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CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the *Ann Arbor Housing Commission*'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of *Ann Arbor Housing Commission*'s major federal programs for the year ended June 30, 2025. The *Ann Arbor Housing Commission*'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the *Ann Arbor Housing Commission* complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ***Ann Arbor Housing Commission***'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ***Ann Arbor Housing Commission***'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the ***Ann Arbor Housing Commission***'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Smith + Kaczmarek PC

Saginaw, Michigan

December 9, 2025

Ann Arbor Housing Commission
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Agency / Pass Through Agency / Program Title	Federal Assistance Listing Number	Amount Expended
Department of Housing and Urban Development		
Direct programs:		
Public and Indian Housing	14.850	\$ 431
Section 8 Housing Choice Vouchers	14.871	3,259,055
Emergency Housing Vouchers	14.871	449,395
Mainstream Vouchers	14.879	<u>3,561,402</u>
Total Section 8 Housing Choice Vouchers		<u>7,269,852</u>
Capital fund program	14.872	<u>7,386</u>
Moving to Work Demonstration Program	14.881	<u>22,830,346</u>
Family Self-Sufficiency	14.896	<u>242,749</u>
Indirect programs:		
Pass through the City of Ann Arbor		
Community Project Funding	14.251	<u>504,653</u>
Total Department of Housing and Urban Development		<u>\$ 30,855,417</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	\$ 30,096,615
Other governmental grants	504,653
Change in net position pertaining to HAP	<u>254,149</u>
Total expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 30,855,417</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, 2025

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, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the ***Ann Arbor Housing Commission***, it is not intended to and does not present the financial position, changes in net position or cash flows of the ***Ann Arbor Housing Commission***.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Subrecipients

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

Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2025

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

Noncompliance material to financial statements noted? Yes 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 No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

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

Identification of major program(s):

Federal Assistance Listing Number Name of Federal Program(s) or Cluster(s)

14.881 Moving to Work Demonstration Program

Dollar threshold used to distinguish between type A and type B programs: \$ 925,663

Auditee qualify as a low-risk auditee? Yes No

Ann Arbor Housing Commission
Schedule of Findings and Questioned Costs (concluded)
For the Year Ended June 30, 2025

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None

**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, 2025

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SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Ann Arbor Housing Commission

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the ***Ann Arbor Housing Commission***, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the ***Ann Arbor Housing Commission***'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the ***Ann Arbor Housing Commission***, as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ***Ann Arbor Housing Commission*** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ***Ann Arbor Housing Commission's*** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ***Ann Arbor Housing Commission's*** ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 to 9) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge

we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025 on our consideration of the ***Ann Arbor Housing Commission's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ***Ann Arbor Housing Commission's*** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Ann Arbor Housing Commission's*** internal control over financial reporting and compliance.

Implementation of GASB Statement No. 101

As described in Note A, the Housing Commission implemented the provisions of GASB Statement No. 101, *Compensated Absences* in the current year. Our opinion is not modified with respect to this matter.

Smith + Klauchmeyer PC

Saginaw, Michigan

December 1, 2025

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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 \$3,446,554 for FY25. This increase is primarily the result of providing \$3 Million of funding in the form of a loan to a private developer for the affordable housing portion of their project as well as a \$900,000+ loan to a related entity for the installation of a fire suppression system. In addition, the increase is also due to the capital purchase of 1510 E. Stadium in the Business Activities cost center. The loans were funded with Affordable Housing Millage funds and the purchase with a combination of Affordable Housing Millage funding and a capital contribution from the City. The revenues for the loans and purchase are reflected on the statement of activities. However, the loans and new property assets are recorded on the balance sheet causing the significant increase in net position for FY25.

Overall, the revenue of the Commission increased by \$1,140,630 (or 3%) during 2025, from \$45,369,044 in FY24 to \$46,509,674 in FY25. While federal funding revenue and as Affordable Housing Revenues were lower in FY25 than prior year due to the prior year including the purchase of several properties, the increase in revenue for FY25 is mainly the result of a \$2.5 Million increase in HUD funding for the Section 8 programs as a result of higher voucher lease-up and subsidy utilization.

USING THIS ANNUAL REPORT

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

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

Basic Financial Statements
Commission-wide Financial Statements - pages 10-12
Notes to Financial Statements - pages 13-23

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Other Required Supplementary Information
Financial Data Schedules - pages 24-33

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 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, HUD HAP and administrative fees, grant revenue, millage funding, etc.), 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, 2025

The Commission's Programs

Enterprise Funds, using Business-Type Presentation Format-

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

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

COMMISSION-WIDE STATEMENT

The following table reflects the condensed Statement of Net Position compared to prior year. The Commission is engaged in Business-Type Activities. For more detailed information and breakdown, see page 10 " Statement of Net Position".

TABLE 1

SUMMARY SCHEDULE OF NET POSITION

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Current and Other Assets	\$ 13,427,303	\$ 10,011,491	\$ 3,415,812	34%
Capital Assets	<u>9,340,318</u>	<u>8,895,887</u>	<u>444,431</u>	5%
Total Assets	22,767,621	18,907,378	3,860,243	20%
Current and other Liabilities	7,941,649	7,601,859	339,790	4%
Long-Term Liabilities	<u>590,013</u>	<u>516,114</u>	<u>73,899</u>	14%
Total Liabilities	8,531,662	8,117,973	413,689	5%
Net Position:				
Net Investment in Capital Assets	9,340,317	8,895,887	444,430	5%
Restricted	223,261	264,396	(41,135)	
Unrestricted	<u>4,672,381</u>	<u>1,629,122</u>	<u>3,043,259</u>	187%
Total Net Position	<u>\$ 14,235,959</u>	<u>\$ 10,789,405</u>	<u>\$ 3,446,554</u>	32%

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Major Factors Affecting the Statement of Net Position

- The increase in Current and Other Assets is attributable to an increase in receivables (specifically related to loans made to affordable housing developments) as well as cash and investments.
- The increase in Capital Assets is attributable to the purchase of the 1510 E. Stadium as well as the purchase of vehicles.
- The increase in Current and Other Liabilities is mainly due to increased accounts payable in FY25.
- The increase in long-term liabilities is primarily related to an increase in the FSS escrow liability for families participating in the Family Self Sufficiency Program.
- The increase in Net Investments in Capital Assets is related to the new property acquisitions mentioned above.
- The restricted net position of \$223,261 represents the restricted net position in the new FSS forfeiture program.
- The increase in the unrestricted net position of is related to the development activities including new property acquisition in the Business Activities cost center.

