant security deposits	2,941
Increase (decrease) in unearned revenue	421
Net cash provided by (used in) operating activities	\$ 27,336
<b>Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows</b>	
Cash and cash equivalents	\$ 571,538
Cash and cash equivalents - restricted	89,358
Cash - tenant security deposits	38,734
<b>Cash and cash equivalents - end of year</b>	\$ 699,630

*The accompanying notes are an integral part of these financial statements.*

# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

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

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

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

#### **Reporting Entity**

The *Traverse City Housing Commission* was formed by the Commission of the City of Traverse City, Michigan under Public Act 18 of 1933 of the State of Michigan. The Housing Commission operates under a Board of Commissioners appointed by the City Mayor. Members of the Housing Commission Board may be removed by the City only for cause. The Housing Commission determines its own budget (subject to federal approval), sets rental rates and may issue debt in its own name. The City is not responsible for deficits or liabilities of the Housing Commission. However, the Housing Commission makes annual payments “in lieu of taxes” to the City. Therefore, a financial benefit exists for the City, thereby requiring that the *Traverse City Housing Commission* be reported as a discrete component unit of the City of Traverse City, Michigan.

The Housing Commission’s financial reporting entity is comprised of the special purpose government. In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14, as amended by GASB Statement No. 39, “*The Financial Reporting Entity*” and includes all component units, if any, of which the Housing Commission appoints a voting majority of the units’ Board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities that meet the criteria.

These financial statements include all activities of the Housing Commission, which include a Low Income Housing Program (136 units) and Section 8 Vouchers (208 units). These programs receive subsidies and annual contributions from the U.S. Department of Housing and Urban Development (“HUD”).

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Housing Commission are federal grants and charges to

# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

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customers for services. Operating expenses include housing assistance payments, administrative expenses, tenant services, utilities, maintenance, insurance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Following is a description of the Housing Commission's programs:

Project MI080000001 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program.

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

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

### **Assets, Liabilities and Equity**

#### **Cash and Cash Equivalents**

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

Cash and cash equivalents – restricted on the Statement of Net Position has been restricted for unspent loan proceeds and FSS escrow.

#### **Receivables and Payables**

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### **Prepaid Expenses**

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

#### **Investment in Joint Venture**

The Housing Commission has a \$75,000 investment with TCWFH, LLC. of which it owns 51%. It is expected that TCWFH, LLC will not have any significant financial activity to report in the Housing Commission's financial statements.

#### **Capital Assets**

Capital assets, which include property, buildings and equipment, are reported in the financial statements. Capital assets are defined by the Housing Commission as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Such assets are recorded at historical cost or estimated



# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

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historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is recorded using the straight-line method over the following estimated useful lives:

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

### **Compensated Absences**

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

### **Other Current Liabilities**

This balance consists mainly of amounts held in the Family Self Sufficiency Escrow account.

### **Unearned Revenue**

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

### **Equity**

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

*Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* – Consists of the Housing Commissions investment in ownership of TCWFH, LLC, a Michigan limited liability company. For the current year this amounted to \$75,000. The remaining \$26,865 consists of unspent loan proceeds.

*Unrestricted net position* - Consists of all other equity that does not meet the definition of “restricted” or “net investment in capital assets”.

# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

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### **Revenues and Expenses**

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

### **Estimates**

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

#### **Deposits and Investments**

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

	<u>Carrying Amount</u>
Financial Statement Captions	
Cash and cash equivalents	\$ 571,538
Cash and cash equivalents – restricted	89,358
Cash – tenant security deposits	38,734
Investments	<u>53,281</u>
Total	<u>\$ 752,911</u>
Notes to Financial Statements	
Cash on hand	\$ 281
Demand deposits (checking)	699,349
Certificates of deposit	<u>53,281</u>
Total	<u>\$ 752,911</u>

#### **Deposit and Investment Risk**

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution

# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

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- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

### *Interest Rate Risk*

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

### *Credit Risk*

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

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned. State law does not require and the Housing Commission does not have a policy for deposit custodial credit risk. At year-end, the Housing Commission's entire bank balance of \$744,043 was not exposed to custodial credit risk because it was insured under FDIC.

