



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, 2020



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Traverse City Housing Commission

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements for the Year Ended June 30, 2020	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Fund Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13-20
Other Supplementary Information	
Financial Data Schedules	21-27
Single Audit	
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 <i>Government Auditing Standards</i>	28-29
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Required by the Uniform Guidance	30-31
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34-35



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA
(989) 751-1167

ROBERT R. KLACZKIEWICZ, CPA
(989) 751-3064

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, 2020, 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, 2020, 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 November 25, 2020 on our consideration of the ***Traverse City Housing Commission's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

November 25, 2020

Traverse City Housing Commission
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2020

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, 2020. 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 \$1,999,321. The net position decreased by \$44,733, or 2.2% from the prior year.

Revenues and contributions for the Housing Commission were \$2,561,871 during the year. This was an increase of \$267,386 or 11.7% from the prior year.

Expenses for the Housing Commission were \$2,606,604 during the year. This was an increase of \$119,224 or 4.8% from the prior year.

HUD operating grants were \$1,775,093 during the year. This represents an increase of \$195,708 or 12.4% from the prior year. Capital contributions were \$53,376 during the year. This was a decrease of \$7,115 or 11.8% 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, 2020

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 \$1,999,321 at the close of the fiscal year, a decrease of \$44,733. The decrease in net position was primarily attributed to normal business fluctuations from year to year.

The unrestricted net position was \$660,594 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 \$75,000 which is subject to external restrictions on how the funds may be used. The amount of restricted net position is restricted for 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, 2020

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 948,969	\$ 888,702
Capital assets not being depreciated	297,665	297,665
Capital assets being depreciated, net	<u>1,392,669</u>	<u>1,553,192</u>
Total assets	<u>2,714,303</u>	<u>2,739,559</u>
Liabilities, current	353,452	266,879
Liabilities, noncurrent	<u>361,530</u>	<u>428,626</u>
Total liabilities	<u>714,982</u>	<u>695,505</u>
Net investment in capital assets	1,263,727	1,356,649
Restricted	75,000	101,865
Unrestricted	<u>660,594</u>	<u>585,540</u>
Total net position	<u>\$ 1,999,321</u>	<u>\$ 2,044,054</u>

The net decrease in total assets was due in large part to a net decrease in 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, 2020

	2020	2019
Revenues:		
Program revenues:		
Charges for services-tenant rent	\$ 463,609	\$ 451,162
Program grants and subsidies	1,775,093	1,579,385
Capital grants	53,376	60,491
General revenues:		
Other revenue	267,077	199,630
Interest earned on deposits	2,716	3,817
Total revenues	2,561,871	2,294,485
 Expenses – housing program	 2,606,604	 2,494,633
 Increase (decrease) in net position	 (44,733)	 (200,148)
 Net position – beginning of the year	 2,044,054	 2,244,202
 Net position – end of the year	 \$ 1,999,321	 \$ 2,044,054

Revenues:

As shown in the above table, total revenues increased by \$267,386, due in large part to increases in grants from HUD. Other revenue increased during the year which is attributed to an increase in management fees the Housing Commission is receiving for contracts with other Public Housing Agencies.

Expenses:

Total expenses increased \$111,971 or 4.5% from the prior year, due in large part to an increase in costs associated with converting the public housing units to tax credits along with an increase in maintenance type expenses.

CAPITAL ASSETS

The Housing Commission's investment in capital assets, net of related debt at the end of the year was \$1,263,727. 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, 2020

	2020	2019
Capital assets not being depreciated		
Land	\$ 297,665	\$ 297,665
Capital assets being depreciated		
Buildings and improvements	8,343,201	8,335,771
Furniture, equipment and machinery – dwelling	102,491	103,727
Furniture, equipment and machinery – administration	279,503	259,468
Subtotal	8,725,195	8,698,966
Total capital assets	9,022,860	8,996,631
Less: accumulated depreciation	(7,332,526)	(7,145,774)
Total net capital assets	\$ 1,690,334	\$ 1,850,857

Capital assets, net of accumulated depreciation decreased by \$160,523, because the amount of depreciation expense charged (\$190,108) exceeded the amount expended for replacement of capital assets (\$29,585).

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 \$426,607 in long-term debt outstanding compared to \$494,208 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, 2020

In 2021 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. TCHC has been awarded 9% Low Income Housing Tax Credits for this project and expects to begin all construction in the summer of 2021.

TCHC has elected to continue both a management agreement and a maintenance agreement for the Elk Rapids Housing Commission. ERHC owns Noble Pines Apartments, a 20-unit senior housing development in the Village of Elk Rapids. TCHC staff provides technical and management assistance to ERHC on a weekly basis along with basic maintenance services. In September of 2020, TCHC and ERHC signed new agreements that will extend until 2022.

