

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, 2018



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, 2018	
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	13-22
Other Supplementary Information	
Financial Data Schedules	23-32
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>	33-34
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Required by the Uniform Guidance	35-36
Schedule of Expenditures of Federal Awards	37
Notes to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-40



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, 2018, 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, 2018, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), 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 October 2, 2018 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 + Kaczmarek PC

Saginaw, Michigan

October 2, 2018

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 \$92,774 (3.6%) during 2018. This increase in net position is primarily generated by business activities. The overall net position was \$2,697,584 and \$2,604,810 for 2018 and 2017 respectively.

The overall revenue of the Commission decreased by \$3,256,209 (or 14%) during 2018, and was \$19,412,573 and \$22,668,782 for FY18 and FY17 respectively. The decrease in revenue is off set by a decrease in expenses and is mainly attributable to FY17 including funding received to redevelop RAD-converted tax-credit properties that was passed on to the tax credit properties as part of the RAD conversion along with the corresponding expenses.

USING THIS ANNUAL REPORT

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

MD&A

Management Discussion and Analysis-pages 3-9

Basic Financial Statements

Commission-wide Financial Statements - pages 10-12

Notes to Financial Statements - pages 13-22

Other Required Supplementary Information

Financial Data Schedules - pages 23-32

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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

Commission-Wide Financial Statements

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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.

Continuum of Care - These programs are 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 Grantee and works with many 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

SUMMARY SCHEDULE OF NET POSITION

	<u>2018</u>		<u>2017</u>		<u>Change</u>	<u>Change</u>
Current and Other Assets	\$ 2,992,548	\$	2,667,468	\$	325,080	12%
Capital Assets	<u>665,158</u>		<u>790,308</u>		<u>(125,150)</u>	-16%
Total Assets	3,657,706		3,457,776		199,930	6%
Other Liabilities	410,002		463,444		(53,442)	-12%
Long-Term Liabilities	<u>550,120</u>		<u>389,522</u>		<u>160,598</u>	41%
Total Liabilities	960,122		852,966		107,156	13%
Net Position:						
Net Investment in Capital Assets	665,158		790,308		(125,150)	-16%
Restricted	1		176		(175)	-99%
Unrestricted	<u>2,032,425</u>		<u>1,814,326</u>		<u>218,099</u>	12%
Total Net Position	\$ <u>2,697,584</u>	\$	<u>2,604,810</u>	\$	<u>92,774</u>	4%

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Major Factors Affecting the Statement of Net Position

Current assets increased by \$325,080 which is due to higher cash balances combined with lower accounts receivable for FY18 than the prior year. The decrease in Capital Assets is mainly the result of the sale of the Evelyn Court property in FY18 but also due to the write-down of individual assets that were below the recently increased \$5,000 capitalization threshold which was implemented in FY17. The prior capitalization threshold was \$500.

Long-Term Liabilities increased by \$160,598 as a result of increased participation and, therefore, increased escrow balances in the Family Self Sufficiency program.

Table 2 presents details on the changes in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/17	\$	1,814,326
Results of Operations		(61,165)
Adjustments:		
Depreciation (1)		122,772
Decrease in Restricted Assets		175
Disposal of Assets		<u>20,071</u>
Adjusted Results from Operations		81,853
Capital Expenditures		(17,693)
Non Operating Revenue		<u>153,939</u>
Unrestricted Net Position 6/30/18	\$	<u><u>2,032,425</u></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, 2018

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>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Tenant Revenues - Rent and Other	\$ 166,636	\$ 192,671	\$ (26,035)	-14%
Operating Subsidies and Grants	15,248,349	15,754,109	(505,760)	-3%
Capital Grants	72,746	156,430	(83,684)	-53%
Other Government Grants	2,619,484	4,547,383	(1,927,899)	-42%
Investment Income	2,897	4,869	(1,972)	-41%
Other Revenues	<u>1,302,461</u>	<u>2,013,320</u>	<u>(710,859)</u>	-35%
Total Revenue	\$ <u>19,412,573</u>	\$ <u>22,668,782</u>	\$ <u>(3,256,209)</u>	-14%
Expenses				
Administrative	\$ 2,027,056	\$ 2,008,364	\$ 18,692	1%
Tenant Services	161,663	159,181	2,482	2%
Utilities	40,280	46,874	(6,594)	-14%
Maintenance	263,953	242,980	20,973	9%
General	2,437,381	4,844,125	(2,406,744)	-50%
Development Costs	72,746	156,430	(83,684)	-53%
Housing Assistance Payments	14,193,948	14,426,276	(232,328)	-2%
Depreciation	<u>122,772</u>	<u>57,066</u>	<u>65,706</u>	115%
Total Expenses	\$ <u>19,319,799</u>	\$ <u>21,941,296</u>	\$ <u>(2,621,497)</u>	-12%
Net Increase(Decrease)	\$ <u>92,774</u>	\$ <u>727,486</u>	\$ <u>(634,712)</u>	-87%

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

The change in Unrestricted Net Position is \$92,774 for FY18. This gain is mainly the result of the continued receipt of developer fee revenue for Business Activities (included in Other Revenues).

- The decrease in Tenant Revenues is due to lower tenant revenue for East AMP as tenants have been moved out of the Lower Platt and White/State/Henry public housing property due to the blighted condition. These properties will be demolished and newly constructed as the Swift Lane development under the LIHTC program.
- The decrease in Other Government Grants is due to FY17 including the initial recognition of funding received that was passed on to the tax credit properties as part of the RAD conversion with the corresponding decrease in General Expenses as well.
- Other Revenues decreased due to lower developer fee revenue in FY18 in Business Activities.