### *Concentration of Credit Risk*

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

# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

### Accounts Receivable

The balance in accounts receivable was comprised of the following:

Due from HUD	\$	29,237
Tenant receivables		11,360
Allowance for doubtful accounts		(6,538)
Interest receivable		529
Miscellaneous receivable		<u>25,729</u>
Total receivables, net	\$	<u>60,317</u>

### Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 297,665	\$ -	\$ -	\$ 297,665
Capital assets being depreciated				
Buildings and improvements	8,293,857	49,841	-	8,343,698
Furniture, equipment and machinery – dwelling	101,578	5,186	(3,037)	103,727
Furniture, equipment and machinery – administration	<u>259,468</u>	<u>-</u>	<u>-</u>	<u>259,468</u>
Total capital assets being depreciated	8,654,903	55,027	(3,037)	8,706,893
Less accumulated depreciation	<u>(6,896,454)</u>	<u>(252,451)</u>	<u>2,457</u>	<u>(7,146,448)</u>
Net capital assets being depreciated	<u>1,758,449</u>	<u>(197,424)</u>	<u>(580)</u>	<u>1,560,445</u>
Total net capital assets	<u>\$ 2,056,114</u>	<u>\$ (197,424)</u>	<u>\$ (580)</u>	<u>\$ 1,858,110</u>

### Long-term Debt

Following is a summary of changes in long-term debt for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
HUD loan	\$ 405,805	\$ -	\$ (33,213)	\$ 372,592	\$ 34,895
Lease / purchase agreement	152,826	-	(31,210)	121,616	32,705
Accrued compensated absences	<u>8,809</u>	<u>346</u>	<u>-</u>	<u>9,155</u>	<u>7,137</u>
Total	<u>\$ 567,440</u>	<u>\$ 346</u>	<u>\$ (64,423)</u>	<u>\$ 503,363</u>	<u>\$ 74,737</u>

# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

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The HUD loan was entered into in 2008, has an interest rate of 4.95% and matures in 2028. The lease purchase agreement was entered into in 2013 for the purpose of acquiring energy performance equipment, has an interest rate of 2.3% and matures in 2022.

Maturities of the HUD loan and lease purchase agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 67,600	\$ 22,900
2021	70,962	19,539
2022	74,490	16,010
2023	59,107	12,420
2024	42,518	10,035
2025-2028	<u>179,531</u>	<u>17,547</u>
	<u>\$ 494,208</u>	<u>\$ 98,451</u>

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

#### **Concentration of Revenue**

The Housing Commission is dependent upon HUD to fund its operations through operating subsidies and capital funding grants. Total revenue received from HUD for 2019 and 2018 was \$1,639,876 or 71% and \$1,473,619 or 68% of revenue, respectively.

#### **Contingencies**

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

#### **Risk Management**

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

# Traverse City Housing Commission

## Notes to Financial Statements

*For the Year Ended June 30, 2019*

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### **Employee Benefit Plan**

The Housing Commission participates in a 457 Deferred Compensation Pension Plan covering full-time employees that have completed a six-month probation period. Employees are not required to contribute to the Plan, however, if they do participate, the Housing Commission matches the employee contribution to the Plan up to 3% of the employees gross salary. Once a year, the Housing Commission contributes 4% of gross wages to the Plan for all full-time employees, whether or not they participate. Upon separation, accrued funds remain the property of the employee. During the fiscal year the Housing Commission contributed a total of \$20,158 and employees contributed \$10,790 to the Plan.

### **Capital Fund Program**

The Housing Commission is awarded Capital Fund Program (CFP) grants on a calendar year basis from HUD. The Housing Commission is required to obligate each of the CFP grant years within two years of receiving the award and is required to expend those funds within four years. The following CFP grant years were expended and recognized as revenue and / or capital contributions during the year:

<u>CFP Grant Year</u>	<u>Amount Expended</u>
2016	\$ 52,554
2017	<u>7,937</u>
Total	<u>\$ 60,491</u>

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**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Project Balance Sheet**  
*June 30, 2019*