East Bay Flats, a 67-unit apartment building owned by TCHC, began leasing in 2019 and is successfully operating at or near capacity. TCHC maintenance staff continues to provide contractual services to this property as well.

Finally, 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, 2020

Current assets	
Cash and cash equivalents	\$ 645,111
Cash and cash equivalents - restricted	162,810
Cash - tenant security deposits	36,781
Investments	54,081
Accounts receivable, net	48,997
Prepaid expenses	1,189
Total current assets	948,969
Noncurrent assets	
Investment in joint venture	75,000
Capital assets	
Nondepreciable	297,665
Depreciable	8,725,195
Less: accumulated depreciation	(7,332,526)
Total noncurrent assets	1,765,334
Total assets	2,714,303
Current liabilities	
Accounts payable	60,548
Due to other governmental units	28,537
Accrued liabilities	16,825
Tenant security deposits	36,781
Unearned revenue	44,636
Current portion of long-term debt	70,962
Accrued compensated absences, current portion	10,644
Other current liabilities (payable from restricted assets)	84,519
Total current liabilities	353,452
Noncurrent liabilities	
Long-term debt	355,645
Accrued compensated absences	5,885
Total noncurrent liabilities	361,530
Total liabilities	714,982
Net position	
Net investment in capital assets	1,263,727
Restricted	75,000
Unrestricted	660,594
Total net position	\$ 1,999,321

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, 2020

Operating revenues	
Tenant revenue	\$ 463,609
Program grants - subsidies	1,775,093
Other revenue	265,877
Total operating revenues	2,504,579
 Operating expenses	
Administration	451,565
Tenant services	53,657
Utilities	163,179
Maintenance	375,122
Insurance	32,392
General	89,809
Housing assistance payments	1,209,516
Depreciation	190,108
Total operating expenses	2,565,348
Operating income (loss)	(60,769)
 Nonoperating revenues and (expenses)	
Interest revenue - unrestricted	2,716
Fraud recovery	1,200
HAP Portability - In	(18,356)
Interest expense	(22,900)
Total nonoperating revenues and (expenses)	(37,340)
Income (loss) before contributions	(98,109)
Capital contributions	53,376
Change in net position	(44,733)
Net position - Beginning of year	2,051,307
Prior period adjustment	(7,253)
Net position - Beginning of year, as restated	2,044,054
Net position - End of year	\$ 1,999,321

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, 2020

Cash flows from operating activities	
Cash received from customers	\$ 779,010
Cash received from grants and subsidies	1,775,093
Cash payments to suppliers for goods and services	(1,908,590)
Cash payments for wages and related benefits	(418,491)
Net cash provided by (used in) operating activities	227,022
Cash flows from capital and related financing activities	
Capital grants	53,376
Acquisition of capital assets	(29,585)
Interest paid on debt	(22,900)
Principal paid on debt	(67,601)
Net cash provided by (used in) capital and related financing activities	(66,710)
Cash flows from noncapital and related financing activities	
HAP Portability - In	(18,356)
Fraud recovery	1,200
Net cash provided by (used in) noncapital and related financing activities	(17,156)
Cash flows from investing activities	
Sale of investments	(800)
Investment income	2,716
Net cash provided by (used in) investing activities	1,916
Net increase (decrease) in cash and cash equivalents	145,072
Cash and cash equivalents - beginning of year	699,630
Cash and cash equivalents - end of year	\$ 844,702
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (60,769)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	190,108
Changes in assets and liabilities	
Decrease (increase) in receivables	11,320
Decrease (increase) in prepaid expenses	(715)
Increase (decrease) in accounts payable	26,974
Increase (decrease) in accrued liabilities	21,900
Increase (decrease) in tenant security deposits	(1,953)
Increase (decrease) in unearned revenue	40,157
Net cash provided by (used in) operating activities	\$ 227,022
Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows	
Cash and cash equivalents	\$ 645,111
Cash and cash equivalents - restricted	162,810
Cash - tenant security deposits	36,781
Cash and cash equivalents - end of year	\$ 844,702

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, 2020

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, 2020

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.

PH CARES Act Funding 14.PHC accounts for the revenue and related operations pertaining to CARES funding for Public and Indian Housing.

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

HCV CARES Act Funding 14.HCC accounts for the revenue and related operations pertaining to CARES funding for the Section 8 Housing Choice Vouchers 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, FSS escrow and unspent CARES Act funding.

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.

