

FERNDALE HOUSING COMMISSION
FERNDALE, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

FERNDALE HOUSING COMMISSION
Ferndale, Michigan

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DECEMBER 31, 2019

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SECTION I
AUDITOR'S REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

Barrale Renshaw CPAs and Advisors LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Ferndale Housing Commission
Ferndale, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Ferndale Housing Commission, Michigan, (Commission), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Ferndale Housing Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 Ferndale Housing Commission'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 Ferndale Housing Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ferndale Housing Commission, as of December 31, 2019 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Barrale Renshaw CPAs and Advisors LLC

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through vii 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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ferndale Housing Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the remaining accompanying supplementary information including the Financial Data Schedule - HUD Prescribed Format are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above described supplementary 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 Ferndale Housing Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ferndale Housing Commission's internal control over financial reporting and compliance.

Barrale Renshaw CPAs and Advisors

Barrale Renshaw CPAs and Advisors LLC
St. Louis, Missouri
November 25, 2020

Ferndale Housing Commission

Management's Discussion and Analysis (MD&A) December 31, 2019 (Unaudited)

This section of the Ferndale Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on December 31, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net position" refers to the difference between assets and liabilities. The Commission's total net position as of December 31, 2019 were \$4,173,692. The net position decreased by \$170,029, a decrease of 3.9% from the prior year.

Revenues and contributions for the Commission were \$7,005,220 for the year ended December 31, 2019. This was an increase of \$324,784 or 4.9% from the prior year.

Expenses for the Commission were \$7,139,572 for the year ended December 31, 2019. This was an increase of \$449,456 or 6.7% from the prior year.

HUD operating grants were \$6,357,447 for the year ended December 31, 2019. This was an increase of \$91,283 or 1.5% from the prior year. Capital contributions for the Commission were \$6,249 for the year ended December 31, 2019, which was a 100% increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) - HUD Prescribed Format as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

Ferndale Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the 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.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) - HUD Prescribed Format as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2018 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$4,173,692 at the close of the year ended December 31, 2019 down from \$4,323,721 in 2018. The decrease in net position of \$170,029 was due to the change in net position for the year.

The unrestricted net position were \$1,121,494 as of December 31, 2019. This amount may be used to meet the Commission's ongoing obligations. The Commission had \$93,152 in net position classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

**Ferndale Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

FINANCIAL ANALYSIS (CONTINUED)

*Condensed Statements of Net Position
December 31,*

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 1,744,709	\$ 1,712,544	\$ 32,165	1.9%
Capital assets	2,959,046	3,200,133	(241,087)	-7.5%
Deferred outflow of revenue	37,848	33,357	4,491	13.5%
Total Assets	<u>4,741,603</u>	<u>4,946,034</u>	<u>(204,431)</u>	-4.1%
Current liabilities	165,156	228,697	(63,541)	-27.8%
Noncurrent liabilities	402,755	373,616	29,139	7.8%
Total Liabilities	<u>567,911</u>	<u>602,313</u>	<u>(34,402)</u>	-5.7%
Net Position				
Net investment in capital assets	2,959,046	3,200,133	(241,087)	-7.5%
Restricted HAP	93,152	99,762	(6,610)	-6.6%
Unrestricted	1,121,494	1,043,826	77,668	7.4%
Total Net Position	<u>\$ 4,173,692</u>	<u>\$ 4,343,721</u>	<u>\$ (170,029)</u>	-3.9%

The largest portion of the Commission's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The 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 change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues and contributions increased by \$324,784 due to decreases in all revenue sources. HUD revenue will often vary from year to year since it is dependent on the federal budget (operating subsidy) and availability and/or use of grant revenues. Rental revenue increased primarily due to increases in other tenant charges. Interest income increased due to an increase in the rate of return on investments.