Table 2 presents details on the changes in Unrestricted Net Position

TABLE 2
CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/2024	\$ 1,629,122
Results of Operations	3,446,554
Adjustments:	
Depreciation (1)	155,198
Decrease in Restricted Assets	41,135
Disposal/Transfer of Assets	-
Adjusted Results from Operations	3,642,887
Capital Expenditures	(599,629)
Non Operating Revenue	-
Unrestricted Net Position 6/30/2025	\$ <u>4,672,380</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, 2025

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>2025</u>	<u>2024</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Tenant Revenues - Rent and Other	\$ 12,492	\$ 15,028	\$ (2,536)	-17%
Operating Subsidies and Grants	32,686,972	29,486,499	3,200,473	11%
Investment Income	424,212	55,653	368,559	662%
Other Revenues	<u>13,385,998</u>	<u>15,811,864</u>	<u>(2,425,866)</u>	-15%
Total Revenue	\$ 46,509,674	\$ 45,369,044	\$ 1,140,630	3%
Expenses				
Administrative	\$ 3,865,898	\$ 3,253,693	\$ 612,205	19%
Tenant Services	3,251,089	2,989,820	261,269	9%
Utilities	24,401	10,010	14,391	144%
Maintenance	121,462	73,979	47,483	64%
General and other	5,145,497	640,701	4,504,796	703%
Development Costs	3,182,109	8,540,346	(5,358,237)	-63%
Housing Assistance Payments	27,317,466	24,758,319	2,559,147	10%
Depreciation	<u>155,198</u>	<u>85,936</u>	<u>69,262</u>	81%
Total Expenses	\$ 43,063,120	\$ 40,352,804	\$ 2,710,316	7%
Net Increase(Decrease)	\$ 3,446,554	\$ 5,016,240	\$ (1,569,686)	-31%

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

- The change in Net Position reflects a gain of \$3,446,554 for FY25. This change is primarily due to operating gains related to the Business Activities Cost Center as noted in the financial highlights on Page 4.
- Operating Subsidies and Grants are higher than prior year due to the increase in HUD funding for the Section 8 programs.
- Investment income has increased significantly due to the implementation of investment accounts.
- The decrease in other revenues is a result of a decrease in utilization of Affordable Housing Millage funding in FY25 as well as capital contributions from the City of Ann Arbor.
- Administrative expenses are higher than the prior year mainly due to the addition of several staff positions, an increase in consultant expenses as well as software costs.
- The increase in Utility Expenses is related to the newly acquired property, 1510 E. Stadium.
- The increase in Maintenance Expenses is related to the newly acquired property, 1510 E. Stadium.
- General expenses are significantly higher than prior year for FY25 due to setting up an allowance for doubtful accounts related to the notes receivable from related entities.
- Development Costs decreased significantly in FY25 due to prior year including a transfer related to the purchase of Siller Terrace in the amount of \$3 Million as well as generally higher development costs than current year.
- The increase in Housing Assistance Payments is a result of the continued increase in the number of vouchers leased along with higher rent subsidies for the Section 8 Programs in FY24.
- Depreciation expense is higher than prior year due to the recent capital acquisitions and purchases.

ANN ARBOR HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

CAPITAL ASSETS

As of year end FY25, the Commission had \$9,340,318 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$444,431. The increase from FY24 to FY25 is due to the purchase of 1510 E. Stadium as well as two maintenance vehicles in FY25.

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

Business-Type Activities

	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Percent Change</u>
Capital Assets not being depreciated	-	-	-	-
Land and Land Rights	\$ 8,243,000	\$ 7,820,000	\$ 423,000	5%
Construction in progress	28,243	-	28,243	-
Buildings	434,554	387,554	47,000	12%
Equipment - Dwelling	-	-	-	-
Equipment - Administrative	1,149,087	1,047,701	101,386	10%
Leasehold Improvements	5,049	5,049	-	0%
Accumulated Depreciation	<u>(519,615)</u>	<u>(364,417)</u>	<u>(155,198)</u>	<u>43%</u>
Total	<u>\$ 9,340,318</u>	<u>\$ 8,895,887</u>	<u>\$ 444,431</u>	5%

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

TABLE 5
CHANGE IN CAPITAL ASSETS

	<u>Business-Type Activities</u>
Beginning Balance	\$ 8,895,887
Additions	599,629
Disposals	-
Net of Depreciation	-
Depreciation	<u>(155,198)</u>
Ending Balance	<u>\$ 9,340,318</u>

ECONOMIC FACTORS

Significant economic factors affecting the Commission are as follows:

- Federal funding of the Department of Housing and Urban Development which is the primary source of revenue
- City negotiated union contracts which effect staff wage and benefit rates.
- Local/state economic conditions and employment trends, impacting resident incomes and, therefore, the portion of rent paid by tenants and the ability of tenants to pay their portion of the rent.
- Inflation, which affects operating as well as the cost of capital for development projects .
- Significant rise in rental rates in the current rental market affects the average rental subsidy.
- Rental market changes, specifically the trend of property sales and increased rents above the tenant-based voucher amounts.
- Rise in insurance costs is negatively affecting operations across the board.

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, 2025

Current assets

Cash and cash equivalents	\$ 591,501
Cash and cash equivalents - restricted	686,225
Cash - tenant security deposits	1,000
Due from other governmental units	653,235
Accounts receivable, net	3,439,775
Investments	7,938,932
Prepaid expenses	<u>88,314</u>

Total current assets

13,398,982

Noncurrent assets

Capital assets:	
Nondepreciable	8,271,243
Depreciable	1,588,690
Less: accumulated depreciation	<u>(519,615)</u>
Net capital assets	<u>9,340,318</u>
Total assets	<u>22,739,300</u>

Deferred outflows of resources

28,321

Current liabilities

Accounts payable	1,746,872
Accrued liabilities	48,422
Tenant security deposits	1,000
Unearned revenue	5,975,220
Accrued compensated absences, current portion	<u>142,693</u>
Total current liabilities	<u>7,914,207</u>

Total current liabilities

Noncurrent liabilities

Other noncurrent liabilities - payable from restricted assets	460,147
Net pension liability	19,830
Accrued compensated absences	<u>110,036</u>
Total noncurrent liabilities	<u>590,013</u>
Total liabilities	<u>8,504,220</u>