Traverse City Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2020

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 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 and unspent CARES Act funding

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 Commission's original investment in partial ownership of TCWFH, LLC, a Michigan limited liability company.

Traverse City Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2020

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

Revenues and Expenses

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

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	\$ 645,111
Cash and cash equivalents – restricted	162,810
Cash – tenant security deposits	36,781
Investments	<u>54,081</u>
Total	<u>\$ 898,783</u>
Notes to Financial Statements	
Cash on hand	\$ 281
Demand deposits (checking)	844,421
Certificates of deposit	<u>54,081</u>
Total	<u>\$ 898,783</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

Traverse City Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2020

- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- 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 \$912,318 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, 2020

Accounts Receivable

The balance in accounts receivable was comprised of the following:

Due from HUD	\$	38,164
Tenant receivables		10,508
Allowance for doubtful accounts		(3,632)
Interest receivable		158
Miscellaneous receivable		<u>3,799</u>
Total receivables, net	\$	<u>48,997</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	<u>\$ 297,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,665</u>
Capital assets being depreciated				
Buildings and improvements	8,335,771	7,430	-	8,343,201
Furniture, equipment and machinery – dwelling	103,727	2,120	(3,356)	102,491
Furniture, equipment and machinery – administration	<u>259,468</u>	<u>20,035</u>	<u>-</u>	<u>279,503</u>
Total capital assets being depreciated	8,698,966	29,585	(3,356)	8,725,195
Less accumulated depreciation	<u>(7,145,774)</u>	<u>(190,108)</u>	<u>3,356</u>	<u>(7,332,526)</u>
Net capital assets being depreciated	<u>1,553,192</u>	<u>(160,523)</u>	<u>-</u>	<u>1,392,669</u>
Total net capital assets	<u>\$ 1,850,857</u>	<u>\$ (160,523)</u>	<u>\$ -</u>	<u>\$ 1,690,334</u>

Traverse City Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2020

Long-term Debt

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

	Beginning			Ending	Amount
	Balance	Additions	Deductions	Balance	Due
					Within
					One Year
HUD loan	\$ 372,592	\$ -	\$ (34,896)	\$ 337,696	\$ 36,662
Lease / purchase agreement	121,616	-	(32,705)	88,911	34,300
Accrued compensated absences	<u>9,155</u>	<u>7,374</u>	<u>-</u>	<u>16,529</u>	<u>10,644</u>
Total	<u>\$ 503,363</u>	<u>\$ 7,374</u>	<u>\$ (67,601)</u>	<u>\$ 443,136</u>	<u>\$ 81,606</u>

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 agreement are as follows:

Year Ending	Principal	Interest
June 30,		
2021	\$ 70,962	\$ 19,539
2022	74,490	16,010
2023	59,107	12,420
2024	42,518	10,035
2025	44,671	7,882
2026-2028	<u>134,859</u>	<u>9,664</u>
	<u>\$ 426,607</u>	<u>\$ 75,550</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 2020 and 2019 was \$1,828,469 or 71% and \$1,639,876 or 71% 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.

Traverse City Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2020

Risk Management

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

Employee Benefit Plan

The Housing Commission participates in a 457 Deferred 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 \$22,013 and employees contributed \$11,616 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>
2017	\$ <u>96,167</u>

NOTE D: RESTATEMENTS / PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2020, a restatement in the amount of \$7,253 was necessary to properly account for the overstatement of capital assets. The restatement had the following effect on beginning net position:

Beginning net position, as previously stated	\$ 2,051,307
Adjustment for capital assets	<u>(7,253)</u>
Beginning net position, as restated	\$ <u>2,044,054</u>



Traverse City Housing Commission
Financial Data Schedule
Project Balance Sheet
June 30, 2020