**Ferndale Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

FINANCIAL ANALYSIS (CONTINUED)

*Condensed Statements of Revenues, Expenses
and Changes in Net Position
Year Ended December 31,*

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 417,271	\$ 387,938	\$ 29,333	7.6%
HUD operating grants	6,357,447	6,266,164	91,283	1.5%
Capital contributions	6,249	----	6,249	100.0%
Interest income	3,582	1,948	1,634	83.9%
Other income	220,671	24,386	196,285	804.9%
Total Revenues and Contributions	<u>7,005,220</u>	<u>6,680,436</u>	<u>324,784</u>	4.9%
Expenses				
Personal services	554,440	659,693	(105,253)	-16.0%
Utilities	219,181	238,266	(19,085)	-8.0%
Operations and maintenance	465,871	276,720	189,151	68.4%
Non routine maintenance	212,927	20,975	191,952	90.1%
Insurance	52,816	51,814	1,002	1.9%
Payment in lieu of taxes	20,415	19,617	798	4.1%
Other supplies and expenses	246,510	166,964	79,546	47.6%
Housing assistance payments	5,120,075	4,991,223	128,852	2.6%
Depreciation	247,337	264,844	(17,507)	-6.6%
Total Expenses	<u>7,139,572</u>	<u>6,690,116</u>	<u>449,456</u>	6.7%
Change in net position	(134,352)	(9,680)	(124,672)	
Beginning net position	4,343,721	4,353,401	(9,680)	
Prior period adjustments	<u>(35,677)</u>	<u>----</u>	<u>(35,677)</u>	
Beginning net position, adjusted	<u>4,308,044</u>	<u>4,353,401</u>	<u>(45,357)</u>	
Ending net position	<u>\$ 4,173,692</u>	<u>\$ 4,343,721</u>	<u>\$ (170,029)</u>	

Total expenses for the Commission increased by \$449,456 due to increases in housing assistance payments, payment in lieu of taxes, operations and maintenance, non routine maintenance, insurance and other supplies and expenses, which was slightly offset by decreases in personal services, utilities and depreciation. Increases and decreases are part of the normal operation of the housing authority.

**Ferndale Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

CAPITAL ASSETS

Capital Assets - The Ferndale Housing Commission's investment in capital assets, as of December 31, 2019 amounts to \$2,959,046 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

*Capital Assets
Net of Accumulated Depreciation
December 31,*

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>
Land	\$ 823,793	\$ 823,793	\$ ----
Building	5,684,153	5,684,153	----
Infrastructure	----	145,505	(145,505)
Furniture, equipment and machinery-dwelling	----	38,212	(38,212)
Furniture, equipment and machinery-administration	171,988	255,780	(83,792)
Leasehold improvement	<u>1,599,104</u>	<u>4,472,070</u>	<u>(2,872,966)</u>
	8,279,038	11,419,513	(3,140,475)
Accumulated depreciation	<u>5,319,992</u>	<u>8,219,380</u>	<u>(2,899,388)</u>
Total	<u>\$ 2,959,046</u>	<u>\$ 3,200,133</u>	<u>\$ (241,087)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$241,087 or 7.5% in terms of net book value. The Authority had no actual expenditures to purchase equipment and construct capital assets for the year. The Commission has \$1,197 available in Capital Funds to draw down and spend in the future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2020 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Ms. Heather Van Poucker, Executive Director, Ferndale Housing Commission, 415 Withington Street, Ferndale, Michigan 48220, (248) 547-9500.

