

**HOUSING AUTHORITY
OF THE CITY OF
MILWAUKEE**

**Basic
Financial Statements
and Supplementary
Information**

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Milwaukee
Milwaukee, WI

Report on the Financial Statements

Unmodified and Disclaimer of Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Milwaukee (the "Authority"), as of and for the year ended December 31, 2023, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-type Activities	Disclaimer
Aggregate Discretely Presented Component Units	Unmodified

Disclaimer of Opinion on the Business-type Activities

We do not express an opinion on the financial statements of the business-type activities of the Authority. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Business-type Activities section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the business-type activities.

Unmodified Opinion on the Aggregate Discretely Presented Component Units

In our opinion based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority's aggregate discretely presented component units as of December 31, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



We did not audit the financial statements of Becher Court, LLC, Cherry Court Development, LLC, Convent Hill Development, LLC, Highland Park Community, LLC, Holton Terrace, LLC, Lapham Park, LLC, Merrill Park, LLC, National Soldiers Home Residences II, LLC, National Soldiers Home Residences III, LLC, Olga Village, LLC, Scattered Sites, LLC, Scattered Sites II, LLC, , Townhomes at Carver, LLC, Westlawn Renaissance, LLC, Westlawn Renaissance II, LLC, Westlawn Renaissance III, LLC, Westlawn Renaissance IV, LLC, Westlawn Renaissance V, LLC, Westlawn Renaissance VI, LLC, and Westlawn Renaissance VII, LLC, which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units as of December 31, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, are based solely on the report of the other auditors. These statements were not audited in accordance with *Government Auditing Standards*.

Basis for Disclaimer of Opinion on the Business-type Activities

We were unable to obtain information to support the amounts reported in the financial statements of the business-type activities nor were we able to complete sufficient audit procedures on this information. In addition, the Statement of Cash Flows and certain required disclosures for the business-type activities have been omitted, which is required by accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinion on the Discretely Presented Component Units

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 Authority 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 unmodified audit opinion.

Emphasis of Matter

As described in Note B-14 to the financial statements a prior period adjustment was made to correct numerous balances. According, the beginning net position as of January 1, 2023 has been restated to correct this error. Because the accompanying financial statements present only the current year, prior-year comparative information has not been restated.

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 Authority's ability to continue as a going concern within 12 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

Auditor's Responsibilities for the Audit of the Business-type Activities

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Business-type Activities section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the business-type activities.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Aggregate Discretely Presented Component Units

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 opinion. 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 Authority'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 Authority'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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the schedules of net position - discrete component units, of revenues, expenses and changes in net position - discrete component units, of changes in the total OPEB liability and related ratios - retiree benefits plan, and of proportionate share of net pension liability and employer contributions - employee's retirement system of the city of Milwaukee, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The information has not 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. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matter described in the Basis for Disclaimer of Opinion paragraph. We do not express an opinion or provide any assurance on the information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The accompanying financial data schedule is presented for the purpose of additional analysis as required by U.S. Department of Housing and Urban Development, and is not a required part of the basic financial statements of the Authority. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information has not 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion or provide any assurance on the supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2026 on our consideration of the Authority'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 Authority'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 the Authority's internal control over financial reporting and compliance.

March 2, 2026
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Authority of the City of Milwaukee

STATEMENT OF NET POSITION

December 31, 2023

	Primary government	Discrete component units
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 6,015,539	\$ 7,832,356
Cash and cash equivalents - restricted	2,619,010	12,167,274
Investments - unrestricted	2,122,777	-
Investments - restricted	4,850,780	-
Receivables, net	15,176,203	4,991,205
Prepaid expenses	609,390	1,826,508
Total current assets	31,393,699	26,817,343
NONCURRENT ASSETS		
Cash and cash equivalents - restricted	165,563	-
Notes receivable - restricted	104,249,720	-
Notes receivable - unrestricted	70,924,784	-
Accrued interest receivable	19,963,724	-
Capital assets, net	61,110,306	384,069,606
Investment in Partnerships	6,230,154	-
Other noncurrent assets	-	1,662,478
Total noncurrent assets	262,644,251	385,732,084
Total assets	294,037,950	412,549,427
DEFERRED OUTFLOWS OF RESOURCES		
Defined benefit pension plan	6,451,841	
Deferred OPEB plan	888,527	-
Total deferred outflows of resources	7,340,368	-

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Milwaukee

STATEMENT OF NET POSITION (continued)

December 31, 2023

	Primary government	Discrete component units
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	881,438	32,194,492
Current portion of long-term debt - due to Authority	-	2,667
Bank overdraft	-	-
Accounts payable and accrued liabilities	18,700,047	32,819,487
Accrued wages	1,517,545	-
Current portion of accrued compensated absences	236,904	-
Unearned revenue	288,743	-
Due to HUD	12,910	-
Due to other governments	4,004,825	-
Tenant security deposits	1,216,202	940,128
Accrued interest payable	231,400	22,609,360
Total current liabilities	27,090,014	88,566,134
NONCURRENT LIABILITIES		
Long-term debt, net	12,080,454	31,469,016
Long-term debt, net - due to Authority	-	160,960,459
Net pension liability	10,128,000	-
OPEB liability	10,923,646	-
Accrued compensated absences, net of current portion	552,776	-
Family self-sufficiency escrow	165,563	-
Total noncurrent liabilities	33,850,439	192,429,475
Total liabilities	60,940,453	280,995,609
DEFERRED INFLOWS OF RESOURCES		
Defined benefit pension plan	4,248,000	
Deferred OPEB plan	2,652,643	-
Total deferred inflows of resources	6,900,643	-
NET POSITION		
Net investment in capital assets	48,148,414	159,442,972
Restricted	109,755,793	11,227,146
Unrestricted	75,633,015	(39,116,300)
Total net position	\$ 233,537,222	\$ 131,553,818

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Milwaukee

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended December 31, 2023

	Primary government	Discrete component units
OPERATING REVENUES		
HUD operating revenues	\$ 64,539,827	\$ -
Tenant revenue, net	17,966,656	13,815,864
Grant revenue	278,247	-
Other operating revenue	42,809,111	19,786,104
Total operating revenues	125,593,841	33,601,968
OPERATING EXPENSES		
Administrative	26,997,461	2,718,634
Tenant services	1,300,711	-
Utilities	5,265,810	2,514,871
Maintenance	48,717,838	4,338,133
Protective services	392,433	342,555
General	4,570,850	2,797,155
Depreciation	4,350,523	11,942,665
Housing assistance payments	42,625,740	-
Total operating expenses	134,221,366	24,654,013
OPERATING INCOME (LOSS)	(8,627,525)	8,947,955
NON-OPERATING REVENUES (EXPENSES)		
Interest income	3,263,214	272,000
Loss on disposal of capital assets	(95,270)	-
Interest expense	(472,174)	(5,706,373)
Total non-operating revenues (expenses)	2,695,770	(5,434,373)
Change in net position before capital contributions	(5,931,755)	3,513,582
CAPITAL CONTRIBUTIONS		
HUD capital grants	354,203	-
Change in net position	(5,577,552)	3,513,582
Total net position - beginning	253,777,400	128,040,236
Correction of an error	(14,662,626)	-
Total net position - beginning, restated	239,114,774	128,040,236
Total net position - ending	\$ 233,537,222	\$ 131,553,818

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Housing Authority of the City of Milwaukee (the "Authority"), a governmental agency, was established by State Statute 66.40 in 1944. The primary purpose of the Authority is to develop, acquire and operate safe, decent, sanitary, and affordable housing for low-income families in the area in accordance with federal legislation and regulations.

The Authority's governing board consists of a seven member Board of Commissioners (the "Board"), the members of which are appointed by the Mayor of the City of Milwaukee. The Authority is not a component unit of the County, as defined in Governmental Accounting Standards Board ("GASB") *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, *Defining the Financial Reporting Entity*, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB Codification Section 2100 is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Blended component units

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These component units are blended with the primary government. The Authority's operations include two blended component units, which are all included in the basic financial statements of the Authority. The blended component units are as follows:

a) *Travaux, Inc.*

In May 2013, the Authority formed Travaux, Inc. ("Travaux"). The purpose of Travaux is to provide for services outside of the Authority's portfolio while continuing to serve the Authority's modernization and development services needs during the initial years of operations. Travaux and the Authority have substantially the same governing body, management of the Authority has operational responsibility for Travaux and a financial benefit or burden relationship exists. Travaux does not issue separate financial statements.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Blended component units (continued)

b) Crucible, Inc.

In November 2019, the Authority formed Crucible, Inc. (“Crucible”). The primary purpose of Crucible is to provide for community supportive services and administer self-sufficiency programs for the Authority’s residents. Crucible and the Authority have substantially the same governing body, management of the Authority has operational responsibility for Crucible and a financial benefit or burden relationship exists. Crucible does not issue separate financial statements.

