

**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, 2014



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Ann Arbor Housing Commission

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Financial Statements for the Year Ended June 30, 2014	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Fund Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13-21
Other Supplementary Information	
Financial Data Schedules	22-30
Single Audit	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	33-34
Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-37



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

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, 2014, 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, 2014, 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 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Ann Arbor Housing Commission's*** basic financial statements. The financial data schedules and schedule of federal expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014 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 + Klaehwinig PC

Saginaw, Michigan

November 12, 2014

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ann Arbor Housing Commission's (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 \$453,558 (or 5%) during 2014. Since the Commission engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$8,586,029 and \$8,132,471 for 2013 and 2014 respectively.

The business-type activities revenue decreased by \$413,091 (or 3%) during 2014, and were \$14,986,066 and \$14,572,975 for 2013 and 2014 respectively. This decrease in revenue is explained later in this section of the financial statements.

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 3-9</p>

<p style="text-align: center;">Basic Financial Statements Commission-wide Financial Statements - pages 10-12 Notes to Financial Statements - pages 13-21</p>

<p style="text-align: center;">Other Required Supplementary Information Required Supplementary Information - pages 22-30</p>

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.

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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 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 "Net 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, utilities, and maintenance, and depreciation, and Non-Operating Revenues and Expenses, such as capital grant revenue, investment 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, 2014

The Commission's Programs

Enterprise Funds, using Business-Type Presentation Format

Conventional Public Housing - Under the Conventional Public Housing Program (CFDA #14.850), the Commission owns and manages dwelling units, which it rents to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC # C-3001) with HUD. HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a flat rate or a rate based upon 30% of household income, depending on the circumstances and choice of the renter. The Conventional Public Housing Program also includes the Capital Fund Program (CFDA # 14.872), which is the primary funding source for physical and management improvements to the Commission owned properties and its operations.

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.

Section 8 New Construction - Under the Section 8 New Construction Program, the Commission administers the contract for financial assistance for a 202 unit project-based section 8 apartment building, owned and managed by a private landlord. The Section 8 New Construction Program is operated under an Annual Contributions Contract (ACC# C-3191), whereby HUD provides funding to cover the Commission's administrative costs and Housing Assistance Payment costs to subsidize renters who contribute 30% of household income toward rent.

Shelter Plus Care Program - The Shelter Plus Care Program is designed to provide affordable housing and a full range of services to individuals who meet the HUD criteria for homelessness and disability. The Commission acts as the Shelter Plus Care (SPC) Grantee and works with three non-profit sponsors/housing providers who coordinate the provisions of housing and matching necessary services under the requirements of 24CFR part 85 (administrative requirements as detailed in the *OMB Circular A-102*, and *OMB Circular A-87*) and 24CFR part 24 (the use of disbarred or suspended contractors).

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 10 "Statement of Net Position".

TABLE 1

STATEMENT OF NET POSITION

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Change</u>
Current and Other Assets	\$ 2,770,839	\$ 2,981,525	\$ (210,686)	-7%
Capital Assets	<u>6,151,559</u>	<u>6,486,669</u>	<u>(335,110)</u>	-5%
Total Assets	8,922,398	9,468,194	(545,796)	-6%
Other Liabilities	651,723	780,938	(129,215)	-17%
Long-Term Liabilities	<u>138,204</u>	<u>101,227</u>	<u>36,977</u>	37%
Total Liabilities	<u>789,927</u>	<u>882,165</u>	<u>(92,238)</u>	-10%
Net Position:				
Net Investment in Capital Assets	6,151,559	6,486,669	(335,110)	-5%
Restricted	260,402	395,016	(134,614)	-34%
Unrestricted	<u>1,720,510</u>	<u>1,704,344</u>	<u>16,166</u>	1%
Total Net Position	\$ <u>8,132,471</u>	\$ <u>8,586,029</u>	\$ <u>(453,558)</u>	-5%

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Major Factors Affecting the Statement of Net Position

Current assets decreased by \$210,686 which was mainly due to a reduction of NRA funds that HUD recaptured from the Housing Commission.

Current liabilities decreased by \$129,215 due to a decrease in Accounts Payable \$21,000, a decrease in Accrued Liabilities (Accrued Payroll) \$61,000, and a decrease of \$106,000 in Payables due to the city and an increase in deferred revenue of \$67,000.

Table 2 presents details on the changes in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/13	\$ 1,704,344
Results of Operations	(594,081)
Adjustments:	
Depreciation (1)	489,523
Decrease in Restricted Assets	134,614
Disposal of Assets	<u>-</u>
Adjusted Results from Operations	30,056
Capital Expenditures	(154,413)
Non Operating Revenue	140,523
Increase in Restricted Assets	<u>-</u>
Unrestricted Net Position 6/30/14	\$ <u>1,720,510</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, 2014

TABLE 3

STATEMENT 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>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Tenant Revenues - Rent and Other	\$ 830,905	\$ 857,557	\$ (26,652)	-3%
Operating Subsidies and Grants	12,509,980	13,115,118	(605,138)	-5%
Capital Grants	140,523	318,063	(177,540)	-56%
Other Government Grants	773,733	559,336	214,397	38%
Investment Income	13,857	17,064	(3,207)	-19%
Other Revenues	<u>303,977</u>	<u>118,928</u>	<u>185,049</u>	156%
Total Revenue	<u>14,572,975</u>	<u>14,986,066</u>	<u>(413,091)</u>	-3%
Expenses				
Administrative	2,466,865	2,178,756	288,109	13%
Tenant Services	139,475	137,316	2,159	2%
Utilities	408,122	379,847	28,275	7%
Maintenance	878,383	1,087,686	(209,303)	-19%
General	178,260	104,616	73,644	70%
Housing Assistance Payments	10,465,905	11,650,147	(1,184,242)	-10%
Depreciation	<u>489,523</u>	<u>518,973</u>	<u>(29,450)</u>	-6%
Total Expenses	<u>15,026,533</u>	<u>16,057,341</u>	<u>(1,030,808)</u>	-6%
Net Increase(Decrease)	\$ <u>(453,558)</u>	\$ <u>(1,071,275)</u>	\$ <u>617,717</u>	-58%

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

The change in Unrestricted Net Position of \$16,166 came from Operating Income and mostly from Section 8(\$12,000)

Revenues decreased by \$413,091 or 3% due mainly to Low Rent Operating Subsidy decreasing by \$99,000 and Total Agency HAP decreasing by \$438,000. Programatically, the loss of New Construction program caused a loss of \$793,000 while there was an overall increase in Other Government Revenue of \$316,000.