SECTION II
FINANCIAL STATEMENTS
AND
NOTES TO FINANCIAL STATEMENTS

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

STATEMENT OF NET POSITION

December 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,595,887
Investments		131,000
Receivable - net of allowances:		
Accounts		46
Prepaid expenses		<u>17,776</u>
Total Current Assets		<u>1,744,709</u>

Capital assets:

Land, improvements, and construction in progress		823,793
Other capital assets, net of depreciation		<u>2,135,253</u>
Total capital assets- net		<u>2,959,046</u>

Deferred outflow of revenues 37,848

 Total deferred outflow of revenues 37,848

 Total Assets 4,741,603

LIABILITIES

Current Liabilities:

Accounts Payable		61,019
Accrued salaries, wages and benefits		9,125
Accrued compensated absences		49,517
Tenant security deposit liability		<u>45,495</u>
Total Current Liabilities		<u>165,156</u>

Noncurrent Liabilities:

Accrued Pension and OPEB liability 402,755

 Total Noncurrent Liabilities 402,755

 Total Liabilities 567,911

See notes to financial statements

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

STATEMENT OF NET POSITION (CONTINUED)

December 31, 2019

NET POSITION

Net investment in capital assets	2,959,046
Unrestricted	<u>1,214,646</u>
Total Net Position	<u>\$ 4,173,692</u>

See notes to financial statements

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For Year Ended December 31, 2019

Operating Revenues:	
Rental revenue	\$ 417,271
Operating subsidies- HUD grants	6,357,447
Other revenues	<u>220,671</u>
Total operating revenues	<u>6,995,389</u>
Operating Expenses:	
Personal services	554,440
Utilities	219,181
Operations and maintenance	465,871
Non routine maintenance	212,927
Insurance	52,816
Payment in lieu of taxes	20,415
Other supplies and expenses	246,510
Housing assistance payments	5,120,075
Depreciation	<u>247,337</u>
Total operating expenses	<u>7,139,572</u>
Operating income (loss)	<u>(144,183)</u>
Non-operating revenues (expenses):	
Interest and investment earnings	<u>3,582</u>
Net non-operating revenues (expenses)	<u>3,582</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(140,601)
Capital contributions	<u>6,249</u>
Change in net position	(134,352)
Net position at beginning of year	4,343,721
Prior period error corrections	<u>(35,677)</u>
Net position adjusted at beginning of year	<u>4,308,044</u>
Net position at end of year	<u><u>\$ 4,173,692</u></u>

See notes to financial statements

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2019

Cash flows from operating activities:

Cash received from tenants	\$ 423,336
Cash received from HUD grants- operating	6,381,149
Cash received from other operating activities	220,671
Cash payments for goods and services	(6,401,045)
Cash payments to employees-salaries	(463,217)
Cash payments to employees-compensated absences	2,282
Cash payments for employee benefit contributions	(103,084)
Cash (payments) receipts for in lieu of property taxes	<u>(19,617)</u>

Net cash provided (used) by operating activities 40,475

Cash flows from noncapital financing activities:

Receipts (payments) from interprograms	<u>(34,731)</u>
--	-----------------

Net cash provided (used) from non capital financing activities (34,731)

Cash flows from capital and related financing activities:

Capital contributions	6,249
Proceeds from sale of assets	(1)
Receipts (payments) from deferred credits and escrow deposits	29,139
Payments for capital assets	<u>(6,249)</u>

Net cash (used) for capital and related financing activities 29,138

Cash flows from investing activities:

Proceeds from sale of (payments) for investments	93,892
Interest and dividends	3,582
Receipts (payments) from tenant security deposits	<u>3,050</u>

Net cash provided (used) from investing activities 100,524

Net increase (decrease) in cash and cash equivalents	135,406
Cash and cash equivalents at beginning of year	<u>1,460,481</u>

Cash and cash equivalents at beginning of year- adjusted 1,460,481

Cash and cash equivalents at end of year \$ 1,595,887

See notes to financial statements

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended December 31, 2019

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$	(144,183)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		247,337
Changes in assets and liabilities:		
Receivables		11,460
Prepaid expenses		(37,788)
Accounts and other payables		18,791
Unearned revenues		(45,563)
Compensated absences		2,282
Accrued expenses		<u>(11,861)</u>
Net cash provided (used) by operating activities	\$	<u><u>40,475</u></u>

See notes to financial statements

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies

The Ferndale Housing Commission (Commission) is a Special Purpose Government entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and GASB No. 61, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed 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 meeting this criteria.