Discrete component units

For consolidation purposes, the discrete information identified in these accompanying financial statements is presented as of and for the year ended December 31, 2023. The discrete component units are not considered governmental entities. Therefore they follow all applicable FASB standards and do not follow government accounting standards similar to the Authority. However, for presentation purposes in order to conform to the presentation of the Authority, certain transactions may be reflected differently in these financial statements than in separately issued information. Separately issued financial information can be obtained from the Authority.

a) Becher Court, LLC

As of September 10, 2019, the Authority formed Becher Court LLC (Becher Court), a limited liability company. Becher Court LLC is responsible for acquiring, rehabilitating and operating a 120-unit apartment complex located in Milwaukee, Wisconsin. In 2019, the Wisconsin Housing and Economic Development (“WHEDA”) awarded the Authority a 9% tax credit allocation of \$649,865 to the project. The project closed in June 2021 and the limited partner admitted in the Partnership. The estimated total development cost for this project is \$16.8 million and is partly financed by WHEDA. This project is a Rental Assistance Demonstration rehabilitation project and was placed in service during 2021.

b) Cherry Court Development, LLC

As of November 29, 2004, the Authority formed Cherry Court Development, LLC (“Cherry Court”), a limited liability company. The purpose of Cherry Court is to construct and operate the 120-unit elderly and disabled component of the Cherry Court Housing Development and to qualify for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are worth \$9.3 million and were invested in the development. Total funding for the development was over \$18 million, with the balance coming from a combination of HOPE VI funding received by the Authority, other federal funds and private financing.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

b) Cherry Court Development, LLC (continued)

The property was placed in service during 2006. On November 30, 2022, the 0.001% special member interest and 99.99% investor member ownership was purchased by Cherry Court, LLC and Travaux, split 99.98% and 0.01% respectively.

c) Convent Hill Development, LLC

As of November 17, 2005, the Authority formed Convent Hill Development, LLC ("Convent Hill"), a limited liability company. The purpose of Convent Hill is to construct and operate 80 low-income housing units of the Convent Hill Housing Development and to qualify for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are worth \$8.2 million and were invested in the development. Total funding for the development was over \$16 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service during 2007.

d) Highland Park Community, LLC

As of August 8, 2003, Highland Park Community, LLC ("Highland Park"), a limited liability company was created. The Managing Member of the Highland Park Community, LLC is Highland Park Development, LLC, which is 100% owned by the Authority and which has 0.01% interest in the Highland Park Community, LLC. On March 31, 2021, the 99.9% investor membership ownership was purchased by Highland Park Development LLC and the Authority as 99.99% and .01%, respectively. The purpose of Highland Park is to construct and operate the 114-unit elderly and disabled component of the Highland Park Housing development and to qualify for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. The tax credits are worth \$8.2 million. The property was placed in service during 2004.

e) Holton Terrace, LLC

As of June 26, 2018, the Authority formed Holton Terrace LLC ("Holton Terrace"), a limited liability company. Holton Terrace is the owner entity responsible for acquiring, rehabilitating and operating a 120-unit low-income housing project called Holton Terrace Apartments, with admission preferences for rental to seniors age sixty-two years or older or disabled persons. The project was placed in service in 2019.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

f) Lapham Park, LLC

As of October 11, 2011, the Authority incorporated Lapham Park, LLC (“Lapham Park”), a limited liability company. Lapham Park is the owner entity for the rehabilitation of Lapham Park, a 201-unit elderly designated high rise building. Lapham Park was originally built in 1964. Lapham Park serves low-income, disabled adults and elderly individuals, many of whom are also disabled, wheelchair-bound, suffer from vision or hearing loss and show early signs of Alzheimer’s. All 201 housing units are handicap accessible. Lapham Park serves as a national model of a Continuing Care Community partnership for low-income seniors. By allowing seniors to age in their community instead of transferring to more expensive nursing care, the partnership has saved approximately \$1 million in Medicaid nursing home costs annually. The total rehabilitation cost was budgeted at around \$33 million. The Authority received about \$12 million in tax credit allocation from WHEDA for this project under the 4% tax credit program. The balance of the rehabilitation budget was financed from the Authority’s capital fund program and other federal funds. The project was placed in service on various dates ranging from November 2011 to November 2012.

g) Merrill Park, LLC

As of August 12, 2019, the Authority incorporated Merrill Park LLC (“Merrill Park”), a limited liability company. Merrill Park is responsible for acquiring, rehabilitating and operating a multi-family building comprising of 120 affordable housing units located in 222 N. 33rd Street, Milwaukee WI. In 2019, WHEDA awarded the Authority a 9% tax credit allocation of \$899,840 to the project. The project closed in December 2019 and the limited partner admitted in the Partnership. The estimated total development cost for this project is \$16.8 million and is partly financed by WHEDA. This project is a Rental Assistance Demonstration rehabilitation project and was placed in service in 2021.

h) National Soldiers Home Residences II, LLC

As of November 19, 2018, the Authority incorporated National Soldiers Home Residences II, LLC (“National Soldiers Home Residences II”), a limited liability company. The Authority has 0.005% ownership in the entity and is considered a co-managing member along with the Alexander Company who also has 0.005% ownership. The equity investors are the limited partners with a 99.9% interest. National Soldiers Home Residences II is responsible for acquiring, constructing, owning, leasing and operating an apartment complex comprising of 63 housing units located in Milwaukee, WI. The project was placed into service on March 10, 2021. The project is financed and regulated by WHEDA.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

i) National Soldiers Home Residences III, LLC

As of November 19, 2018, the Authority incorporated National Soldiers Home Residences III, LLC (“National Soldiers Home Residences III”), a limited liability company. The Authority has 0.005% ownership in the entity and is considered a co-managing member along with the Alexander Company who also has 0.005% ownership. The equity investors are the limited partners with a 99.9% interest. National Soldiers Home Residences III is responsible for acquiring, constructing, owning, leasing and operating an apartment complex comprising of 38 housing units located in Milwaukee, WI. The project was placed into service on March 10, 2021. The project is financed and regulated by WHEDA.

j) Olga Village, LLC

As of August 20, 2009, the Authority formed Olga Village, LLC (“Olga Village”), a limited liability company. The purpose of Olga Village is to construct and develop 37 senior and elderly units known as the Olga Village and to qualify for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are estimated to be worth \$7.4 million and will be invested in the development. Total funding for the development will be over \$9.7 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service in 2010.

k) Scattered Sites, LLC

As of September 24, 2007, the Authority formed Scattered Sites, LLC (“Scattered Sites I”), a limited liability company. The purpose of Scattered Sites I is to construct and develop 24 scattered sites, single family homes known as the Scattered Sites Revitalization Project and to qualify for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are worth \$3.7 million and were invested in the development. Total funding for the development was over \$6.5 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service in 2008.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

l) Scattered Sites II, LLC

As of November 10, 2008, the Authority formed Scattered Sites II, LLC (“Scattered Sites II”), a limited liability company. The purpose of Scattered Sites II is to construct and develop 24 scattered sites, single family homes known as the Scattered Sites II Revitalization Project and to qualify for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are estimated to be worth \$5.8 million and were invested in the development. Total funding for the development will be over \$6.8 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service in 2009.

m) Townhomes at Carver, LLC

Townhomes at Carver, LLC (“Carver Park”) was formed on October 15, 2021, as a limited liability company under the Wisconsin Limited Liability Company Act. Carver Park was formed to acquire, rehab and operate a 122-unit multi-family development called Townhomes at Carver Park located in Milwaukee, Wisconsin. Carver Park is owned 99.99% by RBC Community Investments, LLC, the investor member and 0.001% by Townhomes at Carver Development, LLC the manager member which is wholly owned by the Authority of the City of Milwaukee.

The project consists of 35 residential buildings. The project is eligible for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. The project was acquired on August 1, 2022 from the Authority, sole member of manager member. The project continued its rental leasing operations for units that are not yet being rehabilitated in accordance with the construction plan.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

n) *Westlawn Renaissance, LLC*

As of November 8, 2010, the Authority formed Westlawn Renaissance, LLC ("Westlawn Renaissance"), a limited liability company. Westlawn Renaissance is the owner entity for the revitalization of the eastern side of Westlawn housing development ("Westlawn"). In 2010, WHEDA awarded the Authority a tax credit allocation of over \$76 million for Westlawn. The tax credit was used for the first phase of the redevelopment which included the eastern portion of Westlawn along W. Silver Spring Drive between 60th and 64th Streets. The funding for the development was over \$82 million with the balance coming from a combination of other federal funds and private financing. Phase I plans included replacing 332 distressed, barracks-style housing units with up to 345 housing units which included the 250 tax credit units owned by Westlawn Renaissance. The housing units were comprised of single-family homes, duplexes and multifamily rental housing units. Phase I plan also included market rate home ownership and rental units. The new units were designed for environmental sustainability and in a mixture of styles to match the architectural features of the surrounding neighborhood. The project was placed in service in 2012.

o) *Westlawn Renaissance II, LLC*

As of September 6, 2016, the Authority formed Westlawn Renaissance II, LLC ("Westlawn Renaissance II"), a limited liability company. Westlawn Renaissance II is the upper tier limited liability company that owns WG Scattered Sites, LLC ("WG Scattered Sites") and Victory Manor, LLC ("Victory Manor"). WG Scattered Sites and Victory Manor are collectively referred to as the lower tier entities. Financial and tax reporting for WG Scattered Sites and Victory Manor are consolidated in Westlawn Renaissance II. Victory Manor Apartments consists of 60 units in one building, with up to 33 parking spaces and is owned by Victory Manor. The units in Victory Manor Apartments will be targeted but not restricted to veterans. WG Scattered Sites Apartments consists of 30 single-family townhomes in 10 buildings, with up to 23 parking spaces on-site and 8 off-site and is owned by WG Scattered Sites. Both WG Scattered Sites and Victory Manor were placed in service in 2019.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

p) *Westlawn Renaissance III, LLC*

As of September 5, 2017, the Authority incorporated Westlawn Renaissance III LLC ("WR III"). WR III is the owner entity responsible for acquiring, constructing and operating 2 multi-family buildings comprising of 94 affordable housing units, up to 51 tenant parking spaces and approximately 3,000 square feet of commercial space located along W. Silver Spring St, Milwaukee WI. In 2018, WHEDA awarded the Authority a 4% tax credit allocation of over \$1.344 million to the project. The project closed and the limited partner admitted in April 2019. The estimated total development cost for this project is \$35 million and is partly financed by a WHEDA tax-exempt bond of about \$17 million. This project was placed into service in 2020.

q) *Westlawn Renaissance IV, LLC*

Westlawn Renaissance IV, LLC ("WR IV") was formed on June 26, 2018, as a limited liability company under the Wisconsin Limited Liability Company Act (the "Act"). The company was formed to acquire, construct and operate Westlawn Renaissance IV (the "Project") located in Milwaukee, Wisconsin. The Project consists of two 30-unit buildings, with up to 30 parking spaces available to tenants on the site. The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. The buildings were placed in service on March 29, 2022.

