



JHC-2020-1
Request for Proposals

Independent Audit & Tax Services

Issue Date: April 15, 2020

Jackson Housing
Commission
301 Steward Avenue
Jackson, MI 49201
Office (517) 787-9241 Fax (517) 787-6143
Jackson Housing Commission

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Part I. Solicitation Information

A. Description of Services

The Jackson Housing Commission (JHC) is requesting proposals from Certified Public Accountants (CPA) for Independent Auditing Services (Audit). This scope is divided into two sections and we desire an CPA that can propose on both section of the Scope. The first section is for the Single Audit of the Jackson Housing Commission. The second section is for possible work that may require/need the services of the CPA as a result of possible RAD deals that are currently planned during the term of this engagement.

The term of engagement shall be for 2 years with 3 one-year options to renew starting with the audit for (FYE) March 31, 2020. Contract term is at the sole discretion of the Commission provided that delivered services have been acceptably performed for the initial term and a reasonable price has been established herein. The JHC intends to continue the relationship with the CPA on the basis of annual negotiations after the completion of the first-year contract. Each year after negotiation has taken place, an annual contract documenting the terms of the agreement will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement are subject to annual governing board approval if necessary.

The CPA will provide the contract for services and which must contain all federally required clauses and affirmations.

The CPA shall furnish and deliver all required work within the allocated time. The CPA shall be responsible for the employment, control and conduct of their employees and any approved consultants and for any damages resulting from any action or negligence of any employee or consultant.

B. Important Due Dates/ Locations/ Time

Schedule	
Event	Date
RFP Publication	April 15, 2020 at 9:00 AM
Questions Due	April 29, 2020 at 12:00PM
Proposals Submittal Deadline	May 15, 2020 at 4:00PM, EST

All questions concerning this RFP must be submitted in writing no later than April 29, 2020 at 12:00 p.m. EST . All questions must be emailed to l.ingram@jacksonhousing-mi.org

Once the question period has ended, all responses to questions will be posted as an addendum on JHC website. All Addenda's must be acknowledged with a signature and timely submitted as part of this solicitation. Proposals may be rejected if the addendum is not timely submitted as stated.

C. Preparation of Submission:

Paper Submission: Respondent must submit one (1) original unbound, five (5) copies. The proposals must substantially conform to the RFP checklist outline on page:

Proposals must be submitted and received addressed as follows:

Jackson Housing Commission (JHC)
Attention: Laurie Ingram
301 Steward Avenue # C
Jackson, MI 49201

Put the following information in the upper left-hand corner of the envelope when submitting proposals:

Company Name
Company Address
RFP/ Solicitation Number and Name
Date and time Proposals are due

Electronic Submission: Submit electronically via email a PDF file containing the entire proposal. Table of contents indexed and text recognition (OCR) active with the entire file searchable and indexed.

Email as one (1) complete pdf file to: l.ingram@jacksonhousing-mi.org

Caution: Late Proposal submission will be handled in accordance with the provisions contained in HUD Form HUD 5369-B Titled "LATE SUBMISSIONS, MODIFICATIONS, AND WITHDRAWALS OF OFFERS".

Part II. Reservation of Rights

1. The JHC reserves the right to reject any or all bids/proposals to waive informalities in the bidding/proposal process, and to terminate the bidding process at any time, if deemed to be in the best interest of the JHC.
2. The JHC reserves the right to terminate any contract awarded pursuant to this bid/RFP process, at any time for the convenience of the JHC upon five (5) days written notice to the successful bidder/responder.
3. The JHC reserves the right to determine the days, hours and locations that the successful bidder/responder shall provide the services detailed by this bid/RFP process.
4. The JHC reserves the right to hold all bids/proposals without award and not permit withdrawal of said bids/proposals for a period of sixty (60) days from the bid/ proposal opening date.
5. The JHC reserves the right to negotiate the proposed bid/proposal prices with the three (3) lowest, most responsible bidders/responders.
6. The JHC reserves the right to issue multiple contracts as a result of this offering.
7. The JHC reserves the right to reject any bid or proposal that it deems to be non-responsive or the bid/proposal from any bidder/response deemed to be non-responsive.
8. The JHC shall not be under any obligation to compensate any bidder/responder for any cost incurred in responding to this bid/RFP document,

Part III. Contract Conditions

Upon completion of the Proposal Evaluation Process, the JHC evaluation panel will forward its conclusions and recommendation to the JHC Executive Director. The Executive Director will submit the panel's conclusion and recommendation for approval of award, if required by the JHC Procurement Policy, to the JHC Board of the Commissioners at a regularly scheduled or special Board meeting. If the recommendation is approved, the successful firm will receive a Notice of Award

The following provisions are required in all contracts issued by the Jackson Housing Commission

a. Assignment of Personnel:

The JHC retains the rights to demand replacement or renewal of any personnel assigned to this project if the JHC believes that such a change would be in the best interest of the JHC and the successful completion of the contracted work.

b. Contract Period

The performance period of this Contract shall be twenty-four (24) months, starting with the March 31, 2020 audit unless otherwise agreed by all parties from the state of the JHC's Notice to Proceed and may be extended for an additional three (3) periods of twelve (12) months each for a total of sixty (60) months, based on satisfactory performance and mutual consent.

c. Contract Service Standards

All work performed pursuant to this "Request for Proposal" or any subsequent Contract shall conform and comply with all applicable local, state and federal laws and regulations.

d. Non-Discrimination Clause

A contract for work under this RFP will obligate the Contractor not to discriminate in employment practices. JHC encourages minority owned businesses to participate.

Bill/ Payment

The CPA shall submit an invoice to the JHC for work completed. The CPA shall include his or her Company Name, address, and telephone number; an invoice number referencing this Contract, and the detailed itemized statement of services provided. The JHC shall pay all invoices net thirty (30) days.

Part IV. Index of Documents

The INDEX OF DOCUMENTS shown below is provided to assist all Offerors in correctly preparing and submitting a responsive RFP to JHC in accordance with the requirements of the above RFP. The Index contains a listing of all documents and those that are required submittal items.

Please review this index and submit all documents that are checked “**REQUIRED SUBMITTAL**” with your proposal. Documents that are checked “**SIGNATURE REQUIRED**” must be properly executed. Documents that are checked “**NOTARY/CORPORATE SEAL REQUIRED**” must be notarized and/or have the Bidder’s corporate seal affixed.

DOCUMENT	REQUIRED SUBMITTAL	SIGNATURE REQUIRED	FOR YOUR REVIEW
Documents as outline in Part V. Submission Requirements	X	X	
Acknowledgements, Certifications and Required Documents as listed below:			
<i>Cover Sheet- Attached</i>	X		
<i>Cost Proposal Sheet- Attached</i>	X		
<i>HUD FORM (HUD-5369-B) Instructions to Offerors- Non-Construction- JHC Website</i>			X
<i>HUD 5369-C Certifications and Representations of Offers- Non-Construction- JHC Website</i>	X		
<i>HUD 5370 C- HUD General Conditions-Non-Construction Section I and II- JHC Website</i>			X
<i>Section 3 Compliance- JHC Website</i>	X	X	
<i>Bidders Statement- JHC Website</i>	X	X	
<i>Reference and past performance form- Attached</i>	X		
<i>Acknowledgement of addenda form- Attached</i>	X	X	
<i>Jackson Housing Commission 2019 Audited Financial Statement – Attached</i>			X

Part V. Scope of Services

For FYE March 31, 2020, the Single Audit for the JHC is required. During 2020 and beyond, participation in the HUD RAD Program is contemplated, although at this time, it is unclear as to exactly how RAD will be applied to the current JHC public housing stock and Section 8 programs. Depending on how RAD is used, JHC may need the advice of, preparation of select transactional work and/or audits such as cost certs and year-end audits to be prepared by the CPA.