1b. GASB Implementation

The Housing Authority has implemented the Governmental Accounting Standards Board (GASB) Statements number 62, 63 and 65 for those audits with financial statements for periods beginning after December 15, 2011.

Governmental Accounting Standards Board (GASB) Statements 68 was implemented effective for fiscal years beginning June 15, 2014 and there after.

The Housing Authority has no deferred outflows of resources or deferred inflows of resources.

1c. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, net position, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1d. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the “economic resources” measurement focus is used as follows:

- ▶ The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms, if any, are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$5,000 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40	years
Furniture, equipment and machinery - dwelling	5 - 7	years
Furniture, equipment and machinery - administration	3 - 7	years
Leasehold improvements	5 - 15	years

Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Housing Choice Vouchers which is a HUD program.

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net position and displayed in two components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and 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. The Commission had no related debt.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

1f. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all interfund transfers between individual programs, if any, have been eliminated.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended December 31, 2019, the Commission complied, in all material respects, with these revenue restrictions.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it or the Commission will not be able to recover collateral securities in the possession of an outside party. As of December 31, 2019, the Commission's bank balances of \$1,622,214, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Commission's name.

Investments

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019, the Commission's investments were \$131,000. These investments were insured by federal depository insurance or registered, or securities held by the Commission or its agent in the Commission's name.

Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission will minimize credit risk by reviewing the financial institutions with which the Commission will do business so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Commission will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements and investing operating funds primarily in shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission does not have a written investment policy covering concentration of credit risk.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Accounts Receivable

Receivables detail at December 31, 2019, is as follows:

Tenant accounts receivable	\$	46
Allowance for doubtful accounts		<u>----</u>
	\$	<u><u>46</u></u>

3c. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance December 30, 2019</u>
<i>Non-Depreciable Assets</i>				
Land	\$ 823,793	\$ ----	\$ ----	\$ 823,793
<i>Depreciable Assets</i>				
Infrastructure	145,505	----	(145,505)	----
Building	5,684,153	----	----	5,684,153
Furniture, equipment and machinery- dwelling	38,212	----	(38,212)	----
Furniture, equipment and machinery- administration	255,780	6,249	(90,041)	171,988
Leasehold improvements	4,472,070	----	(2,872,966)	1,599,104
	11,419,513	<u>\$ 6,249</u>	<u>\$ (3,146,724)</u>	8,279,038
Accumulated depreciation	<u>8,219,380</u>	<u>\$ 247,337</u>	<u>\$ (3,146,725)</u>	<u>5,319,992</u>
Total	<u>\$ 3,200,133</u>			<u>\$ 2,959,046</u>

For assets that are depreciated refer to Note 1e - Capital Assets

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3d. Accounts Payable

Payable detail at December 31, 2019, is as follows:

Accounts payable - vendors	\$ 40,604
Accounts payable - other government - PILOT	<u>20,415</u>
	<u>\$ 61,019</u>

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at December 31, 2019 is \$49,517.

3f. Non-current Liabilities

As of December 31, 2019, the non-current liabilities are comprised of the following:

Accrued pension and OPEB liability	\$ <u>402,755</u>
Total	<u>\$ 402,755</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2019:

	<u>Balance December 31, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2019</u>	<u>Amounts Due within One Year</u>
Accrued pension and OPEB liability	\$ 373,616	\$ 29,139	\$ ----	\$ 402,755	\$ 49,517
Total	<u>\$ 373,616</u>	<u>\$ 29,139</u>	<u>\$ ----</u>	<u>\$ 402,755</u>	<u>\$ 49,517</u>

3g. Interprogram Transactions

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations. Offsetting operating transfers, if any, are eliminated for financial statement presentation.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 4 - Other Notes

4a. Employee Retirement Plan

The Ferndale Housing Commission provides pension benefits to all its eligible full time employees through a defined contribution plan administered by Municipal Employees Retirement System (MERS) of Michigan. A defined contribution plan depends solely on amounts contributed to the plan plus investment earnings. The Plan was established, is authorized and may be amended by the Commission's Board of Commissioners. The plan requires the Ferndale Housing Commission to contribute 11.5 percent of covered payroll and the employees to contribute 2 percent of covered payroll. The Housing Commission's contribution for each employee is fully vested after ten years of continuous service. Commission contributions forfeited by employees are used to pay administrative costs of the plan. The Commission accounts for pension costs as incurred.