WR IV consists of one manager member, one investor member, and one special member with rights, preferences and privileges as described in the Amended and Restated Operating Agreement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The Authority reports its component units, or ownership entities, that were incorporated to own mixed finance developments currently under development as part of its Primary Government Operations. All inter-company transactions between the Primary Government and these Component Units are eliminated for purposes of financial statement presentations. Equity drawdown and third-party loans obtained during construction period are reported under the Primary Government operations. These entities will be presented discretely as separate component units when the rental units are placed in service.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

r) *Westlawn Renaissance V, LLC*

The Authority received a 9% low-income housing tax credit award of \$930,677 in May 2022 from WHEDA to develop Westlawn Renaissance V (the "Project"). The project is a three-story multifamily building consisting of 44 units located on North 64th Street in the Westlawn Housing Development. Westlawn Renaissance V, LLC ("WR V") is part of the Rental Assistance Demonstration (RAD) conversion of public housing to a Section 8 platform. Three of the 44 units are RAD replacement units. The Project was closed in August 2022 and a limited partner was admitted into the partnership with the Authority as the managing member.

Construction is expected to be completed and placed in service in the 4th quarter of 2023. Estimated total development cost is around \$16,324,000. WHEDA provided \$1,400,000 in permanent and \$7,050,000 construction financing to this project. The Authority's soft debt is around \$6,315,000.

s) *Westlawn Renaissance VI LLC*

As of June 26, 2018, the Authority incorporated Westlawn Renaissance VI, LLC ("WR VI"). The Authority received 4% (state housing tax credits, as well as tax-exempt bond financing to develop WR VI. Financing for this project was closed and limited partner admitted into the partnership in March 2022. The improvements consist of 57 buildings as individual parcels with a total of 138 dwelling units on 8.7 acres. There are two-bedroom, three-bedroom and four-bedroom units housed in single family homes, duplexes, triplexes, 4-plexes and 5-plexes. There will be 138 surface parking spaces. The 138 units is being developed as part of HUD's Rental Assistance Demonstration ("RAD") program in conjunction with the Choice Neighborhoods Implementation grant that was awarded to the City of Milwaukee in partnership with the Authority. One hundred and thirty-six (136) of the 138 units are RAD replacement units that will receive HUD rental subsidy (project-based vouchers) and the remaining two units (3 bedrooms) are LIHTC only units. The buildings were completed in 2022.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Discrete component units (continued)

t) *Westlawn Renaissance VII LLC*

The Authority received a 4% low-income housing tax credit award of \$2,205,431 and State Low Income housing tax credit of \$470,967 in May 2022 from WHEDA to develop Westlawn Renaissance VII (the "Project"). The Project consists of townhouses and a multifamily building totaling 97 units located in the Westlawn Housing Development in W. Silver Spring, Milwaukee Wisconsin. Westlawn Renaissance VII LLC is part of the RAD conversion of public housing to a Section 8 platform. Seventy three of the 97 units are RAD replacement units. The project was closed in August 2022 and a limited partner was admitted into the partnership with the Authority as the managing member. Construction is expected to be completed and placed in service in the 4th quarter of 2023. Estimated total development cost is around \$48,476,000. WHEDA provided \$4,760,000 in permanent and \$19,740,000 construction bond financing to this project. The Authority's soft debt is around \$20,746,000.

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities rely to a significant extent on fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating activity generally arises from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consists primarily of rental charges to tenants, county operating grants and operating grants from the Department of Housing and Urban Development ("HUD"), and include, to a lesser extent, certain operating amounts of capital grants that offset operating expenses.

Operating expenses for the Authority include the cost of tenant services, general, administrative, utilities, maintenance, protective services, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded in the period incurred or economic asset used.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus and basis of accounting (continued)

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net position. As provided by GASB Codification Section P80.115, *Proprietary Fund Accounting and Financial Reporting: Defining Operating Expenses*, and related guidance, tenant revenue is reported net of \$95,587 in accounts written-off.

4. Summary of programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD at the Authority. A summary of each significant program is provided below.

a. *Low Rent Public Housing Programs*

The Low Rent Public Housing Programs include the following: asset management projects ("AMPs"), Public Housing Capital Fund, and various other related HUD grants.

The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's Development and Capital Fund programs.

Funding of the program operations and development is provided by operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

b. *Family Self-Sufficiency*

The Family Self-Sufficiency ("FSS") program provides funds for a coordinator to assist residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient.

c. *Central Office Cost Center*

The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenue from fees for service and other business activities. The COCC consists of activities funded through these revenue sources.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Summary of programs (continued)

d. Housing Assistance Payments Programs

The Section 8 Housing Choice Voucher (“HCV”), Veterans Affairs Supportive Housing (“VASH”), Emergency Housing Vouchers (“EHV”) and Section 8 New Construction programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families.

Funding of the programs is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenant. In addition, the Authority receives an administrative fee to cover operating expenses.

The VASH program combines HUD HCV rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs at its medical centers and in the community. For reporting purposes, the VASH program is reported within HCV.

The EHV program is a tenant-based rental assistance program funded by the American Rescue Plan Act (“ARPA”). EHV are to assist individuals and families who are experiencing homelessness; at risk of experiencing homelessness; fleeing, or attempting to flee, domestic violence, dating violence, or having high risk of housing instability.

5. Assets, deferred outflows, liabilities, deferred inflows, and net position

a. Cash and cash equivalents

For financial statement purposes cash and cash equivalents are considered to be cash in banks, bond fund reserves in U.S. treasuries, certificates of deposits and money market funds with original maturities of three months or less.

b. Investments

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the risk.

- Level 1 - Reflects prices quoted in active markets.
- Level 2 - Reflects prices that are based on similar observable assets either directly or indirectly, which may include input in markets that are not considered to be active.
- Level 3 - Reflects prices based upon unobservable sources.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, deferred outflows, liabilities, deferred inflows, and net position (continued)

c. *Receivables*

Receivables consist of all revenues earned at year-end and not yet received. The majority of receivables consist of tenant receivables and other grant receivables. The receivables are reported net of an allowance for doubtful accounts. The allowance for uncollectible amounts is based on periodic aging of tenant accounts receivables and fraud recovery receivables.

d. *Notes receivable*

A significant portion of the mortgage notes receivable represent loans to discrete component units (see Note A-1). The Authority subordinated mortgage loans to the related parties in conjunction with financing arrangements related to the development of mixed-income, multifamily rental communities, in most cases, on land owned by the Authority. Such loans are generally interest-bearing and are payable from cash flow from the property owned by each respective related party. Such loans are typically funded from HUD federal loans, representing a significant portion of the construction costs associated with the Authority-assisted component of the mixed-income rental property.

The Authority reviews its notes receivable for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the note receivable is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique.

e. *Investment in Partnerships*

The Authority accounts for its share of the operation of Carver Park, National Soldiers Home Residences II and National Soldiers Home Residences III following the equity method of accounting. The Authority has an equity interest in these entities equal to its percentage share of participation. The equity interest is reported in the statement of net position as an asset and the amount of change in equity interest for the year is reflected on the statement of revenues, expenses and changes in net position.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, deferred outflows, liabilities, deferred inflows, and net position (continued)

f. Capital assets

The Authority's policy is to capitalize assets with a value in excess of \$5,000 and a useful life in excess of one year. The Authority capitalizes the costs of site acquisition and improvement, structures, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at fair market value on the date contributed.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings and improvements	10 - 40 years
Equipment	5 - 10 years

g. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no impairments as of December 31, 2023.

h. Deferred outflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources until then. The Authority's balance of deferred outflows of resources relates to funding of the net pension liability (see Note B-6).

i. Unearned revenues

Unearned revenues include amounts collected before revenue recognition criteria are met. As of December 31, 2023, unearned revenues consist of prepaid rents.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, deferred outflows, liabilities, deferred inflows, and net position (continued)

j. Compensated absences

Under terms of employment, employees are granted sick leave and vacation benefits in varying amounts. All vested vacation and sick leave pay is accrued when incurred and is presented as compensated absences in the financial statements. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2023 are determined on the basis of current salary rates.

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Milwaukee Employees' Retirement System ("ERS") and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

l. Other Postemployment benefits

For purposes of measuring the total other postemployment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, the Authority's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

m. Deferred inflows of resources

In addition to liabilities, the statement of net position reports 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 future periods and thus, will not be recognized as an inflow of resources until then. The Authority's balance of deferred inflows of resources relates to funding of the net pension liability (see Note B-6).

n. Eliminations

For financial reporting purposes, the Authority eliminates amounts that are internally generated from and among various programs within the Authority as well as certain activity with blended component units.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, deferred outflows, liabilities, deferred inflows, and net position (continued)

o. Net position

In accordance with GASB Codification Section 1800.155, *Reporting Net Position in Government-Wide Financial Statements*, total equity as of December 31, 2023, is classified into three components of net position:

i). Net investment in capital assets

This category consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.

ii). Restricted component of net position

This category consists of net position restricted in its use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

iii). Unrestricted component of net position

This category includes all of the remaining net position that does not meet the definition of the other two categories.

p. Leasing activities

The Authority is the lessor of dwelling units to low-income and market rate residents. The low-income rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. A significant majority of the capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within tenant revenue.

Under GASB Statement No. 87, *Leases*, the determination of whether an arrangement is a lease is made at the lease's inception and a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having the right to direct the use of the asset. Management only reevaluates its determination if the terms and conditions of the contract are changed.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Budgets

Budgets are prepared on an annual basis for each major program and are used as a management tool throughout the accounting cycle. Budgets are approved annually by the Board of Commissioners, however, these are not legally adopted nor required to be presented in the financial statements.

7. Income taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements. The Authority's blended component units are subject to the income tax provisions of Wisconsin Statutes and the Internal Revenue Code.

The Authority's blended component units account for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*, which clarifies the accounting and disclosure requirements for any uncertainty in a tax position. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. The two-step approach involves recognizing any tax positions that are "more likely than not" to occur and then measuring those positions to determine if they are recognizable in the financial statements. Management regularly reviews and analyzes all tax positions and has determined no aggressive tax positions have been taken.

For the fiscal year ended December 31, 2023, the accompanying financial statements do not reflect income taxes paid or due for the blended component units. The income tax filings of the Authority's blended component units are subject to audit by various taxing authorities. The Authority is no longer subject to income tax examinations by tax authorities for the prior three years.

8. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as certain deferred items, and disclosure 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.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Impact of recently issued accounting policies

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement is effective for the Authority's December 31, 2024 fiscal year end.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement is effective for the Authority's December 31, 2025 fiscal year end.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is effective for the Authority's December 31, 2026 fiscal year end.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement is effective for the Authority's December 31, 2026 fiscal year end.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This statement is effective for the Authority's December 31, 2027 fiscal year end.

Management is currently evaluating the impact of the adoption of these statements on the Authority's financial statements.

NOTE B - DETAILED NOTES

1. Cash, cash equivalents, and investments

As of December 31, 2023, the Authority's cash and cash equivalents consists of cash in banks in the amount of \$8,800,112.

In accordance with GASB Codification Sections C20, *Cash Deposits with Financial Institutions*, and I50, *Investments*, the Authority's exposure to deposit and investment risk is disclosed on the following page.

Credit Risk. Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. As of December 31, 2023, the Authority was not exposed to credit risk since they follow HUD regulations.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

1. Cash, cash equivalents, and investments (continued)

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. The Authority's deposits are insured by the Federal Depository Insurance Corporation up to \$250,000, for interest bearing accounts. As of December 31, 2023, none of the Authority's total cash bank balance was exposed to custodial credit risk.

Restricted cash, cash equivalents, and investments. As of December 31, 2023, restricted cash, cash equivalents, and investments consist of:

<i>Current</i>	
Tenant security deposits	\$ 1,216,202
Grant advances	776,798
Family self sufficiency escrow	516,115
Family self sufficiency escrow forfeitures	<u>109,895</u>
Subtotal current	2,619,010
<i>Noncurrent</i>	
Family self sufficiency escrow	<u>165,563</u>
Total restricted cash and cash equivalents	<u><u>\$ 2,784,573</u></u>

2. Receivables, net

As of December 31, 2023, receivables consist of:

Due to Travaux	\$ 1,166,054
HUD grants receivable	6,267,169
Tenant receivables	4,061,800
Due from other government	219,597
Other	<u>3,891,123</u>
Subtotal receivables	15,605,743
Allowance for doubtful accounts - tenants	<u>(429,540)</u>
Total receivables, net	<u><u>\$ 15,176,203</u></u>

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

3. Notes receivable

The Authority has entered into several notes receivable associated with discrete component units. A summary of notes receivable is as follows:

	Receivable at December 31, 2023
Becher Court	\$ 5,764,050
Cherry Court	8,758,754
Convent Hill	6,875,874
Highland Park	2,892,211
Holton Terrace	6,694,681
Lapham Park	19,535,097
Merrill Park	5,064,498
National Soldiers II	8,710,989
National Soldiers III	1,841,043
Olga Village	2,363,334
Scattered Sites	2,413,122
Scattered Sites II	1,351,492
Townhomes at Carver Park	6,850,000
Westlawn Renaissance	9,260,761
Westlawn Renaissance II	12,951,122
Westlawn Renaissance III	20,860,196
Westlawn Renaissance IV	1,596,900
Westlawn Renaissance VI	16,083,130
Westlawn Renaissance VII	9,802,466
Other	25,504,784
Total notes receivable	\$ 175,174,504

HUD, through the Authority, has provided some of the funding for the development of mixed-finance properties owned by discrete component units of the Authority. As funds were received by the Authority from HUD, they were loaned to the respective discrete component units. When the notes, which originated through HUD, are paid back they will be considered restricted program income to be used for similar project developments in the future. As of December 31, 2023, \$104,249,720 of the notes receivable was considered to be restricted for this purpose.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

4. Capital assets, net

A summary of capital assets as of December 31, 2023 is as follows:

	Balance at December 31, 2023
Non-depreciable:	
Land	\$ 31,244,696
Construction in progress	87,010
Total non-depreciable	31,331,706
Depreciated/amortized:	
Buildings and improvements	210,812,710
Equipment	3,619,446
Total depreciated/amortized	214,432,156
Total capital assets	245,763,862
Less accumulated depreciation/amortization:	
Buildings and improvements	(181,677,408)
Equipment	(2,976,148)
Total accumulated depreciation/amortization	(184,653,556)
Capital assets, net	\$ 61,110,306

During the year ended December 31, 2023, \$3,359,343 of land, \$50,214,533 of buildings, and \$46,554,517 of related accumulated depreciation were removed from the Authority's capital asset balance following an administrative determination that resulted in the loss of control over the property.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

5. Noncurrent liabilities

A summary of changes in noncurrent liabilities is as follows:

	Beginning balance	Increase	Decrease	Ending balance	Current portion
Bond payable					
Mortgage revenue bonds	\$ 13,735,000	\$ -	\$ (845,000)	\$ 12,890,000	\$ 875,000
Premium	78,330	-	(6,438)	71,892	6,438
Total long-term debt	13,813,330	-	(851,438)	12,961,892	881,438
Other liabilities					
Net pension liability	3,163,000	6,965,000	-	10,128,000	-
Total OPEB liability	10,507,455	888,813	(472,622)	10,923,646	-
Accrued compensated absences	835,931	-	(46,251)	789,680	236,904
Total noncurrent liabilities	<u>\$ 28,319,716</u>	<u>\$ 7,853,813</u>	<u>\$ (1,370,311)</u>	<u>\$ 34,803,218</u>	<u>\$ 1,118,342</u>

Mortgage Revenue Bonds

The Authority issued mortgage revenue bonds amounting to \$13,635,000 for Veterans Housing Programs in 2015. The purpose of the bond issue is to currently refund the outstanding balance of the 2002 Veterans Bonds of \$6,325,000 and to finance costs of renovation and improvements to the Authority's Berryland, Northlawn, Southlawn and Southlawn Park Housing Developments. Principal payments are due annually until maturity of the bonds on July 1, 2035. Interest is due on a semi-annual basis ranging from an interest rate of 0.640-5.000%. Bond payments totaled \$230,000 in 2023. Bonds outstanding at December 31, 2023 totaled \$12,075,000. In order to secure its obligations under the Financing Agreement, the Authority has granted to the Credit Provider a security interest in all of the Authority's rights in and to all funds and accounts created or established under the indenture subordinate in all respects to the Trustee's interest in such funds and accounts pursuant to the indenture. In addition, a replacement reserve is required to be funded with monthly deposits of \$24,500.

The Authority issued mortgage revenue bonds amounting to \$5,410,000 for Veterans Housing Programs in 2015. The purpose of the bond issue is to finance costs of construction of market-rate housing in the City of Milwaukee. Principal payments are due annually until maturity of the bonds. Interest is due on a semi-annual basis ranging from an interest rate of 0.688 - 3.522%. The date of maturity is June 1, 2025. Bond payments totaled \$615,000 in 2023. Bonds outstanding at December 31, 2023 totaled \$815,000. In order to secure its obligations under the Financing Agreement, the Authority has granted to the Credit Provider a security interest in all of the Authority's rights in and to all funds and accounts created or established under the indenture subordinate in all respects to the Trustee's interest in such funds and accounts pursuant to the indenture.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

5. Noncurrent liabilities (continued)

Mortgage Revenue Bonds (continued)

Debt service requirements to maturity for the Authority are as follows:

	Principal	Interest
2024	\$ 875,000	\$ 494,423
2025	910,000	462,800
2026	955,000	429,071
2027	980,000	386,231
2028	1,015,000	356,388
2029 - 2033	5,620,000	1,265,513
2034 - 2037	2,535,000	274,232
	\$ 12,890,000	\$ 3,668,658

From time to time, the Authority has issued revenue bonds to provide assistance for private-sector entities to obtain financing for the acquisition, construction or rehabilitation of housing units and for the retirement of existing debts associated with housing units. The bonds are secured by the property financed and are payable solely from payments received on the underlying loans. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no amounts of these revenue bonds outstanding at December 31, 2023.

6. Retirement plans

a. *Plan description*

The Authority makes contributions to the Employees' Retirement System of the City of Milwaukee (the System), a cost-sharing multiple-employer defined pension plan, on behalf of all eligible Authority employees. The System provides retirement, disability and death benefits to plan members and beneficiaries. The City Charter assigns the Authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, Milwaukee, WI 53202.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

6. Retirement plans (continued)

b. Funding policy

For general employees participating prior to January 1, 2014, they are required to contribute or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% of their annual pensionable income and for general employee, participating on or after January 1, 2014, they are required to contribute 4% of their annual pensionable income. The City Charter assigns the Authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The Authority's contributions to the System for the year ended December 31, 2023 were \$498,841 equal to the required contributions on behalf of the plan members for each year.

At December 31, 2023, the Authority reported a liability of \$10,128,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of January 1, 2022. No material changes in assumptions of benefit terms occurred between the actuarial date and the measurement date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2023, the Authority's proportion was 0.66576940% which was a decrease of 0.03744480% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the Authority recognized pension expense of \$799,523.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

6. Retirement plans (continued)

b. *Funding policy (continued)*

At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between projected and actual experience	\$ 86,000	\$ 26,000
Changes of actuarial assumptions	193,000	-
actual investment earnings on Pension Plan investments	5,674,000	3,514,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	708,000
Employer contributions subsequent to the measurement date	498,841	-
Total	<u>\$ 6,451,841</u>	<u>\$ 4,248,000</u>

\$498,841 reported as deferred outflows related to pension resulting from the System employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Years ending December 31,</u>	<u>Deferred outflows/ (inflows) of resources (net)</u>
2024	\$ (77,675)
2025	554,220
2026	517,782
2027	710,673
Thereafter	-

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

6. Retirement plans (continued)

b. *Funding policy (continued)*

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2022 and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2022 and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	January 1, 2022
Measurement date of net pension liability	December 31, 2022
Actuarial cost method	Entry age normal-level percentage of pay
Amortization method	Level percent of payroll, closed
Asset valuation method	5 year smoothing of difference between expected return on actuarial value and actual return on market value
Actuarial assumptions:	
Investment rate of return and discount rate	7.50%
Projected salary increases, including wage inflation	General City 3.0%-7.5%
Inflation assumption	2.50%
Cost of living adjustments	Vary by employee group as explained in summary of plan provisions
Mortality assumptions	Pre-retirement mortality rates for General employees were based on the Pub-2010 Below Median General Employee Mortality Table with a one-year age setback for males and a two-year age set forward for females, projected generationally using SOA Scale MP-2021. Post-retirement mortality rates for General retirees were based on the Pub-2010 Below Median General Retiree Mortality Table with a one-year age setback for males and a two-year age set forward for females, projected generationally using SOA Scale MP-2021. Mortality rates for survivors of General employees were based on the Pub-2010 Below Median Contingent Survivors Mortality Table with a one-year age setback for males and a two-year age set forward for females, projected generationally using SOA Scale MP-2021.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

