

ANN ARBOR
HOUSING COMMISSION
(A Component Unit of the City of Ann Arbor, Michigan)

Financial Statements
(With Supplementary Information)
For the Year Ended June 30, 2022



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Ann Arbor Housing Commission

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SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Ann Arbor Housing Commission
Ann Arbor, Michigan

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the ***Ann Arbor Housing Commission***, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the ***Ann Arbor Housing Commission's*** basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the ***Ann Arbor Housing Commission***, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ***Ann Arbor Housing Commission*** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ***Ann Arbor Housing Commission's*** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 *Ann Arbor Housing Commission's* internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the *Ann Arbor Housing Commission's* ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 to 9) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Ann Arbor Housing Commission's*** basic financial statements. The accompanying financial data schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 on our consideration of the ***Ann Arbor Housing Commission's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 ***Ann Arbor Housing Commission'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 ***Ann Arbor Housing Commission's*** internal control over financial reporting and compliance.

Smith + Klaczynski PC

Saginaw, Michigan
December 21, 2022

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ann Arbor Housing Commission (the Commission) management's discussion and analysis is designed to {a} assist the reader in focusing on significant financial issues, {b} provide an overview of the Commission's financial activity, {c} identify change in the Commission's financial position (its ability to address the next and subsequent year challenges), and {d} identify individual fund issues or concerns.

Since the Management Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Commission's financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

The Commission's net position decreased by \$445,624 during 2022. This decrease is primarily generated by the Section 8 Mainstream program for which the HAP funding from HUD decreased in order to use up net reserves/fund balance from prior years for this program. Additionally, Central Office recorded a loss that is mainly due to one-time expenses related to the purchase of an additional software module, the construction of maintenance office space, purchases related to the long-term storage of agency documents as well as tenant services expenses not covered by other contracts. The loss in the Central Office Cost Center is off-set by prior year's fund balance.

The overall revenue of the Commission increased by \$4,789,219 (or 22%) during 2022, and was \$26,776,430 and \$21,987,211 for FY22 and FY21 respectively. The increase in revenue is mainly the result of funding from the affordable housing millage through the City of Ann Arbor as well as awards/lease up of new vouchers in the Section 8 Mainstream program.

USING THIS ANNUAL REPORT

The following is a graphic outline of the Commission's financial statement presentation :

MD&A Management Discussion and Analysis-pages 4-9

Basic Financial Statements Commission-wide Financial Statements - pages 10-12 Notes to Financial Statements - pages 13-22
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ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Other Required Supplementary Information
Financial Data Schedules - pages 23-32

The current presentation focuses on both the Commission as a whole (Commission-wide) and the major individual funds. Both perspectives (Commission-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Commission to Commission) and enhance the Commission's accountability.

Commission-Wide Financial Statements

The Commission-wide financial statements (see pages 10-12) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Commission.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Commission. The statement is presented in the format where assets, minus liabilities, equals "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity.

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities for the entire Commission. Net Position (formerly equity) are reported in three broad categories:

Net Position, Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Investment in Capital Assets" , or "Restricted Net Position".

The Commission-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Position, similar to an Income Statement. This Statement includes Operating Revenues (such as rental income), Operating Expenses (such as administrative expenses, utilities, maintenance expenses and depreciation), and Non-Operating Revenues and Expenses (such as capital grant revenue, investment revenue or interest expense).

The focus of the Statement of Revenues, Expenses, and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financial activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Commission consists of one major fund and is shown here as an Enterprise Fund. Enterprise Funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting. Many of the funds maintained by the Commission are required by the U. S. Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

The Commission's Programs

Enterprise Funds, using Business-Type Presentation Format-

Section 8 Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Commission administers contracts with independent landlords that own rental property. The Commission subsidizes the family's rental contribution through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to cover the HAP and administrative costs for the number of subsidy allocations awarded, with participants paying 30% of gross income and with approved exceptions, up to 40% of gross income on rent and utilities.

Mainstream Program - For the Mainstream program, much like the Housing Choice Voucher Program, the Commission administers contracts with independent landlords that own rental property. The Mainstream program is specifically for households with a non-elderly family member with a disability. The Commission subsidizes the family's rental contribution through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to cover the HAP and administrative costs for the number of subsidy allocations awarded, with participants paying 30% of gross income and with approved exceptions, up to 40% of gross income on rent and utilities.

COMMISSION-WIDE STATEMENT

The following table reflects the condensed Statement of Net Position compared to prior year. The Commission is engaged in Business-Type Activities. For more detailed information and breakdown, see page 9 "Statement of Net Position".

TABLE 1

SUMMARY SCHEDULE OF NET POSITION

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>
Current and Other Assets	\$ 4,125,614	\$ 3,950,517	\$ 175,097	4%
Capital Assets	<u>97,926</u>	<u>124,109</u>	<u>(26,183)</u>	-21%
Total Assets	4,223,540	4,074,626	148,914	4%
Deferred outflows of resources	<u>17,050</u>	<u>10,177</u>	<u>6,873</u>	68%
Current and other Liabilities	1,509,591	931,479	578,112	62%
Long-Term Liabilities	<u>615,780</u>	<u>591,376</u>	<u>24,404</u>	4%
Total Liabilities	2,125,371	1,522,855	602,516	40%
Deferred inflows of resources	<u>9,072</u>	<u>105,404</u>	<u>(96,332)</u>	-91%
Net Position:				
Net Investment in Capital Assets	97,926	124,109	(26,183)	-21%
Restricted	-	-	-	
Unrestricted	<u>2,008,221</u>	<u>2,427,662</u>	<u>(419,441)</u>	-17%
Total Net Position	\$ <u><u>2,106,147</u></u>	\$ <u><u>2,551,771</u></u>	\$ <u><u>(445,624)</u></u>	-17%

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Major Factors Affecting the Statement of Net Position

The decrease in Capital Assets is the result of the annual accumulated depreciation for FY22.

Current and other Liabilities increased by \$578,112 as a result of a significant increase accounts payable that is largely due to program growth. Unearned revenue related to grant funding decreased from FY21 to FY22 while current Compensated Absences increased year-over-year.

Unrestricted Net Position decreased mainly as a result of the operating loss for FY22.

Table 2 presents details on the changes in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/2021	\$	2,427,662
Results of Operations		(445,624)
Adjustments:		
Depreciation (1)		26,183
Decrease in Restricted Assets		-
Disposal/Transfer of Assets		-
Adjusted Results from Operations		(419,441)
Capital Expenditures		-
Non Operating Revenue		-
Unrestricted Net Position 6/30/2022	\$	<u>2,008,221</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

While the results of operations is a significant measure of the Commission's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

TABLE 3

SUMMARY SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Commission is engaged only in Business-Type Activities.

