

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, 2021



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Ann Arbor Housing Commission

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SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the *Ann Arbor Housing Commission*, a component unit of the City of Ann Arbor, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the *Ann Arbor Housing Commission*, as of June 30, 2021, 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 3-8 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 ***Ann Arbor Housing Commission's*** basic financial statements. The financial data schedules are presented for purposes 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.

The financial data schedules 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 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 November 15, 2021 on our consideration of the ***Ann Arbor Housing Commission's*** control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the ***Ann Arbor Housing Commission's*** internal control over financial reporting and compliance.

Smith + Klaychewicz PC

Saginaw, Michigan

November 15, 2021

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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 increased by \$632,247 (33%) during 2021. This increase is primarily generated by the Section 8 Mainstream program for which the HAP revenue increased due to additional voucher awards which have not all been leased up resulting in lower HAP expenses and a gain for the program. In addition, Business Activities generated Loan Interest and Developer Fee revenue that resulted in a significant gain for that program. The overall net position was \$2,551,771 and \$1,919,524 for 2021 and 2020 respectively.

The overall revenue of the Commission increased by \$2,117,207 (or 11%) during 2021, and was \$21,987,211 and \$19,870,004 for FY21 and FY20 respectively. The increase in revenue is mainly the result of awards of new vouchers in the Section 8 HCV and Mainstream programs as well as CARES Act funding received from HUD due to the COVID-19 pandemic.

USING THIS ANNUAL REPORT

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

<p style="text-align: center;">MD&A Management Discussion and Analysis-pages 3-8</p>

<p style="text-align: center;">Basic Financial Statements Commission-wide Financial Statements - pages 9-11 Notes to Financial Statements - pages 12-21</p>
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ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Other Required Supplementary Information
Financial Data Schedules - pages 22-31

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 9-11) 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, 2021

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 up to 40% of income at initial lease-up.

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 up to 40% of income at initial lease-up.

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>2021</u>		<u>2020</u>		<u>Change</u>		<u>Change</u>
Current and Other Assets	\$ 3,950,517	\$	3,898,014	\$	52,503		1%
Capital Assets	<u>124,109</u>		<u>57,548</u>		<u>66,561</u>		116%
Total Assets	4,074,626		3,955,562		119,064		3%
Current and other Liabilities	931,479		1,273,724		(342,245)		-27%
Long-Term Liabilities	<u>591,376</u>		<u>762,314</u>		<u>(170,938)</u>		-22%
Total Liabilities	1,522,855		2,036,038		(513,183)		-25%
Net Position:							
Net Investment in Capital Assets	124,109		57,548		66,561		116%
Restricted	-		-		-		
Unrestricted	<u>2,427,662</u>		<u>1,861,976</u>		<u>565,686</u>		30%
Total Net Position	\$ <u>2,551,771</u>	\$	<u>1,919,524</u>	\$	<u>632,247</u>		33%

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Major Factors Affecting the Statement of Net Position

The increase in Capital Assets is the result of the purchase of three new vehicles to update the maintenance fleet.

Current and other Liabilities decreased by \$342,245 as a result of a decrease in general accounts payable as well as unearned revenue related to grant funding in FY20.

Long-Term Liabilities decreased in FY21 by \$170,938 primarily due to the decrease in the Net Pension Liability.

Net Investment in Capital Assets increased by \$66,561 due to the acquisition of three new maintenance vehicles in FY21.

Table 2 presents details on the changes in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/2020	\$	1,861,976
Results of Operations		632,247
Adjustments:		
Depreciation (1)		23,659
Decrease in Restricted Assets		-
Disposal/Transfer of Assets		-
Adjusted Results from Operations		655,906
Capital Expenditures		(90,220)
Non Operating Revenue		-
Unrestricted Net Position 6/30/2021	\$	2,427,662

(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, 2021

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>2021</u>	<u>2020</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Tenant Revenues - Rent and Other	\$ 4,728	\$ 2,291	\$ 2,437	106%
Operating Subsidies and Grants	19,309,929	16,979,513	2,330,416	14%
Capital Grants	-	91,678	(91,678)	-100%
Investment Income	1,129	2,183	(1,054)	-48%
Other Revenues	<u>2,671,425</u>	<u>2,794,339</u>	<u>(122,914)</u>	-4%
Total Revenue	\$ <u>21,987,211</u>	\$ <u>19,870,004</u>	\$ <u>2,117,207</u>	11%
Expenses				
Administrative	\$ 2,700,776	\$ 2,053,273	\$ 647,503	32%
Tenant Services	715,461	502,234	213,227	42%
Utilities	987	1,655	(668)	-40%
Maintenance	45,719	28,897	16,822	58%
General and other	404,896	676,867	(271,971)	-40%
Development Costs	584,818	1,174,777	(589,959)	-50%
Housing Assistance Payments	16,878,648	15,578,693	1,299,955	8%
Depreciation	<u>23,659</u>	<u>8,639</u>	<u>15,020</u>	174%
Total Expenses	\$ <u>21,354,964</u>	\$ <u>20,025,035</u>	\$ <u>1,329,929</u>	7%
Net Increase(Decrease)	\$ <u>632,247</u>	\$ <u>(155,031)</u>	\$ <u>787,278</u>	-508%