Deferred inflows of resources

27,442

Net position

Net investment in capital assets	9,340,318
Restricted	223,261
Unrestricted	<u>4,672,380</u>
Total net position	<u>\$ 14,235,959</u>

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, 2025

Operating revenues

Tenant revenue	\$ 12,492
Program grants - subsidies	30,096,615
Other governmental grants	2,590,357
Other revenue	<u>13,257,457</u>
Total operating revenues	<u>45,956,921</u>

Operating expenses

Administration	3,865,898
Tenant services	3,251,089
Utilities	24,401
Maintenance	121,462
Insurance	53,316
General	8,274,290
Housing assistance payments	27,317,466
Depreciation	<u>155,198</u>
Total operating expenses	<u>43,063,120</u>

Operating income (loss)

2,893,801

Nonoperating revenues and (expenses)

Fraud recovery	128,541
Interest revenue	<u>424,212</u>
Total nonoperating revenues and (expenses)	<u>552,753</u>

Change in net position

3,446,554

Net position - Beginning of year

10,789,405

Net position - End of year

\$ 14,235,959

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, 2025

Cash flows from operating activities	
Cash received from customers	\$ 10,478,502
Cash received from grants and subsidies	32,686,972
Cash payments to suppliers for goods and services	(40,915,199)
Cash payments for wages and related benefits	<u>(1,466,040)</u>
Net cash provided by (used in) operating activities	784,235
Cash flows from capital and related financing activities	
Purchase of capital assets	(599,629)
Cash flows from investing activities	
Purchase of investments	(7,938,932)
Cash flows from noncapital and related financing activities	
Fraud recovery	128,541
Cash flows from investing activities	
Interest revenue	<u>424,212</u>
Net increase (decrease) in cash and cash equivalents	(7,201,573)
Cash and cash equivalents - beginning of year	<u>8,480,299</u>
Cash and cash equivalents - end of year	<u>\$ 1,278,726</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 2,893,801
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	155,198
Pension expense	7,743
Changes in assets and liabilities	
Decrease (increase) in receivables	(2,700,849)
Decrease (increase) in prepaid expenses	6,659
Increase (decrease) in accounts payable	304,238
Increase (decrease) in accrued liabilities	208,043
Increase (decrease) in unearned revenue	<u>(90,598)</u>
Net cash provided by (used in) operating activities	<u>\$ 784,235</u>
 Reconciliation of cash and cash equivalents per the Statement of Net Position to the Statement of Cash Flows	
Cash and cash equivalents	\$ 591,501
Cash and cash equivalents - restricted	686,225
Cash - tenant security deposits	<u>1,000</u>
Total	<u>\$ 1,278,726</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, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

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

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

These financial statements include all activities of the Housing Commission, which include Section 8 Housing Choice Vouchers (2,073 units including 336 RAD Project Based Voucher units, 278 Veterans Affairs Supportive Housing (VASH) for Homeless Veterans vouchers), 100 Non-elderly Disabled Vouchers and 32 Family Unification Vouchers). In addition the Housing Commission administers 251 units of Mainstream Vouchers (MS5) and 25 Emergency Housing Vouchers. These programs receive subsidies and annual contributions from the Department of Housing and Urban Development (“HUD”).

Basis of Presentation

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

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

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

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

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

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

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

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

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

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

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

14.HCV MTW Demonstration Program for HCV Program accounts for the revenue related to the Moving to Work Demonstration grant program.

14.EFA FSS Escrow Forfeiture Program accounts for the revenue and related operations for proceeds from FSS forfeiture activity.

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, 2025

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

Cash and Cash Equivalents

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

The amount of cash and cash equivalents – restricted recorded on the Statement of Net Position has been restricted in accordance with HUD regulations and can only be used for the corresponding program.

Receivables and Payables

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

Prepaid Expenses

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

Capital Assets

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

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

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

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

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

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 provisions of GASB Statement No. 101, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Other Noncurrent Liabilities

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

Unearned Revenue

Unearned revenue represents revenue for the subsequent year that was collected prior to the end of the current fiscal year along with mental health and affordable housing millage funds that have yet to be 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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Housing Commission has one type of item that qualifies for reporting in this category, which is the deferred inflows of resources related to the defined benefit pension plan. The deferred inflows of resources related to the defined benefit pension plan are reported in the financial statements.

Equity

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

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

Restricted net position – Consists of FSS escrow forfeitures. These excess funds may only be used for future FSS payments to tenants who graduate from the program.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

Unrestricted net position - 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.

New Accounting Standards

During the year, the Housing Commission implemented Governmental Accounting Standards Board Statements (GASB) No. 101 *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

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:

	Carrying Amount
Financial Statement Captions	
Cash and cash equivalents	\$ 591,501
Cash and cash equivalents – restricted	686,225
Cash – tenant security deposits	1,000
Investments	<u>7,938,932</u>
Total	<u>\$ 9,217,658</u>
Notes to Financial Statements	
Deposits	\$ 1,278,726
MBIA class	<u>7,938,932</u>
Total	<u>\$ 9,217,658</u>

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
MBIA Michigan Class Pool	n/a	\$ 7,938,932	AAAm

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. The Michigan Class investment had a carrying amount equal to its amortized cost at year-end.

Credit Risk

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Housing Commission's investment policy does not have specific limits in excess of state law on investment credit risk.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

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, \$852,294 of the Housing Commission's bank balance of \$1,287,774 was exposed to custodial credit risk because it was uninsured, however, it was partially collateralized with government securities with a market value of \$599,974.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Housing Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Housing Commission does not have a policy for investment custodial credit risk. The Michigan Class investments above are held in the counterparty's trust department in the Housing Commission's name, so are not exposed to custodial credit risk.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified below. The Housing Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk.

The Housing Commission Board is authorized to designate depositories for Housing Commission funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority. The Housing Commission's deposits are in accordance with statutory authority.

The MBIA Michigan Class investments operate in accordance with appropriate state laws and regulations.