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Tenant Revenues - Rent and Other	\$ 7,457	\$ 4,728	\$ 2,729	58%
Operating Subsidies and Grants	20,913,698	19,309,929	1,603,769	8%
Investment Income	1,132	1,129	3	0%
Other Revenues	<u>5,854,143</u>	<u>2,671,425</u>	<u>3,182,718</u>	119%
Total Revenue	\$ <u>26,776,430</u>	\$ <u>21,987,211</u>	\$ <u>4,789,219</u>	22%
Expenses				
Administrative	\$ 2,742,728	\$ 2,700,776	\$ 41,952	2%
Tenant Services	909,148	715,461	193,687	27%
Utilities	738	987	(249)	-25%
Maintenance	21,614	45,719	(24,105)	-53%
General and other	3,734,953	404,896	3,330,057	822%
Development Costs	408,627	584,818	(176,191)	-30%
Housing Assistance Payments	19,378,063	16,878,648	2,499,415	15%
Depreciation	<u>26,183</u>	<u>23,659</u>	<u>2,524</u>	11%
Total Expenses	\$ <u>27,222,054</u>	\$ <u>21,354,964</u>	\$ <u>5,867,090</u>	27%
Net Increase(Decrease)	\$ <u>(445,624)</u>	\$ <u>632,247</u>	\$ <u>(1,077,871)</u>	-170%

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION.

- The change in Unrestricted Net Position reflects a loss of \$445,624 for FY22. This loss is primarily due to operating losses related to the Section 8 HCV/MTW and Mainstream programs, most of which was due to lower funding from HUD to utilize net reserves/ fund balance. The Central Office Cost Center also finished the year off with a loss which was largely due to one-time expenses as noted in the financial highlights on Page 4.
- The increase in Operating Subsidies and Grants is due to additional funding for the Section 8 HCV/MTW, Mainstream and EHV programs.
- Tenant Services expenses are higher than the prior year mainly due to additional service contracts with local non-profit providers.
- Maintenance expenses are lower FY22. This is due to additional janitorial services provided in FY21 for the safety of tenants and staff due during the COVID-19 pandemic that were reduced in FY22.
- General expenses are significantly higher than prior year for FY22. This is mainly due to setting up an allowance for doubtful accounts and the associated bad debt expense for the principal balances of the loans made by AAHDC to Swift Lane directly as well as the FHLB funding that was received for the development of the Swift Lane (\$2,542,497). The additional increase is due to the additional accrued interest income that is being written off related to the loans for Swift Lane.
- Development Costs decreased in FY22 due to completing the portfolio RAD conversion with the final site, Swift Lane, in FY21
- The increase in Housing Assistance Payments is a result of increased lease-up and the award of new Emergency Housing Vouchers in

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

CAPITAL ASSETS

As of year end FY22, the Commission had \$97,926 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$26,183. The decrease from FY21 to FY22 is due to recognizing the annual accumulated depreciation.

TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	<u>Business-Type Activities</u>			<u>Percent</u>
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>
Land and Land Rights	\$ -	\$ -	\$ -	
Construction in progress	-	-	-	
Buildings	10,193	10,193	-	0%
Equipment - Dwelling	-	-	-	
Equipment - Administrative	327,370	327,370	-	0%
Leasehold Improvements	5,049	5,049	-	0%
Accumulated Depreciation	<u>(244,686)</u>	<u>(218,503)</u>	<u>(26,183)</u>	<u>12%</u>
Total	\$ <u>97,926</u>	\$ <u>124,109</u>	\$ <u>(26,183)</u>	-21%

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 18 of the notes.

TABLE 5
CHANGE IN CAPITAL ASSETS

	<u>Business-Type</u>
	<u>Activities</u>
Beginning Balance	\$ 124,109
Additions	-
Disposals	-
Net of Depreciation	-
Depreciation	<u>(26,183)</u>
Ending Balance	\$ <u>97,926</u>

ECONOMIC FACTORS

Significant economic factors affecting the Commission are as follows:

- Federal funding of the Department of Housing and Urban Development which is the primary source of revenue
- City negotiated union contracts which effect staff wage and benefit rates.
- Local/state economic conditions and employment trends, impacting resident incomes and therefore, the amount of rental income.
- Inflationary pressure on utility rates, supplies, and other costs.
- Significant rise in rental rates in the current rental market.
- Rental market changes, specifically the trend of property sales and increased rents above the tenant-based voucher amounts
- RAD Conversion of public housing to project-based vouchers and related development funding
- COVID-19 pandemic and associated operational and economic challenges

FINANCIAL CONTACT

The individual to be contacted regarding this report is Jennifer Hall, Executive Director of the Ann Arbor Housing Commission at (734) 794-6721. Specific requests may be submitted to Jennifer Hall, Executive Director of Ann Arbor Housing Commission, 2000 S. Industrial Hwy, Ann Arbor, MI 48104.

Ann Arbor Housing Commission
Statement of Net Position
June 30, 2022

Current assets

Cash and cash equivalents	\$ 2,503,050
Cash and cash equivalents - restricted	456,257
Cash - tenant security deposits	1,000
Due from other governmental units	520,835
Accounts receivable, net	544,699
Prepaid expenses	99,773
	4,125,614
Total current assets	4,125,614

Noncurrent assets

Capital assets:	
Depreciable	342,612
Less: accumulated depreciation	(244,686)
	97,926
Net capital assets	97,926
Total assets	4,223,540

Deferred outflows of resources

17,050

Current liabilities

Accounts payable	1,192,919
Accrued liabilities	227,435
Tenant security deposits	1,000
Unearned revenue	17,541
Accrued compensated absences, current portion	70,696
	1,509,591
Total current liabilities	1,509,591

Noncurrent liabilities

Other noncurrent liabilities - payable from restricted assets	456,257
Net pension liability	83,680
Accrued compensated absences	75,843
	615,780
Total noncurrent liabilities	615,780
Total liabilities	2,125,371

Deferred inflows of resources

9,072

Net position

Net investment in capital assets	97,926
Unrestricted	2,008,221
	2,106,147
Total net position	\$ 2,106,147

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

Ann Arbor Housing Commission
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2022