1. Single Audit

- I. The Audit shall include all required and necessary reviews, research, tests and worksheets needed to determine and report on both the financial condition and program compliance of the Jackson Housing Commission under the program of the Department of Housing and Urban Development (HUD) that it administers. Audit is to be conducted in compliance with the Controller General of the United States' Single Audit Act Amendments of 1996 and in accordance with Code of Federal Regulations §200.514- 520, its most recent Compliance Supplement, and together with HUD regulations promulgated at 24 CFR Parts 5 and 902.
- II. The Audit shall include all necessary and required submissions and/or electronic transmissions to the:
 - State of Michigan Department of Treasury, within six months of the end of the fiscal year audited
 - HUD's Real Estate Assessment Center (REAC) through its Financial Assessment Subsystem (FASS), unaudited within 2 months and audited within 9 months of the end of the fiscal year audited
 - Federal Audit Clearinghouse on or about the date the REAC system is complete
 - HUD Field Office on or about the date the REAC system is complete
- III. Special attention is made to the requirements of 24 CFR Parts 902 detailing the Public Housing Assessment System (PHAS), the standard by which financial condition and program compliance of Public Housing Agencies is measured by HUD. Audit professionals are directed to 24 CFR 902 Subpart C, Financial Condition, as well as to related requirements of 24 CFR 5 Subpart H, Uniform Financial Reporting Standards, for a complete enumeration of the requirements for GAAP reporting and audit submission deadlines there under.
- IV. In the prior year, the JHC had federal revenues of approximately \$7.7M for the following programs:
 1. Low-Rent Public Housing, 540 units, 3 AMPS, (not under project-based requirements – approximate funding amount \$4.0M)
 2. Capital Fund Program related to LRPH (approximate funding amount \$.8M)
 3. Section-8 vouchers, 475 vouchers (approximate funding amount \$2.9M)
 4. 2019 Planned Activities:
 - Application for Rental Assistance Demonstration – RAD

Approximately the same is anticipated for the March 31, 2020 yearend.

V. Internal Control Structure

1. One (1) central office - the principle location for two (2) Program offices (S8 and LIPH)
2. JHC has an Executive Director, fourteen (14) administrative staff and twelve (12) maintenance staff. A defined benefit pension plan is provided to all full-time staff.
3. JHC retains a Fee Accountant that will provide information to the CPA.

VI. CPA Deliverables:

1. Audited Financial Package Requirements

- a. Financial Statements (including all applicable footnotes)
- b. Footnotes on the Summary of Significant Accounting Policies
- c. CPA's opinion on the financial statements and required supplementary schedules, i.e. Schedule of Expenditure or Federal Awards, Financial Data Schedule, et al.
- d. Report on Compliance and on Internal Control Over Financial Reporting based on an audit of financial statements performed in accordance with Government Auditing Standards (GAS) and/or Generally Accepted Auditing Standards (GAAS).
- e. Report on Compliance with requirement applicable to each "major program" and internal control over compliance in accordance with OMB Circular A-133.
- f. Schedule of Expenditures of Federal Awards.
- g. Schedule of Findings and Questioned Costs (includes "Summary of Auditor's Results" and findings in the current and prior year audits).
- h. Corrective Action Plan.
- i. Data Collection Form
- j. Management Discussion and Analysis.

2. The audit includes assistance with submitting the Data Schedule (FDS) as required by the Real Estate Assessment Center (REAC) and attestation on the data as to its "fair presentation in relation to audited basic financial statements" in accordance with Government Auditing Standards. JHC will review and approve the uploaded audited data before final submission.
3. The audit includes assistance with submitting to the Federal Audit Clearinghouse.
4. The audit firm will also be expected to prepare the Bureau of Census Data Collection Form (Form SF-SAC) to accompany with the Single Audit Report.
5. The CPA will also assist the JHC in providing financial data required for State of Michigan CFO Annual Agency Report.
6. The JHC requires that the audit start no later than July 1, 2020 and that a draft of the audit report be prepared by the CPA for review and approval by JHC no later than 2 weeks before the audit report is to be finalized.
7. Approximately five (5) copies of the audited financial reports must be presented to JHC and electronic revisions of the audited financial reports (in pdf format or the equivalent) along with the CPAs Trial Balance and Journal Entries and any requested workpapers (in excel format or the equivalent) .

8. The CPA will be expected to attend a meeting with the Executive Director and the Board of Commissioners to present the audit report and review the management letter. The letter would include non-reportable condition and immaterial instances of noncompliance and general recommendations on observations made during the audit that could be helpful to the financial management of the Authority. Related costs for this presentation shall be included in the proposed fee.

The books of account and financial records to be audited are maintained and located at the JHC administration office located at 301 Steward Avenue, Jackson, MI 49201. The Executive Director or designate shall make these books and records available to the audit firm.

JHC currently utilizes the Yardi software package for the core business activities such as management of housing, section 8 programs, inventory, procurement, banking, accounts payable and general ledger.

The CPA will also assist the JHC in providing financial data required for State of Michigan CFO Annual Agency Report.

VII. Other Requirements

- a. Audit Fieldwork can be done on-site at the JHS Offices or remotely if all documents that are required to be sent via the internet are done so in a manner that ensures the privacy of resident records.
- b. Report copies shall be remitted to federal agencies by the CPA where required on behalf of the JHC.

2. RAD Related

JHC is planning on moving public housing units out of the public housing program via the RAD process. As such, the scope of services for this area is for JHC and possible newly created affiliates. Some affiliates will have a direct legal ownership relationship with JHC or another JHC legal entity such as a direct instrumentality. Under this scope, the successful respondent would:

- Perform year-end audits for JHC Affiliates, in compliance with professional standards where required and issue audit reports complying with professional standards and the pertinent government requirement such as Michigan State Housing Development Authority (MSHDA) required reporting
- Prepare and electronically submit (where allowed) the necessary Federal and State tax returns where required,
- Perform and prepare Cost Certifications, 50% tests and 10% Test Reports where required,
- Assist with the completion of the IRS Form 8609's where required,
- Perform agreed upon procedures as needed for JHC and/or JHC Affiliates, eg. Preparation of Project Pro-formas, review of development project budgets
- Provide accounting related advise as needed for JHC and/or JHC Affiliates
- Perform other such tasks as needed that are allowed to be performed by a Independent Certified Public Accountant for JHC and/or JHC Affiliates
- Services will be required as needed for all legal entities that exist during the term of the contract – legal entities may be dissolved; legal entities may be created.

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- Other type of activities can include assistance with the possible selection of new financial software or financial forecasting/capital planning tools for JHC and affiliates.
- Provide Advisory Services and conduct activities consistent with the scope of services that can be provided by CPA firms for affiliates of JHC. In addition, JHC is requesting Advisory Services and performance of activities consistent with the scope of services that can be performed by CPA firms for business transactions, including transactions with their related parties.

A. MINIMUM QUALIFICATIONS

1. Respondent must be a Certified Public Accountant (CPA) licensed in the State of Michigan with 10+ years of experience with Public Housing Authorities, Affiliates of Public Housing Authorities and Tax Credit organizations. Knowledge of various legal structures; not for profits, LLCs, LPs, Foundations, etc is require.
2. Respondent must have experience representing affiliates of Housing Authorities and in understanding of HUD funded programs and related federal regulations and State of Michigan funded programs and regulations, including Low Income Housing Tax Credits (LIHTC's), New Market Credits , Historic Credits, Bonds, Private Market Loans, other types of funding and equity sources, and Budgeting for Real Estate transactions and other transactions as needed.
3. Respondent must be able to perform year-end audits, prepare Tax Returns and electronically submit them, perform agreed upon procedures as needed and be available for Advisory services.

Part VI. Submission Requirements

a. Proposal Preparation And Submission

Offerors' proposals must be prepared and submitted in such a manner that they address, at a minimum, the requirements of Sections B through L below in appropriate detail. Other preparation and submission requirements may be required by documents contained within Part V (Scope of Services). It is the Offeror's responsibility to ensure that their proposal submittals properly address all requirements requested by the RFP.

b. Letter of Interest

At the beginning of each proposal, the Offeror must provide a letter of interest listing the Offeror's members and identifying the primary contact person. The letter must be signed by an authorized principal of the Offeror's firm and include a statement that the proposal will remain valid for not less than sixty (60) days from the due date

c. Firms Qualifications

1. Firm's History
2. Firm's experience with Public Housing industry audits and timely filings
3. Experience with Tax Credit Projects and the HUD RAD Program
4. Staffing
 - a. Partner in charge
 - b. All personnel expected to be assigned to fieldwork
 - c. Record of filing HA audits timely to US HUD
5. Manner in which the privacy of records, in particular residents' records will be maintained
6. Ability of firm to deal with the customary aspects of JHC
7. Copy of license to practice in the State of Michigan
8. Results of Peer and External Quality Control Reviews

d. Offeror's Approach To Providing Required Services

Provide a brief description of no more than two (2) type written doubled space pages describing your organization's understanding of each of the separate tasks required under Part V. (Scope of Services) and the methodology that will be utilized to provide all required services.

e. Project Schedule/Ability To Perform In A Timely Manner

Briefly state your general audit procedures and sequence of audit activities.

f. Reliance upon the Authority Staff

List documents, schedules and reconciliations which you normally expect a PHA staff to prepare beyond usual financial records, account reconciliations and their source documents.

g. Sample Of Relevant Material

Submit samples of any/all charts, documents, forms, etc. that your organization will utilize to perform the required services contained herein.

h. Relevant And Past Experience

Offeror(s) must complete the JHC Reference and Past Performance Form.

i. Required Certifications

All certifications and other required documents shown on the “Index of Submittal Documents Required for RFPs” must be prepared and submitted with Offeror’s proposal for the proposal to be considered responsive to the JHC Request for Proposals (RFP)/Solicitation requirements. The minimum amount of time that Offeror’s proposal must remain valid is SIXTY (60) calendar days from the proposal submittal date.

j. Cost Proposal

Enclose in a separate sealed envelope using the attached cost proposal form.