For the year ended December 31, 2019, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 451,356
Payroll for covered employees	\$ 278,195
Employer (Commission) contributions made	\$ 31,992
Employee contributions made	\$ 5,564

The Authority offers no other post employment benefits.

At 12/31/2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employee entitled to but not yet receiving benefits	3
Active employees	<u>5</u>
	<u>9</u>

Total Pension Liability as of 12/31/2018 measurement date	\$1,077,611
Total Pension Liability as of 12/31/2019 measurement date	\$1,175,377
Service Cost for the year ending on the 12/31/2019 measurement date	\$ 12,602

Change in the Total Pension Liability due to :

- Benefit changes ¹ :	\$ -0-
- Differences between expected and actual experience ² :	\$ (19,384)
- Changes in assumptions ² :	\$ 35,795

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 4 - Other Notes (Continued)

4a. Employee Retirement Plan (Continued)

¹ A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

² Change in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

Average expected remaining service lives of all employees (active and inactive) 6

Covered employee payroll: \$ 278,195

Sensitivity of the Net Pension Liability to changes in the discount rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate (7.60%)	1% Increase <u>(8.60%)</u>
Change in Net Pension Liability as of 12/31/2019	\$ 138,482	-	\$(118,124)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Stevenson Company
b. Injuries to employees (workers' compensation)	Purchased insurance with Accident Fund: Claims are administered by Accident Fund
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.
d. Health and life	Purchased health insurance with Blue Cross/Blue Shield; Life insurance is provided by Standard Insurance Company

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE 4 - Other Notes (Continued)

4c. Economic Dependency

The Ferndale Housing Commission receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Commission receives could be reduced significantly and have an adverse impact on its operations.

4d. Commitments and Contingencies

Commitments—Construction

At December 31, 2019, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-19	\$ <u>241,953</u>	\$ <u>240,756</u>
	\$ <u><u>241,953</u></u>	\$ <u><u>240,756</u></u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended December 31, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	U.S. Department of HUD		
	Public and Indian Housing		
	<u>Nonmajor - Direct Program</u>		
2019	Low Rent Program	14.850a	\$ <u>501,055</u>
	Low Income Public Housing		
	<u>Major - Direct Program</u>		
2019	Housing Choice Vouchers	14.871	\$ <u>5,564,277</u>
	Public and Indian Housing		
	<u>Nonmajor - Direct Program</u>		
2019	Capital Fund program	14.872	\$ <u>298,364</u>
	Total		\$ <u>6,363,696</u>

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS (CONTINUED)**

Year Ended December 31, 2019

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 -Basis of Presentation

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal award programs of the Authority. All Federal awards received directly from Federal agencies as well as Federal awards passed through other governmental agencies or other entities are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200. *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) Because the Schedule presents only a select position, changes in net position or cash flows of the Authority.