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

CAPITAL ASSETS

As of year end FY18, the Commission had \$665,158 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$122,772. The decrease from FY17 to FY18 is mainly due to the sale of the Evelyn Court property in FY18.

TABLE 4

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

Business-Type Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent Change</u>
Land and Land Rights	\$ 324,914	\$ 343,627	\$ (18,713)	-5%
Buildings	2,945,035	3,101,642	(156,607)	-5%
Equipment - Dwelling	9,884	62,065	(52,181)	-84%
Equipment - Administrative	263,068	296,109	(33,041)	-11%
Leasehold Improvements	5,049	5,049	-	0%
Accumulated Depreciation	<u>(2,882,792)</u>	<u>(3,018,184)</u>	<u>135,392</u>	<u>-4%</u>
Total	\$ <u>665,158</u>	\$ <u>790,308</u>	\$ <u>(125,150)</u>	-16%

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	\$ 790,308
Additions	17,693
Disposals	(278,235)
Net of Depreciation	258,164
Depreciation	<u>(122,772)</u>
Ending Balance	\$ <u>665,158</u>

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

This year's major additions are:

Business - Type Activities

Capital Improvements Programs (modernization)	\$	17,693
Buildings	10,193	
Administrative		
Equipment and	7,500	
Furnishings		
		<hr/>
	\$	<u>17,693</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

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, 2018

Current assets	
Cash and cash equivalents	\$ 2,279,794
Cash and cash equivalents - restricted	401,128
Cash - tenant security deposits	6,054
Due from other governmental units	60,141
Accounts receivable, net	149,498
Prepaid expenses	53,087
Inventory	6,628
	<hr/>
Total current assets	2,956,330
Noncurrent assets	
Capital assets:	
Nondepreciable	324,914
Depreciable	3,223,036
Less: accumulated depreciation	(2,882,792)
	<hr/>
Net capital assets	665,158
Total assets	<hr/> 3,621,488 <hr/>
Deferred outflows of resources	<hr/> 36,218 <hr/>
Current liabilities	
Accounts payable	269,463
Accrued liabilities	68,593
Tenant security deposits	6,054
Unearned revenue	4,570
Accrued compensated absences, current portion	42,522
	<hr/>
Total current liabilities	391,202
Noncurrent liabilities	
Other noncurrent liabilities	17,000
Other noncurrent liabilities - payable from restricted assets	401,127
Net pension liability	111,257
Accrued compensated absences	20,736
	<hr/>
Total noncurrent liabilities	550,120
Total liabilities	<hr/> 941,322 <hr/>
Deferred inflows of resources	<hr/> 18,800 <hr/>
Net position	
Net investment in capital assets	665,158
Restricted	1
Unrestricted	2,032,425
	<hr/>
Total net position	\$ 2,697,584 <hr/>

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, 2018

Operating revenues

Tenant revenue	\$ 166,636
Program grants - subsidies	15,248,349
Other governmental grants	2,619,484
Other revenue	1,228,475

Total operating revenues	19,262,944
--------------------------	------------

Operating expenses

Administration	2,027,056
Tenant services	161,663
Utilities	40,280
Maintenance	263,953
Protective services	2,901
Insurance	36,052
General	2,398,428
Housing assistance payments	13,899,723
Depreciation	122,772

Total operating expenses	18,952,828
--------------------------	------------

Operating income (loss)	310,116
-------------------------	---------

Nonoperating revenues and (expenses)

Fraud recovery	12,056
Gain / (loss) on sale of capital assets	61,930
HAP Portability - In	(294,225)
Development costs	(72,746)
Interest revenue	2,897

Total nonoperating revenues and (expenses)	(290,088)
--------------------------------------------	-----------

Income (loss) before contributions	20,028
------------------------------------	--------

Capital contribution	72,746
-----------------------------	--------

Change in net position	92,774
------------------------	--------

Net position - Beginning of year	2,604,810
-----------------------------------------	-----------

Net position - End of year	\$ 2,697,584
-----------------------------------	--------------

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, 2018

Cash flows from operating activities	
Cash received from customers	\$ 2,306,608
Cash received from grants and subsidies	17,867,833
Cash payments to suppliers for goods and services	(17,115,723)
Cash payments for wages and related benefits	(1,601,332)
Net cash provided by (used in) operating activities	<u>1,457,386</u>
Cash flows from noncapital and related financing activities	
Fraud recovery	12,056
HAP Portability - In	(294,225)
Development costs	(72,746)
Net cash provided by (used in) noncapital and related financing activities	<u>(354,915)</u>
Cash flows from capital and related financing activities	
Capital grants	72,746
Proceeds from sale of capital assets	82,001
Acquisition of capital assets	(17,693)
Net cash provided by (used in) capital and related financing activities	<u>137,054</u>
Cash flows from investing activities	
Interest revenue	<u>2,897</u>
Net increase (decrease) in cash and cash equivalents	1,242,422
Cash and cash equivalents - beginning of year	<u>1,444,554</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,686,976</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 310,116
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	122,772
Changes in assets and liabilities	
Decrease (increase) in receivables	912,934
Decrease (increase) in prepaid expenses	2,298
Decrease (increase) in inventory	1,504
Decrease (increase) in deferred outflows of resources	606
Increase (decrease) in accounts payable	28,705
Increase (decrease) in accrued liabilities	89,913
Increase (decrease) in tenant security deposits	(1,609)
Increase (decrease) in unearned revenue	172
Increase (decrease) in deferred inflows of resources	(10,025)
Net cash provided by (used in) operating activities	<u><u>\$ 1,457,386</u></u>
Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows	
Cash and cash equivalents	\$ 2,279,794
Cash and cash equivalents - restricted	401,128
Cash - tenant security deposits	6,054
Total	<u><u>\$ 2,686,976</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, 2018

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 a Low Income Housing Program (49 units), Section 8 Housing Choice Vouchers (1,851 units which include 292 RAD Project Based Voucher units), Shelter Plus Care Program (3 units) and a Continuum of Care program (341 of 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, 2018

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.