Line Item #	Account Description	Project MI080000001	PH CARES Act Funding 14.PHC	Total
111	Cash - Unrestricted	\$ 470,916	\$ -	\$ 470,916
112	Cash - Restricted - Modernization and Development	26,921	-	26,921
113	Cash - Other Restricted	-	32,148	32,148
114	Cash - Tenant Security Deposits	36,781	-	36,781
115	Cash - Restricted for Payment of Current Liabilities	-	11,642	11,642
100	Total Cash	<u>534,618</u>	<u>43,790</u>	<u>578,408</u>
122	Accounts Receivable - HUD Other Projects	32,871	-	32,871
125	Accounts Receivable - Miscellaneous	3,549	-	3,549
126	Accounts Receivable - Tenants	10,508	-	10,508
126.1	Allowance for Doubtful Accounts - Tenants	(3,632)	-	(3,632)
129	Accrued Interest Receivable	158	-	158
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>43,454</u>	<u>-</u>	<u>43,454</u>
131	Investments - Unrestricted	54,081	-	54,081
142	Prepaid Expenses and Other Assets	949	-	949
150	Total Current Assets	<u>633,102</u>	<u>43,790</u>	<u>676,892</u>
161	Land	297,665	-	297,665
162	Buildings	8,343,201	-	8,343,201
163	Furniture, Equipment & Machinery - Dwellings	102,491	-	102,491
164	Furniture, Equipment & Machinery - Administration	272,940	-	272,940
166	Accumulated Depreciation	(7,326,586)	-	(7,326,586)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,689,711</u>	<u>-</u>	<u>1,689,711</u>
176	Investment in Joint Venture	75,000	-	75,000
180	Total Noncurrent Assets	<u>1,764,711</u>	<u>-</u>	<u>1,764,711</u>
290	Total Assets	<u>\$ 2,397,813</u>	<u>\$ 43,790</u>	<u>\$ 2,441,603</u>
312	Accounts Payable <= 90 Days	\$ 47,396	\$ 11,642	\$ 59,038
321	Accrued Wage/Payroll Taxes Payable	5,212	-	5,212
322	Accrued Compensated Absences - Current Portion	7,450	-	7,450
333	Accounts Payable - Other Government	28,537	-	28,537
341	Tenant Security Deposits	36,781	-	36,781
342	Unearned Revenues	4,908	32,148	37,056
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	70,962	-	70,962
346	Accrued Liabilities - Other	10,720	-	10,720
310	Total Current Liabilities	<u>211,966</u>	<u>43,790</u>	<u>255,756</u>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	355,645	-	355,645
354	Accrued Compensated Absences - Noncurrent	4,236	-	4,236
350	Total Noncurrent Liabilities	<u>359,881</u>	<u>-</u>	<u>359,881</u>
300	Total Liabilities	<u>571,847</u>	<u>43,790</u>	<u>615,637</u>
508.4	Net Investment in Capital Assets	1,263,104	-	1,263,104
511.4	Restricted Net Position	75,000	-	75,000
512.4	Unrestricted Net Position	487,862	-	487,862
513	Total Equity - Net Assets / Position	<u>1,825,966</u>	<u>-</u>	<u>1,825,966</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 2,397,813</u>	<u>\$ 43,790</u>	<u>\$ 2,441,603</u>

Traverse City Housing Commission
Financial Data Schedule
Project Income Statement
For the Year Ended June 30, 2020