6. Retirement plans (continued)

b. Funding policy (continued)

Mortality assumptions	Disabled mortality rates for General employees were based on the Pub-2010 Non-Safety Disabled Retiree Mortality Table with a one-year age setback for males and a two-year age set forward for females, projected generationally using SOA Scale MiP-2021.
Experience study	The actuarial assumptions used in the January 1, 2022 valuation were based on the results of the most recent experience study for the five-year period ending December 31, 2021.

c. Long-term expected return on plan assets

The long-term expected rate of return on pension plan investments was determined using Callan Associates' 10-year geometric capital market projections. Projected long term rates of return for each major asset class in the Retirement System's target asset allocation as of December 31, 2023, are summarized in the following table:

	Asset allocation	Long-term expected rate of return
Public equity	44.00%	7.3%
Fixed income and cash	23.00%	3.1%
Real estate	9.70%	5.1%
Real assets	3.30%	4.6%
Private equity	10.00%	10.0%
Absolute return	10.00%	3.6%

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

6. Retirement plans (continued)

d. *Discount rate*

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 7.5%, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

e. *Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate 7.5%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

The sensitivity analysis as of December 31, 2023 follows:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	<u>\$ 15,624,000</u>	<u>\$ 10,128,000</u>	<u>\$ 5,548,000</u>

Additional Financial Information for the ERS- For additional information regarding ERS's financial statements and audit report, please visit the ERS web site at <http://www.cmers.com/About-Us>.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

7. Postemployment healthcare plan

The Authority administers a single-employer defined contribution healthcare plan (the Retiree Health Plan). The plan provides medical insurance benefits to eligible retirees and their spouses through the Authority's group medical insurance plan, which covers both active and retired members. Benefits provisions are established through collective bargaining agreements. The eligibility requirements and the amount of the benefit vary based on retiree's position, years of service and age at retirement. If eligible, the retiree may receive medical insurance benefits until they are Medicare eligible. The plan is administered by the Authority and does not issue a stand-alone financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75.

At December 31, 2022, the Authority had 134 active members and 46 inactive plan members or beneficiaries currently receiving benefits.

The Authority's total OPEB liability of \$10,923,646 was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2022.

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Discount rate	4.31%
Inflation	2.50%
Salary increase	3.00% per year
Retirees' share of benefit related costs	75% of premiums

The discount rate was based on 20-Year Municipal GO AA Index as of each measurement date.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

7. Postemployment healthcare plan (continued)

Mortality rates were based on the PubG-2010 Employees Mortality Tables projected generationally with scale MP-2020 for males and females.

	Total OPEB liability
Balance at December 31, 2022	\$ 10,507,455
Changes for the year	
Service cost	427,590
Interest on the total OPEB liability	461,223
Benefit payments	(472,622)
Net changes	416,191
Balance at December 31, 2023	\$ 10,923,646

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB of the Authority as well as what the Authority's total OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31%) or 1-percentage-point higher (5.31%) than the current discount rate:

	1% Decrease (3.31%)	Current Discount (4.31%)	1% Increase (5.31%)
Total OPEB liability	\$ 12,467,055	\$ 10,923,646	\$ 9,862,027

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

7. Postemployment healthcare plan (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare cost assumption	1% Increase
Total OPEB liability	\$ 9,496,653	\$ 10,923,646	\$ 12,725,971

For the year ended December 31, 2023, the Authority recognized OPEB expenses of \$644,722. At December 31, 2023, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of resources
Differences between expected and actual noninvestment experience	\$ -	\$ 743,150
Changes in assumptions or other inputs	888,527	1,909,493
Total	\$ 888,527	\$ 2,652,643

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

7. Postemployment healthcare plan (continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31,	Deferred outflows/ (inflows) of resources net
	net
2024	\$ (173,310)
2025	(267,511)
2026	(488,298)
2027	(488,298)
2028	(346,699)
Thereafter	-

8. Restricted net position

The statement of net position of the Authority reports \$109,755,793 of the restricted component of net position which consists of the following:

- \$104,249,720 of mortgage notes receivable and related accrued interest that were loaned using HUD grant funds and therefore are restricted upon repayment by HUD guidelines (see Note B-3);
- \$4,850,780 of restricted investments for Veteran Housing Program (see Note B-1);
- \$545,398 of other restricted reserves; and
- \$109,895 of FSS forfeitures (see Note B-1).

9. Eliminations

The following have been eliminated from the financial statements.

a. *Interprogram due to/from*

In the normal course of operations, certain programs pay for common costs that create interprogram receivables or payables. These interprogram receivables and payables normally offset and are eliminated for the presentation of the Authority as a whole. In addition, certain programs pay for operating deficits in other programs that may be paid back over time. As of December 31, 2023, \$21,250,327 of interprogram borrowings has been eliminated.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

9. Eliminations (continued)

The following have been eliminated from the financial statements (continued).

b. Fee for service

The Authority's Central Office Cost Center internally charges fees for services rendered to the AMPs and other programs of the Authority. In addition, the Authority charges fees to other programs. These charges include management fees, bookkeeping fees, asset management fees and other fees for service. For financial reporting purposes \$7,723,267 of fees has been eliminated for the year ended December 31, 2023.

c. Internal advances

During prior years, the Authority advanced funds for long-term use to blended component units and Authority owned properties. For financial reporting purposes \$18,969,721 of internal debt and receivables have been eliminated for the year ended December 31, 2023.

10. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. As part of the Authority's risk management program, certain commercial insurance policies are purchased, and the Authority participates in a risk retention group to cover designated exposures and potential loss situations. The group collects reserve deposits and carries reinsurance; however, the group may charge each group member additional amounts if losses are in excess of reserve deposits and reinsurance amounts.

There were no significant reductions of insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

11. Commitments and contingencies

a. Legal

In the normal course of operations, the Authority may be party to various pending or threatened legal actions. As of the date of this report, management is not aware of any such instances that have a material impact on the Authority.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

11. Commitments and contingencies (continued)

b. Grants and contracts

The Authority participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, management is not aware of any such instances.

c. Unspent awards

The Authority receives funding from HUD through various programs to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent awarded amounts as of December 31, 2023 amounted to \$712,932 for the Public Housing Capital Fund Program.

12. Concentrations

For the year ended December 31, 2023, approximately 50% of revenues and 14% of current receivables reflected in the basic financial statements are from HUD.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

13. Financial data schedule

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as non-operating such as depreciation expense, housing assistance payments and extraordinary maintenance expense.

In addition, the schedule's format includes non-operating items as operating such as investment revenue, HUD capital grants revenue, gains and losses on the disposal of capital assets and interest expense. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE B - DETAILED NOTES (continued)

14. Correction of an error

During the year ended December 31, 2023, after a review of detailed schedules, bank reconciliations and the general ledger, management determined adjustments were needed to correct reporting to agree to the Authority's updated general ledger. A net adjustment of \$14,662,626 was made to decrease beginning net position. Because the accompanying financial statements present only the current year, prior-year comparative information has not been restated. This adjustment is reflected on the statement of revenues, expenses and changes in net position.

15. Subsequent events

Management has evaluated subsequent events through the date of the auditor's report, the date which the financial statements were available to be issued and has determined no material events occurred that would require disclosure except for the following items.

In 2023, the Authority was awarded a low-income housing tax credit from WHEDA for renovations to Highland Gardens. The financial closing for the deal was completed in the fall of 2024 and renovation work began in 2024 with an estimated completion in the summer of 2026. In connection with the renovations, Highland Gardens, LLC entered into new debt with WHEDA for \$1,527,263 and the Authority of \$7,000,000.

In January 2025, the Authority entered into a Recovery Plan Agreement with HUD as an effort to improve resident housing facilities, upgrade the Authority's operations, and improve financial controls. A Sustainability Plan was also developed that includes action steps to address issues to improve and clarify governance, improve housing facilities and inspection scores, upgrade the Authority's operations, and improve financial controls.

On July 17, 2025, the Quality Assurance Division of HUD provided a demand letter for the repayment using non-federal funds in the amount of \$2,911,712 in questioned or disallowed costs in the Housing Choice Voucher program. HUD is undertaking a review of the Authority's ability to repay with the intent to develop a repayment plan.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE C - DISCRETELY PRESENTED COMPONENT UNITS

1. Capital assets, net

A summary of changes in capital assets for the Authority's discretely presented component units is as follows, for the fiscal year ended December 31, 2023:

	Balance at January 1, 2023	Transfers in/ additions	Transfers out/ deletions	Balance at December 31, 2023
Non-depreciable:				
Land	\$ 8,559,635	\$ 1,629,075	\$ -	\$ 10,188,710
Construction in progress	2,178,633	9,577,693	-	11,756,326
Total non-depreciable	<u>10,738,268</u>	<u>11,206,768</u>	<u>-</u>	<u>21,945,036</u>
Depreciated:				
Buildings and improvements	391,608,518	48,253,561	-	439,862,079
Equipment	8,088,453	2,895,346	-	10,983,799
Total depreciated	<u>399,696,971</u>	<u>51,148,907</u>	<u>-</u>	<u>450,845,878</u>
Total capital assets	410,435,239	62,355,675	-	472,790,914
Total accumulated depreciation	<u>(76,778,643)</u>	<u>(11,942,665)</u>	<u>-</u>	<u>(88,721,308)</u>
Capital assets, net	<u>\$ 333,656,596</u>	<u>\$ 50,413,010</u>	<u>\$ -</u>	<u>\$ 384,069,606</u>