Operating revenues	
Tenant revenue	\$ 7,457
Program grants - subsidies	20,913,698
Other revenue	5,776,756
Total operating revenues	26,697,911
Operating expenses	
Administration	2,742,728
Tenant services	909,148
Utilities	738
Maintenance	21,614
Insurance	30,054
General	3,704,899
Housing assistance payments	19,378,063
Depreciation	26,183
Total operating expenses	26,813,427
Operating income (loss)	(115,516)
Nonoperating revenues and (expenses)	
Fraud recovery	77,387
Development costs	(408,627)
Interest revenue	1,132
Total nonoperating revenues and (expenses)	(330,108)
Change in net position	(445,624)
Net position - Beginning of year	2,551,771
Net position - End of year	\$ 2,106,147

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

Ann Arbor Housing Commission
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities	
Cash received from customers	\$ 4,745,931
Cash received from grants and subsidies	20,913,698
Cash payments to suppliers for goods and services	(24,501,325)
Cash payments for wages and related benefits	<u>(1,582,186)</u>
Net cash provided by (used in) operating activities	<u>(423,882)</u>
Cash flows from noncapital and related financing activities	
Fraud recovery	77,387
Development costs	<u>(408,627)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>(331,240)</u>
Cash flows from investing activities	
Interest revenue	<u>1,132</u>
Net increase (decrease) in cash and cash equivalents	(753,990)
Cash and cash equivalents - beginning of year	<u>3,714,297</u>
Cash and cash equivalents - end of year	<u>\$ 2,960,307</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (115,516)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	26,183
Changes in assets and liabilities	
Decrease (increase) in receivables	(898,897)
Decrease (increase) in prepaid expenses	(40,367)
Decrease (increase) in deferred outflows of resources	(6,873)
Increase (decrease) in accounts payable	644,460
Increase (decrease) in accrued liabilities	202,845
Increase (decrease) in unearned revenue	(139,385)
Increase (decrease) in deferred inflows of resources	<u>(96,332)</u>
Net cash provided by (used in) operating activities	<u>\$ (423,882)</u>
Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows	
Cash and cash equivalents	\$ 2,503,050
Cash and cash equivalents - restricted	456,257
Cash - tenant security deposits	<u>1,000</u>
Total	<u>\$ 2,960,307</u>

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

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

The *Ann Arbor Housing Commission* is a discrete component unit of the City of Ann Arbor, Michigan. The Housing Commission is considered to be a component unit of the City because the City Council has the ability to impose its will upon the Housing Commission by appointing and removing a member of the Housing Commission’s Board of Commissioners before the expiration of his or her term.

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

The *Ann Arbor Housing Commission* was formed by the City of Ann Arbor, Michigan under Public Act 18 of 1933 of the State of Michigan. The Housing Commission operates under a Board of Commissioners appointed by the City Mayor.

These financial statements include all activities of the Housing Commission, which include Section 8 Housing Choice Vouchers (1,938 units including 336 RAD Project Based Voucher units, 237 Veterans Affairs Supportive Housing (VASH) for Homeless Veterans vouchers), 100 Non-elderly Disabled Vouchers and 32 Family Unification Vouchers). In addition the Housing Commission administers 251 units of Mainstream Vouchers (MS5) and 29 Emergency Housing Vouchers. These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (“HUD”).

Basis of Presentation

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

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Housing Commission are Federal grants and charges to customers for services. Operating expenses include housing assistance payments, administrative expenses, maintenance, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Following is a description of the Housing Commission's programs:

Other Project accounts for the revenue and related operations of the EHPA-NRMR Turnkey III Home buyer program.

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

Business Activities accounts for the revenue and related operations of the Ann Arbor Housing Development Corporation, a 501c3 nonprofit organization.

Central Office Cost Center accounts for the revenue and related operations of the administrative offices.

14.879 Mainstream Vouchers Program accounts for the revenue and related operations of the Mainstream Vouchers grant program.

14.896 PIH Family Self-Sufficiency Program accounts for the revenue and related operations of the FSS grant program.

14.EHV Emergency Housing Vouchers Program accounts for the revenue and related operations of the Emergency Housing Vouchers grant program.

14.881 Moving to Work Demonstration Program accounts for the revenue and related operations of the Moving to Work Demonstration grant program.

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

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Equity

Cash and Cash Equivalents

The Housing Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with an original maturity of 90 days or less.

The amount of cash and cash equivalents – restricted recorded on the Statement of Net Position has been restricted for FSS escrow.

Receivables and Payables

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

Prepaid Expenses

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

Capital Assets

Capital assets, which include property, buildings, equipment and leasehold improvements are reported in the financial statements. Capital assets are defined by the Housing Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Depreciation is recorded over the estimated useful lives of the assets, using the straight-line method as follows:

Buildings	40 years
Equipment	5 – 10 years
Leasehold improvements	15 – 40 years

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Housing Commission has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the financial statements.

Compensated Absences

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

Other Noncurrent Liabilities

This balance consists of amounts held in the Family Self Sufficiency Escrow account. These deposits are held in a separate account in accordance with the grant requirements.

Unearned Revenue

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

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Housing Commission has one type of item that qualifies for reporting in this category, which is the deferred inflows of resources related to the defined benefit pension plan. The deferred inflows of resources related to the defined benefit pension plan are reported in the financial statements.

Equity

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

Net investment in capital assets – Consists of capital assets at historical cost, net of accumulated depreciation.

Unrestricted – Consists of all other equity that does not meet the definition of “restricted” or “net investment in capital assets”. Amounts that are legally restricted by externally imposed constraints that are placed on the use of resources by grantors, contributors, or laws or regulations of other governments are reported as restricted. At the end of the year, no portion of the Housing Commission's net position was restricted.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

Revenues and Expenses

Operating revenues and expenses are those that result from providing services. Also included, all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified as operating and nonoperating.

Estimates

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

NOTE B - DETAILED NOTES ON TRANSACTIONS CLASSES / ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for the Housing Commission's various assets, liabilities, equity, revenues and expenses.

Cash and Cash Equivalents

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

Financial Statement Captions	Carrying Amount
Cash and cash equivalents	\$ 2,503,050
Cash and cash equivalents – restricted	456,257
Cash – tenant security deposits	<u>1,000</u>
Total	<u>\$ 2,960,307</u>
Notes to Financial Statements Deposits	<u>\$ 2,960,307</u>

Deposit and Investment Risk

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

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned. State law does not require and the Housing Commission does not have a policy for deposit custodial credit risk. At year-end, \$1,975,588 of the Housing Commission's bank balance of \$2,955,371 was exposed to custodial credit risk because it was uninsured, however, it was partially collateralized with government securities with a market value of \$1,006,675.