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

- The change in Unrestricted Net Position reflects a gain of \$632,247 for FY21. This gain is primarily due to operating gains related to loan interest and developer fee revenues for the Business Activities cost center as well as increased HAP revenue for the Section 8 Mainstream program due to additional vouchers that were awarded in FY21 by HUD.
- The increase in Operating Subsidies and Grants is due to additional funding for the HCV and new Mainstream programs as well as CARES Act funding from HUD related to the COVID-19 pandemic.
- No Capital Grants were received in FY21.
- The increase in Administrative Expenses for FY21 is due to several factors including additional staffing, an increase in fees for consulting related to grant funded projects from the City as well as higher management fees due to additional revenues received in the Section 8 program.
- Tenant Services expenses are higher than the prior year mainly due to CARES Act funding provided by HUD that was used for tenant services in FY21.
- Maintenance expenses are higher for FY21 due to additional janitorial services needed for the safety of tenants and staff due to the COVID-19 pandemic.
- General expenses are lower in FY21 mainly due to lower accounts receivable write offs related to the notes and loans made by AAHD.
- Development Costs decreased in FY21. This is mainly due to the final RAD conversion (Swift Lane LDHA) as well as passing through grant funding slated for building improvements of related properties in the prior fiscal year, FY20.
- The increase in Housing Assistance Payments is a result of newly awarded special vouchers in FY21.

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

CAPITAL ASSETS

As of year end FY21, the Commission had \$124,109 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$66,561. The increase from FY20 to FY21 is mainly due to the purchase of three new maintenance vehicles.

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

	<u>Business-Type Activities</u>			<u>Percent</u>
	<u>2021</u>	<u>2020</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	237,150	90,220	38%
Leasehold Improvements	5,049	5,049	-	0%
Accumulated Depreciation	<u>(218,503)</u>	<u>(194,844)</u>	<u>(23,659)</u>	<u>12%</u>
Total	\$ <u>124,109</u>	\$ <u>57,548</u>	\$ <u>66,561</u>	116%

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

TABLE 5
CHANGE IN CAPITAL ASSETS

	<u>Business-Type</u>
	<u>Activities</u>
Beginning Balance	\$ 57,548
Additions	90,220
Disposals	-
Net of Depreciation	-
Depreciation	<u>(23,659)</u>
Ending Balance	\$ <u>124,109</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 affect 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.
- 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, 2021

Current assets	
Cash and cash equivalents	\$ 3,183,943
Cash and cash equivalents - restricted	529,354
Cash - tenant security deposits	1,000
Due from other governmental units	100,814
Accounts receivable, net	65,823
Prepaid expenses	59,406
	3,940,340
Noncurrent assets	
Capital assets:	
Depreciable	342,612
Less: accumulated depreciation	(218,503)
	124,109
Net capital assets	124,109
Total assets	4,064,449
Deferred outflows of resources	10,177
Current liabilities	
Accounts payable	548,459
Accrued liabilities	60,892
Tenant security deposits	1,000
Unearned revenue	156,926
Accrued compensated absences, current portion	58,798
	826,075
Noncurrent liabilities	
Other noncurrent liabilities - payable from restricted assets	529,354
Net pension liability	1,411
Accrued compensated absences	60,611
	591,376
Total noncurrent liabilities	591,376
Total liabilities	1,417,451
Deferred inflows of resources	105,404
Net position	
Net investment in capital assets	124,109
Unrestricted	2,427,662
	\$ 2,551,771

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, 2021

Operating revenues	
Tenant revenue	\$ 4,728
Program grants - subsidies	19,309,929
Other revenue	<u>2,594,922</u>
Total operating revenues	<u>21,909,579</u>
Operating expenses	
Administration	2,700,776
Tenant services	715,461
Utilities	987
Maintenance	45,719
Protective services	106,349
Insurance	29,797
General	268,750
Housing assistance payments	16,866,660
Depreciation	<u>23,659</u>
Total operating expenses	<u>20,758,158</u>
Operating income (loss)	<u>1,151,421</u>
Nonoperating revenues and (expenses)	
Fraud recovery	76,503
HAP Portability - In	(11,988)
Development costs	(584,818)
Interest revenue	<u>1,129</u>
Total nonoperating revenues and (expenses)	<u>(519,174)</u>
Change in net position	632,247
Net position - Beginning of year	<u>1,919,524</u>
Net position - End of year	<u><u>\$ 2,551,771</u></u>