NOTE 2 - Significant Accounting Policies

The Authority's Schedule of Federal Awards has been prepared on the accrual basis of accounting. Grant revenue is recognized on the modified accrual bases and, when all applicable eligibility requirements are met in accordance with the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The criteria established by GASB for accrual-bases recognition require that all eligibility requirement must be met and the revenues must be available. "Available" means that the government has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Resources received or recognized as receivables before the time requirements are met are reported as deferred revenues. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

NOTE 3 - Contingencies

In connection with various Federal grant programs the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2019

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-15</u>
Funds approved	\$ 142,714
Funds expended	<u>142,714</u>
Excess of Funds Approved	<u>\$ -----</u>
Funds advanced	\$ 142,714
Funds expended	<u>142,714</u>
Excess (deficiency) of Funds Advanced	<u>\$ -----</u>

2. The costs as shown on the Actual Cost Certificate dated April 15, 2019 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2019.
3. All costs have been paid and all related liabilities have been discharged through payments.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2019

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-16</u>
Funds approved	\$ 145,049
Funds expended	<u>145,049</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 145,049
Funds expended	<u>145,049</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated April 15, 2019 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2019.
3. All costs have been paid and all related liabilities have been discharged through payments.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2019

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-17</u>
Funds approved	\$ 149,586
Funds expended	<u>149,586</u>
Excess of Funds Approved	<u>\$ -----</u>
Funds advanced	\$ 149,586
Funds expended	<u>149,586</u>
Excess (deficiency) of Funds Advanced	<u>\$ -----</u>

2. The costs as shown on the Actual Cost Certificate dated April 15, 2019 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2019.
3. All costs have been paid and all related liabilities have been discharged through payments.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2019

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-18</u>
Funds approved	\$ 231,670
Funds expended	<u>231,670</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 231,670
Funds expended	<u>231,670</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated October 30, 2020 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2019.
3. All costs have been paid and all related liabilities have been discharged through payments.

EXHIBIT A
FINANCIAL DATA SCHEDULE

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$692,806	\$860,943	\$1,553,749	\$1,553,749
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$42,138		\$42,138	\$42,138
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$734,944	\$860,943	\$1,595,887	\$1,595,887
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$46		\$46	\$46
126.1 Allowance for Doubtful Accounts -Tenants	\$0		\$0	\$0
126.2 Allowance for Doubtful Accounts - Other				
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$46	\$0	\$46	\$46
131 Investments - Unrestricted	\$131,000		\$131,000	\$131,000
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$17,776		\$17,776	\$17,776
143 Inventories				

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From	\$31,722		\$31,722	\$31,722
145 Assets Held for Sale				
150 Total Current Assets	\$915,488	\$860,943	\$1,776,431	\$1,776,431
161 Land	\$823,793		\$823,793	\$823,793
162 Buildings	\$5,684,153		\$5,684,153	\$5,684,153
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$171,988		\$171,988	\$171,988
165 Leasehold Improvements	\$1,599,104		\$1,599,104	\$1,599,104
166 Accumulated Depreciation	-\$5,319,992		-\$5,319,992	-\$5,319,992
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,959,046	\$0	\$2,959,046	\$2,959,046
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$2,959,046	\$0	\$2,959,046	\$2,959,046
200 Deferred Outflow of Resources	\$37,848		\$37,848	\$37,848
290 Total Assets and Deferred Outflow of Resources	\$3,912,382	\$860,943	\$4,773,325	\$4,773,325

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$40,604		\$40,604	\$40,604
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$9,125		\$9,125	\$9,125
322 Accrued Compensated Absences - Current Portion	\$49,517		\$49,517	\$49,517
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$20,415		\$20,415	\$20,415
341 Tenant Security Deposits	\$45,495		\$45,495	\$45,495
342 Unearned Revenue				
343 Current Portion of Long-term Debt - Capital				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To		\$31,722	\$31,722	\$31,722
348 Loan Liability - Current				
310 Total Current Liabilities	\$165,156	\$31,722	\$196,878	\$196,878
351 Long-term Debt, Net of Current - Capital Projects/Mortgage				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current				
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
357 Accrued Pension and OPEB Liabilities	\$402,755		\$402,755	\$402,755
350 Total Non-Current Liabilities	\$402,755	\$0	\$402,755	\$402,755
300 Total Liabilities	\$567,911	\$31,722	\$599,633	\$599,633
400 Deferred Inflow of Resources				
508.4 Net Investment in Capital Assets	\$2,959,046		\$2,959,046	\$2,959,046
511.4 Restricted Net Position		\$0	\$0	\$0
512.4 Unrestricted Net Position	\$385,425	\$829,221	\$1,214,646	\$1,214,646
513 Total Equity - Net Assets / Position	\$3,344,471	\$829,221	\$4,173,692	\$4,173,692
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$3,912,382	\$860,943	\$4,773,325	\$4,773,325