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

14.267 Continuum of Care accounts for the revenue and related operations of the 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.

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, 2018

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 entire amount of cash and cash equivalents – restricted recorded on the Statement of Net Position has been restricted for FSS escrow and excess HAP payments received.

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, 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, 2018

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 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. These deposits are held in separate account in accordance with the grant requirements of the EHPA-NRMR Homebuyer program and the resident advisory Board.

Unearned Revenue

Unearned revenue represents tenant revenue for the subsequent year that was collected prior to the end of the current fiscal year and insurance proceeds received during the year that have not been earned.

Deferred Inflows of Resources

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

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.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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. 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	\$ 2,279,794
Cash and cash equivalents – restricted	401,128
Cash – tenant security deposits	<u>6,054</u>
Total	<u>\$ 2,686,976</u>
Notes to Financial Statements	
Cash on hand	\$ 100
Deposits	<u>2,686,876</u>
Total	<u>\$ 2,686,976</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

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

- 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.

Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Housing Commission's deposits may not be returned. State law does not require and the Housing Commission does not have a policy for deposit custodial credit risk. At year-end, \$1,901,962 of the Housing Commission's bank balance of \$2,901,961 was exposed to custodial credit risk because it was uninsured, however, it was partially collateralized with government securities with a market value of \$598,129.

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.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

Accounts Receivable

The accounts receivable balance is comprised of the following:

Tenant receivables	\$ 41,858
Allowance for doubtful accounts – tenants	(300)
Accounts receivable – miscellaneous	107,936
Notes receivable from tax credits	8,782,501
Interest receivable	1,071,546
Allowance for doubtful accounts	<u>(9,854,043)</u>
Total receivables, net	<u>\$ 149,498</u>

Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 343,627</u>	<u>\$ -</u>	<u>\$ (18,713)</u>	<u>\$ 324,914</u>
Capital assets being depreciated				
Buildings	3,103,435	10,193	(168,593)	2,945,035
Furniture, equipment and machinery – dwelling	60,272	-	(50,388)	9,884
Furniture, equipment and machinery – administration	296,109	7,500	(40,541)	263,068
Leasehold improvements	<u>5,049</u>	<u>-</u>	<u>-</u>	<u>5,049</u>
Total capital assets being depreciated	<u>3,464,865</u>	<u>17,693</u>	<u>(259,522)</u>	<u>3,223,036</u>
Less accumulated depreciation				
Buildings	(2,739,327)	(76,338)	165,513	(2,650,152)
Furniture, equipment and machinery – dwelling	(36,994)	(17,899)	52,107	(2,786)
Furniture, equipment and machinery – administration	(241,661)	(28,332)	40,544	(229,449)
Leasehold improvements	<u>(202)</u>	<u>(203)</u>	<u>-</u>	<u>(405)</u>
Total accumulated depreciation	<u>(3,018,184)</u>	<u>(122,772)</u>	<u>258,164</u>	<u>(2,882,792)</u>
Net capital assets being depreciated	<u>446,681</u>	<u>(105,079)</u>	<u>(1,358)</u>	<u>340,244</u>
Total net capital assets	<u>\$ 790,308</u>	<u>\$ (105,079)</u>	<u>\$ (20,071)</u>	<u>\$ 665,158</u>

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

Compensated Absences

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

	Beginning Balance	Additions	Deductions	Ending Balance	Amount Due Within One Year
Accrued compensated absences	\$ 73,213	\$ 78,609	\$ (88,564)	\$ 63,258	\$ 42,522

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, 2018 and 2017 was \$15,402,288 or 79% and \$15,910,539 or 73% 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.

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.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2018, the Housing Commission was invoiced at 23.10% 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 \$36,218, deferred inflows of \$18,800 and a net pension liability of \$111,257 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 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, 2018, the Housing Commission was invoiced and contributed \$111,067 which equated to approximately \$15,884 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.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2018

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 3 for-profit limited partnerships (Maple Tower, River Run and West Arbor) 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
Financial Data Schedule
Project Balance Sheet
June 30, 2018