Line Item #	Account Description	Project MI08000001
111	Cash - Unrestricted	\$ 454,166
112	Cash - Restricted - Modernization and Development	26,865
114	Cash - Tenant Security Deposits	38,734
100	Total Cash	<u>519,765</u>
122	Accounts Receivable - HUD Other Projects	7,937
125	Accounts Receivable - Miscellaneous	23,949
126	Accounts Receivable - Tenants	11,360
126.1	Allowance for Doubtful Accounts - Tenants	(6,538)
129	Accrued Interest Receivable	529
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>37,237</u>
131	Investments - Unrestricted	53,281
142	Prepaid Expenses and Other Assets	474
144	Inter Program Due From	5,233
150	Total Current Assets	<u>615,990</u>
161	Land	297,665
162	Buildings	8,343,698
163	Furniture, Equipment & Machinery - Dwellings	103,727
164	Furniture, Equipment & Machinery - Administration	253,411
166	Accumulated Depreciation	(7,141,189)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,857,312</u>
176	Investment in Joint Venture	75,000
180	Total Noncurrent Assets	<u>1,932,312</u>
290	Total Assets	<u>\$ 2,548,302</u>
312	Accounts Payable <= 90 Days	\$ 31,686
321	Accrued Wage/Payroll Taxes Payable	11,009
322	Accrued Compensated Absences - Current Portion	4,841
333	Accounts Payable - Other Government	26,993
341	Tenant Security Deposits	38,734
342	Unearned Revenues	4,479
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	67,600
346	Accrued Liabilities - Other	9,686
310	Total Current Liabilities	<u>195,028</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	426,608
354	Accrued Compensated Absences - Noncurrent	1,570
350	Total Noncurrent Liabilities	<u>428,178</u>
300	Total Liabilities	<u>623,206</u>
508.4	Net Investment in Capital Assets	1,363,104
511.4	Restricted Net Position	101,865
512.4	Unrestricted Net Position	460,127
513	Total Equity - Net Assets / Position	<u>1,925,096</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 2,548,302</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Project Income Statement**  
*For the Year Ended June 30, 2019*

Line Item #	Account Description	Total Projects	Project MI080000001	Operating Fund Program	Capital Fund Program
70300	Net Tenant Rental Revenue	\$ 449,517	\$ 449,517	\$ 449,517	\$ -
70400	Tenant Revenue - Other	1,645	1,645	1,645	-
70500	Total Tenant Revenue	<u>451,162</u>	<u>451,162</u>	<u>451,162</u>	<u>-</u>
70600	HUD PHA Operating Grants	246,769	246,769	246,769	-
70610	Capital Grants	60,491	60,491	-	60,491
71100	Investment Income - Unrestricted	3,817	3,817	3,817	-
71500	Other Revenue	196,128	196,128	196,128	-
71600	Gain or Loss on Sale of Capital Assets	<u>(580)</u>	<u>(580)</u>	<u>(580)</u>	<u>-</u>
70000	Total Revenue	<u>957,787</u>	<u>957,787</u>	<u>897,296</u>	<u>60,491</u>
91100	Administrative Salaries	125,546	125,546	125,546	-
91200	Auditing Fees	4,200	4,200	4,200	-
91400	Advertising and Marketing	82	82	82	-
91500	Employee Benefit Contributions - Administrative	41,116	41,116	41,116	-
91600	Office Expenses	39,928	39,928	39,928	-
91700	Legal Expense	17,971	17,971	17,971	-
91800	Travel	6,558	6,558	6,558	-
91900	Other	6,348	6,348	6,348	-
91000	Total Operating - Administrative	<u>241,749</u>	<u>241,749</u>	<u>241,749</u>	<u>-</u>
92400	Tenant Services - Other	47,320	47,320	47,320	-
92500	Total Tenant Services	<u>47,320</u>	<u>47,320</u>	<u>47,320</u>	<u>-</u>
93100	Water	19,820	19,820	19,820	-
93200	Electricity	125,999	125,999	125,999	-
93300	Gas	20,442	20,442	20,442	-
93000	Total Utilities	<u>166,261</u>	<u>166,261</u>	<u>166,261</u>	<u>-</u>
94100	Ordinary Maintenance and Operations - Labor	130,157	130,157	130,157	-
94200	Ordinary Maintenance and Operations - Materials and Other	39,324	39,324	39,324	-
94300	Ordinary Maintenance and Operations - Contracts	144,794	144,794	144,794	-
94500	Employee Benefit Contributions - Ordinary Maintenance	40,797	40,797	40,797	-
94000	Total Maintenance	<u>355,072</u>	<u>355,072</u>	<u>355,072</u>	<u>-</u>
96140	All Other Insurance	30,962	30,962	30,962	-
96100	Total Insurance Premiums	<u>30,962</u>	<u>30,962</u>	<u>30,962</u>	<u>-</u>
96210	Compensated Absences	(1,165)	(1,165)	(1,165)	-
96300	Payments in Lieu of Taxes	26,993	26,993	26,993	-
96400	Bad Debt - Tenant Rents	6,366	6,366	6,366	-
96000	Total Other General Expenses	<u>32,194</u>	<u>32,194</u>	<u>32,194</u>	<u>-</u>
96710	Interest on Mortgage (or Bonds) Payable	19,341	19,341	-	19,341
96720	Interest on Notes Payable (Short and Long Term)	6,762	6,762	6,762	-
96700	Total Interest Expense and Amortization Cost	<u>26,103</u>	<u>26,103</u>	<u>6,762</u>	<u>19,341</u>
96900	Total Operating Expenses	<u>899,661</u>	<u>899,661</u>	<u>880,320</u>	<u>19,341</u>
97000	Excess of Operating Revenue over Operating Expenses	58,126	58,126	16,976	41,150
97100	Extraordinary Maintenance	4,526	4,526	4,526	-
97400	Depreciation Expense	251,883	251,883	251,089	794
90000	Total Expenses	<u>1,156,070</u>	<u>1,156,070</u>	<u>1,135,935</u>	<u>20,135</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(198,283)	(198,283)	(238,639)	40,356
11020	Required Annual Debt Principal Payments	64,424	64,424	31,211	33,213
11030	Beginning Equity	2,123,379	2,123,379	2,123,379	-
11190	Unit Months Available	1,620	1,620	1,620	-
11210	Number of Unit Months Leased	1,612	1,612	1,612	-
11270	Excess Cash	306,978	306,978	306,978	-
11620	Building Purchases	7,937	7,937	-	7,937
13510	CFFP Debt Service Payments	52,554	52,554	-	52,554