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, 2021

Cash flows from operating activities	
Cash received from customers	\$ 2,603,015
Cash received from grants and subsidies	19,309,929
Cash payments to suppliers for goods and services	(19,173,698)
Cash payments for wages and related benefits	<u>(1,722,956)</u>
Net cash provided by (used in) operating activities	<u>1,016,290</u>
Cash flows from noncapital and related financing activities	
Fraud recovery	76,503
HAP Portability - In	(11,988)
Development costs	<u>(584,818)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>(520,303)</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(90,220)</u>
Cash flows from investing activities	
Interest revenue	<u>1,129</u>
Net increase (decrease) in cash and cash equivalents	406,896
Cash and cash equivalents - beginning of year	<u>3,307,401</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,714,297</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 1,151,421
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	23,659
Changes in assets and liabilities	
Decrease (increase) in receivables	350,024
Decrease (increase) in prepaid expenses	(9,016)
Decrease (increase) in deferred outflows of resources	13,385
Increase (decrease) in accounts payable	(112,009)
Increase (decrease) in accrued liabilities	(157,696)
Increase (decrease) in unearned revenue	(346,659)
Increase (decrease) in deferred inflows of resources	<u>103,181</u>
Net cash provided by (used in) operating activities	<u><u>\$ 1,016,290</u></u>
Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows	
Cash and cash equivalents	\$ 3,183,943
Cash and cash equivalents - restricted	529,354
Cash - tenant security deposits	<u>1,000</u>
Total	<u><u>\$ 3,714,297</u></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, 2021

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, 2021

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

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

14.MSC Mainstream CARES Act Funding accounts for the revenue and related operations pertaining to CARES Act funding for the Mainstream Vouchers Program.

14.CCC Central Office Cost Center CARES Act Funding accounts for the revenue and related operations of the administrative offices funded by the CARES Act.

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, 2021

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, 2021

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.

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, 2021

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:

	<u>Carrying Amount</u>
Financial Statement Captions	
Cash and cash equivalents	\$ 3,183,943
Cash and cash equivalents – restricted	529,354
Cash – tenant security deposits	<u>1,000</u>
Total	<u>\$ 3,714,297</u>
Notes to Financial Statements	
Deposits	<u>\$ 3,714,297</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, 2021

- 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, \$2,725,588 of the Housing Commission's bank balance of \$3,725,588 was exposed to custodial credit risk because it was uninsured, however, it was partially collateralized with government securities with a market value of \$1,360,980.

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	\$ 53,226
Notes receivable from tax credits	8,845,172
Interest receivable	2,295,893
Allowance for doubtful accounts	<u>(11,128,468)</u>
Total receivables, net	<u>\$ 65,823</u>

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2021

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	237,150	90,220	-	327,370
Leasehold improvements	<u>5,049</u>	<u>-</u>	<u>-</u>	<u>5,049</u>
Total capital assets being depreciated	<u>252,392</u>	<u>90,220</u>	<u>-</u>	<u>342,612</u>
Less accumulated depreciation	<u>(194,844)</u>	<u>(23,659)</u>	<u>-</u>	<u>(218,503)</u>
Total net capital assets	<u>\$ 57,548</u>	<u>\$ 66,561</u>	<u>\$ -</u>	<u>\$ 124,109</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>\$ 100,670</u>	<u>\$ 58,279</u>	<u>\$ (39,540)</u>	<u>\$ 119,409</u>	<u>\$ 58,798</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, 2021 and 2020 was \$19,309,929 or 88% and \$17,071,191 or 86% 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, 2021

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, 2021, the Housing Commission was invoiced at 24.39% 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 \$10,177, deferred inflows of \$105,404 and a net pension liability of \$1,411 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, 2021

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, 2021, the Housing Commission was invoiced and contributed \$106,553 which equated to approximately \$17,462 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, 2021

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, 2021

Line Item #	Account Description	Total Projects	Other Project
111	Cash - Unrestricted	\$ 172,555	\$ 172,555
114	Cash - Tenant Security Deposits	1,000	1,000
100	Total Cash	<u>173,555</u>	<u>173,555</u>
150	Total Current Assets	<u>173,555</u>	<u>173,555</u>
290	Total Assets	<u>\$ 173,555</u>	<u>\$ 173,555</u>
312	Accounts Payable <= 90 Days	\$ 220	\$ 220
341	Tenant Security Deposits	1,000	1,000
310	Total Current Liabilities	<u>1,220</u>	<u>1,220</u>
300	Total Liabilities	<u>1,220</u>	<u>1,220</u>
512.4	Unrestricted Net Position	<u>172,335</u>	<u>172,335</u>
513	Total Equity - Net Assets / Position	<u>172,335</u>	<u>172,335</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 173,555</u>	<u>\$ 173,555</u>