Line Item #	Account Description	Total Projects	Project MI064000100	Project MI064000200	Other Project
111	Cash - Unrestricted	\$ 260,809	\$ 51,732	\$ 17,783	\$ 191,294
114	Cash - Tenant Security Deposits	4,611	669	2,942	1,000
100	Total Cash	265,420	52,401	20,725	192,294
125	Accounts Receivable - Miscellaneous	1,274	1,274	-	-
126	Accounts Receivable - Tenants	2,872	-	2,872	-
126.1	Allowance for Doubtful Accounts - Tenants	(300)	-	(300)	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	3,846	1,274	2,572	-
143	Inventories	6,628	6,628	-	-
150	Total Current Assets	275,894	60,303	23,297	192,294
161	Land	129,741	1,702	128,039	-
162	Buildings	2,934,842	49,503	2,885,339	-
163	Furniture, Equipment & Machinery - Dwellings	9,884	9,884	-	-
164	Furniture, Equipment & Machinery - Administration	144,167	144,167	-	-
166	Accumulated Depreciation	(2,792,511)	(137,641)	(2,654,870)	-
160	Total Capital Assets, Net of Accumulated Depreciation	426,123	67,615	358,508	-
180	Total Non-Current Assets	426,123	67,615	358,508	-
290	Total Assets	\$ 702,017	\$ 127,918	\$ 381,805	\$ 192,294
312	Accounts Payable <= 90 Days	\$ 19,704	\$ 4,990	\$ 14,433	\$ 281
321	Accrued Wage/Payroll Taxes Payable	2,440	554	1,846	40
322	Accrued Compensated Absences - Current Portion	3,643	1,000	2,574	69
341	Tenant Security Deposits	4,611	669	2,942	1,000
342	Unearned Revenues	1,160	-	1,159	1
347	Inter Program - Due To	2,815	2,752	-	63
310	Total Current Liabilities	34,373	9,965	22,954	1,454
353	Non-Current Liabilities - Other	17,000	15,170	1,830	-
354	Accrued Compensated Absences - Non-Current	1,978	598	1,327	53
350	Total Non-Current Liabilities	18,978	15,768	3,157	53
300	Total Liabilities	53,351	25,733	26,111	1,507
508.4	Net Investment in Capital Assets	426,123	67,615	358,508	-
512.4	Unrestricted Net Position (Deficit)	222,543	34,570	(2,814)	190,787
513	Total Equity - Net Assets / Position	648,666	102,185	355,694	190,787
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$ 702,017	\$ 127,918	\$ 381,805	\$ 192,294

Ann Arbor Housing Commission
Financial Data Schedule
Project Income Statement
For the Year Ended June 30, 2018

Line Item #	Account Description	Total Projects	Project M1064000100	Operating Fund Program	Capital Fund Program	Project M1064000200	Operating Fund Program	Capital Fund Program	Other Project
70300	Net Tenant Rental Revenue	\$ 79,036	\$ 2,879	\$ 2,879	\$ -	\$ 67,433	\$ 67,433	\$ -	\$ 8,724
70400	Tenant Revenue - Other	1,817	20	20	-	1,777	1,777	-	20
70500	Total Tenant Revenue	80,853	2,899	2,899	-	69,210	69,210	-	8,744
70600	HUD PHA Operating Grants	127,365	12,755	12,755	-	114,610	114,610	-	-
70610	Capital Grants	72,746	72,746	-	72,746	-	-	-	-
70800	Other Government Grants	35,347	-	-	-	35,347	35,347	-	-
71100	Investment Income - Unrestricted	656	-	-	-	-	-	-	656
70000	Total Revenue	316,967	88,400	15,654	72,746	219,167	219,167	-	9,400
91100	Administrative Salaries	55,706	8,047	8,047	-	46,624	46,624	-	1,035
91200	Auditing Fees	4,231	2,009	2,009	-	2,222	2,222	-	-
91300	Management fee	12,140	1,202	1,202	-	10,938	10,938	-	-
91310	Bookkeeping Fee	1,913	180	180	-	1,643	1,643	-	90
91600	Office Expenses	20,049	-	-	-	20,049	20,049	-	-
91700	Legal Expense	358	-	-	-	358	358	-	-
91800	Travel	202	4	4	-	195	195	-	3
91000	Total Operating - Administrative	94,599	11,442	11,442	-	82,029	82,029	-	1,128
92000	Asset Management Fee	601	-	-	-	-	-	-	601
92400	Tenant Services - Other	1,924	-	-	-	1,924	1,924	-	-
92500	Total Tenant Services	1,924	-	-	-	1,924	1,924	-	-
93100	Water	18,427	516	516	-	17,425	17,425	-	486
93200	Electricity	8,367	274	274	-	8,093	8,093	-	-
93300	Gas	5,656	-	-	-	5,656	5,656	-	-
93000	Total Utilities	32,450	790	790	-	31,174	31,174	-	486
94100	Ordinary Maintenance and Operations - Labor	58,676	4,515	4,515	-	52,855	52,855	-	1,306
94200	Ordinary Maintenance and Operations - Materials and Other	19,257	5,259	5,259	-	13,256	13,256	-	742
94300	Ordinary Maintenance and Operations Contracts	61,705	3,703	3,703	-	50,882	50,882	-	7,120
94000	Total Maintenance	139,638	13,477	13,477	-	116,993	116,993	-	9,168
95200	Protective Services - Other Contract Costs	2,901	-	-	-	2,901	2,901	-	-
95000	Total Protective Services	2,901	-	-	-	2,901	2,901	-	-
96110	Property Insurance	15,899	1,333	1,333	-	14,187	14,187	-	379
96120	Liability Insurance	1,148	54	54	-	1,072	1,072	-	22
96100	Total Insurance Premiums	17,047	1,387	1,387	-	15,259	15,259	-	401
96210	Compensated Absences	1,158	1,437	1,437	-	(271)	(271)	-	(8)
96000	Total Other General Expenses	1,158	1,437	1,437	-	(271)	(271)	-	(8)
96900	Total Operating Expenses	290,318	28,533	28,533	-	250,009	250,009	-	11,776
97000	Excess of Operating Revenue over (under) Operating Expenses	26,649	59,867	(12,879)	72,746	(30,842)	(30,842)	-	(2,376)
97300	Housing Assistance Payments	(320)	(320)	(320)	-	-	-	-	-
97400	Depreciation Expense	102,574	18,459	18,459	-	84,115	84,115	-	-
90000	Total Expenses	392,572	46,672	46,672	-	334,124	334,124	-	11,776
10010	Operating Transfer In	20,153	20,153	20,153	-	-	-	-	-
10040	Operating Transfer from / to Component Unit	(72,746)	(72,746)	-	(72,746)	-	-	-	-
10100	Total Other Financing Sources (Uses)	(52,593)	(52,593)	20,153	(72,746)	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(128,198)	(10,865)	(10,865)	-	(114,957)	(114,957)	-	(2,376)
11030	Beginning Equity	776,864	113,050	113,050	-	470,651	470,651	-	193,163
11190	Unit Months Available	600	24	24	-	564	564	-	12
11210	Number of Unit Months Leased	255	24	24	-	219	219	-	12
11270	Excess Cash	210,701	41,333	41,333	-	(20,491)	(20,491)	-	189,859