Concentration of Credit Risk

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

Accounts Receivable

The accounts receivable balance is comprised of the following:

Accounts receivable – miscellaneous	\$ 37,040
Notes receivable from tax credits	11,882,172
Accounts receivable – tenants	560
Interest receivable	3,129,626
Allowance for doubtful accounts	<u>(14,504,699)</u>
Total receivables, net	<u>\$ 544,699</u>

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Buildings	\$ 10,193	\$ -	\$ -	\$ 10,193
Furniture, equipment and machinery – administration	327,370	-	-	327,370
Leasehold improvements	<u>5,049</u>	<u>-</u>	<u>-</u>	<u>5,049</u>
Total capital assets being depreciated	<u>342,612</u>	<u>-</u>	<u>-</u>	<u>342,612</u>
Less accumulated depreciation	<u>(218,503)</u>	<u>(26,183)</u>	<u>-</u>	<u>(244,686)</u>
Total net capital assets	<u>\$ 124,109</u>	<u>\$ (26,183)</u>	<u>\$ -</u>	<u>\$ 97,926</u>

Compensated Absences

The following is a summary of changes in accrued compensated absences for the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Accrued compensated absences	<u>\$ 119,409</u>	<u>\$ 152,802</u>	<u>\$ (125,672)</u>	<u>\$ 146,539</u>	<u>\$ 70,696</u>

NOTE D - OTHER INFORMATION

Concentration of Revenue

The Housing Commission is dependent upon the Department of Housing and Urban Development to fund its operations through operating subsidies and capital funding grants. Total revenue received from HUD for the fiscal year ended June 30, 2022 and 2021 was \$20,913,698 or 78% and \$19,309,929 or 88% of revenue respectively.

Risk Management

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

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

Pension Plan

The Housing Commission participates in the City of Ann Arbor Employees Retirement Plan (“CAAERS”). The City of Ann Arbor’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Ann Arbor City Code Chapter 17.1 of the Ann Arbor Charter assigns the authority to establish and amend benefit provisions to the City Council. CAAERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Housing Commission employees that were hired after January 1, 2017 are required to participate in a hybrid pension plan administered by the City of Ann Arbor Employees’ Retirement System. The hybrid pension plan is comprised of two components: a defined benefit plan and a defined contribution plan. Under the defined benefit plan, the Housing Commission contributes 6% of the employee’s wages with a 3% contribution from the employee. Retirement benefits under the defined benefit plan within the hybrid are calculated as 1.25% of the employee’s final five-year average compensation multiplied by the years of service for General members (non-Safety personnel). Employees vest 100% in the defined benefit plan after 10 years of service.

Under the defined contribution plan, the employees contribute 3% of their wages and the employer contributes 5.2% for General members. Employees vest 100% in the defined contribution plan after five years of service. That report may be obtained by writing to the City of Ann Arbor Employees’ Retirement System, 532 S. Maple Road, Ann Arbor, Michigan, 48103 or by calling (877) 994-4590.

The Housing Commission is invoiced by the City of Ann Arbor on a monthly basis for its required contributions. For the fiscal year ended June 30, 2022, the Housing Commission was invoiced at 26.02% of gross wages. Housing Commission employees are required to contribute 6% of their annual compensation. The contribution requirements of plan members are established and may be amended by the City Council.

The Housing Commission recorded deferred outflows of \$17,050, deferred inflows of \$9,072 and a net pension liability of \$83,680 for pension benefits offered to the Executive Director.

GASB 68 requires additional disclosures related to pension benefits; those required additional disclosures are included only in the financial statements of the City of Ann Arbor.

Postemployment Benefits

The Housing Commission participates in the City’s postemployment benefits plan. The City of Ann Arbor Retiree Health Care Benefits Plan is a single-employer defined benefit healthcare plan administered by the City of Ann Arbor Employees’ Retirement System. The plan provides certain health care and life insurance benefits for eligible retired employees and their dependents in accordance with Ann Arbor City Code Chapter 21. Health insurance benefits are provided through an administrative service contract which the City reimburses the administrator for claims paid plus an administration fee. The City of Ann Arbor Retiree Health Care Benefits Plan issues a publicly available financial report that includes financial statements and required

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

supplementary information for the plan. That report may be obtained by writing to the City of Ann Arbor Employees' Retirement System, 532 S. Maple Rd., Ann Arbor, Michigan, 48103 or by calling (877) 994-4590.

For the year ended June 30, 2022, the Housing Commission was invoiced and contributed \$129,446 which equated to approximately \$18,492 per enrollee. This plan has been closed to new hires.

Contingencies

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

In fiscal year 2015, the Housing Commission entered into a contractual agreement to transfer all employees of the Housing Commission, except the Executive Director, to the General Fund of the City of Ann Arbor. The Housing Commission is invoiced by the City of Ann Arbor on a monthly basis for all costs related to those former employees. The liabilities related to pension and other postemployment benefits of the transferred employees are not reported in the Housing Commission's financial statements because the amount of those liabilities cannot be reasonably estimated. Future costs related to pension and other postemployment benefits of the employees that were transferred to the City will be invoiced to the Housing Commission as they come due.

In fiscal year 2017, the Housing Commission obtained loans from the Federal Home Loan Bank ("FHLB"). The terms of the FHLB loans bear 0% interest and there is no payment due on the loans unless the Housing Commission fails to perform or keep any obligation or agreement of the Borrower provided in the application, regulations, policies and procedures, implementation plan or loan documents, within the next 15 years, therefore no debt is recorded on the financial statements.

Limited Partnerships / Low Income Housing Credits

The Housing Commission created a nonprofit entity, the Ann Arbor Housing Development Corporation for which the Housing Commission is the sole member. The Housing Commission has also created 4 for-profit limited partnerships (Maple Tower, River Run, West Arbor and Swift Lane) for the purposes of transferring the rights to use income tax credits available on low-income housing to investor limited partners. The Ann Arbor Housing Development Corporation is the single member entity of the for-profit general partnership members of the limited partnerships. The investor limited partners have paid in amounts to the Ann Arbor Housing Development Corporation (the general partner) for the right to use these low income housing credits. None of the equity of the limited partnerships is included in the financial statements of the Housing Commission.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2022

The Housing Commission created a second nonprofit entity, the Ann Arbor Affordable Housing Corporation for which the Housing Commission is the sole member. AAAHC is a single asset entity that consists of 136 units of senior housing commonly known as Lurie Terrace Apartments.