**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Program Financials - Balance Sheet**  
*June 30, 2019*

<b>Line Item #</b>	<b>Account Description</b>	<b>14.871 Housing Choice Vouchers</b>
111	Cash - Unrestricted	\$ 117,372
115	Cash - Restricted for Payment of Current Liabilities	62,493
100	Total Cash	<u>179,865</u>
122	Accounts Receivable - HUD Other Projects	21,300
125	Accounts Receivable - Miscellaneous	1,780
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>23,080</u>
150	Total Current Assets	<u>202,945</u>
164	Furniture, Equipment & Machinery - Administration	6,057
166	Accumulated Depreciation	(5,259)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>798</u>
180	Total Noncurrent Assets	<u>798</u>
290	Total Assets	<u><u>\$ 203,743</u></u>
312	Accounts Payable <= 90 Days	\$ 3,432
321	Accrued Wage/Payroll Taxes Payable	3,630
322	Accrued Compensated Absences - Current Portion	2,296
345	Other Current Liabilities	62,493
347	Inter Program - Due To	5,233
310	Total Current Liabilities	<u>77,084</u>
354	Accrued Compensated Absences - Noncurrent	448
350	Total Noncurrent Liabilities	<u>448</u>
300	Total Liabilities	<u>77,532</u>
508.4	Net Investment in Capital Assets	798
512.4	Unrestricted Net Position	<u>125,413</u>
513	Total Equity - Net Assets / Position	<u>126,211</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u><u>\$ 203,743</u></u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**Program Financials - Income Statement**  
*For the Year Ended June 30, 2019*

<b>Line Item #</b>	<b>Account Description</b>	<b>14.871 Housing Choice Vouchers</b>
70600	HUD PHA Operating Grants	\$ 1,332,616
71400	Fraud Recovery	1,722
71500	Other Revenue	1,780
70000	Total Revenue	<u>1,336,118</u>
91100	Administrative Salaries	87,577
91200	Auditing Fees	1,800
91400	Advertising and Marketing	180
91500	Employee Benefit Contributions - Administrative	33,551
91600	Office Expenses	20,820
91700	Legal Expenses	439
91800	Travel	2,130
91900	Other	7,994
91000	Total Operating - Administrative	<u>154,491</u>
96200	Other General Expenses	344
96210	Compensated Absences	1,511
96000	Total Other General Expenses	<u>1,855</u>
96900	Total Operating Expenses	<u>156,346</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>1,179,772</u>
97300	Housing Assistance Payments	1,172,036
97350	HAP Portability-In	1,780
97400	Depreciation Expense	568
90000	Total Expenses	<u>1,330,730</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	5,388
11030	Beginning Equity	120,823
11170	Administrative Fee Equity	126,211
11180	Housing Assistance Payments Equity	-
11190	Unit Months Available	2,116
11210	Number of Unit Months Leased	2,113