- i. Provide estimate of staff levels to be utilized, man-days expected at each level, and hourly rate.
- ii. Provide estimate of all costs of travel, meals, lodging and other out-of-pocket expenses.
- iii. Provide estimate of any other costs associated with the audit.
- iv. Provide a total lump-sum fee for the engagement for the 2020 audit.
- v. Provide Hourly rates by staff level for possible RAD-related work

Part VII. Evaluation Criteria And Selection Procedures

1.Proposal Evaluation/Contract Award

Evaluation of the responses to this RFP may be evaluated using a two-step process. Step 1 may be used to determine which Offerers proposals are acceptable or potentially within the acceptable range. During Step 1, a committee will be appointed to evaluate technical proposals in accordance with the evaluation criteria stated in the RFP. The technical evaluation panel or committee performs the review of all technical proposals using the RFP's evaluation criteria.

For the purpose of conducting negotiations, proposals will be initially classified as acceptable, potentially acceptable, or unacceptable. The competitive range decision will take into account the evaluation of both technical and cost/price proposals. Proposals determined by the Contracting Officer to be acceptable or potentially acceptable and that have a reasonable chance of award shall be included in the competitive range.

As part of the evaluation process, proposals classified as acceptable and potentially acceptable may be requested to present its proposal and demonstrate the system before the evaluation committee. Any information gained during the presentation(s) may be used in the evaluation of the proposal. Failure to honor this request will be grounds for rejection of the respondent's proposal with no further consideration given.

2.Evaluation Criteria

The evaluation criteria to which each Offeror's submitted proposal will be reviewed, ranked, and scored is as follows. Each proposal has a maximum total possible score of 100 points.

1. Demonstration of the CPA's ability to perform the work, as evidenced by the profiles of the principals' professional and technical competence and experience as well as the identification of the actual audit team members to be assigned to the engagement, together with their individual resumes of education/experience, a description/location of the CPA's offices and if work will be performed remotely, a description of how the privacy of records, in particular resident records, will be maintained. Respondents must demonstrate ability to comply with HUD electronic submission requirements. **(Maximum of 30 points)**
2. Demonstrated capability to provide the professional services in a timely manner as evidenced through an analysis of the CPA's current workload vs. staffing and through past performance in terms of quality of work and compliance with review criteria as evidenced through the provision of a minimum of three references (PHA name, contact person, address & telephone number, with a description of services provided) for similar public housing agencies within the last three years. **(Maximum of 25 points)**

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3. Demonstrated knowledge of the Auditing Standards for HUD programs, as evidenced through a comprehensive citation of reference standards and testing protocol to be used in the audit. **(Maximum of 15 points)**
4. Demonstrated knowledge of LIHTC actions that can be performed by independent CPA's **(Maximum of 10 points)**
5. Respondent is a SBE/ MBE/WBE / DBE ownership status **(Maximum of 5 points)**
6. Section 3 qualified business enterprise. **(Maximum of 5 points)**
7. Compensation structure preference given to the most cost-efficient proposal **(maximum of 10 points)**

Proposals will be reviewed by an Evaluation Committee and in accordance with JHC Procurement Procedures.

For the purpose of conducting negotiations, proposals will be initially classed as:

- Acceptable (within range of 70-100 points),
- Potentially acceptable (within range of 60-69 points) or
- Unacceptable (within range of 0-50 points).

All responses received within the prescribed time shall be evaluated and ranked in accordance with the rating system described above. After evaluation, the contract shall be awarded to the responsible firm or individual whose qualifications, price, and other factors considered are the most advantageous to the Commission. The Jackson Housing Commission reserves the right to seek, through subsequent negotiations, clarification with regard to responses and advise respondents of the deficiencies in both the technical and price aspects of their proposals so as to assure full understanding of and conformance to the solicitation requirements. No respondent shall be provided information about any other respondent's proposal, and no respondents shall be assisted or directed in bringing its proposal up to the level of any other proposal.

JHC reserves the right to proceed directly to award if after the initial evaluations of proposals, there is a clear winner and there is no need to negotiate or obtain further clarification of information from the offeror.

All Offeror(s) must disclose any conflicts of interest, e.g., family member on JHC staff or a resident of public housing or Section 8 (Housing Choice Voucher).

Attachments



Request for Proposals

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Independent Audit and Tax Services

Proposal Cover Sheet

Company Name: _____

Address: _____

City, State & Zip Code: _____

Telephone: _____

Fax Number: _____

Contact Person Name: _____

Email Address: _____

Date Submitted: _____

Laurie Ingram
Executive Director

Cost Proposal - JHC 2020-1
Independent Audit and Tax Services

Proposer _____

Single Audit – March 31, 2020

Staffing Level	Projected Man-days for Year-End Audit	Hourly Rate	Extended Cost
		Fixed Fee	\$

Estimated Travel Costs	Estimated Meals	Estimated Lodging	Estimated Other Out-of-Pocket	Extended Cost

Type of Other Costs	Amount of Other Costs	Extended Cost

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RAD Related

Staffing Level	Hourly Rate
Tax Returns/State Filings	Estimated Per Tax Return Cost
Non-Profit Audit:	Estimated Fee: \$
LLC/LLP Audits:	Estimated Fee: \$

Reference And Past Performance Form
(NOTE: Reproduce Additional Sheets As Required)

List previous work/services rendered by your company which are 1) **DIRECTLY** related to the scope of work/services required by JHC, Request for Proposals, Request for Qualifications or Invitation For Bid and 2) equal to or greater than the dollar magnitude applicable to the scope of work/services quoted in your proposal.

NOTE: A Minimum of three (3) reference sheets is required. A questionnaire will be emailed to each reference. If a questionnaire is not returned by a reference, the offeror receives a zero (0) score for that reference. Offerors are highly encouraged to work closely with their references to ensure that the questionnaires are returned in a timely manner.

1. Name of Reference Company for which services were rendered:

2. Location of work (address) where services were performed:

3. Scope of work that was performed:

Year of completion: _____

4. Contact Person: _____

Phone No: _____

Email Address: _____

5. Cost of Project: _____

Acknowledgement Of Addenda Form

Bidder has received the following Addenda, the receipt of which is hereby acknowledged:

Addendum Number: _____ Date Received: _____

Addendum Number: _____ Date Received: _____

Addendum Number: _____ Date Received: _____

Addendum Number: _____ Date Received: _____

Addendum Number: _____ Date Received: _____

(Company Name)

(Signature)

(Printed or Typed Name)

2019 Audited Financial Statements

Jackson Housing Commission
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JACKSON HOUSING COMMISSION
JACKSON COUNTY, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**JACKSON HOUSING COMMISSION
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INTRODUCTION

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

Independent Auditor's Report

Board of Commissioners
Jackson Housing Commission
Jackson County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Jackson Housing Commission, Michigan, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Jackson Housing Commission, Michigan'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.

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Basis for Qualified Opinion

The Housing Commission has not implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the fiscal year. As a result, the financial statements do not recognize the Housing Commission's unfunded (funded) defined pension benefit obligation as a liability (asset) for the first time and more comprehensively and comparably measures the annual costs of pension costs. Our opinion is modified with respect to this matter.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Jackson Housing Commission, Michigan, as of March 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 to 11 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 Jackson Housing Commission, Michigan's basic financial statements. The combining statements and the financial data schedule on pages 30 to 33 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The 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*, and is also not a required part of the basic financial statements.