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2018

Line Item #	Account Description	Central Office Cost Center
111	Cash - Unrestricted	\$ 39,367
100	Total Cash	39,367
125	Accounts Receivable - Miscellaneous	101,235
120	Total Receivables, Net of Allowances for Doubtful Accounts	101,235
142	Prepaid Expenses and Other Assets	53,087
144	Inter Program Due From	17,216
150	Total Current Assets	210,905
162	Buildings	10,193
164	Furniture, Equipment & Machinery - Administration	108,201
165	Leasehold Improvements	5,049
166	Accumulated Depreciation	(87,017)
160	Total Capital Assets, Net of Accumulated Depreciation	36,426
180	Total Non-Current Assets	36,426
200	Deferred Outflow of Resources	36,218
290	Total Assets and Deferred Outflow of Resources	\$ 283,549
312	Accounts Payable <= 90 Days	\$ 60,853
321	Accrued Wage/Payroll Taxes Payable	11,275
322	Accrued Compensated Absences - Current Portion	18,630
346	Accrued Liabilities - Other	833
310	Total Current Liabilities	91,591
354	Accrued Compensated Absences - Non-Current	10,935
357	Accrued Pension and OPEB Liabilities	111,257
350	Total Non-Current Liabilities	122,192
300	Total Liabilities	213,783
400	Deferred Inflows of Resources	18,800
508.4	Net Investment in Capital Assets	36,426
512.4	Unrestricted Net Position	14,540
513	Total Equity - Net Assets / Position	50,966
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$ 283,549

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2018

Line Item #	Account Description	Central Office Cost Center
70400	Tenant Revenue - Other	\$ 171
70710	Management Fee	246,416
70720	Asset Management Fee	9,162
70730	Bookkeeping Fee	145,696
70750	Other Fees	176,572
70700	Total Fee Revenue	577,846
70800	Other Government Grants	282,333
71100	Investment Income - Unrestricted	1,893
71500	Other Revenue	13,637
71600	Gain or Loss on Sale of Capital Assets	61,930
70000	Total Revenue	937,810
91100	Administrative Salaries	673,501
91200	Auditing Fees	11,544
91500	Employee Benefit Contributions - Administrative	102,286
91600	Office Expenses	109,355
91700	Legal Expense	3,262
91800	Travel	4,744
91000	Total Operating - Administrative	904,692
92400	Tenant Services - Other	64,918
92500	Total Tenant Services	64,918
93100	Water	75
93200	Electricity	8
93300	Gas	12
93000	Total Utilities	95
94100	Ordinary Maintenance and Operations - Labor	6,104
94200	Ordinary Maintenance and Operations - Materials and Other	8,208
94300	Ordinary Maintenance and Operations - Contracts	3,551
94000	Total Maintenance	17,863
96120	Liability Insurance	1,759
96100	Total Insurance Premiums	1,759
96210	Compensated Absences	(12,058)
96000	Total Other General Expenses	(12,058)
96900	Total Operating Expenses	977,269
97000	Excess of Operating Revenue over (under) Operating Expenses	(39,459)
97300	Housing Assistance Payments	27
97400	Depreciation Expense	15,460
90000	Total Expenses	992,756
10020	Operating Transfer Out	(20,153)
10100	Total Other Financing Sources (Uses)	(20,153)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(75,099)
11030	Beginning Equity	126,065

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2018

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.267 Continuum of Care Program	Business Activities
111	Cash - Unrestricted	\$ 1,979,618	\$ 118,296	\$ 150	\$ -	\$ 1,861,172
113	Cash - Other Restricted	401,128	401,128	-	-	-
114	Cash - Tenant Security Deposits	1,443	-	-	-	1,443
100	Total Cash	2,382,189	519,424	150	-	1,862,615
122	Accounts Receivable - HUD Other Projects	55,714	18,936	-	36,778	-
124	Accounts Receivable - Other Government	4,427	4,427	-	-	-
125	Accounts Receivable - Miscellaneous	8,787,928	575	-	4,852	8,782,501
126	Accounts Receivable - Tenants	38,986	38,852	-	-	134
126.2	Allowance for Doubtful Accounts - Other	(9,854,043)	-	-	-	(9,854,043)
129	Accrued Interest Receivable	1,071,546	-	-	-	1,071,546
120	Total Receivables, Net of Allowances for Doubtful Accounts	104,558	62,790	-	41,630	138
150	Total Current Assets	2,486,747	582,214	150	41,630	1,862,753
161	Land	195,173	-	-	-	195,173
164	Furniture, Equipment & Machinery - Administration	10,700	-	-	10,700	-
166	Accumulated Depreciation	(3,264)	-	-	(3,264)	-
160	Total Capital Assets, Net of Accumulated Depreciation	202,609	-	-	7,436	195,173
180	Total Non-Current Assets	202,609	-	-	7,436	195,173
290	Total Assets	\$ 2,689,356	\$ 582,214	\$ 150	\$ 49,066	\$ 2,057,926
312	Accounts Payable <= 90 Days	\$ 188,308	\$ 67,704	\$ -	\$ 38,061	\$ 82,543
321	Accrued Wage/Payroll Taxes Payable	17,750	16,912	-	489	349
322	Accrued Compensated Absences - Current Portion	20,249	18,820	-	948	481
332	Accounts Payable - PHA Programs	598	598	-	-	-
341	Tenant Security Deposits	1,443	-	-	-	1,443
342	Unearned Revenue	3,410	3,076	-	-	334
346	Accrued Liabilities - Other	36,295	36,295	-	-	-
347	Inter Program - Due To	14,401	13,336	-	1,065	-
310	Total Current Liabilities	282,454	156,741	-	40,563	85,150
353	Non-current Liabilities - Other	401,127	401,127	-	-	-
354	Accrued Compensated Absences - Non-Current	7,823	6,934	-	659	230
350	Total Non-Current Liabilities	408,950	408,061	-	659	230
300	Total Liabilities	691,404	564,802	-	41,222	85,380
508.4	Net Investment in Capital Assets	202,609	-	-	7,436	195,173
511.4	Restricted Net Position	1	1	-	-	-
512.4	Unrestricted Net Position	1,795,342	17,411	150	408	1,777,373
513	Total Equity - Net Assets / Position	1,997,952	17,412	150	7,844	1,972,546
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$ 2,689,356	\$ 582,214	\$ 150	\$ 49,066	\$ 2,057,926