Accounts Receivable

The accounts receivable balance is comprised of the following:

Accounts receivable – miscellaneous	\$ 1,007
Notes receivable from tax credits	20,309,707
Note receivable – bridge loan	131,745
Interest receivable	4,627,448
Due from tenants	420
Allowance for doubtful accounts	<u>(21,630,552)</u>
Total receivables, net	<u>\$ 3,439,775</u>

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Capital assets not being depreciated				
Land	\$ 7,820,000	\$ 423,000	\$ -	\$ 8,243,000
Construction in progress	_____ -	28,243	_____ -	28,243
Total capital assets not being depreciated	<u>7,820,000</u>	<u>451,243</u>	<u>-</u>	<u>8,271,243</u>
Capital assets being depreciated				
Buildings	387,554	47,000	-	434,554
Furniture, equipment and machinery – administration	1,047,701	101,386	-	1,149,087
Leasehold improvements	5,049	-	-	5,049
Total capital assets being depreciated	<u>1,440,304</u>	<u>148,386</u>	<u>-</u>	<u>1,588,690</u>
Less accumulated depreciation	<u>(364,417)</u>	<u>(155,198)</u>	<u>-</u>	<u>(519,615)</u>
Net capital assets being depreciated	<u>1,075,887</u>	<u>(6,812)</u>	<u>-</u>	<u>1,069,075</u>
Total net capital assets	<u><u>\$ 8,895,887</u></u>	<u><u>\$ 444,431</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,340,318</u></u>

Compensated Absences

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

	Beginning Balance	Net (Decrease) Increase	Ending Balance	Due Within One Year
Accrued compensated absences	<u>\$ 178,355</u>	<u>\$ 74,374</u>	<u>\$ 252,729</u>	<u>\$ 142,693</u>

NOTE D - OTHER INFORMATION

Concentration of Revenue

The Housing Commission is dependent upon the Department of Housing and Urban Development to fund its operations through operating subsidies and capital funding grants. Total revenue received from HUD for the fiscal year ended June 30, 2025 and 2024 was \$30,096,615 or 65% and \$27,559,740 or 61% of revenue respectively.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

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.

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, 2025, the Housing Commission was invoiced at 32.51% of gross wages for employees hired before 1/1/2017 and 11.52% for employees hired after 1/1/2017. 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 \$28,321, deferred inflows of \$27,442 and a net pension liability of \$19,830 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.

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

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, 2025, the Housing Commission was invoiced and contributed \$110,496 which equated to approximately \$12,277 per enrollee. This plan has been closed to new hires.

Contingencies

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

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

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

Limited Partnerships / Low Income Housing Tax 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 5 for-profit limited partnerships (Maple Tower, River Run, West Arbor, Swift Lane and Dunbar Tower) for the purposes of transferring the rights to use income tax credits

Ann Arbor Housing Commission

Notes to Financial Statements

For the Year Ended June 30, 2025

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.

The Ann Arbor Housing Development Corporation also owns and operates Colonial Oaks, LLC, which consists of 49 units of affordable housing and Siller Terrace, LLC, which consists of 16 units of affordable housing. These for-profit corporations are considered disregarded entities. None of the equity of these entities is included in the financial statements of the Housing Commission.

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



Ann Arbor Housing Commission
Financial Data Schedule
Project Balance Sheet
June 30, 2025

Line Item #	Account Description	Total Projects	Other Project
111	Cash - Unrestricted	\$ 5,938	\$ 5,938
114	Cash - Tenant Security Deposits	1,000	1,000
100	Total Cash	<u>6,938</u>	<u>6,938</u>
126	Accounts Receivable - Tenants	420	420
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>420</u>	<u>420</u>
150	Total Current Assets	<u>7,358</u>	<u>7,358</u>
162	Buildings	162,415	162,415
166	Accumulated Depreciation	(18,371)	(18,371)
160	Total Capital Assets, Net of Accumulated Depreciation	<u>144,044</u>	<u>144,044</u>
290	Total Assets	<u><u>\$ 151,402</u></u>	<u><u>\$ 151,402</u></u>
312	Accounts Payable <= 90 Days	\$ 628	\$ 628
341	Tenant Security Deposits	1,000	1,000
310	Total Current Liabilities	<u>1,628</u>	<u>1,628</u>
300	Total Liabilities	<u>1,628</u>	<u>1,628</u>
508.4	Net Investment in Capital Assets	144,044	144,044
512.4	Unrestricted Net Position	5,730	5,730
513	Total Equity - Net Assets / Position	<u>149,774</u>	<u>149,774</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u><u>\$ 151,402</u></u>	<u><u>\$ 151,402</u></u>

Ann Arbor Housing Commission
Financial Data Schedule
Project Income Statement
For the Year Ended June 30, 2025

Line Item #	Account Description	Total Projects	Other Project
70300	Net Tenant Rental Revenue	\$ 12,492	\$ 12,492
70500	Total Tenant Revenue	<u>12,492</u>	<u>12,492</u>
70600	HUD PHA Operating Grants	7,817	7,817
71100	Investment Income - Unrestricted	<u>265</u>	<u>265</u>
70000	Total Revenue	<u>20,574</u>	<u>20,574</u>
91100	Administrative Salaries	17,039	17,039
91300	Management fee	783	783
91310	Bookkeeping Fee	98	98
91600	Office Expenses	93	93
91000	Total Operating - Administrative	<u>18,013</u>	<u>18,013</u>
93100	Water	1,882	1,882
93200	Electricity	1,344	1,344
93300	Gas	962	962
93000	Total Utilities	<u>4,188</u>	<u>4,188</u>
94100	Ordinary Maintenance and Operations - Labor	11,791	11,791
94200	Ordinary Maintenance and Operations - Materials and Other	30	30
94300	Ordinary Maintenance and Operations - Contracts	3,539	3,539
94000	Total Maintenance	<u>15,360</u>	<u>15,360</u>
96900	Total Operating Expenses	<u>37,561</u>	<u>37,561</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>(16,987)</u>	<u>(16,987)</u>
97400	Depreciation Expense	16,241	16,241
90000	Total Expenses	<u>53,802</u>	<u>53,802</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(33,228)	(33,228)
11030	Beginning Equity	183,002	183,002
11190	Unit Months Available	12	12
11210	Number of Unit Months Leased	12	12
11270	Excess Cash	3,293	3,293