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE C - DISCRETELY PRESENTED COMPONENT UNITS (continued)

2. Long-term debt, net

A summary of changes in long-term debt for the Authority's discretely presented component units is as follows, for the fiscal year ended December 31, 2023:

	Payable at January 1, 2023	Additions	Reductions	Payable at December 31, 2023	Due within one year
Becher Court	\$ 10,007,968	\$ -	\$ (2,726,677)	\$ 7,281,291	\$ 16,820
Cherry Court	9,417,746	-	(17,226)	9,400,520	713,317
Covent Hill	7,634,100	-	(29,420)	7,604,680	24,310
Highland Park	2,100,860	-	(2,539)	2,098,321	2,667
Holton Terrace	7,827,434	-	(9,895)	7,817,539	11,954
Lapham Park	19,535,097	-	-	19,535,097	-
Merrill Park	6,218,327	705,423	(11,218)	6,912,532	13,014
National Soldiers Home Residences II	9,998,362	-	(9,681)	9,988,681	-
National Soldiers Home Residences III	1,824,092	602	-	1,824,694	-
Olga Village	3,528,224	248	-	3,528,472	-
Scattered Sites	2,318,300	-	-	2,318,300	-
Scattered Sites II	1,107,578	-	-	1,107,578	-
Townhomes at Carver	12,786,797	5,196,865	-	17,983,662	5,546,839
Westlawn Renaissance	9,248,945	416	-	9,249,361	-
Westlawn Renaissance II	14,781,471	-	(23,462)	14,758,009	26,144
Westlawn Renaissance III	22,610,678	-	(19,637)	22,591,041	21,562
Westlawn Renaissance IV	13,514,448	729,846	(9,637,700)	4,606,594	7,677
Westlawn Renaissance V	-	13,206,546	-	13,206,546	5,991,543
Westlawn Renaissance VI	21,672,967	8,585,050	(68,957)	30,189,060	72,088
Westlawn Renaissance VII	-	32,624,656	-	32,624,656	19,749,224
Total noncurrent liabilities	<u>\$ 176,133,394</u>	<u>\$ 61,049,652</u>	<u>\$ (12,556,412)</u>	<u>\$ 224,626,634</u>	<u>\$ 32,197,159</u>

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

As of December 31, 2023, the future principal and interest maturities for the loans are as follows for the years ending December 31:

	Becher Court	Cherry Court	Convent Hill	Highland Park	Holton Terrace	Lapham Park	Merrill Park	National Soldiers Home Residences II	National Soldiers Home Residences III	Olga Village
2024	\$ 16,820	\$ 713,317	\$ 24,310	\$ 2,667	\$ 11,954	\$ -	\$ 13,014	\$ -	\$ -	\$ -
2025	17,742	-	26,657	2,804	12,679	-	13,727	-	-	-
2026	18,715	-	29,230	2,947	13,448	-	14,480	-	-	-
2027	19,741	-	32,051	3,098	14,263	-	15,274	-	-	-
2028	20,823	-	616,558	3,256	15,128	-	16,111	-	-	-
Thereafter	7,255,560	8,687,203	6,875,874	2,083,549	7,805,311	19,535,097	6,879,052	10,241,984	1,841,043	3,535,228
Total	7,349,401	9,400,520	7,604,680	2,098,321	7,872,783	19,535,097	6,951,658	10,241,984	1,841,043	3,535,228
Less debt issuance costs	(68,110)	-	-	-	(55,244)	-	(39,126)	(253,303)	(16,349)	(6,756)
	<u>\$ 7,281,291</u>	<u>\$ 9,400,520</u>	<u>\$ 7,604,680</u>	<u>\$ 2,098,321</u>	<u>\$ 7,817,539</u>	<u>\$ 19,535,097</u>	<u>\$ 6,912,532</u>	<u>\$ 9,988,681</u>	<u>\$ 1,824,694</u>	<u>\$ 3,528,472</u>

	Scattered Sites	Scattered Sites II	Townhomes at Carver	Westlawn Renaissance	Westlawn Renaissance II	Westlawn Renaissance III	Westlawn Renaissance IV	Westlawn Renaissance V	Westlawn Renaissance VI	Westlawn Renaissance VII	Total
2024	\$ -	\$ -	\$ 5,546,839	\$ -	\$ 26,144	\$ 21,562	\$ 7,677	\$ 5,991,543	\$ 72,088	\$ 19,749,224	\$ 32,197,159
2025	-	-	74,420	-	27,466	22,667	8,097	13,329	75,363	38,285	333,236
2026	-	-	78,189	-	28,856	23,832	8,542	14,004	78,786	40,605	351,634
2027	-	-	82,148	-	30,318	25,058	9,010	14,713	82,364	43,067	371,105
2028	-	-	86,308	-	31,855	26,350	9,504	15,458	86,105	45,678	973,134
Thereafter	2,318,300	1,107,578	12,264,243	9,260,761	14,658,458	22,495,155	4,590,372	7,224,727	29,870,256	12,836,537	191,366,288
Total	2,318,300	1,107,578	18,132,147	9,260,761	14,803,097	22,614,624	4,633,202	13,273,774	30,264,962	32,753,396	225,592,556
Less debt issuance costs	-	-	(148,485)	(11,400)	(45,088)	(23,583)	(26,608)	(67,228)	(75,902)	(128,740)	(965,922)
	<u>\$ 2,318,300</u>	<u>\$ 1,107,578</u>	<u>\$ 17,983,662</u>	<u>\$ 9,249,361</u>	<u>\$ 14,758,009</u>	<u>\$ 22,591,041</u>	<u>\$ 4,606,594</u>	<u>\$ 13,206,546</u>	<u>\$ 30,189,060</u>	<u>\$ 32,624,656</u>	<u>\$ 224,626,634</u>

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

a. *Becher Court, LLC*

i). WHEDA

Becher Court, LLC obtained a WHEDA construction-perm mortgage note payable not to exceed \$1,600,000. Interest only payments at the greater of 3% or the 30-day LIBOR rate plus 300 basis points (8.47% as of December 31, 2023), adjusted monthly through the conversion date, which was January 1, 2023. At the time of conversion, principal payments were required sufficient to achieve a DSCR of 1.20 to 1.0. Upon conversion, monthly principal and interest beginning January 2023 are payable with an interest rate of 5.35% (effective rate of 5.48%). This note matures on December 31, 2057. The unamortized debt issuance costs associated with this note totaled \$53,345 as of December 31, 2023. The outstanding principal balance as of December 31, 2023 was \$1,585,351.

ii). Authority notes

The Authority loaned Becher Court \$3,573,000 as an acquisition mortgage note, \$400,000 of non-federal funds note, and \$1,791,050 of federal funds note. All notes accrue interest at 2.25% per annum. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, accrues until maturity. All principal and accrued interest is due for all notes June 30, 2070. The unamortized debt issuance costs associated with the first, second, and third note totaled \$9,142, \$1,024, and \$4,599, respectively, as of December 31, 2023. The outstanding principal balance as of December 31, 2023 was \$5,764,050.

b. *Cherry Court Development, LLC*

i). Verve Credit Union

Cherry Court obtained a non-recourse loan from Verve Credit Union (f/k/a First Service Credit Union) with an interest rate of 7.0% (effective interest rate of 7.23%) which matured on December 10, 2022. This loan was extended through December 10, 2024 with an interest rate of 7.12% (effective interest rate of 7.36%). Principal and interest payments are required in equal monthly installments of \$5,768 through maturity. This loan is collateralized by the rental property including assignment of rents and leases thereon. The outstanding principal balance as of December 31, 2023 was \$713,317.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

b. *Cherry Court Development, LLC (continued)*

ii). Authority notes

The Authority loaned Cherry Court non-recourse land loan with interest compounded at 7.0% annually, HOPE VI loan with interest compounding annually at 5.32%, AHP non-interest bearing loan, and other federal funds loan with interest compounding at 2.0% annually. Unpaid principal balance and accrued interest are payable to the extent of available cash flow, accrues until maturity. Principal and accrued interest is due June 2046 for all except land loan which is due June 2046. All of these loans are collateralized by the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$8,687,203.

c. *Convent Hill, LLC*

i). Summit Credit Union

Convent Hill obtained a non-recourse loan from Summit Credit Union with an interest rate of 7.0% (effective interest rate of 7.23%). This note was refinanced on August 10, 2023 with an interest rate of 9.25% (effective interest rate of 9.65%) which matures on August 10, 2028. Principal and interest payments are required in equal monthly installments of \$7,558 through maturity. This loan is collateralized by the rental property including assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$728,806.

ii). Authority notes

The Authority loaned Convent Hill a federal funds land loan with interest at 2.75% per annum, AHP non-interest bearing loan, and other federal funds non-interest bearing loan. Unpaid principal balance and accrued interest are payable to the extent of available cash flow. Principal and accrued interest, which accrues until maturity, is due February 1, 2048 for all notes. All of these loans are collateralized by a subordinated mortgage on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$6,875,874.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

d. *Highland Park Community, LLC*

i). Authority notes

The Authority loaned Highland Park non-recourse land loan of \$130,000 and HOPE VI funds of \$2,000,000. The land loan accrues interest at 5.0% (effective rate of 5.116%) and the HOPE VI loan accrues interest at 5.21% compounded annually. For the land loan, principal and interest payments are required in equal monthly installments of \$627 and the loan matures March 2045. For the HOPE VI loan, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity, August 2035. Both loans are collateralized by the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$2,098,321.

e. *Holton Terrace, LLC*

i). WHEDA

Holton Terrace obtained a WHEDA construction-perm mortgage note payable not to exceed \$1,200,000. Monthly principal and interest of \$6,762 beginning January 2022 are payable with an interest rate of 5.90% (effective rate of 6.06%). This note matures on October 2056. The unamortized debt issuance costs associated with this note totaled \$18,535 as of December 31, 2023. This loan is collateralized by a first mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$1,178,102.