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2018

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.267 Continuum of Care Program	Business Activities
70300	Net Tenant Rental Revenue	\$ 9,778	\$ -	\$ -	\$ -	\$ 9,778
70400	Tenant Revenue - Other	75,834	-	-	-	75,834
70500	Total Tenant Revenue	85,612	-	-	-	85,612
70600	HUD PHA Operating Grants	15,120,984	12,932,608	1,658	2,186,718	-
70800	Other Government Grants	2,301,804	187,136	-	-	2,114,668
71100	Investment Income - Unrestricted	348	28	-	-	320
71400	Fraud Recovery	12,056	12,056	-	-	-
71500	Other Revenue	1,038,266	302,546	-	633	735,087
70000	Total Revenue	18,559,070	13,434,374	1,658	2,187,351	2,935,687
91100	Administrative Salaries	841,938	792,327	-	40,838	8,773
91200	Auditing Fees	10,489	9,729	-	-	760
91300	Management Fee	234,276	234,276	-	-	-
91310	Bookkeeping Fee	143,783	143,078	-	-	705
91500	Employee Benefit Contributions - Administrative	32,837	30,384	-	2,453	-
91600	Office Expenses	153,575	139,438	-	-	14,137
91700	Legal Expense	2,769	2,430	-	-	339
91800	Travel	210	183	-	-	27
91000	Total Operating - Administrative	1,419,877	1,351,845	-	43,291	24,741
92000	Asset Management Fee	8,561	-	-	-	8,561
92400	Tenant Services - Other	94,821	93	-	-	94,728
92500	Total Tenant Services	94,821	93	-	-	94,728
93100	Water	2,105	-	-	-	2,105
93200	Electricity	4,513	-	-	-	4,513
93300	Gas	1,117	-	-	-	1,117
93000	Total Utilities	7,735	-	-	-	7,735
94100	Ordinary Maintenance and Operations - Labor	9,121	-	-	-	9,121
94200	Ordinary Maintenance and Operations - Materials and Other	69,053	1,531	-	-	67,522
94300	Ordinary Maintenance and Operations Contracts	28,278	-	-	-	28,278
94000	Total Maintenance	106,452	1,531	-	-	104,921
96110	Property Insurance	3,483	-	-	-	3,483
96120	Liability Insurance	13,763	11,319	-	2,041	403
96100	Total Insurance Premiums	17,246	11,319	-	2,041	3,886
96200	Other General Expenses	5,299	5,299	-	-	-
96210	Compensated Absences	944	(713)	-	1,607	50
96600	Bad Debt - Other	2,403,085	-	-	-	2,403,085
96000	Total Other General Expenses	2,409,328	4,586	-	1,607	2,403,135
96900	Total Operating Expenses	4,064,020	1,369,374	-	46,939	2,647,707
97000	Excess of Operating Revenue over (under) Operating Expenses	14,495,050	12,065,000	1,658	2,140,412	287,980

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2018

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.267 Continuum of Care Program	Business Activities
97300	Housing Assistance Payments	\$ 13,900,016	\$ 11,767,461	\$ 1,658	\$ 2,130,897	\$ -
97350	HAP Portability-In	294,225	294,225	-	-	-
97400	Depreciation Expense	4,738	1,254	-	2,048	1,436
90000	Total Expenses	18,262,999	13,432,314	1,658	2,179,884	2,649,143
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	296,071	2,060	-	7,467	286,544
11030	Beginning Equity	1,701,881	15,352	150	377	1,686,002
11170	Administrative Fee Equity	17,411	17,411	-	-	-
11180	Housing Assistance Payments Equity	1	1	-	-	-
11190	Unit Months Available	24,696	22,152	-	2,448	96
11210	Number of Unit Months Leased	21,336	19,161	-	2,081	94