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2025

Line Item #	Account Description	Central Office Cost Center
111	Cash - Unrestricted	\$ 195,185
100	Total Cash	<u>195,185</u>
124	Accounts Receivable - Other Government	13,333
125	Accounts Receivable - Miscellaneous	<u>51,788</u>
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>65,121</u>
131	Investments - Unrestricted	34,689
142	Prepaid Expenses and Other Assets	<u>53,424</u>
144	Inter Program - Due From	<u>60,546</u>
150	Total Current Assets	<u>408,965</u>
162	Buildings	10,193
164	Furniture, Equipment & Machinery - Administration	<u>382,706</u>
165	Leasehold Improvements	5,049
166	Accumulated Depreciation	<u>(266,778)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>131,170</u>
180	Total Noncurrent Assets	<u>131,170</u>
200	Deferred Outflows of Resources	<u>28,321</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 568,456</u>
312	Accounts Payable <= 90 Days	\$ 258,425
321	Accrued Wage/Payroll Taxes Payable	<u>2,981</u>
322	Accrued Compensated Absences - Current Portion	<u>64,908</u>
310	Total Current Liabilities	<u>326,314</u>
354	Accrued Compensated Absences - Noncurrent	72,738
357	Accrued Pension and OPEB Liabilities	<u>19,830</u>
350	Total Noncurrent Liabilities	<u>92,568</u>
300	Total Liabilities	<u>418,882</u>
400	Deferred Inflows of Resources	<u>27,442</u>
508.4	Net Investment in Capital Assets	131,170
512.4	Unrestricted Net Position (deficit)	<u>(9,038)</u>
513	Total Equity - Net Assets / Position	<u>122,132</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 568,456</u>

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2025

Line Item #	Account Description	Central Office Cost Center
70710	Management Fee	\$ 493,545
70730	Bookkeeping Fee	210,812
70750	Other Fees	475,648
70700	Total Fee Revenue	<u>1,180,005</u>
70800	Other Governmental Grants	900,000
71100	Investment Income - Unrestricted	699
71500	Other Revenue	<u>97,462</u>
70000	Total Revenue	<u>2,178,166</u>
91100	Administrative Salaries	900,756
91200	Auditing Fees	5,010
91500	Employee Benefit Contributions - Administrative	145,822
91600	Office Expenses	146,445
91700	Legal Expense	-
91800	Travel	2,989
91000	Total Operating - Administrative	<u>1,201,022</u>
92400	Tenant Services - Other	273
92500	Total Tenant Services	<u>273</u>
93100	Water	16
93000	Total Utilities	<u>16</u>
94200	Ordinary Maintenance and Operations - Materials and Other	536
94300	Ordinary Maintenance and Operations Contracts	<u>19,931</u>
94000	Total Maintenance	<u>20,467</u>
96120	Liability Insurance	10,553
96100	Total Insurance Premiums	<u>10,553</u>
96210	Compensated Absences	20,322
96000	Total Other General Expenses	<u>20,322</u>
96900	Total Operating Expenses	<u>1,252,653</u>
97000	Excess of Operating Revenue over (under) Operating Expenses	<u>925,513</u>
97400	Depreciation Expense	<u>26,110</u>
90000	Total Expenses	<u>1,278,763</u>
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	899,403
11030	Beginning Equity	122,729
10040	Operating Transfers from/to Component Unit	(900,000)
11640	Furniture & Equipment - Administrative Purchases	101,387

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Balance Sheet
June 30, 2025

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.EHV Emergency Housing Voucher	14.881 Moving to Work Demonstration Program	14.HCV MTW Demonstration Program for HCV Program	14.EFA FSS Escrow Forfeiture Account	Business Activities
111	Cash - Unrestricted	\$ 390,378	\$ -	\$ -	\$ 188,494	\$ 8,929	\$ 7,475	\$ -	\$ -	\$ 185,480
113	Cash - Other Restricted	686,225	-	-	6,799	-	453,348	-	226,078	-
100	Total Cash	<u>1,076,603</u>	<u>-</u>	<u>-</u>	<u>195,293</u>	<u>8,929</u>	<u>460,823</u>	<u>-</u>	<u>226,078</u>	<u>185,480</u>
122	Accounts Receivable - HUD Other Projects	225,070	-	-	-	-	225,070	-	-	-
124	Accounts Receivable - Other Government	414,832	-	-	-	-	-	-	-	414,832
125	Accounts Receivable - Miscellaneous	15,041,407	-	-	-	-	-	-	-	15,041,407
126.2	Allowance for Doubtful Accounts - Other	(21,630,552)	-	-	-	-	-	-	-	(21,630,552)
129	Accrued Interest Receivable	4,627,448	-	-	-	-	-	-	-	4,627,448
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>(1,321,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,070</u>	<u>-</u>	<u>-</u>	<u>(1,546,865)</u>
131	Investments - Unrestricted	7,904,243	-	-	-	-	-	-	-	7,904,243
142	Prepaid Expenses and Other Assets	34,890	-	-	-	-	21,476	-	-	13,414
150	Total Current Assets	<u>7,693,941</u>	<u>-</u>	<u>-</u>	<u>195,293</u>	<u>8,929</u>	<u>707,369</u>	<u>-</u>	<u>226,078</u>	<u>6,556,272</u>
161	Land	8,243,000	-	-	-	-	-	-	-	8,243,000
162	Buildings	261,946	-	-	-	-	-	-	-	261,946
164	Furniture, Equipment & Machinery - Administration	766,381	-	-	-	-	61,737	-	-	704,644
166	Accumulated Depreciation	(234,466)	-	-	-	-	(59,187)	-	-	(175,279)
167	Construction in Progress	28,243	-	-	-	-	-	-	-	28,243
160	Total Capital Assets, Net of Accumulated Depreciation	<u>9,065,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>9,062,554</u>
171	Notes, Loans and Mortgages Receivable - Noncurrent	5,349,264	-	-	-	-	-	-	-	5,349,264
180	Total Noncurrent Assets	<u>14,414,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>14,411,818</u>
290	Total Assets	<u>\$ 22,108,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,293</u>	<u>\$ 8,929</u>	<u>\$ 709,919</u>	<u>\$ -</u>	<u>\$ 226,078</u>	<u>\$ 20,968,090</u>
312	Accounts Payable <= 90 Days	\$ 1,487,819	\$ -	\$ -	\$ 58,709	\$ 5,835	\$ 229,140	\$ -	\$ 2,817	\$ 1,191,318
321	Accrued Wage/Payroll Taxes Payable	5,429	-	-	1,131	78	4,088	-	-	132
322	Accrued Compensated Absences - Current Portion	77,785	-	-	14,333	824	59,726	-	-	2,902
342	Unearned Revenue	5,975,220	-	-	-	10,557	-	-	-	5,964,663
345	Other Current Liabilities	384	-	-	-	-	-	-	-	384
346	Accrued Liabilities - Other	39,628	-	-	1,850	2,410	35,368	-	-	-
347	Inter Program - Due To	60,546	44,230	-	13,842	1,447	1,027	-	-	-
310	Total Current Liabilities	<u>7,646,811</u>	<u>44,230</u>	<u>-</u>	<u>89,865</u>	<u>21,151</u>	<u>329,349</u>	<u>-</u>	<u>2,817</u>	<u>7,159,399</u>
353	Noncurrent Liabilities - Other	460,147	-	-	6,799	-	453,348	-	-	-
354	Accrued Compensated Absences - Noncurrent	37,298	-	-	3,798	869	29,258	-	-	3,373
350	Total Noncurrent Liabilities	<u>497,445</u>	<u>-</u>	<u>-</u>	<u>10,597</u>	<u>869</u>	<u>482,606</u>	<u>-</u>	<u>-</u>	<u>3,373</u>
300	Total Liabilities	<u>8,144,256</u>	<u>44,230</u>	<u>-</u>	<u>100,462</u>	<u>22,020</u>	<u>811,955</u>	<u>-</u>	<u>2,817</u>	<u>7,162,772</u>
508.4	Net Investment in Capital Assets	9,065,104	-	-	-	-	2,550	-	-	9,062,554
511.4	Restricted Net Position	223,261	-	-	-	-	-	-	-	223,261
512.4	Unrestricted Net Position (deficit)	4,675,688	(44,230)	-	94,831	(13,091)	(104,586)	-	-	4,742,764
513	Total Equity - Net Assets / Position (deficit)	<u>13,964,053</u>	<u>(44,230)</u>	<u>-</u>	<u>94,831</u>	<u>(13,091)</u>	<u>(102,036)</u>	<u>-</u>	<u>223,261</u>	<u>13,805,318</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 22,108,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,293</u>	<u>\$ 8,929</u>	<u>\$ 709,919</u>	<u>\$ -</u>	<u>\$ 226,078</u>	<u>\$ 20,968,090</u>