Ann Arbor Housing Commission
Financial Data Schedule
Project Income Statement
For the Year Ended June 30, 2021

Line Item #	Account Description	Total Projects	Other Project
70300	Net Tenant Rental Revenue	\$ 4,728	\$ 4,728
70500	Total Tenant Revenue	<u>4,728</u>	<u>4,728</u>
70600	HUD PHA Operating Grants	2,824	2,824
71100	Investment Income - Unrestricted	<u>47</u>	<u>47</u>
70000	Total Revenue	<u>7,599</u>	<u>7,599</u>
91300	Management fee	615	615
91310	Bookkeeping Fee	90	90
91600	Office Expenses	6	6
91000	Total Operating - Administrative	<u>711</u>	<u>711</u>
93100	Water	<u>975</u>	<u>975</u>
93000	Total Utilities	<u>975</u>	<u>975</u>
94200	Ordinary Maintenance and Operations - Materials and Other	50	50
94300	Ordinary Maintenance and Operations - Contracts	4,977	4,977
94000	Total Maintenance	<u>5,027</u>	<u>5,027</u>
96120	Liability Insurance	<u>414</u>	<u>414</u>
96100	Total Insurance Premiums	<u>414</u>	<u>414</u>
96900	Total Operating Expenses	<u>7,127</u>	<u>7,127</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>472</u>	<u>472</u>
90000	Total Expenses	<u>7,127</u>	<u>7,127</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	472	472
11030	Beginning Equity	171,863	171,863
11190	Unit Months Available	12	12
11210	Number of Unit Months Leased	12	12
11270	Excess Cash	171,742	171,742

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2021

Line Item #	Account Description	Central Office Cost Center
111	Cash - Unrestricted	\$ 543,750
100	Total Cash	<u>543,750</u>
124	Accounts Receivable - Other Government	22,355
125	Accounts Receivable - Miscellaneous	53,226
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>75,581</u>
142	Prepaid Expenses and Other Assets	43,612
144	Inter Program - Due From	<u>37,284</u>
150	Total Current Assets	<u>700,227</u>
162	Buildings	10,193
164	Furniture, Equipment & Machinery - Administration	265,633
165	Leasehold Improvements	5,049
166	Accumulated Depreciation	(208,705)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>72,170</u>
180	Total Noncurrent Assets	<u>72,170</u>
200	Deferred Outflow of Resources	<u>10,177</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 782,574</u>
312	Accounts Payable <= 90 Days	\$ 334,613
321	Accrued Wage/Payroll Taxes Payable	20,345
322	Accrued Compensated Absences - Current Portion	29,912
342	Unearned Revenue	94,576
346	Accrued Liabilities - Other	1,133
310	Total Current Liabilities	<u>480,579</u>
354	Accrued Compensated Absences - Noncurrent	34,518
357	Accrued Pension and OPEB Liabilities	1,411
350	Total Noncurrent Liabilities	<u>35,929</u>
300	Total Liabilities	<u>516,508</u>
400	Deferred Inflows of Resources	<u>105,404</u>
508.4	Net Investment in Capital Assets	72,170
512.4	Unrestricted Net Position	<u>88,492</u>
513	Total Equity - Net Assets / Position	<u>160,662</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 782,574</u>

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2021

Line Item #	Account Description	Central Office Cost Center
70600	HUD PHA Operating Grants	\$ 72
70710	Management Fee	-
70720	Asset Management Fee	299,932
70730	Bookkeeping Fee	145,958
70750	Other Fees	299,145
70700	Total Fee Revenue	<u>745,035</u>
71500	Other Revenue	<u>1,683,061</u>
70000	Total Revenue	<u>2,428,168</u>
91100	Administrative Salaries	574,274
91200	Auditing Fees	4,980
91500	Employee Benefit Contributions - Administrative	70,039
91600	Office Expenses	548,930
91700	Legal Expense	8,059
91800	Travel	1,655
91000	Total Operating - Administrative	<u>1,207,937</u>
92400	Tenant Services - Other	553,321
92500	Total Tenant Services	<u>553,321</u>
93100	Water	12
93000	Total Utilities	<u>12</u>
94200	Ordinary Maintenance and Operations - Materials and Other	761
94000	Total Maintenance	<u>761</u>
96120	Liability Insurance	6,608
96100	Total Insurance Premiums	<u>6,608</u>
96210	Compensated Absences	14,686
96000	Total Other General Expenses	<u>14,686</u>
96900	Total Operating Expenses	<u>1,783,325</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>644,843</u>
97400	Depreciation Expense	<u>13,861</u>
90000	Total Expenses	<u>1,797,186</u>
10030	Operating Transfers from/to Primary Government	(584,818)
10100	Total Other Financing Sources (Uses)	<u>(584,818)</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	46,164
11030	Beginning Equity	114,498