Line Item #	Account Description	Total Projects	Project MI080000001	Operating Fund Program	Capital Fund Program	PH CARES Act Funding 14.PHC
70300	Net Tenant Rental Revenue	\$ 461,980	\$ 461,980	\$ 461,980	\$ -	\$ -
70400	Tenant Revenue - Other	1,629	1,629	1,629	-	-
70500	Total Tenant Revenue	<u>463,609</u>	<u>463,609</u>	<u>463,609</u>	<u>-</u>	<u>-</u>
70600	HUD PHA Operating Grants	378,691	364,200	321,409	42,791	14,491
70610	Capital Grants	53,376	53,376	-	53,376	-
71100	Investment Income - Unrestricted	2,716	2,716	2,716	-	-
71500	Other Revenue	239,233	239,233	239,233	-	-
70000	Total Revenue	<u>1,137,625</u>	<u>1,123,134</u>	<u>1,026,967</u>	<u>96,167</u>	<u>14,491</u>
91100	Administrative Salaries	118,317	118,317	118,317	-	-
91200	Auditing Fees	3,100	3,100	3,100	-	-
91400	Advertising and Marketing	1,126	1,126	1,126	-	-
91500	Employee Benefit Contributions - Administrative	19,262	19,262	19,262	-	-
91600	Office Expenses	123,973	123,973	123,973	-	-
91700	Legal Expense	25,780	25,780	25,780	-	-
91800	Travel	7,386	7,386	7,386	-	-
91900	Other	6,407	6,407	6,407	-	-
91000	Total Operating - Administrative	<u>305,351</u>	<u>305,351</u>	<u>305,351</u>	<u>-</u>	<u>-</u>
92400	Tenant Services - Other	53,657	50,541	50,541	-	3,116
92500	Total Tenant Services	<u>53,657</u>	<u>50,541</u>	<u>50,541</u>	<u>-</u>	<u>3,116</u>
93100	Water	22,136	22,136	22,136	-	-
93200	Electricity	125,698	125,698	125,698	-	-
93300	Gas	15,345	15,345	15,345	-	-
93000	Total Utilities	<u>163,179</u>	<u>163,179</u>	<u>163,179</u>	<u>-</u>	<u>-</u>
94100	Ordinary Maintenance and Operations - Labor	149,436	149,436	149,436	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	30,857	30,857	30,857	-	-
94300	Ordinary Maintenance and Operations - Contracts	121,177	121,177	97,065	24,112	-
94500	Employee Benefit Contributions - Ordinary Maintenance	42,156	42,156	42,156	-	-
94000	Total Maintenance	<u>343,626</u>	<u>343,626</u>	<u>319,514</u>	<u>24,112</u>	<u>-</u>
96140	All Other Insurance	32,392	32,392	32,392	-	-
96100	Total Insurance Premiums	<u>32,392</u>	<u>32,392</u>	<u>32,392</u>	<u>-</u>	<u>-</u>
96200	Other General Expenses	50,727	50,727	50,727	-	-
96210	Compensated Absences	5,275	5,275	5,275	-	-
96300	Payments in Lieu of Taxes	28,537	28,537	28,537	-	-
96400	Bad Debt - Tenant Rents	2,935	2,935	2,935	-	-
96000	Total Other General Expenses	<u>87,474</u>	<u>87,474</u>	<u>87,474</u>	<u>-</u>	<u>-</u>
96710	Interest on Mortgage (or Bonds) Payable	17,658	17,658	-	17,658	-
96720	Interest on Notes Payable (Short and Long Term)	5,242	5,242	5,242	-	-
96700	Total Interest Expense and Amortization Cost	<u>22,900</u>	<u>22,900</u>	<u>5,242</u>	<u>17,658</u>	<u>-</u>
96900	Total Operating Expenses	<u>1,008,579</u>	<u>1,005,463</u>	<u>963,693</u>	<u>41,770</u>	<u>3,116</u>
97000	Excess of Operating Revenue over Operating Expenses	129,046	117,671	63,274	54,397	11,375
97100	Extraordinary Maintenance	31,496	31,496	31,496	-	-
97400	Depreciation Expense	189,427	189,427	189,427	-	-
90000	Total Expenses	<u>1,229,502</u>	<u>1,226,386</u>	<u>1,184,616</u>	<u>41,770</u>	<u>3,116</u>
10010	Operating Transfer In	30,054	30,054	30,054	-	-
10020	Operating Transfer Out	(30,054)	(18,679)	-	(18,679)	(11,375)
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>11,375</u>	<u>30,054</u>	<u>(18,679)</u>	<u>(11,375)</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(91,877)	(91,877)	(127,595)	35,718	-
11020	Required Annual Debt Principal Payments	67,600	67,600	32,705	34,895	-
11030	Beginning Equity	1,925,096	1,925,096	1,925,096	-	-
11040	Prior Period Adjustment, Equity Transfers and Correction of Errors	(7,253)	(7,253)	(7,253)	-	-
11190	Unit Months Available	1,620	1,620	1,620	-	-
11210	Number of Unit Months Leased	1,603	1,603	1,603	-	-
11270	Excess Cash	312,959	312,959	312,959	-	-
11620	Building Purchases	822	822	-	822	-
13510	CFFP Debt Service Payments	52,554	52,554	-	52,554	-

Traverse City Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2020

Line Item #	Account Description	14.871 Housing Choice Vouchers	HCV CARES Act Funding 14.HCC	Total
111	Cash - Unrestricted	\$ 174,195	\$ -	\$ 174,195
113	Cash - Other Restricted	-	7,580	7,580
115	Cash - Restricted for Payment of Current Liabilities	84,519	-	84,519
100	Total Cash	<u>258,714</u>	<u>7,580</u>	<u>266,294</u>
122	Accounts Receivable - HUD Other Projects	5,293	-	5,293
125	Accounts Receivable - Miscellaneous	250	-	250
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>5,543</u>	<u>-</u>	<u>5,543</u>
142	Prepaid Expenses and Other Assets	240	-	240
150	Total Current Assets	<u>264,497</u>	<u>7,580</u>	<u>272,077</u>
164	Furniture, Equipment & Machinery - Administration	6,563	-	6,563
166	Accumulated Depreciation	(5,940)	-	(5,940)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>623</u>	<u>-</u>	<u>623</u>
180	Total Noncurrent Assets	<u>623</u>	<u>-</u>	<u>623</u>
290	Total Assets	<u>\$ 265,120</u>	<u>\$ 7,580</u>	<u>\$ 272,700</u>
312	Accounts Payable <= 90 Days	\$ 1,510	\$ -	\$ 1,510
321	Accrued Wage/Payroll Taxes Payable	893	-	893
322	Accrued Compensated Absences - Current Portion	3,194	-	3,194
342	Unearned Revenues	-	7,580	7,580
345	Other Current Liabilities	84,519	-	84,519
310	Total Current Liabilities	<u>90,116</u>	<u>7,580</u>	<u>97,696</u>
354	Accrued Compensated Absences - Noncurrent	1,649	-	1,649
350	Total Noncurrent Liabilities	<u>1,649</u>	<u>-</u>	<u>1,649</u>
300	Total Liabilities	<u>91,765</u>	<u>7,580</u>	<u>99,345</u>
508.4	Net Investment in Capital Assets	623	-	623
512.4	Unrestricted Net Position	<u>172,732</u>	<u>-</u>	<u>172,732</u>
513	Total Equity - Net Assets / Position	<u>173,355</u>	<u>-</u>	<u>173,355</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 265,120</u>	<u>\$ 7,580</u>	<u>\$ 272,700</u>