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2025

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.EHV Emergency Housing Voucher	14.881 Moving to Work Demonstration Program	14.HCV MTW Demonstration Program for HCV	14.EFA FSS Escrow Forfeiture Account	Business Activities
70600	HUD PHA Operating Grants	\$ 30,088,798	\$ 3,252,618	\$ 242,749	\$ 3,516,839	\$ 418,731	\$ -	\$ 22,657,861	\$ -	\$ -
70800	Other Government Grants	1,690,357	-	-	-	-	-	-	-	1,690,357
71100	Investment Income - Unrestricted	423,248	-	-	-	646	-	-	-	422,602
71400	Fraud Recovery	128,541	1,546	-	19,092	1,007	106,896	-	-	-
71500	Other Revenue	12,684,347	-	-	-	-	160,393	-	5,590	12,518,364
70000	Total Revenue	45,015,291	3,254,164	242,749	3,535,931	420,384	267,289	22,657,861	5,590	14,631,323
91100	Administrative Salaries	1,809,553	163,570	242,231	242,210	20,009	1,067,428	-	-	74,105
91200	Auditing Fees	11,690	1,737	-	-	-	9,118	-	-	835
91300	Management Fee	492,762	94,070	-	50,321	7,402	340,969	-	-	-
91310	Bookkeeping Fee	210,714	40,484	-	29,087	2,528	138,615	-	-	-
91500	Employee Benefit Contributions - Administrative	36,849	5,892	-	-	-	30,936	-	-	21
91600	Office Expenses	722,920	44,843	518	18,141	1,985	245,410	-	-	412,023
91700	Legal Expense	3,204	262	-	-	-	1,376	-	-	1,566
91800	Travel	1,655	332	-	-	-	1,318	-	-	5
91900	Other	61,873	-	-	-	-	-	-	-	61,873
91000	Total Operating - Administrative	3,351,220	351,190	242,749	339,759	31,924	1,835,170	-	-	550,428
92400	Tenant Services - Other	3,250,816	-	-	8,710	14,185	117,201	-	46,725	3,063,995
92500	Total Tenant Services	3,250,816	-	-	8,710	14,185	117,201	-	46,725	3,063,995
93100	Water	2,750	-	-	-	-	-	-	-	2,750
93200	Electricity	11,498	-	-	-	-	-	-	-	11,498
93300	Gas	5,949	-	-	-	-	-	-	-	5,949
93000	Total Utilities	20,197	-	-	-	-	-	-	-	20,197
94100	Ordinary Maintenance and Operations - Labor	16,852	-	-	-	-	-	-	-	16,852
94200	Ordinary Maintenance and Operations - Materials and Other	1,076	26	-	-	-	137	-	-	913
94300	Ordinary Maintenance and Operations - Contracts	67,707	1,927	-	-	-	10,116	-	-	55,664
94000	Total Maintenance	85,635	1,953	-	-	-	10,253	-	-	73,429
96120	Liability Insurance	42,763	5,406	-	-	-	28,382	-	-	8,975
96100	Total Insurance Premiums	42,763	5,406	-	-	-	28,382	-	-	8,975
96200	Other General Expenses	3,215,966	5,156	-	1,533	-	27,067	-	-	3,182,210
96210	Compensated Absences	54,054	-	-	16,218	988	30,574	-	-	6,274
96600	Bad Debt - Other	4,983,948	207	-	-	-	1,086	-	-	4,982,655
96000	Total Other General Expenses	8,253,968	5,363	-	17,751	988	58,727	-	-	8,171,139
96900	Total Operating Expenses	15,004,599	363,912	242,749	366,220	47,097	2,049,733	-	46,725	11,888,163
97000	Excess of Operating Revenue over (under) Operating Expenses	30,010,692	2,890,252	-	3,169,711	373,287	(1,782,444)	22,657,861	(41,135)	2,743,160

Ann Arbor Housing Commission
Financial Data Schedule
Program Financials - Income Statement
For the Year Ended June 30, 2025