Expenses decreased by \$1,030,808 mainly due to a reduction in HAP expenses.

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

CAPITAL ASSETS

As of year end, the Commission had \$6,151,559 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$335,110.

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

	<u>Business-Type Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percent Change</u>
Land and Land Rights	\$ 844,637	\$ 844,637	\$ -	0%
Buildings	21,707,856	21,587,650	120,206	1%
Equipment - Dwelling	427,812	395,032	32,780	8%
Equipment - Administrative	361,953	364,999	(3,046)	-1%
Leasehold Improvements	34,139	34,139	-	0%
Accumulated Depreciation	<u>(17,224,838)</u>	<u>(16,739,788)</u>	<u>(485,050)</u>	<u>3%</u>
Total	<u>\$ 6,151,559</u>	<u>\$ 6,486,669</u>	<u>\$ (335,110)</u>	-5%

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 Activities</u>
Beginning Balance	\$ 6,486,669
Additions	154,412
Retirements	-
Net of Depreciation	
Depreciation	<u>(489,522)</u>
Ending Balance	<u>\$ 6,151,559</u>

This year's major additions are:

Business - Type Activities

Capital Improvements Programs (modernization)	\$	154,412
Buildings	\$	120,206
Administrative		
Equipment and Furnishings	\$	1,426
Dwelling		
Equipment	\$	32,780
Leasehold		
Improvements	\$	-
	<u>\$</u>	<u>154,412</u>

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

ECONOMIC FACTORS

Significant economic factors affecting the Commission are as follows:

- Federal funding of the Department of Housing and Urban Development.
- City negotiated union contracts which affect staff wage and benefit rates.
- Local/state declining economic conditions and employment trends, impacting resident incomes and therefore, the amount of rental income.
- Inflationary pressure on utility rates, supplies, and other costs.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Jennifer Hall, Executive Director of Ann Arbor Housing Commission at (734) 794-6721. Specific requests may be submitted to Jennifer Hall, Executive Director of Ann Arbor Housing Commission, 727 Miller Avenue, Ann Arbor, MI 48103.

Ann Arbor Housing Commission
Statement of Net Position
June 30, 2014

Current assets

Cash and cash equivalents	\$ 1,908,358
Cash and cash equivalents - restricted	376,247
Cash - tenant security deposits	72,861
Due from other governmental units	85,268
Accounts receivable, net	243,478
Prepaid expenses	61,136
Inventory	23,491
	2,770,839
Total current assets	2,770,839

Noncurrent assets

Capital assets:	
Nondepreciable	844,637
Depreciable	22,531,761
Less: accumulated depreciation	(17,224,839)
	6,151,559
Net capital assets	6,151,559
Total assets	8,922,398

Current liabilities

Accounts payable	182,828
Accrued liabilities	94,254
Tenant security deposits	71,138
Due to other governmental units	190,402
Unearned revenue	76,512
Accrued compensated absences, current portion	36,589
	651,723
Total current liabilities	651,723

Noncurrent liabilities

Other noncurrent liabilities	117,489
Accrued compensated absences	20,715
	138,204
Total noncurrent liabilities	138,204
Total liabilities	789,927

Net position

Net investment in capital assets	6,151,559
Restricted	260,402
Unrestricted	1,720,510
	8,132,471
Total net position	\$ 8,132,471

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, 2014

Operating Revenues	
Tenant revenue	\$ 830,905
Program grants - subsidies	12,509,980
Other governmental grants	773,733
Other income	281,538
	14,396,156
Total operating revenues	14,396,156
Operating Expenses	
Administration	2,466,865
Tenant services	139,475
Utilities	408,122
Maintenance	878,383
Insurance	83,949
General	27,015
Housing assistance payments	10,465,905
Depreciation	489,523
	14,959,237
Total operating expenses	14,959,237
Operating income (loss)	(563,081)
Nonoperating revenues and (expenses)	
Fraud recovery	18,864
Gain / (loss) on sale of capital assets	3,575
Casualty Losses - Non-capitalized	(60,267)
HAP Portability-In	(7,029)
Interest income	13,857
	(31,000)
Total nonoperating revenues and (expenses)	(31,000)
Income (loss) before contributions	(594,081)
Capital contribution	140,523
Change in net position	(453,558)
Net position - Beginning of year	8,586,029
Net position - End of year	\$ 8,132,471

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, 2014

Cash flows from operating activities	
Cash received from customers	\$ 1,100,458
Cash received from grants and subsidie	13,283,713
Cash payments to suppliers for goods and service	(12,550,471)
Cash payments for wages and related benefit	<u>(2,053,772)</u>
Net cash provided by (used in) operating activitie	<u>(220,072)</u>
Cash flows from noncapital and related financing activities	
Fraud recovery	18,864
HAP portability ir	(7,029)
Casualty Losses - Non-capitalize	<u>(60,267)</u>
	<u>(48,432)</u>
Cash flows from capital and related financing activities	
Capital grants	140,523
Proceeds from sale of capital asset	3,575
Acquisition of capital asset	<u>(154,412)</u>
Net cash provided by (used in) capital and related financing activiti	<u>(10,314)</u>
Cash flows from investing activities	
Investment income	<u>13,857</u>
Net increase (decrease) in cash and cash equivalent	(264,961)
Cash and cash equivalents - beginning of year	<u>2,622,427</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,357,466</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (563,081)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activitie:	
Depreciation	489,523
Changes in assets and liabilitie	
Decrease (increase) in receivable	(70,935)
Decrease (increase) in prepaid expense	6,807
Decrease (increase) in inventory	9,852
Increase (decrease) in accounts payabl	(127,584)
Increase (decrease) in accrued liabilitie	(23,604)
Increase (decrease) in tenant security deposit	(8,286)
Increase (decrease) in unearned revenue	<u>67,236</u>
Net cash provided by (used in) operating activitie	<u><u>\$ (220,072)</u></u>
 Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows	
Cash and cash equivalents	\$ 1,908,358
Cash and cash equivalents - restricte	376,247
Cash - tenant security deposit:	<u>72,861</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,357,466</u></u>

The accompanying notes are an integral part of these financial statement

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

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 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 a Low Income Housing Program (360 units), Section 8 Housing Choice Vouchers (1,483 units), Section 8 New Construction Program (202 units) and a Shelter Plus Care Program (98 units). 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, 2014

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:

Project MI064000100 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program of the West Side properties.