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Balance Sheet
June 30, 2018

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
111	Cash - Unrestricted	\$ 260,809	\$ 1,979,618	\$ 39,367	\$ 2,279,794	\$ -	\$ 2,279,794
113	Cash - Other Restricted	-	401,128	-	401,128	-	401,128
114	Cash - Tenant Security Deposits	4,611	1,443	-	6,054	-	6,054
100	Total Cash	265,420	2,382,189	39,367	2,686,976	-	2,686,976
122	Accounts Receivable - HUD Other Projects	-	55,714	-	55,714	-	55,714
124	Accounts Receivable - Other Government	-	4,427	-	4,427	-	4,427
125	Accounts Receivable - Miscellaneous	1,274	8,787,928	101,235	8,890,437	-	8,890,437
126	Accounts Receivable - Tenants	2,872	38,986	-	41,858	-	41,858
126.1	Allowance for Doubtful Accounts - Tenants	(300)	-	-	(300)	-	(300)
126.2	Allowance for Doubtful Accounts - Other	-	(9,854,043)	-	(9,854,043)	-	(9,854,043)
129	Accrued Interest Receivable	-	1,071,546	-	1,071,546	-	1,071,546
120	Total Receivables, Net of Allow. for Doubtful Accounts	3,846	104,558	101,235	209,639	-	209,639
142	Prepaid Expenses and Other Assets	-	-	53,087	53,087	-	53,087
143	Inventories	6,628	-	-	6,628	-	6,628
144	Inter Program Due From	-	-	17,216	17,216	(17,216)	-
150	Total Current Assets	275,894	2,486,747	210,905	2,973,546	(17,216)	2,956,330
161	Land	129,741	195,173	-	324,914	-	324,914
162	Buildings	2,934,842	-	10,193	2,945,035	-	2,945,035
163	Furniture, Equipment & Machinery - Dwellings	9,884	-	-	9,884	-	9,884
164	Furniture, Equipment & Machinery - Administration	144,167	10,700	108,201	263,068	-	263,068
165	Leasehold Improvements	-	-	5,049	5,049	-	5,049
166	Accumulated Depreciation	(2,792,511)	(3,264)	(87,017)	(2,882,792)	-	(2,882,792)
160	Total Capital Assets, Net of Accumulated Depreciation	426,123	202,609	36,426	665,158	-	665,158
180	Total Non-Current Assets	426,123	202,609	36,426	665,158	-	665,158
200	Deferred Outflow of Resources	-	-	36,218	36,218	-	36,218
290	Total Assets	\$ 702,017	\$ 2,689,356	\$ 283,549	\$ 3,674,922	\$ (17,216)	\$ 3,657,706
312	Accounts Payable <= 90 Days	\$ 19,704	\$ 188,308	\$ 60,853	\$ 268,865	\$ -	\$ 268,865
321	Accrued Wage/Payroll Taxes Payable	2,440	17,750	11,275	31,465	-	31,465
322	Accrued Compensated Absences - Current Portion	3,643	20,249	18,630	42,522	-	42,522
332	Accounts Payable - PHA Programs	-	598	-	598	-	598
341	Tenant Security Deposits	4,611	1,443	-	6,054	-	6,054
342	Unearned Revenues	1,160	3,410	-	4,570	-	4,570
346	Accrued Liabilities - Other	-	36,295	833	37,128	-	37,128
347	Inter Program - Due To	2,815	14,401	-	17,216	(17,216)	-
310	Total Current Liabilities	34,373	282,454	91,591	408,418	(17,216)	391,202
353	Non-Current Liabilities - Other	17,000	401,127	-	418,127	-	418,127
354	Accrued Compensated Absences - Non-Current	1,978	7,823	10,935	20,736	-	20,736
357	Accrued Pension and OPEB Liabilities	-	-	111,257	111,257	-	111,257
350	Total Non-Current Liabilities	18,978	408,950	122,192	550,120	-	550,120
300	Total Liabilities	53,351	691,404	213,783	958,538	(17,216)	941,322
400	Deferred Inflows of Resources	-	-	18,800	18,800	-	18,800
508.4	Net Investment in Capital Assets	426,123	202,609	36,426	665,158	-	665,158
511.4	Restricted Net Position	-	1	-	1	-	1
512.4	Unrestricted Net Position	222,543	1,795,342	14,540	2,032,425	-	2,032,425
513	Total Equity - Net Assets / Position	648,666	1,997,952	50,966	2,697,584	-	2,697,584
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Positio	\$ 702,017	\$ 2,689,356	\$ 283,549	\$ 3,674,922	\$ (17,216)	\$ 3,657,706

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2018

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
70300	Net Tenant Rental Revenue	\$ 79,036	\$ 9,778	\$ 171	\$ 88,985	\$ -	\$ 88,985
70400	Tenant Revenue - Other	1,817	75,834	-	77,651	-	77,651
70500	Total Tenant Revenue	80,853	85,612	171	166,636	-	166,636
70600	HUD PHA Operating Grants	127,365	15,120,984	-	15,248,349	-	15,248,349
70610	Capital Grants	72,746	-	-	72,746	-	72,746
70710	Management Fee	-	-	246,416	246,416	(246,416)	-
70720	Asset Management Fee	-	-	9,162	9,162	(9,162)	-
70730	Bookkeeping Fee	-	-	145,696	145,696	(145,696)	-
70750	Other Fees	-	-	176,572	176,572	-	176,572
70700	Total Fee Revenue	-	-	577,846	577,846	(401,274)	176,572
70800	Other Government Grants	35,347	2,301,804	282,333	2,619,484	-	2,619,484
71100	Investment Income - Unrestricted	656	348	1,893	2,897	-	2,897
71400	Fraud Recovery	-	12,056	-	12,056	-	12,056
71500	Other Revenue	-	1,038,266	13,637	1,051,903	-	1,051,903
71600	Gain or Loss on Sale of Capital Assets	-	-	61,930	61,930	-	61,930
70000	Total Revenue	316,967	18,559,070	937,810	19,813,847	(401,274)	19,412,573
91100	Administrative Salaries	55,706	841,938	673,501	1,571,145	-	1,571,145
91200	Auditing Fees	4,231	10,489	11,544	26,264	-	26,264
91300	Management Fee	12,140	234,276	-	246,416	(246,416)	-
91310	Bookkeeping Fee	1,913	143,783	-	145,696	(145,696)	-
91500	Employee Benefit Contributions - Administrative	-	32,837	102,286	135,123	-	135,123
91600	Office Expenses	20,049	153,575	109,355	282,979	-	282,979
91700	Legal Expense	358	2,769	3,262	6,389	-	6,389
91800	Travel	202	210	4,744	5,156	-	5,156
91000	Total Operating - Administrative	94,599	1,419,877	904,692	2,419,168	(392,112)	2,027,056
92000	Asset Management Fee	601	8,561	-	9,162	(9,162)	-
92400	Tenant Services - Other	1,924	94,821	64,918	161,663	-	161,663
92500	Total Tenant Services	1,924	94,821	64,918	161,663	-	161,663
93100	Water	18,427	2,105	75	20,607	-	20,607
93200	Electricity	8,367	4,513	8	12,888	-	12,888
93300	Gas	5,656	1,117	12	6,785	-	6,785
93000	Total Utilities	32,450	7,735	95	40,280	-	40,280