ii). Authority notes

The Authority loaned Holton Terrace \$4,760,000 as an acquisition mortgage note, \$1,595,363 as a construction and term mortgage note, and \$689,885 of AHP note. All notes accrue interest at 5.0%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes July 8, 2069. The unamortized debt issuance costs associated with the AHP note were \$36,709 as of December 31, 2023. The outstanding principal balance as of December 31, 2023 was \$6,694,681.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

f. *Lapham Park, LLC*

i). Authority notes

The Authority loaned Lapham Park a recourse construction non-interest bearing loan not to exceed \$19,500,000 and a recourse AHP loan of \$335,440 with interest of 2.6%. For both loans, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. Both notes mature on February 29, 2052. Both loans are collateralized by the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$19,535,097.

g. *Merrill Park, LLC*

i). WHEDA

Merrill Park obtained a WHEDA construction-perm mortgage note payable not to exceed \$1,200,000. Monthly principal and interest of \$6,327 beginning July 2022 are payable with an interest rate of 5.35% (effective rate of 5.48%). This note matures on June 1, 2057. The unamortized debt issuance costs associated with this note totaled \$31,711 as of December 31, 2023. This loan is collateralized by a mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$1,181,737.

ii). Authority notes

The Authority loaned Merrill Park \$3,690,000 as an acquisition mortgage note and \$2,952,767 of federal funds note. Both notes accrue interest at 5.0%. For both notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes December 17, 2069. The unamortized debt issuance costs associated with the first note was \$4,119 and the second note was \$3,296 as of December 31, 2023. Both loans are collateralized by the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$5,769,921.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

h. National Soldiers Home Residences II, LLC

The unamortized debt issuance costs associated with the long-term debt listed below was \$253,303 as of December 31, 2023.

i). WHEDA

National Soldiers Home Residences II obtained a WHEDA Capital Magnet Funds loan and a WHEDA Housing Trust Funds loan. For both loans, monthly principal and interest beginning June 2022 are payable, subject to surplus cash, with an interest rate of 3.0%. Both notes mature on May 31, 2052. These loans are secured by real estate. The outstanding principal balance as of December 31, 2023 was \$1,530,995.

ii). Authority notes

The Authority loaned National Soldiers Home Residences II four loans: a non-interest bearing Milcon Sponsor Loan Note, a non-interest bearing Sponsor Housing Trust Fund Loan Note, a non-interest bearing State Historic Tax Credit Sponsor Loan Note, and an AHP Sponsor Loan Note bearing interest at 5.0% per annum. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes February 1, 2051. All loans are secured by assignments of leases, rents and the leasehold mortgage. The outstanding principal balance as of December 31, 2023 was \$8,710,989.

i. National Soldiers Home Residences III, LLC

i). Authority notes

The Authority loaned National Soldiers Home Residences III three loans: a non-interest bearing Milcon Sponsor Loan Note, a non-interest bearing State Historic Tax Credit Sponsor Loan Note, and an AHP Sponsor Loan Note bearing interest at 5.0% per annum. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes February 1, 2051. All loans are secured by assignments of leases, rents and the leasehold mortgage. The unamortized debt issuance costs associated with the Authority notes was \$16,349 as of December 31, 2023. The outstanding principal balance as of December 31, 2023 was \$1,841,043.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

j. *Olga Village, LLC*

The unamortized debt issuance costs associated with the long-term debt listed below was \$6,756 as of December 31, 2023.

i). *United Community Center*

Olga Village obtained two non-recourse loans from United Community Center in the original amount of \$171,000 and \$1,288,493. Both notes accrue interest at 2.5% per annum. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes November 9, 2051. These loans are collateralized by a mortgage on the rental property. The outstanding principal balance as of December 31, 2023 was \$1,171,894.

ii). *Authority notes*

The Authority loaned Olga Village two recourse loans in the original amount of \$2,166,726 and \$303,745. Both notes accrue interest at 1.0%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for the first note on November 24, 2049 and the second note on November 9, 2051. These loans are secured by the rental property. The outstanding principal balance as of December 31, 2023 was \$2,363,334.

k. *Scattered Sites, LLC*

i). *Authority notes*

The Authority loaned Scattered Sites a Federal Funds Loan accruing interest at 3.0% per annum compounded annually and a non-interest bearing Other Funds Loan. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes September 25, 2057. The outstanding principal balance as of December 31, 2023 was \$2,318,300.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

l. Scattered Sites II, LLC

i. Authority notes

The Authority loaned Scattered Sites II a HOPE VI Loan accruing interest at 8.0% per annum compounded annually and a non-interest bearing Other Funds Loan. For both notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. Both loans are collateralized by the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$1,107,578.

m. Townhomes at Carver, LLC

i. WHEDA

Townhomes at Carver obtained a WHEDA construction-perm mortgage note payable not to exceed \$6,700,000. Monthly interest payments are due until the conversion date in August 2024 which was extended to November 2024. At the time of conversion, required principal payments sufficient to achieve a DSCR of 1.175 to 1.0, beginning December 2024 are payable with an interest rate of 4.95% (effective rate of 5.06%). The unamortized debt issuance costs associated with this note totaled \$120,472 as of December 31, 2023. This loan is collateralized by a mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$5,759,309.

ii. Associated Bank

Townhomes at Carver obtained a construction mortgage note payable from Associated Bank not to exceed \$6,000,000. Monthly interest-only payments at the 30-day AMERIBOR rate plus 235 basis points (6.69% at December 31, 2023) were due until maturity. This note matures on August 1, 2024 which was extended to November 1, 2024. The unamortized debt issuance costs associated with this note totaled \$23,184 as of December 31, 2023. This loan is collateralized by a first mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$5,522,838.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

m. Townhomes at Carver, LLC (continued)

iii. Authority notes

The Authority loaned Townhomes at Carver \$6,850,000 as a non-recourse acquisition mortgage note. The note accrues interest at 3.35%, compounded annually. Unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due on August 1, 2072. The unamortized debt issuance costs associated with the note were \$4,829 as of December 31, 2023. The loan is collateralized by the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$6,850,000.

n. Westlawn Renaissance, LLC

i. Authority notes

The Authority loaned Westlawn Renaissance a recourse land loan not to exceed \$1,610,911 and a recourse construction and term loan not to exceed \$9,726,214. The land loan accrues interest at 4.05% compounded annually and the construction loan accrues interest at 4.0% compounded annually. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, accrues until maturity. All principal and accrued interest is due for all notes June 15, 2051. The unamortized debt issuance costs associated with the construction note were \$11,400 as of December 31, 2023. These loans are collateralized by a mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$9,260,761.

o. Westlawn Renaissance II, LLC

The unamortized debt issuance costs associated with the WHEDA loans listed below was \$45,088 as of December 31, 2023.

i. WG Scattered Sites - WHEDA

Westlawn Renaissance II obtained a WHEDA mortgage note not to exceed \$1,230,000. Monthly principal and interest of \$5,821 are payable with an interest rate of 4.5% (effective rate of 4.59%). This note matures on August 31, 2054. The unamortized debt issuance costs associated with this note totaled \$21,745 as of December 31, 2023. This loan is collateralized by a first mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$1,162,056.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)
- o. *Westlawn Renaissance II, LLC (continued)*
- i). WG Scattered Sites - Authority notes

The Authority loaned Westlawn Renaissance II three loans: a \$116,000 land loan note accruing interest at 2.78%, \$3,217,169 construction and term mortgage note accruing interest at 1.65%, and \$1,295,948 construction and term mortgage note accruing interest at 1.65%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for the land loan on March 30, 2067 and the construction notes on March 30, 2057. These loans are collateralized by mortgages on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$4,629,217.

- ii). Victory Manor - Authority notes

The Authority loaned Westlawn Renaissance II three loans: a \$240,000 land loan note accruing interest at 2.78%, \$5,422,200 construction and term mortgage note accruing interest at 2.45%, and \$6,625,521 construction and term mortgage note accruing interest at 2.45%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for the land loan on March 30, 2067 and the construction notes on March 30, 2057. These loans are collateralized by mortgages on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$8,321,905.

- iii). Victory Manor - WHEDA

Westlawn Renaissance II obtained two WHEDA mortgage notes not to exceed \$1,125,000 and \$24,786. For the first note, monthly principal and interest of \$3,938 are payable with an interest rate of 5.9% (effective rate of 6.06%). The second note is non-interest bearing and unpaid principal balance is payable to the extent of available cash flow, interest accrues until maturity. Both notes mature on August 31, 2054. The unamortized debt issuance costs associated with the first note totaled \$23,343 as of December 31, 2023. This loan is collateralized by a first mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$689,919.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

p. *Westlawn Renaissance III, LLC*

i). WHEDA

Westlawn Renaissance III obtained two WHEDA mortgage notes not to exceed \$1,550,000 and not to exceed \$250,000. For the first note, monthly principal and interest of \$8,344 beginning July 2021 are payable with an interest rate of 5.52% (effective rate of 5.66%). For the second note, beginning January 2022, annual payments of \$11,635 are payable with an interest rate of 3.0%, subject to surplus cash. The first note matures 35 years after the conversion date and the second note matures 17 years after the conversion date. The unamortized debt issuance costs associated with these notes totaled \$15,924 and \$2,217, respectively, as of December 31, 2023. These loans are collateralized by a first mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$1,754,428.

ii). Authority notes

The Authority loaned Westlawn Renaissance III four loans: a non-interest bearing construction and term mortgage note of \$9,009,277, a construction and term mortgage note of \$12,620,865 accruing interest at 0.5%, a land loan note of \$170,000 accruing interest at 2.89%, and an AHP loan accruing interest at 1.17%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for the construction notes on April 16, 2059, the land loan on April 16, 2069, and the AHP loan on July 8, 2050. The unamortized debt issuance costs associated with the construction notes were \$2,267 and \$3,175, respectively, as of December 31, 2023. These loans are collateralized by mortgages on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$20,860,196.