Project MI064000200 accounts for the revenue and related operations of the Public and Indian Housing grant and the Capital Fund Program of the East Side properties.

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.

14.872 Section 8 New Construction Program accounts for the revenue and related operations of the Section 8 New Construction and Substantial Rehabilitation grant program.

14.238 Shelter Plus Care accounts for the revenue and related operations of the grant program.

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

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.

Cash and Cash Equivalents

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

The entire amount of cash and cash equivalents – restricted recorded on the statement of net position has been restricted for tenant security deposits, FSS escrow, homeownership, excess HAP payments and future development projects as deemed necessary by management.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

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.

Inventory

Inventory is valued at cost which approximates market value. Inventory consists of expendable supplies held for consumption. The cost of supplies is recorded as an expense at the time the inventory is consumed.

Capital Assets

Capital assets, which include property, buildings and equipment, are reported in the financial statements. Capital assets are defined by the Housing Commission as assets with an initial, individual cost of more than \$500 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

Compensated Absences

It is the Housing Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days. 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. In accordance with the grant requirements these deposits are held in separate account in accordance with the EHPA-NRMR Homebuyer program and the resident advisory board.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

Unearned Revenue

Unearned revenue represents tenant 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.

Restricted – Consists of Housing Assistance Payments received from HUD in excess of payments made to landlords. These excess funds may only be used for future payments to landlords.

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

Revenues and Expenses

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

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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 ALL 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.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

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	\$ 1,908,358
Cash and cash equivalents – restricted	376,247
Cash – tenant security deposits	<u>72,861</u>
Total	<u>\$ 2,357,466</u>
Notes to Financial Statements	
Cash on hand	\$ 100
Deposits	<u>2,357,366</u>
Total	<u>\$ 2,357,466</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
- 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.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

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, \$2,299,455 of the Housing Commission's bank balance of \$2,799,455 was exposed to custodial credit risk because it was uninsured, however, it was collateralized with government securities with a market value of \$2,304,118.

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:

Tenant receivables	\$ 8,342
Accounts receivable – miscellaneous	240,136
Allowance for doubtful accounts	<u>(5,000)</u>
Total receivables, net	<u>\$ 243,478</u>

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

Capital Assets

Capital asset activity for the year was as follows:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 844,637	\$ -	\$ -	\$ 844,637
Capital assets being depreciated				
Buildings	21,587,650	120,206	-	21,707,856
Furniture, equipment and machinery – dwelling	395,032	32,780	-	427,812
Furniture, equipment and machinery – administration	378,129	1,426	(17,601)	361,954
Leasehold improvements	34,139	-	-	34,139
Total capital assets being depreciated	22,394,950	154,412	(17,601)	22,531,761
Less accumulated depreciation				
Buildings	(16,274,495)	(427,047)	-	(16,701,542)
Furniture, equipment and machinery – dwelling	(252,877)	(35,304)	-	(288,181)
Furniture, equipment and machinery – administration	(217,767)	(26,220)	17,601	(226,386)
Leasehold improvements	(7,778)	(952)	-	(8,730)
Total accumulated depreciation	(16,752,917)	(489,523)	17,601	(17,224,839)
Net capital assets being depreciated	5,642,033	(335,111)	-	5,306,922
Total net capital assets	\$ 6,486,670	\$ (335,111)	\$ -	\$ 6,151,559

Compensated Absences

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amount Due Within One Year
Accrued compensated absences	\$ 53,472	\$ 58,858	\$ (55,026)	\$ 57,304	\$ 36,589

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

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 the Department of Housing and Urban Development for the fiscal year ended June 30, 2014 and 2013 was \$12,723,551 or 87% and \$13,433,181 or 90% of revenue.

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.

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. 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, 2014, the Housing Commission was invoiced at 23.70% of gross wages. Housing Commission employees are required to contribute 5% or 6% of their annual compensation, depending on the employee group. The contribution requirements of plan members are established and may be amended by the City Council.

For the year ended June 30, 2014, the Housing Commission contributed \$240,769 to the CAAERS, which was equal to the Housing Commission's invoiced and actual contributions.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2014

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 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, 2014, the Housing Commission was invoiced and contributed \$129,997 which equated to approximately \$14,132 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.

NOTE E – DISCONTINUED OPERATIONS

Effective December 31, 2013, the Housing Commission no longer holds the HAP contract for Section 8 New Construction program. This program is now being administered by the Michigan State Housing Development Authority. There was no sale or transfer of assets since the Housing Commission did not own the Cranbrook Apartment building.



Ann Arbor Housing Commission
Financial Data Schedule
Project Balance Sheet
June 30, 2014