Jackson Housing Commission
RFP: JHC- 2020-1

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of Jackson Housing Commission, Michigan'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 the effectiveness of the Jackson Housing Commission, Michigan's 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 Jackson Housing Commission, Michigan's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

October 25, 2019

**Jackson Housing Commission
Management’s Discussion and Analysis (MD&A)
March 31, 2019
(Unaudited)**

As management of the Jackson Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Jackson Housing Commission’s financial activities for the fiscal year ended March 31, 2019. This discussion and analysis letter of the Jackson Housing Commission’s financial performance should be read in conjunction with the auditor’s opinion letter 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 Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures 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 as of March 31, 2019 was \$7,272,375. The net position increased by \$1,408,015, an increase of 24.0% over the prior fiscal year due to a change in net position of \$1,408,015.

Revenues and contributions for the Housing Commission were \$9,026,553 for the year ended March 31, 2019. This was an increase of \$1,206,698 an increase of 15.4% over the prior fiscal year.

Expenses for the Housing Commission were \$7,618,538 for the year ended March 31, 2019. This was an increase of \$936,918 or 14.0% over the prior fiscal year.

HUD operating grants were \$6,946,885 for the year ended March 31, 2019. This was an increase of \$1,202,758 an increase of 20.9% over the prior fiscal year. Capital contributions were \$784,319 for the year ended March 31, 2019. This was an increase of \$98,095 or 14.3% over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, 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 of *Supplemental Information*. The Housing Commission’s financial statements are presented as fund financial statements because the Housing Commission only has proprietary funds.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Commission.

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 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.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental 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.

FUND STATEMENTS

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. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

FUND STATEMENTS (Continued)

Low Rent Public Housing Program: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income or a flat rent.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% to 40% of a participant's income.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$7,272,375 at the close of the fiscal year ended March 31, 2019 an increase from \$5,864,360 in 2018. The increase in net position was due to the change in net position for the fiscal year of \$1,408,015.

The unrestricted net position had a positive balance of \$3,125,513 as of March 31, 2019. This amount can be used for ongoing obligations. The Housing Commission net position classified as restricted, of \$144,713, are subject to external restrictions on how they may be used. The restricted assets in the current fiscal year were from excess funding in the Housing Choice Voucher program. At the end of the current fiscal year, the Housing Commission is able to report positive balances in all categories of net position. The prior fiscal year reported positive balances in all categories of net position.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

FINANCIAL ANALYSIS (Continued)

**CONDENSED STATEMENTS OF NET POSITION
March 31,**

	2019	2018	Dollar Change
Current and other assets	\$ 3,527,940	\$ 1,758,798	\$ 1,769,142
Capital assets, net	4,002,149	4,408,618	(406,469)
Total Assets	<u>7,530,089</u>	<u>6,167,416</u>	<u>1,362,673</u>
Current liabilities	226,982	278,753	(51,771)
Noncurrent liabilities	30,732	24,303	6,429
Total Liabilities	<u>257,714</u>	<u>303,056</u>	<u>(45,342)</u>
Net position:			
Net investment in capital assets	4,002,149	4,468,188	(466,039)
Restricted	144,713	90,970	53,743
Unrestricted	3,125,513	1,305,202	1,820,311
Total Net Position	<u>\$ 7,272,375</u>	<u>\$ 5,864,360</u>	<u>\$ 1,408,015</u>

Total current assets increase of \$1,769,143 was due in large part to an increase in cash flows of \$1,762,597, and increase in account receivable-tenants of \$89,101, partially offset by a decrease in restricted cash of \$(68,042).

Current liabilities decreased by \$(51,771) in large part, due to accounts payable-trade decreasing by \$(45,680).

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. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. Part of the net position is restricted for the amount that HUD has overfunded the Housing Choice Program.

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.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

FINANCIAL ANALYSIS (Continued)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

	March 31, 2019	March 31, 2018	Dollar Change
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant revenue	\$ 1,138,574	\$ 1,191,524	\$ (52,950)
Tenant revenue-other	85,371	8,935	76,436
Total PHA generated Revenue	1,223,945	1,200,459	23,486
HUD operating grants	6,946,885	5,744,127	1,202,758
Capital contributions	784,319	686,224	98,095
Other income and fees	47,315	176,981	(129,666)
Fraud recovery	22,957	10,847	12,110
Interest income	1,132	1,217	(85)
Total Revenues and Contributions	9,026,553	7,819,855	1,206,698
Expenses			
Personnel services	1,671,144	1,612,070	59,074
Utilities	675,198	653,354	21,844
Maintenance	1,133,751	779,688	359,063
Insurance	299,076	92,063	207,013
Protective services	144,279	0	144,279
Payments in lieu of taxes	102,160	54,711	47,449
Other supplies and expenses	667,785	470,956	196,829
Housing assistance payments	2,518,676	2,610,177	(91,501)
Depreciation	406,469	408,601	(2,132)
Total Expenses	7,618,538	6,681,620	936,918
Change in net position	1,408,015	1,138,235	269,780
Prior period adjustment/correction	0	(3,576,223)	3,576,223
Beginning net position	5,864,360	8,302,348	(2,437,988)
Ending net position	<u>\$ 7,272,375</u>	<u>\$ 5,864,360</u>	<u>\$ 1,408,015</u>

Revenues:

As can be seen in the following table total revenues and contributions increased by \$1,206,698, in large part, due federal grants increasing by \$1,300,853 compared to the prior fiscal year.

**Jackson Housing Commission
Management’s Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

FINANCIAL ANALYSIS (Continued)

Revenues (continued):

Jackson Housing Commission’s primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. For year ending March 31, 2019, revenue generated by the Housing Commission accounted for \$1,223,945 (or 13.6% of total revenue), while HUD contributions accounted for \$7,731,204 (or 85.6% of total revenue).

Expenses:

Total expenses for the fiscal year ending March 31, 2019 were \$7,618,538 while for the year ending March 31, 2018 they were \$6,681,620. This represents a 14.0% increase in our operating costs. The expenses increased, in large part, due to an increase in maintenance costs of \$359,063, in increase in insurance expense of \$207,013, an increase in other supplies and expenses of \$196,829, and an increase in protective services of \$144,279.

The following represents changes in Federal Assistance received:

	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 4,090,716	\$ 2,741,767	\$ 1,348,949
Capital Fund Program Grants	784,319	805,462	(21,143)
Section 8 Housing Choice Voucher Program	2,856,169	2,883,122	(26,953)
Total	<u>\$ 7,731,204</u>	<u>\$ 6,430,351</u>	<u>\$ 1,300,853</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing increased mainly due to HUD increasing the percentage of funding to the Housing Commission. The slight decrease in the Section 8 Housing Choice Voucher Program funding was due to a decrease of vouchers being leased. The capital fund program used less than one year’s capital funding in the current fiscal year and more than one year in the prior fiscal year.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2019 was presented to and approved by the Board of Commissioners. Actual results were in line with budgeted amounts.

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

OPERATIONAL HIGHLIGHTS

The Jackson Housing Commission provided the following housing for low-income elderly and low-income families:

	3/31/19	3/31/18
Low Rent Public Housing Program	540	540
Section 8 Housing Choice Voucher Program	475	449

The Low Rent Public Housing Program had approximately a 97.1 per cent lease up rate during the current fiscal year. The Housing Choice Voucher Program had a 98.9 per cent lease up rate during the current fiscal year.

CAPITAL ASSETS

The Jackson Housing Commission's investment in capital assets, as of March 31, 2019 amounts to \$4,002,149 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
March 31,**

	2019	2018	Dollar Change
Buildings	\$ 29,347,028	\$ 29,347,028	\$ 0
Furniture, equipment and machinery			
- Dwellings	456,146	456,146	0
Furniture, equipment and machinery			
- Administration	396,010	396,010	0
Construction in progress	686,224	686,224	0
	30,885,408	30,885,408	0
Accumulated depreciation	(26,883,259)	(26,476,790)	(406,469)
Total	\$ 4,002,149	\$ 4,408,618	\$ (406,469)

Capital assets decreased by \$(406,469) due to depreciation of \$(406,469).

**Jackson Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

CAPITAL ASSETS (CONTINUED)

During the year ending March 31, 2019, our Capital Fund Program work projects included:

 Closet door and cabinet replacements at Chalet Terrace; Roof replacement at Chalet Terrace, Shahan Blackstone, and Reed Manor; new kitchen cabinets at Shahan Blackstone; Yardi software for administration; and upgrades to security cameras.