Line Item #	Account Description	Total Programs	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	14.879 Mainstream Vouchers	14.EHV Emergency Housing Voucher	14.881 Moving to Work Demonstration Program	14.HCV MTW Demonstration Program for HCV	14.EFA FSS Escrow Forfeiture Account	Business Activities
97300	Housing Assistance Payments	\$ 27,317,466	\$ 2,934,482	\$ -	\$ 3,195,182	\$ 402,298	\$ 20,785,504	\$ -	\$ -	\$ -
97400	Depreciation Expense	112,847	-	-	-	-	12,347	-	-	100,500
90000	Total Expenses	42,434,912	3,298,394	242,749	3,561,402	449,395	22,847,584	-	46,725	11,988,663
10010	Operating Transfer In	22,657,861	-	-	-	-	22,657,861	-	-	-
10020	Operating Transfer Out	(22,657,861)	-	-	-	-	-	(22,657,861)	-	-
10040	Operating Transfers from/to Component Unit	900,000	-	-	-	-	-	-	-	900,000
10100	Total Other Financing Sources (Uses)	900,000	-	-	-	-	22,657,861	(22,657,861)	-	900,000
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	3,480,379	(44,230)	-	(25,471)	(29,011)	77,566	-	(41,135)	3,542,660
11030	Beginning Equity	10,483,674	-	-	120,302	15,920	(179,602)	-	264,396	10,262,658
11190	Unit Months Available	27,884	3,824	-	3,012	324	20,724	-	-	-
11210	Number of Unit Months Leased	25,134	3,539	-	2,801	312	18,482	-	-	-

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Balance Sheet
June 30, 2025

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
111	Cash - Unrestricted	\$ 5,938	\$ 390,378	\$ 195,185	\$ 591,501	\$ -	\$ 591,501
113	Cash - Other Restricted	-	686,225	-	686,225	-	686,225
114	Cash - Tenant Security Deposits	1,000	-	-	1,000	-	1,000
100	Total Cash	<u>6,938</u>	<u>1,076,603</u>	<u>195,185</u>	<u>1,278,726</u>	<u>-</u>	<u>1,278,726</u>
122	Accounts Receivable - HUD Other Projects	-	225,070	-	225,070	-	225,070
124	Accounts Receivable - Other Government	-	414,832	13,333	428,165	-	428,165
125	Accounts Receivable - Miscellaneous	-	15,041,407	51,788	15,093,195	-	15,093,195
126	Accounts Receivable - Tenants	420	-	-	420	-	420
126.2	Allowance for Doubtful Accounts - Other	-	(21,630,552)	-	(21,630,552)	-	(21,630,552)
129	Accrued Interest Receivable	-	4,627,448	-	4,627,448	-	4,627,448
120	Total Receivables, Net of Allow. for Doubtful Accounts	<u>420</u>	<u>(1,321,795)</u>	<u>65,121</u>	<u>(1,256,254)</u>	<u>-</u>	<u>(1,256,254)</u>
131	Investments - Unrestricted	-	7,904,243	34,689	7,938,932	-	7,938,932
142	Prepaid Expenses and Other Assets	-	34,890	53,424	88,314	-	88,314
144	Inter Program - Due From	-	-	60,546	60,546	(60,546)	-
150	Total Current Assets	<u>7,358</u>	<u>7,693,941</u>	<u>408,965</u>	<u>8,110,264</u>	<u>(60,546)</u>	<u>8,049,718</u>
161	Land	-	8,243,000	-	8,243,000	-	8,243,000
162	Buildings	162,415	261,946	10,193	434,554	-	434,554
164	Furniture, Equipment & Machinery - Administration	-	766,381	382,706	1,149,087	-	1,149,087
165	Leasehold Improvements	-	-	5,049	5,049	-	5,049
166	Accumulated Depreciation	(18,371)	(234,466)	(266,778)	(519,615)	-	(519,615)
167	Construction in Progress	-	28,243	-	28,243	-	28,243
160	Total Capital Assets, Net of Accumulated Depreciation	<u>144,044</u>	<u>9,065,104</u>	<u>131,170</u>	<u>9,340,318</u>	<u>-</u>	<u>9,340,318</u>
171	Notes, Loans and Mortgages Receivable - Noncurrent	-	5,349,264	-	5,349,264	-	5,349,264
180	Total Noncurrent Assets	<u>144,044</u>	<u>14,414,368</u>	<u>131,170</u>	<u>14,689,582</u>	<u>-</u>	<u>14,689,582</u>
200	Deferred Outflows of Resources	-	-	28,321	28,321	-	28,321
290	Total Assets	<u>\$ 151,402</u>	<u>\$ 22,108,309</u>	<u>\$ 568,456</u>	<u>\$ 22,828,167</u>	<u>\$ (60,546)</u>	<u>\$ 22,767,621</u>
312	Accounts Payable <= 90 Days	\$ 628	\$ 1,487,819	\$ 258,425	\$ 1,746,872	\$ -	\$ 1,746,872
321	Accrued Wage/Payroll Taxes Payable	-	5,429	2,981	8,410	-	8,410
322	Accrued Compensated Absences - Current Portion	-	77,785	64,908	142,693	-	142,693
341	Tenant Security Deposits	1,000	-	-	1,000	-	1,000
342	Unearned Revenue	-	5,975,220	-	5,975,220	-	5,975,220
345	Other Current Liabilities	-	384	-	384	-	384
346	Accrued Liabilities - Other	-	39,628	-	39,628	-	39,628
347	Inter Program - Due To	-	60,546	-	60,546	(60,546)	-
310	Total Current Liabilities	<u>1,628</u>	<u>7,646,811</u>	<u>326,314</u>	<u>7,974,753</u>	<u>(60,546)</u>	<u>7,914,207</u>
353	Noncurrent Liabilities - Other	-	460,147	-	460,147	-	460,147
354	Accrued Compensated Absences - Noncurrent	-	37,298	72,738	110,036	-	110,036
357	Accrued Pension and OPEB Liabilities	-	-	19,830	19,830	-	19,830
350	Total Noncurrent Liabilities	<u>-</u>	<u>497,445</u>	<u>92,568</u>	<u>590,013</u>	<u>-</u>	<u>590,013</u>
300	Total Liabilities	<u>1,628</u>	<u>8,144,256</u>	<u>418,882</u>	<u>8,564,766</u>	<u>(60,546)</u>	<u>8,504,220</u>
400	Deferred Inflows of Resources	-	-	27,442	27,442	-	27,442
508.4	Net Investment in Capital Assets	144,044	9,065,104	131,170	9,340,318	-	9,340,318
511.4	Restricted Net Position	-	223,261	-	223,261	-	223,261
512.4	Unrestricted Net Position (deficit)	5,730	4,675,688	(9,038)	4,672,380	-	4,672,380
513	Total Equity - Net Assets / Position	<u>149,774</u>	<u>13,964,053</u>	<u>122,132</u>	<u>14,235,959</u>	<u>-</u>	<u>14,235,959</u>
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	<u>\$ 151,402</u>	<u>\$ 22,108,309</u>	<u>\$ 568,456</u>	<u>\$ 22,828,167</u>	<u>\$ (60,546)</u>	<u>\$ 22,767,621</u>