Line Item #	Account Description	Total Projects
111	Cash - Unrestricted	\$ 826,174
113	Cash - Other Restricted	19,256
114	Cash - Tenant Security Deposits	72,861
100	Total Cash	<u>918,291</u>
122	Accounts Receivable - HUD Other Projects	7,623
124	Accounts Receivable - Other Government	30,070
126	Accounts Receivable - Tenants	8,342
126.1	Allowance for Doubtful Accounts -Tenants	(5,000)
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>41,035</u>
142	Prepaid Expenses and Other Assets	4,247
143	Inventories	23,491
144	Inter Program Due From	<u>16,431</u>
150	Total Current Assets	<u>1,003,495</u>
161	Land	844,637
162	Buildings	21,705,470
163	Furniture, Equipment & Machinery - Dwellings	427,398
164	Furniture, Equipment & Machinery - Administration	222,102
166	Accumulated Depreciation	(17,139,174)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>6,060,433</u>
180	Total Non-Current Assets	<u>6,060,433</u>
190	Total Assets	<u>\$ 7,063,928</u>
312	Accounts Payable <= 90 Days	\$ 62,129
321	Accrued Wage/Payroll Taxes Payable	39,916
322	Accrued Compensated Absences - Current Portion	16,322
333	Accounts Payable - Other Government	107,756
341	Tenant Security Deposits	71,138
342	Deferred Revenues	72,558
346	Accrued Liabilities - Other	5,187
347	Inter Program - Due To	4,769
310	Total Current Liabilities	<u>379,775</u>
353	Non-current Liabilities - Other	20,900
354	Accrued Compensated Absences - Non Current	4,662
350	Total Non-Current Liabilities	<u>25,562</u>
300	Total Liabilities	<u>405,337</u>
508.4	Net Investment in Capital Assets	6,060,433
512.4	Unrestricted Net Position	<u>598,158</u>
513	Total Equity - Net Assets / Position	<u>6,658,591</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 7,063,928</u>

Project MI064000100	Project MI064000200	Other Project
\$ 291,572	\$ 311,122	\$ 223,480
-	-	19,256
34,738	38,123	-
<u>326,310</u>	<u>349,245</u>	<u>242,736</u>
3,812	3,811	-
-	30,070	-
3,659	4,683	-
(2,500)	(2,500)	-
<u>4,971</u>	<u>36,064</u>	<u>-</u>
2,295	1,949	3
23,491	-	-
-	16,431	-
<u>357,067</u>	<u>403,689</u>	<u>242,739</u>
472,093	372,544	-
11,017,021	10,688,449	-
299,090	128,308	-
208,003	14,099	-
(8,676,026)	(8,463,148)	-
<u>3,320,181</u>	<u>2,740,252</u>	<u>-</u>
<u>3,320,181</u>	<u>2,740,252</u>	<u>-</u>
<u>\$ 3,677,248</u>	<u>\$ 3,143,941</u>	<u>\$ 242,739</u>
\$ 22,224	\$ 39,594	\$ 311
18,065	21,851	-
8,991	7,331	-
59,898	47,858	-
34,069	37,069	-
3,074	69,484	-
501	4,686	-
4,582	-	187
<u>151,404</u>	<u>227,873</u>	<u>498</u>
-	1,644	19,256
4,366	296	-
<u>4,366</u>	<u>1,940</u>	<u>19,256</u>
<u>155,770</u>	<u>229,813</u>	<u>19,754</u>
3,320,181	2,740,252	-
201,297	173,876	222,985
<u>3,521,478</u>	<u>2,914,128</u>	<u>222,985</u>
<u>\$ 3,677,248</u>	<u>\$ 3,143,941</u>	<u>\$ 242,739</u>

Ann Arbor Housing Commission
Financial Data Schedule
Project Income Statement
For the Year Ended June 30, 2014

Line Item #	Account Description	Total Projects	Project MI064000100	Operating Fund Program	Capital Fund Program
70300	Net Tenant Rental Revenue	\$ 797,033	\$ 359,078	\$ 359,078	\$ -
70400	Tenant Revenue - Other	33,872	24,632	24,632	-
70500	Total Tenant Revenue	<u>830,905</u>	<u>383,710</u>	<u>383,710</u>	<u>-</u>
70600	HUD PHA Operating Grants	1,187,206	602,772	549,668	53,104
70610	Capital Grants	140,228	92,253	-	92,253
70800	Other Government Grants	471,880	224,651	224,651	-
71100	Investment Income - Unrestricted	734	248	248	-
71500	Other Revenue	61	34	34	-
71600	Gain or Loss on Sale of Capital Assets	3,575	3,575	3,575	-
70000	Total Revenue	<u>2,634,589</u>	<u>1,307,243</u>	<u>1,161,886</u>	<u>145,357</u>
91100	Administrative Salaries	389,620	194,064	181,564	12,500
91200	Auditing Fees	8,600	4,300	4,300	-
91300	Management Fee	192,277	95,520	95,520	-
91500	Employee Benefit contributions - Administrative	251,663	122,351	122,351	-
91600	Office Expenses	59,634	28,749	26,877	1,872
91700	Legal Expense	32,947	28,546	28,546	-
91000	Total Operating - Administrative	<u>934,741</u>	<u>473,530</u>	<u>459,158</u>	<u>14,372</u>
92400	Tenant Services - Other	133,462	57,107	57,107	-
92500	Total Tenant Services	<u>133,462</u>	<u>57,107</u>	<u>57,107</u>	<u>-</u>
93100	Water	176,123	95,488	95,488	-
93200	Electricity	138,927	86,257	86,257	-
93300	Gas	92,634	56,575	56,575	-
93800	Other Utilities Expense	438	-	-	-
93000	Total Utilities	<u>408,122</u>	<u>238,320</u>	<u>238,320</u>	<u>-</u>
94100	Ordinary Maintenance and Operations - Labor	175,537	83,547	81,392	2,155
94200	Ordinary Maintenance and Operations - Materials and Other	105,385	52,014	52,014	-
94300	Ordinary Maintenance and Operations Contracts	426,487	191,920	191,920	-
94500	Employee Benefit Contributions - Ordinary Maintenance	167,431	72,266	72,266	-
94000	Total Maintenance	<u>874,840</u>	<u>399,747</u>	<u>397,592</u>	<u>2,155</u>
96110	Property Insurance	42,421	21,282	21,282	-
96120	Liability Insurance	26,173	13,524	13,524	-
96130	Workmen's Compensation	3,779	1,793	1,793	-
96100	Total Insurance Premiums	<u>72,373</u>	<u>36,599</u>	<u>36,599</u>	<u>-</u>
96210	Compensated Absences	2,893	2,430	2,430	-
96400	Bad debt - Tenant Rents	5,319	3,939	3,939	-
96000	Total Other General Expenses	<u>8,212</u>	<u>6,369</u>	<u>6,369</u>	<u>-</u>
96900	Total Operating Expenses	<u>2,431,750</u>	<u>1,211,672</u>	<u>1,195,145</u>	<u>16,527</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>202,839</u>	<u>95,571</u>	<u>(33,259)</u>	<u>128,830</u>
97200	Casualty Losses - Non-capitalized	60,267	248	248	-
97300	Housing Assistance Payments	1,644	-	-	-
97400	Depreciation Expense	476,005	230,904	219,282	11,622
90000	Total Expenses	<u>2,969,666</u>	<u>1,442,824</u>	<u>1,414,675</u>	<u>28,149</u>
10010	Operating Transfer In	88,155	36,577	36,577	-
10020	Operating Transfer Out	(88,155)	(36,577)	-	(36,577)
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>36,577</u>	<u>(36,577)</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>(335,077)</u>	<u>(135,581)</u>	<u>(216,212)</u>	<u>80,631</u>
11030	Beginning Equity	6,993,668	3,657,059	3,657,059	-
11190	Unit Months Available	4,260	2,136	2,136	-
11210	Number of Unit Months Leased	4,031	2,015	2,015	-
11270	Excess Cash	377,406	80,282	80,282	-
11620	Building Purchases	117,820	82,465	-	82,465
11630	Furniture & Equipment - Dwelling Purchases	34,589	14,947	6,290	8,657
11640	Furniture & Equipment - Administrative Purchases	3,931	1,131	-	1,131