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2018

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
94100	Ordinary Maintenance and Operations - Labor	\$ 58,676	\$ 9,121	\$ 6,104	\$ 73,901	\$ -	\$ 73,901
94200	Ordinary Maintenance and Operations - Materials and Other	19,257	69,053	8,208	96,518	-	96,518
94300	Ordinary Maintenance and Operations Contracts	61,705	28,278	3,551	93,534	-	93,534
94000	Total Maintenance	139,638	106,452	17,863	263,953	-	263,953
95200	Protective Services - Other Contract Costs	2,901	-	-	2,901	-	2,901
95000	Total Protective Services	2,901	-	-	2,901	-	2,901
96110	Property Insurance	15,899	3,483	-	19,382	-	19,382
96120	Liability Insurance	1,148	13,763	1,759	16,670	-	16,670
96100	Total Insurance Premiums	17,047	17,246	1,759	36,052	-	36,052
96200	Other General Expenses	-	5,299	-	5,299	-	5,299
96210	Compensated Absences	1,158	944	(12,058)	(9,956)	-	(9,956)
96600	Bad Debt - Other	-	2,403,085	-	2,403,085	-	2,403,085
96000	Total Other General Expenses	1,158	2,409,328	(12,058)	2,398,428	-	2,398,428
96900	Total Operating Expenses	290,318	4,064,020	977,269	5,331,607	(401,274)	4,930,333
97000	Excess of Operating Revenue over (under) Operating Expenses	26,649	14,495,050	(39,459)	14,482,240	-	14,482,240
97300	Housing Assistance Payments	(320)	13,900,016	27	13,899,723	-	13,899,723
97350	HAP Portability-In	-	294,225	-	294,225	-	294,225
97400	Depreciation Expense	102,574	4,738	15,460	122,772	-	122,772
90000	Total Expenses	392,572	18,262,999	992,756	19,648,327	(401,274)	19,247,053
10010	Operating Transfer In	20,153	-	-	20,153	(20,153)	-
10020	Operating Transfer Out	-	-	(20,153)	(20,153)	20,153	-
10040	Operating Transfer from / to Component Unit	(72,746)	-	-	(72,746)	-	(72,746)
10100	Total Other Financing Sources (Uses)	(52,593)	-	(20,153)	(72,746)	-	(72,746)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(128,198)	296,071	(75,099)	92,774	-	92,774
11030	Beginning Equity	776,864	1,701,881	126,065	2,604,810	-	2,604,810
11170	Administrative Fee Equity	-	17,411	-	17,411	-	17,411
11180	Housing Assistance Payments Equity	-	1	-	1	-	1
11190	Unit Months Available	600	24,696	-	25,296	-	25,296
11210	Number of Unit Months Leased	255	21,336	-	21,591	-	21,591
11270	Excess Cash	210,701	-	-	210,701	-	210,701



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, 2018, 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 October 2, 2018.

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.

A handwritten signature in black ink that reads "Smith + Klayman PC". The signature is written in a cursive, flowing style.

Saginaw, Michigan

October 2, 2018



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, 2018. 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, 2018.

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 + Klayhewicz PC

Saginaw, Michigan

October 2, 2018

Ann Arbor Housing Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency / Pass Through Agency / Program Title	Federal CFDA Number	Amount Expended	Total Amount Provided to Subrecipients
Department of Housing and Urban Development			
Direct programs:			
Shelter Plus Care	14.238	\$ 1,658	\$ -
Continuum of Care	14.267	2,177,836	2,132,938
Public and Indian Housing	14.850	127,365	-
Section 8 Housing Choice Vouchers	14.871	13,245,362	-
Section 8 Housing Choice Vouchers - Family Self Sufficiency	14.871	185,698	-
Total Section 8 Housing Choice Vouchers		13,431,060	-
Public Housing Capital Fund	14.872	72,746	-
Total Department of Housing and Urban Development		<u>\$ 15,810,665</u>	<u>\$ 2,132,938</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		\$ 15,248,349	
Capital contributions		72,746	
Other governmental grants		222,483	
Change in net position pertaining to HAP		267,087	
Total expenditures per Schedule of Expenditures of Federal Awards		<u>\$ 15,810,665</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, 2018

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, 2018. 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.

Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs *(continued)*
For the Year Ended June 30, 2018

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
14.267	Continuum of Care

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, 2018

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None