The Housing Commission is converting to RAD during the next fiscal year. As a result, no future capital funding will be available to the Housing Commission and no capital projects are planned for the next fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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. The funding of programs could be significantly affected by the Federal Budget.

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.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes).

REQUEST 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:

Laurie Ingram, MBA, PHA, Executive Director
Jackson Housing Commission
301 Steward Avenue
Jackson, Michigan 49201

FINANCIAL STATEMENTS

Jackson Housing Commission
RFP: JHC- 2020-1

Jackson Housing Commission
Statement of Net Position
March 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$2,823,914
Receivables, net	168,664
Investments	450,478
Prepaid expenses	84,884

Total Current Assets 3,527,940

Capital Assets:

Buildings	29,347,028
Equipment	852,156
Construction in progress	686,224

30,885,408

Less: accumulated depreciation (26,883,259)

Net Capital Assets 4,002,149

Total Assets \$7,530,089

LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$57,396
Accrued expenses	74,285
Tenant security deposit liability	82,109
Unearned revenue	13,192

Total Current Liabilities 226,982

Non-Current Liabilities:

Accrued compensated absences-noncurrent portion 30,732

Total Non-Current Liabilities 30,732

Total Liabilities 257,714

Net Position:

Net investment in capital assets 4,002,149

Restricted net position 144,713

Unrestricted net position 3,125,513

Total Net Position 7,272,375

Total Liabilities and Net Position \$7,530,089

See notes to financial statements

**Jackson Housing Commission
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended March 31, 2019**

OPERATING REVENUES:	
Dwelling rent	\$ 1,138,574
Tenant revenue-other	85,371
Operating grants	<u>6,946,885</u>
Total operating revenues	<u>8,170,830</u>
OPERATING EXPENSES:	
Administrative	1,382,207
Tenant services	50,353
Utilities	675,198
Maintenance	1,853,118
Protective services	144,279
Insurance	299,076
General expenses	289,162
Housing assistance payments	2,518,676
Depreciation	<u>406,469</u>
Total operating expenses	<u>7,618,538</u>
Operating income (loss)	<u>552,292</u>
NONOPERATING REVENUES:	
Investment interest income	1,132
Fraud recovery	22,957
Other income	47,315
Total non operating revenues	<u>71,404</u>
Income (loss) before contributions	623,696
CAPITAL CONTRIBUTIONS	<u>784,319</u>
Change in net position	1,408,015
Net position, beginning	<u>5,864,360</u>
Net position, ending	<u><u>\$ 7,272,375</u></u>

See notes to financial statements

**Jackson Housing Commission
Statement of Cash Flows
Year Ended March 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$1,138,652
Cash received from operating grants	6,939,749
Cash payments to other suppliers of goods and services	(5,558,217)
Cash payments to employees for services	(1,646,306)
Cash payments for payments in lieu of taxes	(3,417)

Net cash provided by operating activities 870,461

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	3,886
Other revenue	47,315
Fraud recovery	20,564

Net cash provided by noncapital financing activities 71,765

CASH FLOW FROM CAPITAL AND RELATED FINANCING

Capital grants	<u>784,319</u>
----------------	----------------

Net cash provided by capital and related financing activities 784,319

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments decreased by	(35,968)
Receipts of interest income	1,132

Net cash (used) by investing activities (34,836)

Net increase (decrease) in cash 1,691,709

Cash and cash equivalents, beginning 1,132,205

Cash and cash equivalents, ending \$2,823,914

See notes to financial statements

Jackson Housing Commission
Statement of Cash Flows (Continued)
Year Ended March 31, 2019

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH**

PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)	\$552,292
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation	406,469
Allowance for doubtful accounts	3,987
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(89,101)
Accounts receivable-miscellaneous	13,394
Accounts receivable-HUD	(7,136)
Prepaid expenses	39,784
Increase (decrease) in liabilities:	
Accounts payable-trade	(55,207)
Accrued wages and payroll taxes payable	20,020
Accrued compensated absences	6,606
Accrued liability-other	(12,791)
Noncurrent liability	(1,788)
Unearned revenue	(179)
Accounts payable-PILOT	(3,417)
Other current liabilities	(2,472)
	<hr/>
Net cash provided by operating activities	<u><u>\$870,461</u></u>

See notes to financial statements

**Jackson Housing Commission
Notes to Financial Statements
March 31, 2019**

NOTE A: DESCRIPTION OF THE HOUSING COMMISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jackson Housing Commission (“JHC” or “Housing Commission”) is an independent municipal entity created by the City of Jackson on February 26, 1946 pursuant to Michigan state law and the National Housing Act of 1937. Although the Housing Commission maintains close ties with the City of Jackson in several respects, the Housing Commission is not a component unit of the City, as defined by the Governmental Accounting Standards Board, since the City is not financially accountable for the operations of the Housing Commission, and has no responsibility to fund its deficits or receive its surpluses. The Housing Commission operates under a Board of Commissioner form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of five members, all Jackson residents, appointed by the City Commission of the City of Jackson. The Board appoints an Executive Director who acts as the Secretary of the Housing Commission.

1. Reporting Entity

The Housing Commission’s financial statements include the accounts of all of the Housing Commission’s operations. The Housing Commission maintains its accounting records by program and operates the following programs:

Low Income Public Housing

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Commission. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Commission receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 540 federal public housing units through this program.

Public Housing Capital Fund

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Commission under the Low Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Commission’s Low Income Public Housing Program.

NOTE A: DESCRIPTION OF THE HOUSING COMMISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Reporting Entity (Continued)

Section 8 Housing Choice Vouchers

The Section 8 Housing Choice Voucher Program administered by the Housing Commission provides rent subsidies from HUD that are used by very low income families, the elderly, and the disabled to afford them decent, safe, and sanitary housing in the private market.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements.

The Housing Commission is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE A: DESCRIPTION OF THE HOUSING COMMISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Basis of Accounting (Continued)

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

If/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.

7. Budgets and Budgetary Accounting

The Housing 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 U.S. Department of Housing and Urban Development for their approval, if required.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts. The cash equivalents are recorded at cost, which approximates market.

9. Tenant Accounts Receivable and Allowance for Bad Debts

Tenant accounts receivable are stated at net rent amounts. Tenant accounts generally are collectible as long as the tenant is occupying the unit; thus, no allowance for bad debts has been established by management. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit and after procedures have been followed to recover outstanding amounts, is charged as a reduction of rental revenue.

10. Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

11. Compensated Absences

Housing Commission employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days according to contract or personnel policies. In the event of termination by retirement or death, an employee is paid for accumulated sick days according to contract or personnel policies.

NOTE A: DESCRIPTION OF THE HOUSING COMMISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Interprogram Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting interprogram receivables and payables as well as offsetting interprogram transfers are eliminated for financial statement presentation. For the year ended March 31, 2019, there were no interprogram receivables and payables and no operating transfers.

There was a total of \$468,512 in management fees, \$46,328 in book-keeping fees, and \$17,515 in asset management fees recorded in the revenues of the Low Rent program.

13. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$250 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15	-	40 years
Dwelling equipment	5	-	10 years
Maintenance equipment	5	-	7 years
Office equipment	5	-	7 years
Other additions			10 years
Vehicles	7	-	10 years

14. Income Taxes

The Housing Commission is a quasi-governmental entity. The Housing Commission is not subject to Federal or State income taxes.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

16. Unearned Revenue

The Housing Commission reports unearned revenue in connection with resources that have been received, but not yet earned.

NOTE A: DESCRIPTION OF THE HOUSING COMMISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

18. Net Position

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

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of JHC and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

19. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including, October 25, 2019, which is the date the financial statements were available to be issued.

NOTE B: CASH AND CASH EQUIVALENTS

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

Jackson Housing Commission
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NOTE B: CASH AND CASH EQUIVALENTS (CONTINUED)

JHC has designated two banks for the deposit of its funds. JHC's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations	\$2,823,914
Investments	450,478
	<u>\$3,274,392</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of March 31, 2019:

Bank balances (checking, money market, and savings accounts)	<u>\$3,274,392</u>
--	--------------------

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, JHC's deposits may not be returned to it. The Housing Commission does not have a deposit policy for custodial credit risk. At year end, JHC had no bank deposits (checking, money market, and savings accounts) that were uninsured and uncollateralized, because both banks have signed a general depository agreement.