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$430,567		\$430,567	\$430,567
70400 Tenant Revenue - Other	\$1,573		\$1,573	\$1,573
70500 Total Tenant Revenue	\$432,140	\$0	\$432,140	\$432,140
70600 HUD PHA Operating Grants	\$793,170	\$5,564,277	\$6,357,447	\$6,357,447
70610 Capital Grants	\$6,249		\$6,249	\$6,249
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$3,582		\$3,582	\$3,582
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery		\$4,763	\$4,763	\$4,763
71500 Other Revenue	\$215,908		\$215,908	\$215,908
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$1,451,049	\$5,569,040	\$7,020,089	\$7,020,089
91100 Administrative Salaries	\$96,629	\$233,799	\$330,428	\$330,428

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
91200 Auditing Fees	\$8,730		\$8,730	\$8,730
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$12,595	\$41,379	\$53,974	\$53,974
91600 Office Expenses	\$8,154	\$8,920	\$17,074	\$17,074
91700 Legal Expense	\$24,822		\$24,822	\$24,822
91800 Travel	\$1,723		\$1,723	\$1,723
91810 Allocated Overhead				
91900 Other	\$73,188	\$58,811	\$131,999	\$131,999
91000 Total Operating - Administrative	\$225,841	\$342,909	\$568,750	\$568,750
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other	\$36,491		\$36,491	\$36,491
92500 Total Tenant Services	\$36,491	\$0	\$36,491	\$36,491
93100 Water	\$137,042		\$137,042	\$137,042
93200 Electricity	\$35,215		\$35,215	\$35,215
93300 Gas	\$46,924		\$46,924	\$46,924
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
93800 Other Utilities Expense				
93000 Total Utilities	\$219,181	\$0	\$219,181	\$219,181
94100 Ordinary Maintenance and Operations - Labor	\$120,928		\$120,928	\$120,928
94200 Ordinary Maintenance and Operations - Materials and	\$35,241		\$35,241	\$35,241
94300 Ordinary Maintenance and Operations Contracts	\$375,273	\$44,757	\$420,030	\$420,030
94500 Employee Benefit Contributions - Ordinary Maintenance	\$49,110		\$49,110	\$49,110
94000 Total Maintenance	\$580,552	\$44,757	\$625,309	\$625,309
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs	\$10,600		\$10,600	\$10,600
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$10,600	\$0	\$10,600	\$10,600
96110 Property Insurance	\$21,500		\$21,500	\$21,500
96120 Liability Insurance	\$24,162		\$24,162	\$24,162
96130 Workmen's Compensation	\$7,154		\$7,154	\$7,154
96140 All Other Insurance				
96100 Total insurance Premiums	\$52,816	\$0	\$52,816	\$52,816
96200 Other General Expenses	\$25,671		\$25,671	\$25,671
96210 Compensated Absences				
96300 Payments in Lieu of Taxes	\$20,415		\$20,415	\$20,415
96400 Bad debt - Tenant Rents	\$14,869		\$14,869	\$14,869
96500 Bad debt - Mortgages				

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$60,955	\$0	\$60,955	\$60,955
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,186,436	\$387,666	\$1,574,102	\$1,574,102
97000 Excess of Operating Revenue over Operating Expenses	\$264,613	\$5,181,374	\$5,445,987	\$5,445,987
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized	\$212,927		\$212,927	\$212,927
97300 Housing Assistance Payments		\$5,120,075	\$5,120,075	\$5,120,075
97350 HAP Portability-In				
97400 Depreciation Expense	\$247,337		\$247,337	\$247,337
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,646,700	\$5,507,741	\$7,154,441	\$7,154,441
10010 Operating Transfer In				
10020 Operating transfer Out				