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2025

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
70300	Net Tenant Rental Revenue	\$ 12,492	\$ -	\$ -	\$ 12,492	\$ -	\$ 12,492
70500	Total Tenant Revenue	<u>12,492</u>	<u>-</u>	<u>-</u>	<u>12,492</u>	<u>-</u>	<u>12,492</u>
70600	HUD PHA Operating Grants	7,817	30,088,798	-	30,096,615	-	30,096,615
70800	Other Government Grants	<u>-</u>	<u>1,690,357</u>	<u>900,000</u>	<u>2,590,357</u>	<u>-</u>	<u>2,590,357</u>
70710	Management Fee	-	-	493,545	493,545	(493,545)	-
70730	Bookkeeping Fee	-	-	210,812	210,812	(210,812)	-
70750	Other Fees	-	-	475,648	475,648	-	475,648
70700	Total Fee Revenue	<u>-</u>	<u>1,180,005</u>	<u>1,180,005</u>	<u>(704,357)</u>	<u>475,648</u>	
71100	Investment Income - Unrestricted	265	423,248	699	424,212	-	424,212
71400	Fraud Recovery	<u>-</u>	<u>128,541</u>	<u>-</u>	<u>128,541</u>	<u>-</u>	<u>128,541</u>
71500	Other Revenue	<u>-</u>	<u>12,684,347</u>	<u>97,462</u>	<u>12,781,809</u>	<u>-</u>	<u>12,781,809</u>
70000	Total Revenue	<u>20,574</u>	<u>45,015,291</u>	<u>2,178,166</u>	<u>47,214,031</u>	<u>(704,357)</u>	<u>46,509,674</u>
91100	Administrative Salaries	17,039	1,809,553	900,756	2,727,348	-	2,727,348
91200	Auditing Fees	-	11,690	5,010	16,700	-	16,700
91300	Management Fee	783	492,762	-	493,545	(493,545)	-
91310	Bookkeeping Fee	98	210,714	-	210,812	(210,812)	-
91500	Employee Benefit Contributions - Administrative	-	36,849	145,822	182,671	-	182,671
91600	Office Expenses	93	722,920	146,445	869,458	-	869,458
91700	Legal Expense	-	3,204	-	3,204	-	3,204
91800	Travel	-	1,655	2,989	4,644	-	4,644
91900	Other	-	61,873	-	61,873	-	61,873
91000	Total Operating - Administrative	<u>18,013</u>	<u>3,351,220</u>	<u>1,201,022</u>	<u>4,570,255</u>	<u>(704,357)</u>	<u>3,865,898</u>
92400	Tenant Services - Other	-	3,250,816	273	3,251,089	-	3,251,089
92500	Total Tenant Services	<u>-</u>	<u>3,250,816</u>	<u>273</u>	<u>3,251,089</u>	<u>-</u>	<u>3,251,089</u>
93100	Water	1,882	2,750	16	4,648	-	4,648
93200	Electricity	1,344	11,498	-	12,842	-	12,842
93300	Gas	962	5,949	-	6,911	-	6,911
93000	Total Utilities	<u>4,188</u>	<u>20,197</u>	<u>16</u>	<u>24,401</u>	<u>-</u>	<u>24,401</u>

Ann Arbor Housing Commission
Financial Data Schedule
PHA Financial Data - Income Statement
For the Year Ended June 30, 2025

Line Item #	Account Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
94100	Ordinary Maintenance and Operations - Labor	\$ 11,791	\$ 16,852	\$ -	\$ 28,643	\$ -	\$ 28,643
94200	Ordinary Maintenance and Operations - Materials and Other	30	1,076	536	1,642	-	1,642
94300	Ordinary Maintenance and Operations - Contracts	3,539	67,707	19,931	91,177	-	91,177
94000	Total Maintenance	15,360	85,635	20,467	121,462	-	121,462
96120	Liability Insurance	-	42,763	10,553	53,316	-	53,316
96100	Total Insurance Premiums	-	42,763	10,553	53,316	-	53,316
96200	Other General Expenses	-	3,215,966	-	3,215,966	-	3,215,966
96210	Compensated Absences	-	54,054	20,322	74,376	-	74,376
96600	Bad Debt - Other	-	4,983,948	-	4,983,948	-	4,983,948
96000	Total Other General Expenses	-	8,253,968	20,322	8,274,290	-	8,274,290
96900	Total Operating Expenses	37,561	15,004,599	1,252,653	16,294,813	(704,357)	15,590,456
97000	Excess of Operating Revenue over (under) Operating Expenses	(16,987)	30,010,692	925,513	30,919,218	-	30,919,218
97300	Housing Assistance Payments	-	27,317,466	-	27,317,466	-	27,317,466
97400	Depreciation Expense	16,241	112,847	26,110	155,198	-	155,198
90000	Total Expenses	53,802	42,434,912	1,278,763	43,767,477	(704,357)	43,063,120
10010	Operating Transfer In	-	22,657,861	-	22,657,861	-	22,657,861
10020	Operating Transfer Out	-	(22,657,861)	-	(22,657,861)	-	(22,657,861)
10030	Operating Transfers from/to Primary Government	-	900,000	(900,000)	-	-	-
10100	Total Other Financing Sources (Uses)	-	900,000	(900,000)	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(33,228)	3,480,379	(597)	3,446,554	-	3,446,554
11030	Beginning Equity	183,002	10,483,674	122,729	10,789,405	-	10,789,405
11190	Unit Months Available	12	27,884	-	27,896	-	27,896
11210	Number of Unit Months Leased	12	25,134	-	25,146	-	25,146
11270	Excess Cash	3,293	-	-	3,293	-	3,293
11640	Furniture & Equipment - Administrative Purchases	-	-	101,387	101,387	-	101,387



**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, 2025, and the related notes to the financial statements, which collectively comprise the ***Ann Arbor Housing Commission***'s basic financial statements and have issued our report thereon dated December 1, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Smith + Kaczmarek PC

Saginaw, Michigan

December 1, 2025