NOTE C: CAPITAL ASSETS

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

	<u>Balance 03/31/18</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/19</u>
Low Rent Program and COCC				
Buildings	\$ 29,347,028	\$ 0	\$ 0	\$ 29,347,028
Furniture, equipment & machinery - dwellings	456,146	0	0	456,146
Furniture, equipment & machinery - administration	362,669	0	0	362,669
Construction in Progress	686,224	0	0	686,224
	<u>30,852,067</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>30,852,067</u>
Less accumulated depreciation	(26,443,449)	<u>\$ (406,469)</u>	<u>\$ 0</u>	<u>(26,849,918)</u>
Total	<u>\$ 4,408,618</u>			<u>\$ 4,402,149</u>

Jackson Housing Commission
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NOTE C: CAPITAL ASSETS (CONTINUED)

	<u>Balance 03/31/18</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/19</u>
Housing Choice Voucher Program				
Furniture, equipment & machinery - administration	\$33,341	<u>\$0</u>	<u>\$0</u>	\$33,341
Less accumulated depreciation	(33,341)	<u>\$ 0</u>	<u>\$ 0</u>	(33,341)
Total	<u>\$0</u>			<u>\$0</u>
Combined Totals				<u>\$4,402,149</u>

NOTE D: NON-CURRENT LIABILITIES

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

Accrued compensated absences-noncurrent portion	<u>\$ 30,732</u>
	<u>\$ 30,732</u>

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

	<u>Balance 03/31/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 03/31/19</u>	<u>Due within One Year</u>
Accrued compensated absences	\$22,515	\$8,217	\$0	\$30,732	\$29,627
Non-current liabilities-other	<u>1,788</u>	<u>0</u>	<u>(1,788)</u>	<u>0</u>	<u>0</u>
	<u>\$24,303</u>	<u>\$8,217</u>	<u>\$(1,788)</u>	<u>\$30,732</u>	<u>\$29,627</u>

NOTE E: EMPLOYEE RETIREMENT PLAN

Each employee is covered under a defined benefit plan through the City of Jackson plan. The plan funds are invested with local bank pension plan managers. The Housing Commission contributes 10.01% and each employee contributes 10.14% and new employees 14.0% of the employee's annual compensation. The Housing Commission made pension payments of \$90,479 during the year ending March 31, 2019 to the City of Jackson for the employer portion. Further details of funding the pension assets are contained in a separate report with the City of Jackson.

Jackson Housing Commission
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NOTE F: RISK MANAGEMENT

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

NOTE G: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At March 31, 2019, the Housing Commission had the following capital fund projects:

	<u>MI28P038501-16</u>	<u>MI28P038501-17</u>	<u>MI28P038501-18</u>
Funds Approved	\$ 596,189	\$ 612,663	\$ 951,200
Funds Expended	472,439	227,075	0
Excess of Funds Approved	<u>\$ 123,750</u>	<u>\$ 385,588</u>	<u>\$ 951,200</u>
Funds Advanced (HUD Grants)	\$ 472,439	\$ 227,075	\$ 0
Funds Expended	(472,439)	(227,075)	(0)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Contingencies

The Housing 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 Housing Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

OTHER INFORMATION

Jackson Housing Commission
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Jackson Housing Commission
Combining Statement of Net Position by Program
March 31, 2019

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,465,663	\$ 292,195	\$ 66,056
Receivables, net	166,271	2,393	0
Investments	415,961	3,660	30,857
Prepaid expenses	79,879	5,005	0
Total current assets	<u>3,127,774</u>	<u>303,253</u>	<u>96,913</u>
Capital assets:			
Buildings	28,763,501	0	583,527
Equipment	769,437	33,341	49,378
Construction in progress	686,224	0	0
	<u>30,219,162</u>	<u>33,341</u>	<u>632,905</u>
Less accumulated depreciation	(26,217,013)	(33,341)	(632,905)
Net capital assets	<u>4,002,149</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 7,129,923</u>	<u>\$ 303,253</u>	<u>\$ 96,913</u>

Jackson Housing Commission
RFP: JHC- 2020-1

<u>Totals</u>	
\$	2,823,914
	168,664
	450,478
	84,884
	<u>3,527,940</u>
	29,347,028
	852,156
	686,224
	<u>30,885,408</u>
	(26,883,259)
	<u>4,002,149</u>
\$	<u><u>7,530,089</u></u>

Jackson Housing Commission
RFP: JHC- 2020-1

Jackson Housing Commission
Combining Statement of Net Position by Program
(Continued)
March 31, 2019

	Low Rent Program 14,850	Housing Choice Vouchers 14,871	COCC
LIABILITIES and NET POSITION			
Current liabilities:			
Accounts payable	\$ 52,511	\$ 0	\$ 0
Accrued liabilities	50,745	14,197	14,228
Tenant security deposit liability	82,109	0	0
Unearned revenue	13,192	0	0
Total current liabilities	<u>198,557</u>	<u>14,197</u>	<u>14,228</u>
Non-current liabilities:			
Accrued compensation absences - Noncurrent	11,681	4,168	14,883
Total non-current liabilities	<u>11,681</u>	<u>4,168</u>	<u>14,883</u>
Total liabilities	<u>210,238</u>	<u>18,365</u>	<u>29,111</u>
Net position:			
Net investment in capital assets	4,002,149	0	0
Restricted net position	0	144,713	0
Unrestricted net position	2,917,536	140,175	67,802
Total net position	<u>6,919,685</u>	<u>284,888</u>	<u>67,802</u>
Total Liabilities and Net Position	<u>\$ 7,129,923</u>	<u>\$ 303,253</u>	<u>\$ 96,913</u>

Jackson Housing Commission
RFP: JHC- 2020-1

<u>Totals</u>	
\$	52,511
	79,170
	82,109
	13,192
	<u>226,982</u>

	<u>30,732</u>
	<u>30,732</u>
	<u>257,714</u>

	4,002,149
	144,713
	3,125,513
	<u>7,272,375</u>
\$	<u>7,530,089</u>

Jackson Housing Commission
Combining Statement of Revenues, Expenses, and
Changes in Net Position by Program
Year Ended March 31, 2019

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
OPERATING REVENUES:			
Dwelling rent	\$ 1,138,574	\$ 0	\$ 0
Tenant revenue-other	85,371	0	0
Operating grants	4,090,716	2,856,169	0
Total operating revenues	<u>5,314,661</u>	<u>2,856,169</u>	<u>0</u>
OPERATING EXPENSES:			
Administrative	1,162,208	238,267	496,572
Asset management fee	17,515	0	0
Tenant services	46,300	5,728	(1,675)
Utilities	673,405	775	1,018
Maintenance	1,838,263	11,190	3,665
Protective services	144,279	0	0
Insurance	253,783	13,575	31,718
General expenses	283,195	2,342	3,625
Housing assistance payments	0	2,518,676	0
Depreciation	396,451	0	10,018
Total operating expenses	<u>4,815,399</u>	<u>2,790,553</u>	<u>544,941</u>
Operating income (loss)	<u>499,262</u>	<u>65,616</u>	<u>(544,941)</u>
NONOPERATING REVENUES:			
Management fee	0	0	468,512
Asset management fee	0	0	17,515
Bookkeeping fees	0	0	46,328
Investment interest income	637	454	41
Fraud recovery	3,636	19,321	0
Other income	25,415	0	21,900
Total non operating revenues	<u>29,688</u>	<u>19,775</u>	<u>554,296</u>
Income (loss) before contributions	528,950	85,391	9,355
CAPITAL CONTRIBUTIONS	<u>784,319</u>	<u>0</u>	<u>0</u>
Change in net position	1,313,269	85,391	9,355
Beginning net position	<u>5,606,416</u>	<u>199,497</u>	<u>58,447</u>
Ending net position	<u>\$ 6,919,685</u>	<u>\$ 284,888</u>	<u>\$ 67,802</u>