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	Total
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$195,651	\$61,299	-\$134,352	-\$134,352
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$3,575,799	\$767,922	\$4,343,721	\$4,343,721
11040 Prior Period Adjustments, Equity Transfers and	-\$35,677		-\$35,677	-\$35,677
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity		\$829,221	\$829,221	\$829,221
11180 Housing Assistance Payments Equity		\$0	\$0	\$0

Ferndale Housing Commission (MI096)

FERNDALE, MI

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2019

	Project Total	14,871 Housing Choice Vouchers	Subtotal	Total
11190 Unit Months Available	1992	11700	13692	13692
11210 Number of Unit Months Leased	1899	10612	12511	12511
11270 Excess Cash	\$658,030		\$658,030	\$658,030
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$0		\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$6,249		\$6,249	\$6,249
11650 Leasehold Improvements Purchases	\$0		\$0	\$0
11660 Infrastructure Purchases	\$0		\$0	\$0
13510 CFFP Debt Service Payments	\$0		\$0	\$0
13901 Replacement Housing Factor Funds	\$0		\$0	\$0

SECTION III
REPORTS ON COMPLIANCE
AND
ON INTERNAL CONTROL

Barrale Renshaw CPAs and Advisors LLC

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Ferndale Housing Commission
Ferndale, Michigan

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 Ferndale Housing Commission, Michigan, (Commission), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Ferndale 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 Ferndale 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 Ferndale Housing Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ferndale 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 Ferndale 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*.

Barrale Renshaw CPAs and Advisors LLC

Purpose of this Report

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

Barrale Renshaw CPAs and Advisors

Barrale Renshaw CPAs and Advisors LLC
St. Louis, Missouri
November 25, 2020

Barrale Renshaw CPAs and Advisors LLC

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control over Compliance Required by Uniform Guidance

Board of Commissioners
Ferndale Housing Commission
Ferndale, Michigan

Report on Compliance for Each Major Federal Program

We have audited the Ferndale Housing Commission, Michigan'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 Ferndale Housing Commission's major federal programs for the year ended December 31, 2019. The Ferndale 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 Ferndale 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Ferndale 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 with each major program. However, our audit does not provide a legal determination of the Ferndale Housing Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Ferndale 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 identified above for the year ended December 31, 2019.

Barrale Renshaw CPAs and Advisors LLC

Report on Internal Control Over Compliance

Management of the Ferndale 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 Ferndale 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 Ferndale 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 requirements 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the 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*, as defined above. However, material weaknesses may exist that have not been identified.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Ferndale Housing Commission, Michigan, as of and for the year ended December 31, 2019, and the related notes of the financial statements, which collectively comprise the Ferndale Housing Commission, Michigan's basic financial statements. We issued our report thereon dated November 25, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Barrale Renshaw CPAs and Advisors LLC

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 our testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Barrale Renshaw CPAs and Advisors

Barrale Renshaw CPAs and Advisors LLC
St. Louis, Missouri
November 25, 2020

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

December 31, 2019

The prior audit report for the year ended December 31, 2018 contained no significant deficiencies.

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2019

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance</i> [2 CFR 20.516(a)]?	No
Identification of major programs:	

CFDA	
Number(s)	Name of Federal Program

14-871	Section 8 Housing Choice Vouchers
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Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

FERNDALE HOUSING COMMISSION

Ferndale, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended December 31, 2019 disclosed no Financial Statement audit findings.

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended December 31, 2019 disclosed no Federal Awards audit findings.

ACTION PLAN

The current audit report for the year ended December 31, 2019 disclosed no audit findings and consequently there is no action plan.

QUESTIONED COSTS

None