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2021

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.MSC Mainstream CARES Act Funding	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.CCC Central Office Cost Center CARES Act Funding	Business Activities
111	Cash - Unrestricted	\$ 2,467,638	\$ 201,896	\$ -	\$ -	\$ 339,259	\$ -	\$ 62,350	\$ -	\$ 1,864,133
113	Cash - Other Restricted	529,354	529,354	-	-	-	-	-	-	-
100	Total Cash	2,996,992	731,250	-	-	339,259	-	62,350	-	1,864,133
122	Accounts Receivable - HUD Other Projects	66,074	66,074	-	-	-	-	-	-	-
124	Accounts Receivable - Other Government	12,385	12,385	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	8,845,172	-	-	-	-	-	-	-	8,845,172
126.2	Allowance for Doubtful Accounts - Other	(11,128,468)	-	-	-	-	-	-	-	(11,128,468)
129	Accrued Interest Receivable	2,295,893	-	-	-	-	-	-	-	2,295,893
120	Total Receivables, Net of Allowances for Doubtful Accounts	91,056	78,459	-	-	-	-	-	-	12,597
142	Prepaid Expenses and Other Assets	15,794	15,026	-	-	-	-	-	-	768
150	Total Current Assets	3,103,842	824,735	-	-	339,259	-	62,350	-	1,877,498
164	Furniture, Equipment & Machinery - Administration	61,737	61,737	-	-	-	-	-	-	-
166	Accumulated Depreciation	(9,798)	(9,798)	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	51,939	51,939	-	-	-	-	-	-	-
180	Total Noncurrent Assets	51,939	51,939	-	-	-	-	-	-	-
290	Total Assets	\$ 3,155,781	\$ 876,674	\$ -	\$ -	\$ 339,259	\$ -	\$ 62,350	\$ -	\$ 1,877,498
312	Accounts Payable <= 90 Days	\$ 213,626	\$ 176,824	\$ -	\$ -	\$ 18,379	\$ -	\$ -	\$ -	\$ 18,423
321	Accrued Wage/Payroll Taxes Payable	29,123	25,713	-	-	3,410	-	-	-	-
322	Accrued Compensated Absences - Current Portion	28,886	25,605	-	-	3,281	-	-	-	-
342	Unearned Revenue	62,350	-	-	-	-	-	62,350	-	-
346	Accrued Liabilities - Other	10,291	9,172	-	-	1,119	-	-	-	-
347	Inter Program - Due To	37,284	35,316	-	-	1,968	-	-	-	-
310	Total Current Liabilities	381,560	272,630	-	-	28,157	-	62,350	-	18,423
353	Noncurrent Liabilities - Other	529,354	529,354	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Noncurrent	26,093	25,419	-	-	674	-	-	-	-
350	Total Noncurrent Liabilities	555,447	554,773	-	-	674	-	-	-	-
300	Total Liabilities	937,007	827,403	-	-	28,831	-	62,350	-	18,423
508.4	Net Investment in Capital Assets	51,939	51,939	-	-	-	-	-	-	-
512.4	Unrestricted Net Position	2,166,835	(2,668)	-	-	310,428	-	-	-	1,859,075
513	Total Equity - Net Assets / Position	2,218,774	49,271	-	-	310,428	-	-	-	1,859,075
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$ 3,155,781	\$ 876,674	\$ -	\$ -	\$ 339,259	\$ -	\$ 62,350	\$ -	\$ 1,877,498