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Balance Sheet**  
*June 30, 2019*

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
111	Cash - Unrestricted	\$ 454,166	\$ 117,372	\$ 571,538	\$ 571,538
112	Cash - Restricted - Modernization and Development	26,865	-	26,865	26,865
114	Cash - Tenant Security Deposits	38,734	-	38,734	38,734
115	Cash - Restricted for Payment of Current Liabilities	-	62,493	62,493	62,493
100	Total Cash	<u>519,765</u>	<u>179,865</u>	<u>699,630</u>	<u>699,630</u>
122	Accounts Receivable - HUD Other Projects	7,937	21,300	29,237	29,237
125	Accounts Receivable - Miscellaneous	23,949	1,780	25,729	25,729
126	Accounts Receivable - Tenants	11,360	-	11,360	11,360
126.1	Allowance for Doubtful Accounts - Tenants	(6,538)	-	(6,538)	(6,538)
129	Accrued Interest Receivable	529	-	529	529
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>37,237</u>	<u>23,080</u>	<u>60,317</u>	<u>60,317</u>
131	Investments - Unrestricted	53,281	-	53,281	53,281
142	Prepaid Expenses and Other Assets	474	-	474	474
144	Inter Program Due From	5,233	-	5,233	5,233
150	Total Current Assets	<u>615,990</u>	<u>202,945</u>	<u>818,935</u>	<u>818,935</u>
161	Land	297,665	-	297,665	297,665
162	Buildings	8,343,698	-	8,343,698	8,343,698
163	Furniture, Equipment & Machinery - Dwellings	103,727	-	103,727	103,727
164	Furniture, Equipment & Machinery - Administration	253,411	6,057	259,468	259,468
166	Accumulated Depreciation	(7,141,189)	(5,259)	(7,146,448)	(7,146,448)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,857,312</u>	<u>798</u>	<u>1,858,110</u>	<u>1,858,110</u>
176	Investment in Joint Venture	75,000	-	75,000	75,000
180	Total Noncurrent Assets	<u>1,932,312</u>	<u>798</u>	<u>1,933,110</u>	<u>1,933,110</u>
290	Total Assets	<u>\$ 2,548,302</u>	<u>\$ 203,743</u>	<u>\$ 2,752,045</u>	<u>\$ 2,752,045</u>
312	Accounts Payable <= 90 Days	\$ 31,686	\$ 3,432	\$ 35,118	\$ 35,118
321	Accrued Wage/Payroll Taxes Payable	11,009	3,630	14,639	14,639
322	Accrued Compensated Absences - Current Portion	4,841	2,296	7,137	7,137
333	Accounts Payable - Other Government	26,993	-	26,993	26,993
341	Tenant Security Deposits	38,734	-	38,734	38,734
342	Unearned Revenues	4,479	-	4,479	4,479
343	Current Portion of Long-term Debt - Capital Projects/ Mortgage Revenue Bonds	67,600	-	67,600	67,600
345	Other Current Liabilities	-	62,493	62,493	62,493
346	Accrued Liabilities - Other	9,686	-	9,686	9,686
347	Inter Program - Due To	-	5,233	5,233	5,233
310	Total Current Liabilities	<u>195,028</u>	<u>77,084</u>	<u>272,112</u>	<u>272,112</u>
351	Long-term Debt, Net of Current - Capital Projects/ Mortgage Revenue Bonds	426,608	-	426,608	426,608
354	Accrued Compensated Absences - Noncurrent	1,570	448	2,018	2,018
350	Total Noncurrent Liabilities	<u>428,178</u>	<u>448</u>	<u>428,626</u>	<u>428,626</u>
300	Total Liabilities	623,206	77,532	700,738	700,738
508.4	Net Investment in Capital Assets	1,363,104	798	1,363,902	1,363,902
511.4	Restricted Net Position	101,865	-	101,865	101,865
512.4	Unrestricted Net Position	460,127	125,413	585,540	585,540
513	Total Equity - Net Assets / Position	<u>1,925,096</u>	<u>126,211</u>	<u>2,051,307</u>	<u>2,051,307</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 2,548,302</u>	<u>\$ 203,743</u>	<u>\$ 2,752,045</u>	<u>\$ 2,752,045</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Income Statement**  
*For the Year Ended June 30, 2019*