Project MI064000200	Operating Fund Program	Capital Fund Program	Other Project
\$ 436,827	\$ 436,827	\$ -	\$ 1,128
9,240	9,240	-	-
446,067	446,067	-	1,128
584,434	509,499	74,935	-
47,975	-	47,975	-
247,229	247,229	-	-
260	260	-	226
27	27	-	-
-	-	-	-
1,325,992	1,203,082	122,910	1,354
192,744	180,244	12,500	2,812
4,300	4,300	-	-
96,193	96,193	-	564
129,312	129,312	-	-
30,885	29,286	1,599	-
4,401	4,401	-	-
457,835	443,736	14,099	3,376
76,355	76,355	-	-
76,355	76,355	-	-
80,635	80,635	-	-
52,670	52,670	-	-
36,059	36,059	-	-
438	438	-	-
169,802	169,802	-	-
91,990	91,990	-	-
53,371	44,113	9,258	-
234,256	234,256	-	311
95,165	95,165	-	-
474,782	465,524	9,258	311
21,024	21,024	-	115
12,649	12,649	-	-
1,986	1,986	-	-
35,659	35,659	-	115
463	463	-	-
1,380	1,380	-	-
1,843	1,843	-	-
1,216,276	1,192,919	23,357	3,802
109,716	10,163	99,553	(2,448)
60,019	60,019	-	-
1,644	1,644	-	-
245,101	222,609	22,492	-
1,523,040	1,477,191	45,849	3,802
51,578	51,578	-	-
(51,578)	-	(51,578)	-
-	51,578	(51,578)	-
(197,048)	(222,531)	25,483	(2,448)
3,111,176	3,111,176	-	225,433
2,112	2,112	-	12
2,004	2,004	-	12
74,458	74,458	-	222,666
35,355	-	35,355	-
19,642	9,821	9,821	-
2,800	-	2,800	-

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2014

Line Item #	Account Description	Central Office Cost Center
111	Cash - Unrestricted	\$ 190,479
100	Total Cash	<u>190,479</u>
122	Accounts Receivable - HUD Other Projects	512
125	Accounts Receivable - Miscellaneous	240,136
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>240,648</u>
142	Prepaid Expenses and Other Assets	56,663
144	Inter Program Due From	<u>52,601</u>
150	Total Current Assets	<u>540,391</u>
164	Furniture, Equipment & Machinery - Administration	142,652
165	Leasehold Improvements	34,139
166	Accumulated Depreciation	(85,665)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>91,126</u>
180	Total Non-Current Assets	<u>91,126</u>
190	Total Assets	<u>\$ 631,517</u>
312	Accounts Payable <= 90 Days	\$ 11,924
321	Accrued Wage/Payroll Taxes Payable	14,977
322	Accrued Compensated Absences - Current Portion	10,022
333	Accounts Payable - Other Government	31,453
342	Deferred Revenues	3,954
346	Accrued Liabilities - Other	844
310	Total Current Liabilities	<u>73,174</u>
354	Accrued Compensated Absences - Non Current	9,226
350	Total Non-Current Liabilities	<u>9,226</u>
300	Total Liabilities	<u>82,400</u>
508.4	Net Investment in Capital Assets	91,126
512.4	Unrestricted Net Position	<u>457,991</u>
513	Total Equity - Net Assets / Position	<u>549,117</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 631,517</u>

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2014

Line Item #	Account Description	Central Office Cost Center
70600	HUD PHA Operating Grants	\$ 45,931
70610	Capital Grants	295
70710	Management Fee	353,458
70700	Total Fee Revenue	<u>353,458</u>
70800	Other Government Grants	186,905
71100	Investment Income - Unrestricted	12,536
71500	Other Revenue	<u>281,456</u>
70000	Total Revenue	<u>880,581</u>
91100	Administrative Salaries	234,210
91200	Auditing Fees	2,580
91500	Employee Benefit contributions - Administrative	143,336
91600	Office Expenses	264,346
91900	Other	<u>252,429</u>
91000	Total Operating - Administrative	<u>896,901</u>
92400	Tenant Services - Other	<u>6,013</u>
92500	Total Tenant Services	<u>6,013</u>
94200	Ordinary Maintenance and Operations - Materials and Other	<u>2,500</u>
94000	Total Maintenance	<u>2,500</u>
96120	Liability Insurance	475
96130	Workmen's Compensation	<u>574</u>
96100	Total Insurance Premiums	<u>1,049</u>
96210	Compensated Absences	<u>1,035</u>
96000	Total Other General Expenses	<u>1,035</u>
96900	Total Operating Expenses	<u>907,498</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>(26,917)</u>
97400	Depreciation Expense	<u>13,518</u>
90000	Total Expenses	<u>921,016</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(40,435)
11030	Beginning Equity	589,552
11640	Furniture & Equipment - Administrative Purchases	295