Ann Arbor Housing Commission
Financial Data Schedule
Project Balance Sheet
June 30, 2022

Line Item #	Account Description	Total Projects	Other Project
111	Cash - Unrestricted	\$ 178,729	\$ 178,729
114	Cash - Tenant Security Deposits	1,000	1,000
100	Total Cash	<u>179,729</u>	<u>179,729</u>
150	Total Current Assets	<u>179,729</u>	<u>179,729</u>
290	Total Assets	<u>\$ 179,729</u>	<u>\$ 179,729</u>
312	Accounts Payable <= 90 Days	\$ 6,131	\$ 6,131
341	Tenant Security Deposits	1,000	1,000
310	Total Current Liabilities	<u>7,131</u>	<u>7,131</u>
300	Total Liabilities	<u>7,131</u>	<u>7,131</u>
512.4	Unrestricted Net Position	<u>172,598</u>	<u>172,598</u>
513	Total Equity - Net Assets / Position	<u>172,598</u>	<u>172,598</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 179,729</u>	<u>\$ 179,729</u>

Ann Arbor Housing Commission
Financial Data Schedule
Project Income Statement
For the Year Ended June 30, 2022

Line Item #	Account Description	Total Projects	Other Project
70300	Net Tenant Rental Revenue	\$ 7,457	\$ 7,457
70500	Total Tenant Revenue	<u>7,457</u>	<u>7,457</u>
70600	HUD PHA Operating Grants	5,824	5,824
71100	Investment Income - Unrestricted	<u>35</u>	<u>35</u>
70000	Total Revenue	<u>13,316</u>	<u>13,316</u>
91300	Management fee	615	615
91310	Bookkeeping Fee	90	90
91600	Office Expenses	9	9
91000	Total Operating - Administrative	<u>714</u>	<u>714</u>
93100	Water	<u>723</u>	<u>723</u>
93000	Total Utilities	<u>723</u>	<u>723</u>
94200	Ordinary Maintenance and Operations - Materials and Other	878	878
94300	Ordinary Maintenance and Operations - Contracts	10,738	10,738
94000	Total Maintenance	<u>11,616</u>	<u>11,616</u>
96900	Total Operating Expenses	<u>13,053</u>	<u>13,053</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>263</u>	<u>263</u>
90000	Total Expenses	<u>13,053</u>	<u>13,053</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	263	263
11030	Beginning Equity	172,335	172,335
11190	Unit Months Available	12	12
11210	Number of Unit Months Leased	12	12
11270	Excess Cash	171,511	171,511

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2022

Line Item #	Account Description	Central Office Cost Center
111	Cash - Unrestricted	\$ 402,474
100	Total Cash	<u>402,474</u>
124	Accounts Receivable - Other Government	7,208
125	Accounts Receivable - Miscellaneous	37,040
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>44,248</u>
142	Prepaid Expenses and Other Assets	45,318
144	Inter Program - Due From	<u>29,251</u>
150	Total Current Assets	<u>521,291</u>
162	Buildings	10,193
164	Furniture, Equipment & Machinery - Administration	265,633
165	Leasehold Improvements	5,049
166	Accumulated Depreciation	(222,541)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>58,334</u>
180	Total Noncurrent Assets	<u>58,334</u>
200	Deferred Outflow of Resources	<u>17,050</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 596,675</u>
312	Accounts Payable <= 90 Days	\$ 387,349
321	Accrued Wage/Payroll Taxes Payable	26,983
322	Accrued Compensated Absences - Current Portion	38,576
346	Accrued Liabilities - Other	919
310	Total Current Liabilities	<u>453,827</u>
354	Accrued Compensated Absences - Noncurrent	49,312
357	Accrued Pension and OPEB Liabilities	83,680
350	Total Noncurrent Liabilities	<u>132,992</u>
300	Total Liabilities	<u>586,819</u>
400	Deferred Inflows of Resources	<u>9,072</u>
508.4	Net Investment in Capital Assets	58,334
512.4	Unrestricted Net Position	<u>(57,550)</u>
513	Total Equity - Net Assets / Position	<u>784</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 596,675</u>

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2022

Line Item #	Account Description	Central Office Cost Center
70600	HUD PHA Operating Grants	\$ 28,597
70720	Asset Management Fee	326,651
70730	Bookkeeping Fee	173,423
70750	Other Fees	376,600
70700	Total Fee Revenue	<u>876,674</u>
71500	Other Revenue	<u>222,743</u>
70000	Total Revenue	<u>1,128,014</u>
91100	Administrative Salaries	762,243
91200	Auditing Fees	4,980
91500	Employee Benefit Contributions - Administrative	100,959
91600	Office Expenses	239,847
91800	Travel	2,234
91000	Total Operating - Administrative	<u>1,110,263</u>
92400	Tenant Services - Other	<u>26,735</u>
92500	Total Tenant Services	<u>26,735</u>
93100	Water	<u>15</u>
93000	Total Utilities	<u>15</u>
94200	Ordinary Maintenance and Operations - Materials and Other	5,113
94300	Ordinary Maintenance and Operations Contracts	1,280
94000	Total Maintenance	<u>6,393</u>
96120	Liability Insurance	<u>6,011</u>
96100	Total Insurance Premiums	<u>6,011</u>
96210	Compensated Absences	<u>23,456</u>
96000	Total Other General Expenses	<u>23,456</u>
96900	Total Operating Expenses	<u>1,172,873</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>(44,859)</u>
97400	Depreciation Expense	<u>13,836</u>
90000	Total Expenses	<u>1,186,709</u>
10010	Operating Transfer In	28,597
10020	Operating Transfer Out	<u>(28,597)</u>
10100	Total Other Financing Sources (Uses)	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(58,695)
11030	Beginning Equity	160,662
11040	Prior Period Adjustment, Equity Transfer and Correction of Errors	(101,183)