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2021

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.MSC Mainstream CARES Act Funding	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.CCC Central Office Cost Center CARES Act Funding	Business Activities
70600	HUD PHA Operating Grants	\$ 19,307,033	\$ 15,717,969	\$ 144,000	\$ 12,380	\$ 1,398,172	\$ 2,034,512	\$ -	\$ -	\$ -
71100	Investment Income - Unrestricted	1,082	-	-	-	-	-	-	-	1,082
71400	Fraud Recovery	76,503	73,028	-	-	3,475	-	-	-	-
71500	Other Revenue	696,674	33,136	-	-	42,878	-	-	83,958	536,702
70000	Total Revenue	20,081,292	15,824,133	144,000	12,380	1,444,525	2,034,512	-	83,958	537,784
91100	Administrative Salaries	1,261,849	824,955	144,000	-	85,506	151,060	-	39,201	17,127
91200	Auditing Fees	12,020	9,960	-	-	830	-	-	-	1,230
91300	Management Fee	368,890	284,432	-	2,105	14,885	67,468	-	-	-
91310	Bookkeeping Fee	160,253	136,958	-	-	8,910	14,385	-	-	-
91500	Employee Benefit Contributions - Administrative	39,921	39,921	-	-	-	-	-	-	-
91600	Office Expenses	177,173	152,537	-	-	4,007	20,356	-	-	273
91700	Legal Expense	1,818	1,818	-	-	-	-	-	-	-
91800	Travel	52	52	-	-	-	-	-	-	-
91000	Total Operating - Administrative	2,021,976	1,450,633	144,000	2,105	114,138	253,269	-	39,201	18,630
92400	Tenant Services - Other	162,140	56	-	10,275	15,155	58,741	-	44,757	33,156
92500	Total Tenant Services	162,140	56	-	10,275	15,155	58,741	-	44,757	33,156
94200	Ordinary Maintenance and Operations - Materials and Other	25,500	737	-	-	-	24,763	-	-	-
94300	Ordinary Maintenance and Operations - Contracts	14,431	-	-	-	-	14,431	-	-	-
94000	Total Maintenance	39,931	737	-	-	-	39,194	-	-	-
95200	Protective Services - Other Contract Costs	106,349	-	-	-	-	106,349	-	-	-
95000	Total Protective Services	106,349	-	-	-	-	106,349	-	-	-
96120	Liability Insurance	22,775	21,870	-	-	-	-	-	-	905
96100	Total Insurance Premiums	22,775	21,870	-	-	-	-	-	-	905
96200	Other General Expenses	12,990	9,097	-	-	393	-	-	-	3,500
96210	Compensated Absences	4,053	98	-	-	3,955	-	-	-	-
96600	Bad Debt - Other	237,021	-	-	-	-	-	-	-	237,021
96000	Total Other General Expenses	254,064	9,195	-	-	4,348	-	-	-	240,521
96900	Total Operating Expenses	2,607,235	1,482,491	144,000	12,380	133,641	457,553	-	83,958	293,212
97000	Excess of Operating Revenue over (under) Operating Expenses	17,474,057	14,341,642	-	-	1,310,884	1,576,959	-	-	244,572

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2021

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.MSC Mainstream CARES Act Funding	14.879 Mainstream Vouchers	14.HCC HCV CARES Act Funding	14.EHV Emergency Housing Voucher	14.CCC Central Office Cost Center CARES Act Funding	Business Activities
97300	Housing Assistance Payments	\$ 16,866,660	\$ 14,332,322	\$ -	\$ -	\$ 1,019,116	\$ 1,515,222	\$ -	\$ -	\$ -
97350	HAP Portability-In	11,988	11,988	-	-	-	-	-	-	-
97400	Depreciation Expense	9,798	9,798	-	-	-	-	-	-	-
90000	Total Expenses	<u>19,495,681</u>	<u>15,836,599</u>	<u>144,000</u>	<u>12,380</u>	<u>1,152,757</u>	<u>1,972,775</u>	<u>-</u>	<u>83,958</u>	<u>293,212</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	585,611	(12,466)	-	-	291,768	61,737	-	-	244,572
11030	Beginning Equity	1,633,163	-	-	-	18,660	-	-	-	1,614,503
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	61,737	-	-	-	(61,737)	-	-	-
11190	Unit Months Available	25,470	23,256	-	-	2,214	-	-	-	-
11210	Number of Unit Months Leased	21,419	20,193	-	-	1,226	-	-	-	-