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
70300	Net Tenant Rental Revenue	\$ 449,517	\$ -	\$ 449,517	\$ 449,517
70400	Tenant Revenue - Other	1,645	-	1,645	1,645
70500	Total Tenant Revenue	<u>451,162</u>	<u>-</u>	<u>451,162</u>	<u>451,162</u>
70600	HUD PHA Operating Grants	246,769	1,332,616	1,579,385	1,579,385
70610	Capital Grants	60,491	-	60,491	60,491
71100	Investment Income - Unrestricted	3,817	-	3,817	3,817
71400	Fraud Recovery	-	1,722	1,722	1,722
71500	Other Revenue	196,128	1,780	197,908	197,908
71600	Gain or Loss on Sale of Capital Assets	<u>(580)</u>	<u>-</u>	<u>(580)</u>	<u>(580)</u>
70000	Total Revenue	<u>957,787</u>	<u>1,336,118</u>	<u>2,293,905</u>	<u>2,293,905</u>
91100	Administrative Salaries	125,546	87,577	213,123	213,123
91200	Auditing Fees	4,200	1,800	6,000	6,000
91400	Advertising and Marketing	82	180	262	262
91500	Employee Benefit Contributions - Administrative	41,116	33,551	74,667	74,667
91600	Office Expenses	39,928	20,820	60,748	60,748
91700	Legal Expense	17,971	439	18,410	18,410
91800	Travel	6,558	2,130	8,688	8,688
91900	Other	6,348	7,994	14,342	14,342
91000	Total Operating - Administrative	<u>241,749</u>	<u>154,491</u>	<u>396,240</u>	<u>396,240</u>
92400	Tenant Services - Other	<u>47,320</u>	<u>-</u>	<u>47,320</u>	<u>47,320</u>
92500	Total Tenant Services	<u>47,320</u>	<u>-</u>	<u>47,320</u>	<u>47,320</u>
93100	Water	19,820	-	19,820	19,820
93200	Electricity	125,999	-	125,999	125,999
93300	Gas	20,442	-	20,442	20,442
93000	Total Utilities	<u>166,261</u>	<u>-</u>	<u>166,261</u>	<u>166,261</u>
94100	Ordinary Maintenance and Operations - Labor	130,157	-	130,157	130,157
94200	Ordinary Maintenance and Operations - Materials and Other	39,324	-	39,324	39,324
94300	Ordinary Maintenance and Operations - Contracts	144,794	-	144,794	144,794
94500	Employee Benefit Contributions - Ordinary Maintenance	40,797	-	40,797	40,797
94000	Total Maintenance	<u>355,072</u>	<u>-</u>	<u>355,072</u>	<u>355,072</u>
96140	All Other Insurance	<u>30,962</u>	<u>-</u>	<u>30,962</u>	<u>30,962</u>
96100	Total Insurance Premiums	<u>30,962</u>	<u>-</u>	<u>30,962</u>	<u>30,962</u>
96200	Other General Expenses	-	344	344	344
96210	Compensated Absences	(1,165)	1,511	346	346
96300	Payments in Lieu of Taxes	26,993	-	26,993	26,993
96400	Bad Debt - Tenant Rents	6,366	-	6,366	6,366
96000	Total Other General Expenses	<u>32,194</u>	<u>1,855</u>	<u>34,049</u>	<u>34,049</u>

**Traverse City Housing Commission**  
**Financial Data Schedule**  
**PHA Financial Data - Income Statement**  
*For the Year Ended June 30, 2019*