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2022

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.EHV Emergency Housing Voucher	14.881 Moving to Work Demonstration Program	14.HCV MTW Demonstration Program for HCV Program	Business Activities
111	Cash - Unrestricted	\$ 1,921,847	\$ 2,331	\$ -	\$ 74,987	\$ 20,117	\$ 354,969	\$ -	\$ 1,469,443
113	Cash - Other Restricted	456,257	12,098	-	-	-	444,159	-	-
100	Total Cash	2,378,104	14,429	-	74,987	20,117	799,128	-	1,469,443
122	Accounts Receivable - HUD Other Projects	105,269	-	-	-	-	105,269	-	-
124	Accounts Receivable - Other Government	408,358	-	-	-	-	1,417	-	406,941
125	Accounts Receivable - Miscellaneous	11,882,172	-	-	-	-	-	-	11,882,172
126	Accounts Receivable - Tenants	560	-	-	560	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	(14,504,699)	-	-	-	-	-	-	(14,504,699)
129	Accrued Interest Receivable	3,129,626	-	-	-	-	-	-	3,129,626
120	Total Receivables, Net of Allowances for Doubtful Accounts	1,021,286	-	-	560	-	106,686	-	914,040
142	Prepaid Expenses and Other Assets	54,455	-	-	-	-	14,545	-	39,910
150	Total Current Assets	3,453,845	14,429	-	75,547	20,117	920,359	-	2,423,393
164	Furniture, Equipment & Machinery - Administration	61,737	-	-	-	-	61,737	-	-
166	Accumulated Depreciation	(22,145)	-	-	-	-	(22,145)	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	39,592	-	-	-	-	39,592	-	-
180	Total Noncurrent Assets	39,592	-	-	-	-	39,592	-	-
290	Total Assets	\$ 3,493,437	\$ 14,429	\$ -	\$ 75,547	\$ 20,117	\$ 959,951	\$ -	\$ 2,423,393
312	Accounts Payable <= 90 Days	\$ 799,439	\$ -	\$ -	\$ 37,318	\$ 1,547	\$ 404,100	\$ -	\$ 356,474
321	Accrued Wage/Payroll Taxes Payable	33,762	-	-	3,683	483	29,596	-	-
322	Accrued Compensated Absences - Current Portion	32,120	117	-	3,423	574	28,006	-	-
342	Unearned Revenue	17,541	-	-	-	17,541	-	-	-
346	Accrued Liabilities - Other	165,771	2,214	-	68	688	15,118	-	147,683
347	Inter Program - Due To	29,251	-	-	2,855	641	25,755	-	-
310	Total Current Liabilities	1,077,884	2,331	-	47,347	21,474	502,575	-	504,157
353	Noncurrent Liabilities - Other	456,257	12,098	-	-	-	444,159	-	-
354	Accrued Compensated Absences - Noncurrent	26,531	-	-	2,076	490	23,965	-	-
350	Total Noncurrent Liabilities	482,788	12,098	-	2,076	490	468,124	-	-
300	Total Liabilities	1,560,672	14,429	-	49,423	21,964	970,699	-	504,157
508.4	Net Investment in Capital Assets	39,592	-	-	-	-	39,592	-	-
512.4	Unrestricted Net Position	1,893,173	-	-	26,124	(1,847)	(50,340)	-	1,919,236
513	Total Equity - Net Assets / Position	1,932,765	-	-	26,124	(1,847)	(10,748)	-	1,919,236
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$ 3,493,437	\$ 14,429	\$ -	\$ 75,547	\$ 20,117	\$ 959,951	\$ -	\$ 2,423,393

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2022

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.EHV Emergency Housing Voucher	14.881 Moving to Work Demonstration Program	14.HCV MTW Demonstration Program for HCV Program	Business Activities
70600	HUD PHA Operating Grants	\$ 20,879,277	\$ 1,882,008	\$ 162,000	\$ 1,527,866	\$ 281,980	\$ -	\$ 17,025,423	\$ -
71100	Investment Income - Unrestricted	1,085	-	-	-	-	-	-	1,085
71400	Fraud Recovery	77,387	1,380	-	5,799	-	70,208	-	-
71500	Other Revenue	5,177,413	-	-	47,234	-	149,232	-	4,980,947
72000	Investment Income - Restricted	12	-	-	-	12	-	-	-
70000	Total Revenue	26,135,174	1,883,388	162,000	1,580,899	281,992	219,440	17,025,423	4,982,032
91100	Administrative Salaries	1,298,241	101,112	162,000	113,829	26,790	818,085	-	76,425
91200	Auditing Fees	12,070	1,187	-	-	-	9,603	-	1,280
91300	Management Fee	326,036	25,847	-	25,541	3,039	271,609	-	-
91310	Bookkeeping Fee	173,333	18,180	-	13,800	1,088	140,265	-	-
91500	Employee Benefit Contributions - Administrative	30,984	3,408	-	-	-	27,576	-	-
91600	Office Expenses	288,622	21,508	-	6,185	2,404	174,017	-	84,508
91700	Legal Expense	2,504	-	-	-	-	1,824	-	680
91800	Travel	35	-	-	-	-	-	-	35
91000	Total Operating - Administrative	2,131,825	171,242	162,000	159,355	33,321	1,442,979	-	162,928
92400	Tenant Services - Other	882,413	100	-	31,168	36,459	23,074	-	791,612
92500	Total Tenant Services	882,413	100	-	31,168	36,459	23,074	-	791,612
94200	Ordinary Maintenance and Operations - Materials and Other	478	-	-	-	-	478	-	-
94300	Ordinary Maintenance and Operations - Contracts	3,127	341	-	-	-	2,786	-	-
94000	Total Maintenance	3,605	341	-	-	-	3,264	-	-
96120	Liability Insurance	24,043	2,479	-	-	-	20,060	-	1,504
96100	Total Insurance Premiums	24,043	2,479	-	-	-	20,060	-	1,504
96200	Other General Expenses	290,603	4,917	-	459	-	3,074	-	282,153
96210	Compensated Absences	3,673	117	-	1,544	1,065	947	-	-
96400	Bad Debt - Tenant Rents	10,937	-	-	-	-	10,937	-	-
96600	Bad Debt - Other	3,376,230	-	-	-	-	-	-	3,376,230
96000	Total Other General Expenses	3,681,443	5,034	-	2,003	1,065	14,958	-	3,658,383
96900	Total Operating Expenses	6,723,329	179,196	162,000	192,526	70,845	1,504,335	-	4,614,427
97000	Excess of Operating Revenue over (under) Operating Expenses	19,411,845	1,704,192	-	1,388,373	211,147	(1,284,895)	17,025,423	367,605

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2022

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.EHV Emergency Housing Voucher	14.881 Moving to Work Demonstration Program	14.HCV MTW Demonstration Program for HCV Program	Business Activities
97300	Housing Assistance Payments	\$ 19,378,063	\$ 1,753,463	\$ -	\$ 1,672,677	\$ 212,994	\$ 15,738,929	\$ -	\$ -
97400	Depreciation Expense	12,347	-	-	-	-	12,347	-	-
90000	Total Expenses	26,113,739	1,932,659	162,000	1,865,203	283,839	17,255,611	-	4,614,427
10010	Operating Transfer In	17,025,423	-	-	-	-	17,025,423	-	-
10020	Operating Transfer Out	(17,025,423)	-	-	-	-	-	(17,025,423)	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	17,025,423	(17,025,423)	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	21,435	(49,271)	-	(284,304)	(1,847)	(10,748)	-	367,605
11030	Beginning Equity	2,218,774	49,271	-	310,428	-	-	-	1,859,075
11040	Prior Period Adjustment, Equity Transfer and Correction of Errors	(307,444)	-	-	-	-	-	-	(307,444)
11190	Unit Months Available	21,561	3,029	-	3,012	348	15,172	-	-
11210	Number of Unit Months Leased	18,399	2,424	-	1,866	189	13,920	-	-