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2014

Line Item #	Account Description	Total Programs
111	Cash - Unrestricted	\$ 891,705
113	Cash - Other Restricted	356,991
100	Total Cash	<u>1,248,696</u>
122	Accounts Receivable - HUD Other Projects	47,063
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>47,063</u>
142	Prepaid Expenses and Other Assets	226
144	Inter Program Due From	<u>25,113</u>
150	Total Current Assets	<u>1,321,098</u>
190	Total Assets	<u>\$ 1,321,098</u>
312	Accounts Payable <= 90 Days	\$ 108,775
321	Accrued Wage/Payroll Taxes Payable	26,170
322	Accrued Compensated Absences - Current Portion	10,245
333	Accounts Payable - Other Government	51,193
346	Accrued Liabilities - Other	7,160
347	Inter Program - Due To	89,376
310	Total Current Liabilities	<u>292,919</u>
353	Non-current Liabilities - Other	96,589
354	Accrued Compensated Absences - Non Current	6,827
350	Total Non-Current Liabilities	<u>103,416</u>
300	Total Liabilities	<u>396,335</u>
511.4	Restricted Net Position	260,402
512.4	Unrestricted Net Position	<u>664,361</u>
513	Total Equity - Net Assets / Position	<u>924,763</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 1,321,098</u>

14.871 Housing Choice Vouchers	14.182 N/C C/R Section 8 Programs	14.238 Shelter Plus Care
\$ 477,902	\$ 413,803	\$ -
356,991	-	-
<u>834,893</u>	<u>413,803</u>	<u>-</u>
-	-	47,063
-	-	<u>47,063</u>
226	-	-
-	-	25,113
<u>835,119</u>	<u>413,803</u>	<u>72,176</u>
<u>\$ 835,119</u>	<u>\$ 413,803</u>	<u>\$ 72,176</u>
\$ 36,599	\$ -	\$ 72,176
26,170	-	-
10,245	-	-
51,193	-	-
7,160	-	-
89,376	-	-
<u>220,743</u>	<u>-</u>	<u>72,176</u>
96,589	-	-
6,827	-	-
<u>103,416</u>	<u>-</u>	<u>-</u>
<u>324,159</u>	<u>-</u>	<u>72,176</u>
260,402	-	-
<u>250,558</u>	<u>413,803</u>	<u>-</u>
<u>510,960</u>	<u>413,803</u>	<u>-</u>
<u>\$ 835,119</u>	<u>\$ 413,803</u>	<u>\$ 72,176</u>

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2014

Line Item #	Account Description	Total Programs
70600	HUD PHA Operating Grants	\$ 11,276,843
70800	Other Government Grants	114,948
71100	Investment Income - Unrestricted	587
71400	Fraud Recovery	18,864
71500	Other Revenue	21
70000	Total Revenue	<u>11,411,263</u>
91100	Administrative Salaries	353,769
91200	Auditing Fees	6,020
91300	Management Fee	161,181
91500	Employee Benefit contributions - Administrative	310,674
91600	Office Expenses	154,293
91700	Legal Expense	2,744
91000	Total Operating - Administrative	<u>988,681</u>
94200	Ordinary Maintenance and Operations - Materials and Other	1,003
94300	Ordinary Maintenance and Operations Contracts	40
94000	Total Maintenance	<u>1,043</u>
96120	Liability Insurance	9,589
96130	Workmen's Compensation	938
96100	Total Insurance Premiums	<u>10,527</u>
96200	Other General Expenses	17,768
96000	Total Other General Expenses	<u>17,768</u>
96900	Total Operating Expenses	<u>1,018,019</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>10,393,244</u>
97300	Housing Assistance Payments	10,464,261
97350	HAP Portability-In	7,029
90000	Total Expenses	<u>11,489,309</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(78,046)
11030	Beginning Equity	1,002,809
11170	Administrative Fee Equity	250,558
11180	Housing Assistance Payments Equity	260,402
11190	Unit Months Available	20,704
11210	Number of Unit Months Leased	19,200

14.871 Housing Choice Vouchers	14.182 N/C C/R Section 8 Programs	14.238 Shelter Plus Care
\$ 9,668,526	\$ 780,263	\$ 828,054
114,948	-	-
355	232	-
18,864	-	-
21	-	-
<u>9,802,714</u>	<u>780,495</u>	<u>828,054</u>
353,272	497	-
5,160	860	-
152,997	8,184	-
310,674	-	-
151,566	2,727	-
2,744	-	-
<u>976,413</u>	<u>12,268</u>	<u>-</u>
1,003	-	-
40	-	-
<u>1,043</u>	<u>-</u>	<u>-</u>
9,589	-	-
938	-	-
<u>10,527</u>	<u>-</u>	<u>-</u>
17,768	-	-
<u>17,768</u>	<u>-</u>	<u>-</u>
<u>1,005,751</u>	<u>12,268</u>	<u>-</u>
<u>8,796,963</u>	<u>768,227</u>	<u>828,054</u>
8,896,875	739,332	828,054
7,029	-	-
<u>9,909,655</u>	<u>751,600</u>	<u>828,054</u>
(106,941)	28,895	-
617,901	384,908	-
250,558	-	-
260,402	-	-
18,036	1,212	1,456
16,678	1,206	1,316