Traverse City Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2020

Line Item #	Account Description	14.871 Housing Choice Vouchers	HCV CARES Act Funding 14.HCC	Total
70600	HUD PHA Operating Grants	\$ 1,382,726	\$ 13,676	\$ 1,396,402
71400	Fraud Recovery	1,200	-	1,200
71500	Other Revenue	26,644	-	26,644
70000	Total Revenue	1,410,570	13,676	1,424,246
91100	Administrative Salaries	78,826	7,677	86,503
91200	Auditing Fees	3,000	-	3,000
91400	Advertising and Marketing	447	-	447
91500	Employee Benefit Contributions - Administrative	23,668	1,049	24,717
91600	Office Expenses	18,182	2,935	21,117
91700	Legal Expenses	305	-	305
91800	Travel	1,929	7	1,936
91900	Other	6,181	2,008	8,189
91000	Total Operating - Administrative	132,538	13,676	146,214
96200	Other General Expenses	236	-	236
96210	Compensated Absences	2,099	-	2,099
96000	Total Other General Expenses	2,335	-	2,335
96900	Total Operating Expenses	134,873	13,676	148,549
97000	Excess of Operating Revenue over Operating Expenses	1,275,697	-	1,275,697
97300	Housing Assistance Payments	1,209,516	-	1,209,516
97350	HAP Portability-In	18,356	-	18,356
97400	Depreciation Expense	681	-	681
90000	Total Expenses	1,363,426	13,676	1,377,102
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	47,144	-	47,144
11030	Beginning Equity	126,211	-	126,211
11170	Administrative Fee Equity	173,355	-	173,355
11190	Unit Months Available	2,093	-	2,093
11210	Number of Unit Months Leased	2,081	-	2,081

Traverse City Housing Commission
Financial Data Schedule
PHA Financial Data - Balance Sheet
June 30, 2020