Jackson Housing Commission
RFP: JHC- 2020-1

<u>Subtotal</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 1,138,574	0	\$ 1,138,574
85,371	0	85,371
6,946,885	0	6,946,885
8,170,830	0	8,170,830
1,897,047	(514,840)	1,382,207
17,515	(17,515)	0
50,353	0	50,353
675,198	0	675,198
1,853,118	0	1,853,118
144,279	0	144,279
299,076	0	299,076
289,162	0	289,162
2,518,676	0	2,518,676
406,469	0	406,469
8,150,893	(532,355)	7,618,538
19,937	532,355	552,292
468,512	(468,512)	0
17,515	(17,515)	0
46,328	(46,328)	0
1,132	0	1,132
22,957	0	22,957
47,315	0	47,316
603,759	(532,355)	71,404
623,696	0	623,696
784,319	0	784,319
1,408,015	0	1,408,015
5,864,360	0	5,864,360
\$ 7,272,375	0	\$ 7,272,375

Jackson Housing Commission
Combining Statement of Cash Flows by Program
Year Ended March 31, 2019

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from dwelling and non dwelling rents	\$ 1,136,307	\$ 0	\$ 2,345
Cash received from operating grants	4,083,580	2,856,169	0
Cash payments to other suppliers of goods and services	(3,390,472)	(2,629,448)	461,703
Cash payments to employees for services	(1,039,898)	(163,973)	(442,435)
Cash payments for payments in lieu of taxes	(3,417)	0	0
Net cash provided by operating activities	<u>786,100</u>	<u>62,748</u>	<u>21,613</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Tenant security deposits	3,886	0	0
Other revenue	25,415	0	21,900
Fraud recovery	3,636	16,928	0
Net cash provided by noncapital financing Activities	<u>32,937</u>	<u>16,928</u>	<u>21,900</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grants	784,319	0	0
Net cash provided by capital and related financing activities	<u>784,319</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investments decreased by	(1,451)	(3,660)	(30,857)
Receipts of interest income	637	454	41
Net cash provided by investing activities	<u>(814)</u>	<u>(3,206)</u>	<u>(30,816)</u>
Net increase (decrease) in cash	1,602,542	76,470	12,697
Cash and cash equivalents, beginning	<u>863,121</u>	<u>215,725</u>	<u>53,359</u>
Cash and cash equivalents, ending	<u>\$ 2,465,663</u>	<u>\$ 292,195</u>	<u>\$ 66,056</u>

Jackson Housing Commission
RFP: JHC- 2020-1

Totals

\$ 1,138,652

6,939,749

(5,558,217)

(1,646,306)

(3,417)

870,461

3,886

47,315

20,564

71,765

784,319

784,319

(35,968)

1,132

(34,836)

1,691,709

1,132,205

\$ 2,823,914

Jackson Housing Commission
RFP: JHC- 2020-1

Jackson Housing Commission
Combining Statement of Cash Flows by Program
(Continued)
Year Ended March 31, 2019

	Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 499,262	\$ 65,616	\$ (12,586)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	396,451	0	10,018
Allowance for doubtful accounts	3,987	0	0
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable-tenants	(91,446)	0	2,345
Accounts receivable-miscellaneous	0	0	13,394
Accounts receivable-HUD	(7,136)	0	0
Prepaid expenses	28,481	(3,230)	14,533
Increase (decrease) in liabilities:			
Accounts payable-trade	(45,680)	0	(9,527)
Accrued wages and payroll taxes payable	18,241	(1,334)	3,113
Accrued compensated absences	2,115	4,168	323
Accrued liability-other	(12,791)	0	0
Noncurrent liabilities	(1,788)	0	0
Unearned revenue	(179)	0	0
Accounts payable-PILOT	(3,417)	0	0
Other current liabilities	0	(2,472)	0
Net cash provided by operating activities	<u>\$ 786,100</u>	<u>\$ 62,748</u>	<u>\$ 21,613</u>

Jackson Housing Commission
RFP: JHC- 2020-1

Totals

\$ 552,292

406,469
3,987

(89,101)
13,394
(7,136)
39,784

(55,207)
20,020
6,606
(12,791)
(1,788)
(179)
(3,417)
(2,472)

\$ 870,461

**Jackson Housing Commission
Schedule of Expenditures of Federal Awards
And Notes to the Schedule of Federal Awards
Year Ended March 31, 2019**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor	Type	Federal CFDA #	Expenditures
<u>U.S. Department of HUD</u>			
Public and Indian Housing:			
Public Housing Program	A – Nonmajor	14.850	\$ 4,090,716
Public Housing Capital Fund	A – Nonmajor	14.872	784,319
Section 8 Housing Choice Vouchers	A – Major	14.871	<u>2,856,169</u>
Total Federal Financial Awards			<u>\$ 7,731,204</u>
Threshold for Type A/Type B Program			<u>\$ 750,000</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Basis of Accounting - The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Housing Commission under programs of the federal government for the year ended March 31, 2019. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of the Uniform Guidance, Audit of States, Local Governments, and Non-Profit Organizations. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Omniscircular, 2 CFR 200.420, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the Housing Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows, if applicable, of the Housing Commission.

Indirect Cost Rate - The Authority did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Jackson Housing Commission
RFP: JHC- 2020-1

Jackson Housing Commission
Financial Data Schedule
Year Ended March 31, 2019

FDS Line Item No.	Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
ASSETS			
Current assets:			
111	\$ 2,390,286	\$ 269,267	\$ 66,056
113	0	22,928	0
114	75,377	0	0
100	<u>2,465,663</u>	<u>292,195</u>	<u>66,056</u>
Receivables:			
122	7,136	0	0
126	175,355	0	0
126.1	(16,220)	0	0
128		2,599	0
128.1		(206)	0
120	<u>166,271</u>	<u>2,393</u>	<u>0</u>
Other assets:			
131	415,961	3,660	30,857
142	79,879	5,005	0
150	<u>3,127,774</u>	<u>303,253</u>	<u>96,913</u>
Noncurrent Assets:			
Fixed Assets:			
162	28,763,501	0	583,527
163	456,146	0	0
164	313,291	33,341	49,378
166	(26,217,013)	(33,341)	(632,905)
167	686,224	0	0
160	<u>4,002,149</u>	<u>0</u>	<u>0</u>
180	<u>4,002,149</u>	<u>0</u>	<u>0</u>
290	<u>\$ 7,129,923</u>	<u>\$ 303,253</u>	<u>\$ 96,913</u>

Jackson Housing Commission
RFP: JHC- 2020-1

Totals

\$ 2,725,609
22,928
75,377
2,823,914

7,136
175,355
(16,220)
2,599
(206)
168,664

450,478
84,884
3,527,940

29,347,028
456,146
396,010
(26,883,259)
686,224
4,002,149

4,002,149

\$ 7,530,089

**Jackson Housing Commission
Financial Data Schedule
(Continued)
Year Ended March 31, 2019**

FDS Line Item No.	Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
LIABILITIES and NET POSITION			
Current liabilities:			
312	\$ 1,217	\$ 0	\$ 0
321	25,809	11,153	7,696
322	20,051	3,044	6,532
333	51,294	0	0
341	82,109	0	0
342	13,192	0	0
346	4,885	0	0
	<u>198,557</u>	<u>14,197</u>	<u>14,228</u>
Noncurrent liabilities:			
354	11,681	4,168	14,883
350	<u>11,681</u>	<u>4,168</u>	<u>14,883</u>
300	<u>210,238</u>	<u>18,365</u>	<u>29,111</u>
Net position:			
508.4	4,002,149	0	0
511.4	0	144,713	0
512.4	2,917,536	140,175	67,802
513	<u>6,919,685</u>	<u>284,888</u>	<u>67,802</u>
600	<u>\$ 7,129,923</u>	<u>\$ 303,253</u>	<u>\$ 96,913</u>

Jackson Housing Commission
RFP: JHC- 2020-1

<u>Totals</u>	
\$	1,217
	44,658
	29,627
	51,294
	82,109
	13,192
	4,885
	<u>226,982</u>
	<u>30,732</u>
	<u>30,732</u>
	<u>257,714</u>
	4,002,149
	144,713
	<u>3,125,513</u>
	<u>7,272,375</u>
\$	<u><u>7,530,089</u></u>