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Balance Sheet
June 30, 2022

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
111	Cash - Unrestricted	\$ 178,729	\$ 1,921,847	\$ 402,474	\$ 2,503,050	\$ -	\$ 2,503,050
113	Cash - Other Restricted	-	456,257	-	456,257	-	456,257
114	Cash - Tenant Security Deposits	1,000	-	-	1,000	-	1,000
100	Total Cash	<u>179,729</u>	<u>2,378,104</u>	<u>402,474</u>	<u>2,960,307</u>	<u>-</u>	<u>2,960,307</u>
122	Accounts Receivable - HUD Other Projects	-	105,269	-	105,269	-	105,269
124	Accounts Receivable - Other Government	-	408,358	7,208	415,566	-	415,566
125	Accounts Receivable - Miscellaneous	-	11,882,172	37,040	11,919,212	-	11,919,212
126	Accounts Receivable - Tenants	-	560	-	560	-	560
126.2	Allowance for Doubtful Accounts - Other	-	(14,504,699)	-	(14,504,699)	-	(14,504,699)
129	Accrued Interest Receivable	-	3,129,626	-	3,129,626	-	3,129,626
120	Total Receivables, Net of Allow. for Doubtful Accounts	<u>-</u>	<u>1,021,286</u>	<u>44,248</u>	<u>1,065,534</u>	<u>-</u>	<u>1,065,534</u>
142	Prepaid Expenses and Other Assets	-	54,455	45,318	99,773	-	99,773
144	Inter Program - Due From	-	-	29,251	29,251	(29,251)	-
150	Total Current Assets	<u>179,729</u>	<u>3,453,845</u>	<u>521,291</u>	<u>4,154,865</u>	<u>(29,251)</u>	<u>4,125,614</u>
162	Buildings	-	-	10,193	10,193	-	10,193
164	Furniture, Equipment & Machinery - Administration	-	61,737	265,633	327,370	-	327,370
165	Leasehold Improvements	-	-	5,049	5,049	-	5,049
166	Accumulated Depreciation	-	(22,145)	(222,541)	(244,686)	-	(244,686)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>39,592</u>	<u>58,334</u>	<u>97,926</u>	<u>-</u>	<u>97,926</u>
180	Total Noncurrent Assets	<u>-</u>	<u>39,592</u>	<u>58,334</u>	<u>97,926</u>	<u>-</u>	<u>97,926</u>
200	Deferred Outflow of Resources	-	-	17,050	17,050	-	17,050
290	Total Assets	<u>\$ 179,729</u>	<u>\$ 3,493,437</u>	<u>\$ 596,675</u>	<u>\$ 4,269,841</u>	<u>\$ (29,251)</u>	<u>\$ 4,240,590</u>
312	Accounts Payable <= 90 Days	\$ 6,131	\$ 799,439	\$ 387,349	\$ 1,192,919	\$ -	\$ 1,192,919
321	Accrued Wage/Payroll Taxes Payable	-	33,762	26,983	60,745	-	60,745
322	Accrued Compensated Absences - Current Portion	-	32,120	38,576	70,696	-	70,696
341	Tenant Security Deposits	1,000	-	-	1,000	-	1,000
342	Unearned Revenue	-	17,541	-	17,541	-	17,541
346	Accrued Liabilities - Other	-	165,771	919	166,690	-	166,690
347	Inter Program - Due To	-	29,251	-	29,251	(29,251)	-
310	Total Current Liabilities	<u>7,131</u>	<u>1,077,884</u>	<u>453,827</u>	<u>1,538,842</u>	<u>(29,251)</u>	<u>1,509,591</u>
353	Noncurrent Liabilities - Other	-	456,257	-	456,257	-	456,257
354	Accrued Compensated Absences - Noncurrent	-	26,531	49,312	75,843	-	75,843
357	Accrued Pension and OPEB Liabilities	-	-	83,680	83,680	-	83,680
350	Total Noncurrent Liabilities	<u>-</u>	<u>482,788</u>	<u>132,992</u>	<u>615,780</u>	<u>-</u>	<u>615,780</u>
300	Total Liabilities	<u>7,131</u>	<u>1,560,672</u>	<u>586,819</u>	<u>2,154,622</u>	<u>(29,251)</u>	<u>2,125,371</u>
400	Deferred Inflows of Resources	-	-	9,072	9,072	-	9,072
508.4	Net Investment in Capital Assets	-	39,592	58,334	97,926	-	97,926
512.4	Unrestricted Net Position	172,598	1,893,173	(57,550)	2,008,221	-	2,008,221
513	Total Equity - Net Assets / Position	<u>172,598</u>	<u>1,932,765</u>	<u>784</u>	<u>2,106,147</u>	<u>-</u>	<u>2,106,147</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 179,729</u>	<u>\$ 3,493,437</u>	<u>\$ 596,675</u>	<u>\$ 4,269,841</u>	<u>\$ (29,251)</u>	<u>\$ 4,240,590</u>

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2022

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
70300	Net Tenant Rental Revenue	\$ 7,457	\$ -	\$ -	\$ 7,457	\$ -	\$ 7,457
70500	Total Tenant Revenue	7,457	-	-	7,457	-	7,457
70600	HUD PHA Operating Grants	5,824	20,879,277	28,597	20,913,698	-	20,913,698
70720	Asset Management Fee	-	-	326,651	326,651	(326,651)	-
70730	Bookkeeping Fee	-	-	173,423	173,423	(173,423)	-
70750	Other Fees	-	-	376,600	376,600	-	376,600
70700	Total Fee Revenue	-	-	876,674	876,674	(500,074)	376,600
71100	Investment Income - Unrestricted	35	1,085	-	1,120	-	1,120
71400	Fraud Recovery	-	77,387	-	77,387	-	77,387
71500	Other Revenue	-	5,177,413	222,743	5,400,156	-	5,400,156
72000	Investment Income - Restricted	-	12	-	12	-	12
70000	Total Revenue	13,316	26,135,174	1,128,014	27,276,504	(500,074)	26,776,430
91100	Administrative Salaries	-	1,298,241	762,243	2,060,484	-	2,060,484
91200	Auditing Fees	-	12,070	4,980	17,050	-	17,050
91300	Management Fee	615	326,036	-	326,651	(326,651)	-
91310	Bookkeeping Fee	90	173,333	-	173,423	(173,423)	-
91500	Employee Benefit Contributions - Administrative	-	30,984	100,959	131,943	-	131,943
91600	Office Expenses	9	288,622	239,847	528,478	-	528,478
91700	Legal Expense	-	2,504	-	2,504	-	2,504
91800	Travel	-	35	2,234	2,269	-	2,269
91000	Total Operating - Administrative	714	2,131,825	1,110,263	3,242,802	(500,074)	2,742,728
92400	Tenant Services - Other	-	882,413	26,735	909,148	-	909,148
92500	Total Tenant Services	-	882,413	26,735	909,148	-	909,148
93100	Water	723	-	15	738	-	738
93000	Total Utilities	723	-	15	738	-	738