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
111	Cash - Unrestricted	\$ 470,916	\$ 174,195	\$ 645,111	\$ 645,111
112	Cash - Restricted - Modernization and Development	26,921	-	26,921	26,921
113	Cash - Other Restricted	32,148	7,580	39,728	39,728
114	Cash - Tenant Security Deposits	36,781	-	36,781	36,781
115	Cash - Restricted for Payment of Current Liabilities	11,642	84,519	96,161	96,161
100	Total Cash	<u>578,408</u>	<u>266,294</u>	<u>844,702</u>	<u>844,702</u>
122	Accounts Receivable - HUD Other Projects	32,871	5,293	38,164	38,164
125	Accounts Receivable - Miscellaneous	3,549	250	3,799	3,799
126	Accounts Receivable - Tenants	10,508	-	10,508	10,508
126.1	Allowance for Doubtful Accounts - Tenants	(3,632)	-	(3,632)	(3,632)
129	Accrued Interest Receivable	158	-	158	158
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>43,454</u>	<u>5,543</u>	<u>48,997</u>	<u>48,997</u>
131	Investments - Unrestricted	54,081	-	54,081	54,081
142	Prepaid Expenses and Other Assets	949	240	1,189	1,189
150	Total Current Assets	<u>676,892</u>	<u>272,077</u>	<u>948,969</u>	<u>948,969</u>
161	Land	297,665	-	297,665	297,665
162	Buildings	8,343,201	-	8,343,201	8,343,201
163	Furniture, Equipment & Machinery - Dwellings	102,491	-	102,491	102,491
164	Furniture, Equipment & Machinery - Administration	272,940	6,563	279,503	279,503
166	Accumulated Depreciation	(7,326,586)	(5,940)	(7,332,526)	(7,332,526)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,689,711</u>	<u>623</u>	<u>1,690,334</u>	<u>1,690,334</u>
176	Investment in Joint Venture	75,000	-	75,000	75,000
180	Total Noncurrent Assets	<u>1,764,711</u>	<u>623</u>	<u>1,765,334</u>	<u>1,765,334</u>
290	Total Assets	<u>\$ 2,441,603</u>	<u>\$ 272,700</u>	<u>\$ 2,714,303</u>	<u>\$ 2,714,303</u>
312	Accounts Payable <= 90 Days	\$ 59,038	\$ 1,510	\$ 60,548	\$ 60,548
321	Accrued Wage/Payroll Taxes Payable	5,212	893	6,105	6,105
322	Accrued Compensated Absences - Current Portion	7,450	3,194	10,644	10,644
333	Accounts Payable - Other Government	28,537	-	28,537	28,537
341	Tenant Security Deposits	36,781	-	36,781	36,781
342	Unearned Revenues	37,056	7,580	44,636	44,636
343	Current Portion of Long-term Debt - Capital Projects/ Mortgage Revenue Bonds	70,962	-	70,962	70,962
345	Other Current Liabilities	-	84,519	84,519	84,519
346	Accrued Liabilities - Other	10,720	-	10,720	10,720
310	Total Current Liabilities	<u>255,756</u>	<u>97,696</u>	<u>353,452</u>	<u>353,452</u>
351	Long-term Debt, Net of Current - Capital Projects/ Mortgage Revenue Bonds	355,645	-	355,645	355,645
354	Accrued Compensated Absences - Noncurrent	4,236	1,649	5,885	5,885
350	Total Noncurrent Liabilities	<u>359,881</u>	<u>1,649</u>	<u>361,530</u>	<u>361,530</u>
300	Total Liabilities	615,637	99,345	714,982	714,982
508.4	Net Investment in Capital Assets	1,263,104	623	1,263,727	1,263,727
511.4	Restricted Net Position	75,000	-	75,000	75,000
512.4	Unrestricted Net Position	487,862	172,732	660,594	660,594
513	Total Equity - Net Assets / Position	<u>1,825,966</u>	<u>173,355</u>	<u>1,999,321</u>	<u>1,999,321</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 2,441,603</u>	<u>\$ 272,700</u>	<u>\$ 2,714,303</u>	<u>\$ 2,714,303</u>

Traverse City Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2020

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
70300	Net Tenant Rental Revenue	\$ 461,980	\$ -	\$ 461,980	\$ 461,980
70400	Tenant Revenue - Other	1,629	-	1,629	1,629
70500	Total Tenant Revenue	<u>463,609</u>	<u>-</u>	<u>463,609</u>	<u>463,609</u>
70600	HUD PHA Operating Grants	378,691	1,396,402	1,775,093	1,775,093
70610	Capital Grants	53,376	-	53,376	53,376
71100	Investment Income - Unrestricted	2,716	-	2,716	2,716
71400	Fraud Recovery	-	1,200	1,200	1,200
71500	Other Revenue	239,233	26,644	265,877	265,877
70000	Total Revenue	<u>1,137,625</u>	<u>1,424,246</u>	<u>2,561,871</u>	<u>2,561,871</u>
91100	Administrative Salaries	118,317	86,503	204,820	204,820
91200	Auditing Fees	3,100	3,000	6,100	6,100
91400	Advertising and Marketing	1,126	447	1,573	1,573
91500	Employee Benefit Contributions - Administrative	19,262	24,717	43,979	43,979
91600	Office Expenses	123,973	21,117	145,090	145,090
91700	Legal Expense	25,780	305	26,085	26,085
91800	Travel	7,386	1,936	9,322	9,322
91900	Other	6,407	8,189	14,596	14,596
91000	Total Operating - Administrative	<u>305,351</u>	<u>146,214</u>	<u>451,565</u>	<u>451,565</u>
92400	Tenant Services - Other	53,657	-	53,657	53,657
92500	Total Tenant Services	<u>53,657</u>	<u>-</u>	<u>53,657</u>	<u>53,657</u>
93100	Water	22,136	-	22,136	22,136
93200	Electricity	125,698	-	125,698	125,698
93300	Gas	15,345	-	15,345	15,345
93000	Total Utilities	<u>163,179</u>	<u>-</u>	<u>163,179</u>	<u>163,179</u>
94100	Ordinary Maintenance and Operations - Labor	149,436	-	149,436	149,436
94200	Ordinary Maintenance and Operations - Materials and Other	30,857	-	30,857	30,857
94300	Ordinary Maintenance and Operations - Contracts	121,177	-	121,177	121,177
94500	Employee Benefit Contributions - Ordinary Maintenance	42,156	-	42,156	42,156
94000	Total Maintenance	<u>343,626</u>	<u>-</u>	<u>343,626</u>	<u>343,626</u>
96140	All Other Insurance	32,392	-	32,392	32,392
96100	Total Insurance Premiums	<u>32,392</u>	<u>-</u>	<u>32,392</u>	<u>32,392</u>
96200	Other General Expenses	50,727	236	50,963	50,963
96210	Compensated Absences	5,275	2,099	7,374	7,374
96300	Payments in Lieu of Taxes	28,537	-	28,537	28,537
96400	Bad Debt - Tenant Rents	2,935	-	2,935	2,935
96000	Total Other General Expenses	<u>87,474</u>	<u>2,335</u>	<u>89,809</u>	<u>89,809</u>