**Jackson Housing Commission
Financial Data Schedule
Year Ended March 31, 2019**

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
Revenues:				
70300	Net tenant rental revenue	\$ 1,138,574	\$ 0	\$ 0
70400	Tenant revenue-other	85,371	0	0
70500	Total tenant revenue	1,223,945	0	0
70600	HUD PHA operating grants	4,090,716	2,856,169	0
70610	Capital grants	784,319	0	0
70710	Management fee	0	0	468,512
70730	Bookkeeping fee	0	0	17,515
70750	Other fees	0	0	46,328
71100	Investment income-unrestricted	637	454	41
71400	Fraud recovery	3,636	19,321	0
71500	Other income	25,415	0	21,900
70000	Total revenue	6,128,668	2,875,944	554,296
Expenses				
Administrative:				
91100	Administrative salaries	253,211	130,634	332,186
91200	Auditing fees	21,117	7,151	3,262
91300	Management fee	436,912	33,000	0
91310	Book-keeping fee	43,118	4,145	0
91400	Advertising and marketing	1,625	162	0
91500	Employee benefit contribution	85,888	36,173	113,685
91600	Office expenses	151,639	4,657	32,957
91700	Legal expense	12,366	1,616	2,402
91800	Travel	2,654	798	816
91900	Other	153,678	19,931	11,264
91000	Total administrative	1,162,208	238,267	496,572
92000	Asset management fee	17,515	0	0
Tenant services:				
92200	Relocation costs	1,419	0	0
92400	Other	44,881	5,728	(1,675)
92500	Total tenant services	46,300	5,728	(1,675)
Utilities:				
93100	Water	195,120	532	775
93200	Electricity	275,630	0	0
93300	Gas	135,729	0	0
93600	Sewer	66,926	243	243
93000	Total utilities	673,405	775	1,018

Jackson Housing Commission
RFP: JHC- 2020-1

<u>Subtotals</u>	<u>Eliminations</u>	<u>Totals</u>
\$ 1,138,574	\$ 0	\$ 1,138,574
85,371	0	85,371
<u>1,223,945</u>	<u>0</u>	<u>1,223,945</u>
6,946,885	0	6,946,885
784,319	0	784,319
468,512	(468,512)	0
17,515	(17,515)	0
46,328	(46,328)	0
1,132	0	1,132
22,957	0	22,957
47,315	0	47,315
<u>9,558,908</u>	<u>(532,355)</u>	<u>9,026,553</u>
716,031	0	716,031
31,530	0	31,530
469,912	(468,512)	1,400
47,263	(46,328)	935
1,787	0	1,787
235,746	0	235,746
189,253	0	189,253
16,384	0	16,384
4,268	0	4,268
184,873	0	184,873
<u>1,897,047</u>	<u>(514,840)</u>	<u>1,382,207</u>
<u>17,515</u>	<u>(17,515)</u>	<u>0</u>
1,419	0	1,419
48,934	0	48,934
<u>50,353</u>	<u>0</u>	<u>50,353</u>
196,427	0	196,427
275,630	0	275,630
135,729	0	135,729
67,412	0	67,412
<u>675,198</u>	<u>0</u>	<u>675,198</u>

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Jackson Housing Commission
Financial Data Schedule
(Continued)
Year Ended March 31, 2019

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers 14.871	COCC
	Expenses (continued):			
	Maintenance:			
94100	Labor	564,052	0	0
94200	Materials and other	315,806	0	249
94300	Contracts	803,090	11,190	3,416
94500	Employee benefit contributions	155,315	0	0
94000	Total maintenance	<u>1,838,263</u>	<u>11,190</u>	<u>3,665</u>
	Protective services:			
95200	Protective services-other contract	144,279	0	0
95000	Total protective services	<u>144,279</u>	<u>0</u>	<u>0</u>
	Insurance:			
96110	Property insurance	108,427	0	14,728
96120	Liability insurance	66,928	8,536	12,644
96130	Workmen's compensation	11,527	2,356	4,346
96140	All other insurance	66,901	2,683	0
96100	Total insurance premiums	<u>253,783</u>	<u>13,575</u>	<u>31,718</u>
	Other general expenses:			
96200	Other general expenses	71,434	2,342	3,625
96300	Payments in lieu of taxes	102,160	0	0
96400	Bad debt-tenant rents	109,601	0	0
96000	Total other general expenses	<u>283,195</u>	<u>2,342</u>	<u>3,625</u>
96900	Total operating expenses	<u>4,418,948</u>	<u>271,877</u>	<u>534,923</u>
97000	Excess revenue over (under) operating expenses	<u>1,709,720</u>	<u>2,604,067</u>	<u>19,373</u>
	Other expenses:			
97300	Housing assistance payments	0	2,518,676	0
97400	Depreciation expense	396,451	0	10,018
	Total other expenses	<u>396,451</u>	<u>2,518,676</u>	<u>10,018</u>
90000	Total expenses	<u>4,815,399</u>	<u>2,790,553</u>	<u>544,941</u>
10000	Excess (deficiency) of revenue			

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	over (under) expenses	1,313,269	85,391	9,355
11030	Beginning net position	<u>5,606,416</u>	<u>199,497</u>	<u>58,447</u>
	Ending position	<u>\$ 6,919,685</u>	<u>\$ 284,888</u>	<u>\$ 67,802</u>

<u>Subtotals</u>	<u>Eliminations</u>	<u>Totals</u>
564,052	0	564,052
316,055	0	316,055
817,696	0	817,696
<u>155,315</u>	<u>0</u>	<u>155,315</u>
<u>1,853,118</u>	<u>0</u>	<u>1,853,118</u>
<u>144,279</u>	<u>0</u>	<u>144,279</u>
<u>144,279</u>	<u>0</u>	<u>144,279</u>
123,155	0	123,155
88,108	0	88,108
18,229	0	18,229
<u>69,584</u>	<u>0</u>	<u>69,584</u>
<u>299,076</u>	<u>0</u>	<u>299,076</u>
77,401	0	77,401
102,160	0	102,160
109,601	0	109,601
<u>289,162</u>	<u>0</u>	<u>289,162</u>
<u>5,225,748</u>	<u>(532,355)</u>	<u>4,693,393</u>
<u>4,333,160</u>	<u>0</u>	<u>4,333,160</u>
2,518,676	0	2,518,676

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<u>406,469</u>	<u>0</u>	<u>406,469</u>
<u>2,925,145</u>	<u>0</u>	<u>2,925,145</u>
<u>8,150,893</u>	<u>(532,355)</u>	<u>7,618,538</u>
1,408,015	0	1,408,015
<u>5,864,360</u>	<u>0</u>	<u>5,864,360</u>
<u>\$ 7,272,375</u>	<u>\$ 0</u>	<u>\$ 7,272,375</u>

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Jackson Housing Commission
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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

**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 Housing Commissioners
Jackson Housing Commission
Jackson County, 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 business-type activities of Jackson Housing Commission, Michigan, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise Jackson Housing Commission, Michigan's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jackson Housing Commission, Michigan'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 Jackson Housing Commission, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson Housing Commission, Michigan'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson Housing Commission, Michigan'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.

Barry E. Gaudette, CPA, PC

October 25, 2019

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Housing Commissioners
Jackson Housing Commission
Jackson County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Jackson 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 Jackson Housing Commission, Michigan's major federal programs for the year ended March 31, 2019. Jackson Housing Commission, Michigan'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 Jackson Housing Commission, Michigan'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 Jackson Housing Commission, Michigan'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 Jackson Housing Commission, Michigan's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Jackson Housing Commission, Michigan, 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 March 31, 2019.

Report on Internal Control over Compliance

Management of the Jackson Housing Commission, Michigan, 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 Jackson Housing Commission, Michigan'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 Jackson Housing Commission, Michigan'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.

Barry E. Gaudette, CPA, PC

October 25, 2019

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Jackson Housing Commission
Status of Prior Audit Findings
March 31, 2019

There were no prior year findings.

**Jackson Housing Commission
Schedule of Findings and Questioned Costs
March 31, 2019**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Audit Requirements for Federal Awards* (Uniform Guidance)? No

Identification of major programs;

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
14.871	Housing Choice Vouchers Program

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

Auditee qualified as low-risk auditee? Yes

Section II - Findings Related to the Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.

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Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

October 25, 2019

To the Board of Commissioners
Jackson Housing Commission

We have audited the financial statements of the business-type activities of the Jackson Housing Commission for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 9, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jackson Housing Commission are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2019. We noted no transactions entered into by the Jackson Housing Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Jackson Housing Commission's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

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Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Jackson Housing Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Jackson Housing Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. GASB 68 was not implemented since the defined benefit plan is with City of Jackson and the Housing Commission's data is not separated. Therefore, the audit opinion is qualified for this exception.

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Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, financial date schedule and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the board of commissioners charged with governance and management of the Jackson Housing Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Barry E. Gaudette, CPA, PC