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Balance Sheet
June 30, 2014

Line Item #	Account Description	Project Totals	Program Totals
111	Cash - Unrestricted	\$ 826,174	\$ 891,705
113	Cash - Other Restricted	19,256	356,991
114	Cash - Tenant Security Deposits	72,861	-
100	Total Cash	<u>918,291</u>	<u>1,248,696</u>
122	Accounts Receivable - HUD Other Projects	7,623	47,063
124	Accounts Receivable - Other Government	30,070	-
125	Accounts Receivable - Miscellaneous	-	-
126	Accounts Receivable - Tenants	8,342	-
126.1	Allowance for Doubtful Accounts -Tenants	(5,000)	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>41,035</u>	<u>47,063</u>
142	Prepaid Expenses and Other Assets	4,247	226
143	Inventories	23,491	-
144	Inter Program Due From	16,431	25,113
150	Total Current Assets	<u>1,003,495</u>	<u>1,321,098</u>
161	Land	844,637	-
162	Buildings	21,705,470	-
163	Furniture, Equipment & Machinery - Dwellings	427,398	-
164	Furniture, Equipment & Machinery - Administration	222,102	-
165	Leasehold Improvements	-	-
166	Accumulated Depreciation	(17,139,174)	-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>6,060,433</u>	<u>-</u>
180	Total Non-Current Assets	<u>6,060,433</u>	<u>-</u>
190	Total Assets	<u>\$ 7,063,928</u>	<u>\$ 1,321,098</u>
312	Accounts Payable <= 90 Days	\$ 62,129	\$ 108,775
321	Accrued Wage/Payroll Taxes Payable	39,916	26,170
322	Accrued Compensated Absences - Current Portion	16,322	10,245
333	Accounts Payable - Other Government	107,756	51,193
341	Tenant Security Deposits	71,138	-
342	Deferred Revenues	72,558	-
345	Other Current Liabilities	-	-
346	Accrued Liabilities - Other	5,187	7,160
347	Inter Program - Due To	4,769	89,376
310	Total Current Liabilities	<u>379,775</u>	<u>292,919</u>
353	Non-current Liabilities - Other	20,900	96,589
354	Accrued Compensated Absences - Non Current	4,662	6,827
350	Total Non-Current Liabilities	<u>25,562</u>	<u>103,416</u>
300	Total Liabilities	<u>405,337</u>	<u>396,335</u>
508.4	Net Investment in Capital Assets	6,060,433	-
511.4	Restricted Net Position	-	260,402
512.4	Unrestricted Net Position	598,158	664,361
513	Total Equity - Net Assets / Position	<u>6,658,591</u>	<u>924,763</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 7,063,928</u>	<u>\$ 1,321,098</u>

Central Office			
Cost Center	Subtotal	Elimination	Total
\$ 190,479	\$ 1,908,358	\$ -	\$ 1,908,358
-	376,247	-	376,247
-	72,861	-	72,861
<u>190,479</u>	<u>2,357,466</u>	<u>-</u>	<u>2,357,466</u>
512	55,198	-	55,198
-	30,070	-	30,070
240,136	240,136	-	240,136
-	8,342	-	8,342
-	(5,000)	-	(5,000)
<u>240,648</u>	<u>328,746</u>	<u>-</u>	<u>328,746</u>
56,663	61,136	-	61,136
-	23,491	-	23,491
<u>52,601</u>	<u>94,145</u>	<u>(94,145)</u>	<u>-</u>
<u>540,391</u>	<u>2,864,984</u>	<u>(94,145)</u>	<u>2,770,839</u>
-	844,637	-	844,637
-	21,705,470	-	21,705,470
-	427,398	-	427,398
142,652	364,754	-	364,754
34,139	34,139	-	34,139
<u>(85,665)</u>	<u>(17,224,839)</u>	<u>-</u>	<u>(17,224,839)</u>
<u>91,126</u>	<u>6,151,559</u>	<u>-</u>	<u>6,151,559</u>
<u>91,126</u>	<u>6,151,559</u>	<u>-</u>	<u>6,151,559</u>
<u>\$ 631,517</u>	<u>\$ 9,016,543</u>	<u>\$ (94,145)</u>	<u>\$ 8,922,398</u>
\$ 11,924	\$ 182,828	\$ -	\$ 182,828
14,977	81,063	-	81,063
10,022	36,589	-	36,589
31,453	190,402	-	190,402
-	71,138	-	71,138
3,954	76,512	-	76,512
844	844	-	844
-	12,347	-	12,347
-	94,145	(94,145)	-
<u>73,174</u>	<u>745,868</u>	<u>(94,145)</u>	<u>651,723</u>
-	117,489	-	117,489
<u>9,226</u>	<u>20,715</u>	<u>-</u>	<u>20,715</u>
<u>9,226</u>	<u>138,204</u>	<u>-</u>	<u>138,204</u>
<u>82,400</u>	<u>884,072</u>	<u>(94,145)</u>	<u>789,927</u>
91,126	6,151,559	-	6,151,559
-	260,402	-	260,402
<u>457,991</u>	<u>1,720,510</u>	<u>-</u>	<u>1,720,510</u>
<u>549,117</u>	<u>8,132,471</u>	<u>-</u>	<u>8,132,471</u>
<u>\$ 631,517</u>	<u>\$ 9,016,543</u>	<u>\$ (94,145)</u>	<u>\$ 8,922,398</u>

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2014

Line Item #	Account Description	Project Totals	Program Totals
70300	Net Tenant Rental Revenue	\$ 797,033	\$ -
70400	Tenant Revenue - Other	33,872	-
70500	Total Tenant Revenue	<u>830,905</u>	<u>-</u>
70600	HUD PHA Operating Grants	1,187,206	11,276,843
70610	Capital Grants	140,228	-
70710	Management Fee	-	-
70700	Total Fee Revenue	<u>-</u>	<u>-</u>
70800	Other Government Grants	471,880	114,948
71100	Investment Income - Unrestricted	734	587
71400	Fraud Recovery	-	18,864
71500	Other Revenue	61	21
71600	Gain or Loss on Sale of Capital Assets	<u>3,575</u>	<u>-</u>
70000	Total Revenue	<u>2,634,589</u>	<u>11,411,263</u>
91100	Administrative Salaries	389,620	353,769
91200	Auditing Fees	8,600	6,020
91300	Management Fee	192,277	161,181
91500	Employee Benefit contributions - Administrative	251,663	310,674
91600	Office Expenses	59,634	154,293
91700	Legal Expense	32,947	2,744
91900	Other	-	-
91000	Total Operating - Administrative	<u>934,741</u>	<u>988,681</u>
92400	Tenant Services - Other	<u>133,462</u>	<u>-</u>
92500	Total Tenant Services	<u>133,462</u>	<u>-</u>
93100	Water	176,123	-
93200	Electricity	138,927	-
93300	Gas	92,634	-
93800	Other Utilities Expense	438	-
93000	Total Utilities	<u>408,122</u>	<u>-</u>