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Balance Sheet
June 30, 2021

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
111	Cash - Unrestricted	\$ 172,555	\$ 2,467,638	\$ 543,750	\$ 3,183,943	\$ -	\$ 3,183,943
113	Cash - Other Restricted	-	529,354	-	529,354	-	529,354
114	Cash - Tenant Security Deposits	1,000	-	-	1,000	-	1,000
100	Total Cash	<u>173,555</u>	<u>2,996,992</u>	<u>543,750</u>	<u>3,714,297</u>	<u>-</u>	<u>3,714,297</u>
122	Accounts Receivable - HUD Other Projects	-	66,074	-	66,074	-	66,074
124	Accounts Receivable - Other Government	-	12,385	22,355	34,740	-	34,740
125	Accounts Receivable - Miscellaneous	-	8,845,172	53,226	8,898,398	-	8,898,398
126.2	Allowance for Doubtful Accounts - Other	-	(11,128,468)	-	(11,128,468)	-	(11,128,468)
129	Accrued Interest Receivable	-	2,295,893	-	2,295,893	-	2,295,893
120	Total Receivables, Net of Allow. for Doubtful Accounts	<u>-</u>	<u>91,056</u>	<u>75,581</u>	<u>166,637</u>	<u>-</u>	<u>166,637</u>
142	Prepaid Expenses and Other Assets	-	15,794	43,612	59,406	-	59,406
144	Inter Program - Due From	-	-	37,284	37,284	(37,284)	-
150	Total Current Assets	<u>173,555</u>	<u>3,103,842</u>	<u>700,227</u>	<u>3,977,624</u>	<u>(37,284)</u>	<u>3,940,340</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	-	(9,798)	(208,705)	(218,503)	-	(218,503)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>51,939</u>	<u>72,170</u>	<u>124,109</u>	<u>-</u>	<u>124,109</u>
180	Total Noncurrent Assets	<u>-</u>	<u>51,939</u>	<u>72,170</u>	<u>124,109</u>	<u>-</u>	<u>124,109</u>
200	Deferred Outflow of Resources	-	-	10,177	10,177	-	10,177
290	Total Assets	<u>\$ 173,555</u>	<u>\$ 3,155,781</u>	<u>\$ 782,574</u>	<u>\$ 4,111,910</u>	<u>\$ (37,284)</u>	<u>\$ 4,074,626</u>
312	Accounts Payable <= 90 Days	\$ 220	\$ 213,626	\$ 334,613	\$ 548,459	\$ -	\$ 548,459
321	Accrued Wage/Payroll Taxes Payable	-	29,123	20,345	49,468	-	49,468
322	Accrued Compensated Absences - Current Portion	-	28,886	29,912	58,798	-	58,798
341	Tenant Security Deposits	1,000	-	-	1,000	-	1,000
342	Unearned Revenue	-	62,350	94,576	156,926	-	156,926
346	Accrued Liabilities - Other	-	10,291	1,133	11,424	-	11,424
347	Inter Program - Due To	-	37,284	-	37,284	(37,284)	-
310	Total Current Liabilities	<u>1,220</u>	<u>381,560</u>	<u>480,579</u>	<u>863,359</u>	<u>(37,284)</u>	<u>826,075</u>
353	Noncurrent Liabilities - Other	-	529,354	-	529,354	-	529,354
354	Accrued Compensated Absences - Noncurrent	-	26,093	34,518	60,611	-	60,611
357	Accrued Pension and OPEB Liabilities	-	-	1,411	1,411	-	1,411
350	Total Noncurrent Liabilities	<u>-</u>	<u>555,447</u>	<u>35,929</u>	<u>591,376</u>	<u>-</u>	<u>591,376</u>
300	Total Liabilities	<u>1,220</u>	<u>937,007</u>	<u>516,508</u>	<u>1,454,735</u>	<u>(37,284)</u>	<u>1,417,451</u>
400	Deferred Inflows of Resources	-	-	105,404	105,404	-	105,404
508.4	Net Investment in Capital Assets	-	51,939	72,170	124,109	-	124,109
512.4	Unrestricted Net Position	172,335	2,166,835	88,492	2,427,662	-	2,427,662
513	Total Equity - Net Assets / Position	<u>172,335</u>	<u>2,218,774</u>	<u>160,662</u>	<u>2,551,771</u>	<u>-</u>	<u>2,551,771</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 173,555</u>	<u>\$ 3,155,781</u>	<u>\$ 782,574</u>	<u>\$ 4,111,910</u>	<u>\$ (37,284)</u>	<u>\$ 4,074,626</u>

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2021

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
70300	Net Tenant Rental Revenue	\$ 4,728	\$ -	\$ -	\$ 4,728	\$ -	\$ 4,728
70500	Total Tenant Revenue	4,728	-	-	4,728	-	4,728
70600	HUD PHA Operating Grants	2,824	19,307,033	72	19,309,929	-	19,309,929
70710	Management Fee	-	-	-	-	-	-
70720	Asset Management Fee	-	-	299,932	299,932	(299,932)	-
70730	Bookkeeping Fee	-	-	145,958	145,958	(145,958)	-
70750	Other Fees	-	-	299,145	299,145	-	299,145
70700	Total Fee Revenue	-	-	745,035	745,035	(445,890)	299,145
71100	Investment Income - Unrestricted	47	1,082	-	1,129	-	1,129
71400	Fraud Recovery	-	76,503	-	76,503	-	76,503
71500	Other Revenue	-	696,674	1,683,061	2,379,735	(83,958)	2,295,777
70000	Total Revenue	7,599	20,081,292	2,428,168	22,517,059	(529,848)	21,987,211
91100	Administrative Salaries	-	1,261,849	574,274	1,836,123	-	1,836,123
91200	Auditing Fees	-	12,020	4,980	17,000	-	17,000
91300	Management Fee	615	368,890	-	369,505	(369,505)	-
91310	Bookkeeping Fee	90	160,253	-	160,343	(160,343)	-
91500	Employee Benefit Contributions - Administrative	-	39,921	70,039	109,960	-	109,960
91600	Office Expenses	6	177,173	548,930	726,109	-	726,109
91700	Legal Expense	-	1,818	8,059	9,877	-	9,877
91800	Travel	-	52	1,655	1,707	-	1,707
91000	Total Operating - Administrative	711	2,021,976	1,207,937	3,230,624	(529,848)	2,700,776
92400	Tenant Services - Other	-	162,140	553,321	715,461	-	715,461
92500	Total Tenant Services	-	162,140	553,321	715,461	-	715,461
93100	Water	975	-	12	987	-	987
93000	Total Utilities	975	-	12	987	-	987