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2022

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
94200	Ordinary Maintenance and Operations - Materials and Other	\$ 878	\$ 478	\$ 5,113	\$ 6,469	\$ -	\$ 6,469
94300	Ordinary Maintenance and Operations - Contracts	10,738	3,127	1,280	15,145	-	15,145
94000	Total Maintenance	<u>11,616</u>	<u>3,605</u>	<u>6,393</u>	<u>21,614</u>	<u>-</u>	<u>21,614</u>
96120	Liability Insurance	-	24,043	6,011	30,054	-	30,054
96100	Total Insurance Premiums	<u>-</u>	<u>24,043</u>	<u>6,011</u>	<u>30,054</u>	<u>-</u>	<u>30,054</u>
96200	Other General Expenses	-	290,603	-	290,603	-	290,603
96210	Compensated Absences	-	3,673	23,456	27,129	-	27,129
96400	Bad Debt - Tenant Rents	-	10,937	-	10,937	-	10,937
96600	Bad Debt - Other	-	3,376,230	-	3,376,230	-	3,376,230
96000	Total Other General Expenses	<u>-</u>	<u>3,681,443</u>	<u>23,456</u>	<u>3,704,899</u>	<u>-</u>	<u>3,704,899</u>
96900	Total Operating Expenses	<u>13,053</u>	<u>6,723,329</u>	<u>1,172,873</u>	<u>7,909,255</u>	<u>(500,074)</u>	<u>7,409,181</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>263</u>	<u>19,411,845</u>	<u>(44,859)</u>	<u>19,367,249</u>	<u>-</u>	<u>19,367,249</u>
97300	Housing Assistance Payments	-	19,378,063	-	19,378,063	-	19,378,063
97400	Depreciation Expense	-	12,347	13,836	26,183	-	26,183
90000	Total Expenses	<u>13,053</u>	<u>26,113,739</u>	<u>1,186,709</u>	<u>27,313,501</u>	<u>(500,074)</u>	<u>26,813,427</u>
10010	Operating Transfer In						
10020	Operating Transfer Out	-	17,025,423	28,597	17,054,020	-	17,054,020
10030	Operating Transfers from/to Primary Government	-	(17,025,423)	(28,597)	(17,054,020)	-	(17,054,020)
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>263</u>	<u>21,435</u>	<u>(58,695)</u>	<u>(36,997)</u>	<u>-</u>	<u>(36,997)</u>
11030	Beginning Equity	172,335	2,218,774	160,662	2,551,771	-	2,551,771
11040	Prior Period Adjustment, Equity Transfer and Correction of Errors	-	(307,444)	(101,183)	(408,627)	-	(408,627)
11190	Unit Months Available	12	21,561	-	21,573	-	21,573
11210	Number of Unit Months Leased	12	18,399	-	18,411	-	18,411
11270	Excess Cash	171,511	-	-	171,511	-	171,511



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A VETERAN OWNED BUSINESS

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

To the Board of Commissioners
Ann Arbor Housing Commission
Ann Arbor, 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 the *Ann Arbor Housing Commission*, a component unit of the City of Ann Arbor, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the *Ann Arbor Housing Commission's* basic financial statements and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Smith + Klauszewicz PC

Saginaw, Michigan

December 21, 2022



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A VETERAN OWNED BUSINESS

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

To the Board of Commissioners
Ann Arbor Housing Commission
Ann Arbor, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the *Ann Arbor Housing Commission's* compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of *Ann Arbor Housing Commission's* major federal programs for the year ended June 30, 2022. The *Ann Arbor Housing Commission's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the *Ann Arbor Housing Commission* complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the *Ann Arbor Housing Commission* and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the *Ann Arbor Housing Commission's* compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to *Ann Arbor Housing Commission's* federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the ***Ann Arbor Housing Commission's*** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the ***Ann Arbor Housing Commission's*** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ***Ann Arbor Housing Commission's*** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ***Ann Arbor Housing Commission's*** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the ***Ann Arbor Housing Commission's*** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Smith + Klauszewicz PC

Saginaw, Michigan

December 21, 2022

Ann Arbor Housing Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency / Pass Through Agency / Program Title	Federal Assistance Listing Number	Amount Expended
Department of Housing and Urban Development		
Direct programs:		
Public and Indian Housing	14.850	\$ 5,824
Section 8 Housing Choice Vouchers	14.871	1,932,659
Emergency Housing Vouchers	14.871	283,839
Mainstream Vouchers	14.879	1,865,203
Total Section 8 Housing Choice Vouchers		4,081,701
Capital Fund Program	14.872	28,597
Moving to Work Demonstration Program	14.881	17,243,264
Family Self-Sufficiency	14.896	162,000
Total Department of Housing and Urban Development		\$ 21,521,386
Reconciliation to Statement of Revenues, Expenses and Changes in Fund Net Position		
Federal revenue reported on the Statement of Revenues, Expenses and Changes in Fund Net Position:		
Program grants - subsidies		\$ 20,913,698
Change in net position pertaining to HAP		607,688
Total expenditures per Schedule of Expenditures of Federal Awards		\$ 21,521,386

See accompanying notes to schedule of expenditures of federal awards

Ann Arbor Housing Commission
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the ***Ann Arbor Housing Commission*** under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the ***Ann Arbor Housing Commission***, it is not intended to and does not present the financial position, changes in net position or cash flows of the ***Ann Arbor Housing Commission***.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Subrecipients

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

Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

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

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

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

Internal control over major program(s)

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

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

Identification of major program(s):

Federal Assistance Listing Number	Name of Federal Program(s) or Cluster(s)
14.881	Moving to Work Demonstration Program

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

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

Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs (*concluded*)
For the Year Ended June 30, 2022

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None