Central Office			
Cost Center	Subtotal	Elimination	Total
\$ -	\$ 797,033	\$ -	\$ 797,033
-	33,872	-	33,872
	<u>830,905</u>	<u>-</u>	<u>830,905</u>
45,931	12,509,980	-	12,509,980
295	140,523	-	140,523
353,458	353,458	(353,458)	-
<u>353,458</u>	<u>353,458</u>	<u>(353,458)</u>	<u>-</u>
186,905	773,733	-	773,733
12,536	13,857	-	13,857
-	18,864	-	18,864
281,456	281,538	-	281,538
-	3,575	-	3,575
<u>880,581</u>	<u>14,926,433</u>	<u>(353,458)</u>	<u>14,572,975</u>
234,210	977,599	-	977,599
2,580	17,200	-	17,200
-	353,458	(353,458)	-
143,336	705,673	-	705,673
264,346	478,273	-	478,273
-	35,691	-	35,691
252,429	252,429	-	252,429
<u>896,901</u>	<u>2,820,323</u>	<u>(353,458)</u>	<u>2,466,865</u>
6,013	139,475	-	139,475
<u>6,013</u>	<u>139,475</u>	<u>-</u>	<u>139,475</u>
-	176,123	-	176,123
-	138,927	-	138,927
-	92,634	-	92,634
-	438	-	438
<u>-</u>	<u>408,122</u>	<u>-</u>	<u>408,122</u>

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2014

Line Item #	Account Description	Project Totals	Program Totals
94100	Ordinary Maintenance and Operations - Labor	\$ 175,537	\$ -
94200	Ordinary Maintenance and Operations - Materials and Other	105,385	1,003
94300	Ordinary Maintenance and Operations Contracts	426,487	40
94500	Employee Benefit Contributions - Ordinary Maintenance	167,431	-
94000	Total Maintenance	<u>874,840</u>	<u>1,043</u>
96110	Property Insurance	42,421	-
96120	Liability Insurance	26,173	9,589
96130	Workmen's Compensation	3,779	938
96100	Total insurance Premiums	<u>72,373</u>	<u>10,527</u>
96200	Other General Expenses	-	17,768
96210	Compensated Absences	2,893	-
96400	Bad debt - Tenant Rents	5,319	-
96000	Total Other General Expenses	<u>8,212</u>	<u>17,768</u>
96900	Total Operating Expenses	<u>2,431,750</u>	<u>1,018,019</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>202,839</u>	<u>10,393,244</u>
97200	Casualty Losses - Non-capitalized	60,267	-
97300	Housing Assistance Payments	1,644	10,464,261
97350	HAP Portability-In	-	7,029
97400	Depreciation Expense	<u>476,005</u>	<u>-</u>
90000	Total Expenses	2,969,666	11,489,309
10010	Operating Transfer In	88,155	-
10020	Operating Transfer Out	<u>(88,155)</u>	<u>-</u>
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(335,077)	(78,046)
11030	Beginning Equity	6,993,668	1,002,809
11170	Administrative Fee Equity	-	250,558
11180	Housing Assistance Payments Equity	-	260,402
11190	Unit Months Available	4,260	20,704
11210	Number of Unit Months Leased	4,031	19,200
11270	Excess Cash	377,406	-
11620	Building Purchases	117,820	-
11630	Furniture & Equipment - Dwelling Purchases	34,589	-
11640	Furniture & Equipment - Administrative Purchases	3,931	-

Central Office			
Cost Center	Subtotal	Elimination	Total
\$ -	\$ 175,537	\$ -	\$ 175,537
2,500	108,888	-	108,888
-	426,527	-	426,527
-	167,431	-	167,431
2,500	878,383	-	878,383
-	42,421	-	42,421
475	36,237	-	36,237
574	5,291	-	5,291
1,049	83,949	-	83,949
-	17,768	-	17,768
1,035	3,928	-	3,928
-	5,319	-	5,319
1,035	27,015	-	27,015
907,498	4,357,267	(353,458)	4,003,809
(26,917)	10,569,166	-	10,569,166
-	60,267	-	60,267
-	10,465,905	-	10,465,905
-	7,029	-	7,029
13,518	489,523	-	489,523
921,016	15,379,991	(353,458)	15,026,533
-	88,155	-	88,155
-	(88,155)	-	(88,155)
-	-	-	-
(40,435)	(453,558)	-	(453,558)
589,552	8,586,029	-	8,586,029
-	250,558	-	250,558
-	260,402	-	260,402
-	24,964	-	24,964
-	23,231	-	23,231
-	377,406	-	377,406
-	117,820	-	117,820
-	34,589	-	34,589
295	4,226	-	4,226



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

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, 2014, 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 12, 2014.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the *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 + Klayhewicz PC

Saginaw, Michigan

November 12, 2014



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 OMB CIRCULAR A-133

To the Board of Commissioners
Ann Arbor Housing Commission

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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Smith + Klayhewig PC

Saginaw, Michigan
November 12, 2014

Ann Arbor Housing Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency / Pass Through Agency / Program Title	Federal CFDA Number	Amount Expended
Department of Housing and Urban Development		
Direct programs:		
Section 8 New Construction and Substantial Rehabilitation	14.182	\$ 780,263
Shelter Plus Care	14.238	828,054
Public and Indian Housing	14.850	1,059,167
Public and Indian Housing Resident Opportunity & Self Sufficiency	14.850	73,047
Section 8 Housing Choice Vouchers	14.871	9,609,681
Section 8 Housing Choice Vouchers Family Self Sufficiency	14.871	34,500
Section 8 Housing Choice Vouchers Veterans Affairs Supportive Housing	14.VSH	24,345
Public Housing Capital Fund	14.872	<u>314,494</u>
Total Department of Housing and Urban Development		<u>\$ 12,723,551</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the **Ann Arbor Housing Commission** under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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 or changes in net position 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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Subrecipients

Approximately \$739,332 and \$828,054 of expenditures reported for CFDA #14.182 and #14.238 were passed-through to subrecipients, respectively.

Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

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 Section 510(a) of OMB Circular A-133?	_____ Yes	_____ X	No

Identification of major program(s):

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

Dollar threshold used to distinguish between type A and type B programs \$ 381,707

Auditee qualify as a low-risk auditee	_____ Yes	_____ X	No
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Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs (Concluded)
For the Year Ended June 30, 2014

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None