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2021

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
94200	Ordinary Maintenance and Operations - Materials and Other	\$ 50	\$ 25,500	\$ 761	\$ 26,311	\$ -	\$ 26,311
94300	Ordinary Maintenance and Operations - Contracts	4,977	14,431	-	19,408	-	19,408
94000	Total Maintenance	<u>5,027</u>	<u>39,931</u>	<u>761</u>	<u>45,719</u>	<u>-</u>	<u>45,719</u>
95200	Protectives Services - Other Contract Costs	-	106,349	-	106,349	-	106,349
95000	Total Protective Services	<u>-</u>	<u>106,349</u>	<u>-</u>	<u>106,349</u>	<u>-</u>	<u>106,349</u>
96120	Liability Insurance	414	22,775	6,608	29,797	-	29,797
96100	Total Insurance Premiums	<u>414</u>	<u>22,775</u>	<u>6,608</u>	<u>29,797</u>	<u>-</u>	<u>29,797</u>
96200	Other General Expenses	-	12,990	-	12,990	-	12,990
96210	Compensated Absences	-	4,053	14,686	18,739	-	18,739
96600	Bad Debt - Other	-	237,021	-	237,021	-	237,021
96000	Total Other General Expenses	<u>-</u>	<u>254,064</u>	<u>14,686</u>	<u>268,750</u>	<u>-</u>	<u>268,750</u>
96900	Total Operating Expenses	<u>7,127</u>	<u>2,607,235</u>	<u>1,783,325</u>	<u>4,397,687</u>	<u>(529,848)</u>	<u>3,867,839</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>472</u>	<u>17,474,057</u>	<u>644,843</u>	<u>18,119,372</u>	<u>-</u>	<u>18,119,372</u>
97300	Housing Assistance Payments	-	16,866,660	-	16,866,660	-	16,866,660
97350	HAP Portability-In	-	11,988	-	11,988	-	11,988
97400	Depreciation Expense	-	9,798	13,861	23,659	-	23,659
90000	Total Expenses	<u>7,127</u>	<u>19,495,681</u>	<u>1,797,186</u>	<u>21,299,994</u>	<u>(529,848)</u>	<u>20,770,146</u>
10030	Operating Transfers from/to Primary Government	-	-	(584,818)	(584,818)	-	(584,818)
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(584,818)</u>	<u>(584,818)</u>	<u>-</u>	<u>(584,818)</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	472	585,611	46,164	632,247	-	632,247
11030	Beginning Equity	171,863	1,633,163	114,498	1,919,524	-	1,919,524
11190	Unit Months Available	12	25,470	-	25,482	-	25,482
11210	Number of Unit Months Leased	12	21,419	-	21,431	-	21,431
11270	Excess Cash	171,742	-	-	171,742	-	171,742



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

A VETERAN OWNED BUSINESS

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

To the Board of Commissioners
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, 2021, 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 November 15, 2021.

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.

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 + Klaehowitz PC

Saginaw, Michigan

November 15, 2021



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

A VETERAN OWNED BUSINESS

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

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

Report on Compliance for Each Major Federal Program

We have audited the *Ann Arbor Housing Commission's* compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the *Ann Arbor Housing Commission's* major federal programs for the year ended June 30, 2021. 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.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the *Ann Arbor Housing Commission's* compliance.

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control over Compliance

Management of the ***Ann Arbor Housing Commission*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the ***Ann Arbor Housing Commission's*** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the ***Ann Arbor Housing Commission's*** internal control over compliance.

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

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

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

Smith + Klauszewicz PC

Saginaw, Michigan

November 15, 2021

Ann Arbor Housing Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency / Pass Through Agency / Program Title	Federal CFDA Number	Amount Expended
Department of Housing and Urban Development		
Direct programs:		
Public and Indian Housing	14.850	\$ 2,896
Section 8 Housing Choice Vouchers	14.871	15,888,538
COVID-19 Section 8 Housing Choice Vouchers	14.871	2,034,512
Mainstream Vouchers	14.879	1,152,757
COVID-19 Mainstream Vouchers	14.879	12,380
Total Section 8 Housing Choice Vouchers		<u>19,088,187</u>
Family Self-Sufficiency	14.896	144,000
Total Department of Housing and Urban Development		<u>\$ 19,235,083</u>
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		\$ 19,309,929
Purchase of capital assets		61,737
Change in net position pertaining to HAP		<u>(136,583)</u>
Total expenditures per Schedule of Expenditures of Federal Awards		<u>\$ 19,235,083</u>

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, 2021

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, 2021. 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, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

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

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

Federal Awards

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

Internal control over major program(s)

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

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

Identification of major program(s):

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

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

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

Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs *(concluded)*
For the Year Ended June 30, 2021

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None