Traverse City Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2020

Line Item #	Account Description	Project Totals	Program Totals	Subtotal	Total
96710	Interest on Mortgage (or Bonds) Payable	\$ 17,658	\$ -	\$ 17,658	\$ 17,658
96720	Interest on Notes Payable (Short and Long Term)	5,242	-	5,242	5,242
96700	Total Interest Expense and Amortization Cost	<u>22,900</u>	<u>-</u>	<u>22,900</u>	<u>22,900</u>
96900	Total Operating Expenses	<u>1,008,579</u>	<u>148,549</u>	<u>1,157,128</u>	<u>1,157,128</u>
97000	Excess of Operating Revenue over Operating Expenses	129,046	1,275,697	1,404,743	1,404,743
97100	Extraordinary Maintenance	31,496	-	31,496	31,496
97300	Housing Assistance Payments	-	1,209,516	1,209,516	1,209,516
97350	HAP Portability-In	-	18,356	18,356	18,356
97400	Depreciation Expense	<u>189,427</u>	<u>681</u>	<u>190,108</u>	<u>190,108</u>
90000	Total Expenses	<u>1,229,502</u>	<u>1,377,102</u>	<u>2,606,604</u>	<u>2,606,604</u>
10010	Operating Transfer In	30,054	-	30,054	30,054
10020	Operating Transfer Out	<u>(30,054)</u>	<u>-</u>	<u>(30,054)</u>	<u>(30,054)</u>
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(91,877)	47,144	(44,733)	(44,733)
11020	Required Annual Debt Principal Payments	67,600	-	67,600	67,600
11030	Beginning Equity	1,925,096	126,211	2,051,307	2,051,307
11040	Prior Period Adjustment, Equity Transfers and Correction of Errors	(7,253)	-	(7,253)	(7,253)
11170	Administrative Fee Equity	-	173,355	173,355	173,355
11190	Unit Months Available	1,620	2,093	3,713	3,713
11210	Number of Unit Months Leased	1,603	2,081	3,684	3,684
11270	Excess Cash	312,959	-	312,959	312,959
11620	Building Purchases	822	-	822	822
13510	CFFP Debt Service Payments	52,554	-	52,554	52,554



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA
(989) 751-1167

ROBERT R. KLACZKIEWICZ, CPA
(989) 751-3064

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, 2020, 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 November 25, 2020.

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) as a basis for designing 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.

A handwritten signature in black ink that reads "Smith + Klayhewicz PC". The signature is written in a cursive, slightly slanted style.

Saginaw, Michigan

November 25, 2020



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA
(989) 751-1167

ROBERT R. KLACZKIEWICZ, CPA
(989) 751-3064

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, 2020. 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, 2020.

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
November 25, 2020

Traverse City Housing Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency / Pass Through Agency / Program Title	Federal CFDA Number	Amount Expended
Department of Housing and Urban Development		
Direct programs:		
Public and Indian Housing	14.850	\$ 335,900
Section 8 Housing Choice Vouchers	14.871	1,308,223
Section 8 Housing Choice Vouchers - Family Self Sufficiency	14.871	68,198
Total Section 8 Housing Choice Vouchers		<u>1,376,421</u>
Public Housing Capital Fund	14.872	96,167
Total Department of Housing and Urban Development		<u>\$ 1,808,488</u>
Reconciliation to Statement of Activities		
Federal revenue reported on the Statement of Activities:		
Program grants - subsidies		\$ 1,775,093
Capital grants		53,376
Change in equity related to federal awards		<u>(19,981)</u>
Total expenditures per Schedule of Expenditures of Federal Awards		<u>\$ 1,808,488</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, 2020

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, 2020. 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, 2020

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, 2020

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