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
96710	Interest on Mortgage (or Bonds) Payable	\$ 19,341	\$ -	\$ 19,341	\$ 19,341
96720	Interest on Notes Payable (Short and Long Term)	6,762	-	6,762	6,762
96700	Total Interest Expense and Amortization Cost	<u>26,103</u>	<u>-</u>	<u>26,103</u>	<u>26,103</u>
96900	Total Operating Expenses	<u>899,661</u>	<u>156,346</u>	<u>1,056,007</u>	<u>1,056,007</u>
97000	Excess of Operating Revenue over Operating Expenses	58,126	1,179,772	1,237,898	1,237,898
97100	Extraordinary Maintenance	4,526	-	4,526	4,526
97300	Housing Assistance Payments	-	1,172,036	1,172,036	1,172,036
97350	HAP Portability-In	-	1,780	1,780	1,780
97400	Depreciation Expense	<u>251,883</u>	<u>568</u>	<u>252,451</u>	<u>252,451</u>
90000	Total Expenses	<u>1,156,070</u>	<u>1,330,730</u>	<u>2,486,800</u>	<u>2,486,800</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(198,283)	5,388	(192,895)	(192,895)
11020	Required Annual Debt Principal Payments	64,424	-	64,424	64,424
11030	Beginning Equity	2,123,379	120,823	2,244,202	2,244,202
11170	Administrative Fee Equity	-	126,211	126,211	126,211
11180	Housing Assistance Payments Equity	-	-	-	-
11190	Unit Months Available	1,620	2,116	3,736	3,736
11210	Number of Unit Months Leased	1,612	2,113	3,725	3,725
11270	Excess Cash	306,978	-	306,978	306,978
11620	Building Purchases	7,937	-	7,937	7,937
13510	CFFP Debt Service Payments	52,554	-	52,554	52,554



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A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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

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 of the *Traverse City Housing Commission*, a component unit of the City of Traverse City, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the *Traverse City Housing Commission's* basic financial statements and have issued our report thereon dated December 20, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the *Traverse City 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 *Traverse City Housing Commission's* internal control. Accordingly, we do not express an opinion on the effectiveness of the *Traverse City Housing Commission's* internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith + Klaehring PC*

*Saginaw, Michigan*

December 20, 2019



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A VETERAN OWNED BUSINESS

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the *Traverse City Housing Commission's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the *Traverse City Housing Commission's* major federal programs for the year ended June 30, 2019. The *Traverse City Housing Commission's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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



### ***Opinion on Each Major Federal Program***

In our opinion, the ***Traverse City 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 major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the ***Traverse City 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 the ***Traverse City 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 ***Traverse City Housing Commission's*** internal control over compliance.

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

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

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

*Smith + Klauszewicz PC*

***Saginaw, Michigan***  
December 20, 2019

**Traverse City Housing Commission**  
**Schedule of Expenditures of Federal Awards**  
*For the Year Ended June 30, 2019*

<b>Federal Agency / Pass Through Agency / Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Expended</b>
<b>Department of Housing and Urban Development</b>		
Direct programs:		
Public and Indian Housing	14.850	\$ 246,769
Section 8 Housing Choice Vouchers	14.871	1,274,142
Section 8 Housing Choice Vouchers - Family Self Sufficiency	14.871	56,020
Total Section 8 Housing Choice Vouchers		<u>1,330,162</u>
Public Housing Capital Fund	14.872	60,491
Total Department of Housing and Urban Development		<u>\$ 1,637,422</u>
<b>Reconciliation to Statement of Activities</b>		
Federal revenue reported on the Statement of Activities:		
Program grants - subsidies		\$ 1,579,385
Capital grants		60,491
Change in equity		<u>(2,454)</u>
Total expenditures per Schedule of Expenditures of Federal Awards		<u>\$ 1,637,422</u>

See accompanying notes to schedule of expenditures of federal awards

**Traverse City Housing Commission**  
**Notes to Schedule of Expenditures of Federal Awards**  
***For the Year Ended June 30, 2019***

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Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the **Traverse City Housing Commission** under programs of the federal government for the year ended June 30, 2019. 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* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the **Traverse City Housing Commission**, it is not intended to and does not present the financial position, changes in net position or cash flows of the **Traverse City 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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

For purposes of charging indirect costs to federal awards, the **Traverse City Housing Commission** has elected not to use the 10 percent de minimis cost rate as permitted by 2 CFR section 200.414 of the Uniform Guidance.

Note 3 - Subrecipients

None of the federal expenditures presented in the Schedule were provided to subrecipients.

**Traverse City Housing Commission**  
**Schedule of Findings and Questioned Costs (continued)**  
*For the Year Ended June 30, 2019*

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

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

**Federal Awards**

Type of auditor's report issued on compliance for major program(s): Unmodified

Internal control over major program(s)

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516.(a)? \_\_\_\_\_ Yes   X   No

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

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

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

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

**Traverse City Housing Commission**  
**Schedule of Findings and Questioned Costs (*concluded*)**  
***For the Year Ended June 30, 2019***

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**Section II - Financial Statement Audit Findings**

None

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

None

**Section IV - Summary Schedule of Prior Year Audit Findings**

None