q. *Westlawn Renaissance IV, LLC*

i). PNC Bank

Westlawn Renaissance IV obtained a Bridge Loan from PNC Bank for \$10,900,000. Interest only payments at the Daily LIBOR rate plus 2.5% (6.89% as of December 31, 2022). All unpaid principal and accrued interest is due on December 30, 2025. This loan is collateralized by a mortgage on the rental property, the pledge agreement and the assignment of capital contributions. As of December 31, 2023, this loan was paid in full.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

q. *Westlawn Renaissance IV, LLC (continued)*

ii). WHEDA

Westlawn Renaissance IV obtained two WHEDA mortgage notes payable not to exceed \$750,000 and not to exceed \$2,289,382. For the first note, interest only payments at the greater of 3.0% or the 30 day LIBOR plus 300 basis points (7.39% as of December 31, 2022) adjusted monthly through the conversion date of July 1, 2023, upon which monthly payments of \$3,954 including interest at 5.35% (effective interest rate of 5.48%) were payable. For the second note, monthly interest only payments of 3% were required until the conversion date, July 1, 2023, subject to surplus cash. The first note matures on July 1, 2058 and the second note matures on July 1, 2040. The unamortized debt issuance costs associated with these notes totaled \$6,986 and \$19,622, respectively, as of December 31, 2023. These loans are collateralized by a first mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$3,036,302.

iii). Authority notes

The Authority loaned Westlawn Renaissance IV a \$1,486,900 construction and term mortgage note accruing interest at 4.55% and \$110,000 land loan note accruing interest at 1.31%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes December 21, 2070. These loans are collateralized by mortgages on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$1,596,900.

r. *Westlawn Renaissance V, LLC*

i). Authority notes

The Authority loaned Westlawn Renaissance V three loans: \$700,000 construction and term mortgage note, \$4,865,337 construction and term mortgage note, and \$750,000 mortgage note. All notes accrue interest at 1.5%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for the construction notes on July 6, 2072 and the mortgage note on July 6, 2052. The unamortized debt issuance costs associated with the second construction note were \$12,884 as of December 31, 2023. These loans are collateralized by mortgages on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$5,886,530.

Housing Authority of the City of Milwaukee

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

r. *Westlawn Renaissance V, LLC (continued)*

ii). WHEDA

Westlawn Renaissance V obtained three WHEDA mortgage notes payable not to exceed \$1,200,000 accruing at 4.95%, \$200,000 accruing at 3.0% per annum, and \$7,050,000 accruing at the greater of 3.0% or the Replacement Index Plus Spread Rate plus 3% (8.46% as of December 31, 2023). For all notes, interest only payments are required until the conversion date. These notes mature 35 years after the conversion date, 25 years after the conversion date, and on the conversion date, respectively. The unamortized debt issuance costs associated with these notes totaled \$18,442, \$3,043, and \$32,859, respectively, as of December 31, 2023. This loan is collateralized by a first mortgage on the rental property and the assignment of rents and security agreement. The outstanding principal balance as of December 31, 2023 was \$7,387,244.

s. *Westlawn Renaissance VI, LLC*

i). WHEDA

Westlawn Renaissance VI obtained a WHEDA mortgage note payable not to exceed \$5,668,000. Monthly principal and interest of \$26,649 beginning January 2023 are payable with an interest rate of 4.45% (effective rate of 4.54%). This note matures on December 1, 2057. The unamortized debt issuance costs associated with this note totaled \$61,606 as of December 31, 2023. This loan is collateralized by a first mortgage on the rental property and the assignment of rents and leases. The outstanding principal balance as of December 31, 2023 was \$5,599,043.

ii). Authority notes

The Authority loaned Westlawn Renaissance VI three loans: a \$13,640,808 construction and term mortgage note accruing interest at 1.0%, a \$10,415,111 construction and term mortgage note accruing interest at 1.0%, and a \$610,000 land loan note accruing interest at 1.93%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes March 31, 2057. The unamortized debt issuance costs associated with the construction notes were \$8,112 and \$6,184, respectively, as of December 31, 2023. These loans are collateralized by mortgages on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$24,665,919.

Housing Authority of the City of Milwaukee
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended December 31, 2023

NOTE C - DISCRETE COMPONENT UNITS NOTES (continued)

2. Long-term debt, net (continued)

t. *Westlawn Renaissance VII, LLC*

i). WHEDA

Westlawn Renaissance VII obtained four WHEDA construction-perm mortgage notes payable not to exceed \$4,260,000 accruing interest at 5.9%, \$19,740,000 accruing interest at 4.318%, \$500,000 accruing interest at 3.0%, and \$1,004,000 that is non-interest bearing. For all notes, interest only payments are required until the conversion date. These notes mature 35 years after the conversion date, September 1, 2024, 35 years after the conversion date, and 35 years after the conversion date, respectively. The unamortized debt issuance costs associated with the first, second, and third notes totaled \$51,029, \$71,721, and \$5,990, respectively, as of December 31, 2023. This loan is collateralized by a first mortgage on the rental property and the assignment of rents and security agreement. The outstanding principal balance as of December 31, 2023 was \$25,504,000.

ii). Authority notes

The Authority loaned Westlawn Renaissance VII three construction and term mortgage notes: \$490,000, \$11,656,203, and \$6,500,000. All notes accrue interest at 1.0%. For all notes, unpaid principal balance and accrued interest are payable to the extent of available cash flow, interest accrues until maturity. All principal and accrued interest is due for all notes August 3, 2072. These loans are collateralized by mortgages on the rental property and a general business security agreement. The outstanding principal balance as of December 31, 2023 was \$7,249,396.

REQUIRED SUPPLEMENTARY INFORMATION

Housing Authority of the City of Milwaukee

SCHEDULE OF NET POSITION - DISCRETE COMPONENT UNITS

December 31, 2023

	Becher Court	Cherry Court	Convent Hill	Highland Park	Holton Terrace	Lapham Park	Merrill Park	National Soldiers Home Residences II	National Soldiers Home Residences III	Olga Village
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents - unrestricted	\$ 1,031,926	\$ 95,658	\$ 83,988	\$ 85,396	\$ 445,574	\$ 1,227,872	\$ 1,206,388	\$ 4,001	\$ 2,562	\$ 70,860
Cash and cash equivalents - restricted	738,286	1,040,363	568,821	63,418	1,134,098	1,410,275	581,013	310,440	422,235	519,740
Receivables, net	789,440	39,905	84,618	250,502	737,542	132,862	299,719	133,638	125,594	22,251
Prepaid expenses	28,106	8,407	-	12,381	19,284	114,110	42,175	-	-	24,850
Total current assets	2,587,758	1,184,333	737,427	411,697	2,336,498	2,885,119	2,129,295	448,079	550,391	637,701
NONCURRENT ASSETS										
Capital assets, net	10,643,795	10,719,049	6,668,635	4,573,443	9,997,386	22,866,762	12,857,501	22,764,730	14,861,822	8,741,196
Other noncurrent assets	65,796	-	-	-	47,740	16,094	85,280	39,970	229,671	94,504
Total noncurrent assets	10,709,591	10,719,049	6,668,635	4,573,443	10,045,126	22,882,856	12,942,781	22,804,700	15,091,493	8,835,700
Total assets	13,297,349	11,903,382	7,406,062	4,985,140	12,381,624	25,767,975	15,072,076	23,252,779	15,641,884	9,473,401
LIABILITIES										
CURRENT LIABILITIES										
Current portion of long-term debt	16,820	713,317	24,310	2,667	11,954	-	13,014	-	-	-
Accounts payable and accrued liabilities	615,007	723,365	421,114	948,668	493,448	3,004,816	210,025	420,750	302,808	305,348
Tenant security deposits	52,294	46,536	37,577	44,741	39,383	97,456	47,439	32,928	33,710	11,623
Accrued interest payable	139,273	5,142,811	2,886,907	3,254,366	627,212	191,635	376,516	-	-	665,544
Total current liabilities	823,394	6,626,029	3,369,908	4,250,442	1,171,997	3,293,907	646,994	453,678	336,518	982,515
NONCURRENT LIABILITIES										
Long-term debt, net	7,264,471	8,687,203	7,580,370	2,095,654	7,805,585	19,535,097	6,899,518	9,988,681	1,824,694	3,528,472
Total liabilities	8,087,865	15,313,232	10,950,278	6,346,096	8,977,582	22,829,004	7,546,512	10,442,359	2,161,212	4,510,987
NET POSITION										
Net investment in capital assets	3,362,504	1,318,529	(936,045)	2,475,122	2,179,847	3,331,665	5,944,969	12,776,049	13,037,128	5,212,724
Restricted	685,992	993,827	531,244	18,677	1,094,715	1,312,819	533,574	277,512	388,525	508,117
Unrestricted	1,160,988	(5,722,206)	(3,139,415)	(3,854,755)	129,480	(1,705,513)	1,047,021	(243,141)	55,019	(758,427)
Total net position	\$ 5,209,484	\$ (3,409,850)	\$ (3,544,216)	\$ (1,360,956)	\$ 3,404,042	\$ 2,938,971	\$ 7,525,564	\$ 12,810,420	\$ 13,480,672	\$ 4,962,414

See independent auditor's report.

Housing Authority of the City of Milwaukee

SCHEDULE OF NET POSITION - DISCRETE COMPONENT UNITS (continued)

December 31, 2023

	Scattered Sites	Scattered Sites II	Townhomes at Carver	Westlawn Renaissance	Westlawn Renaissance II	Westlawn Renaissance III	Westlawn Renaissance IV	Westlawn Renaissance V	Westlawn Renaissance VI	Westlawn Renaissance VII	Total
ASSETS											
CURRENT ASSETS											
Cash and cash equivalents - unrestricted	\$ 104,476	\$ 345,200	\$ 229,334	\$ 1,017,957	\$ 275,776	\$ 301,476	\$ 575,756	\$ 16,507	\$ 502,162	\$ 209,487	\$ 7,832,356
Cash and cash equivalents - restricted	404,584	421,620	85,978	2,050,544	681,592	617,480	272,183	-	844,604	-	12,167,274
Receivables, net	32,226	60,186	547,469	378,897	169,384	150,256	154,000	11,080	820,909	50,727	4,991,205
Prepaid expenses	22,983	7,571	1,340,705	99,192	26,803	11,191	9,075	35,283	12,935	11,457	1,826,508
Total current assets	564,269	834,577	2,203,486	3,546,590	1,153,555	1,080,403	1,011,014	62,870	2,180,610	271,671	26,817,343
NONCURRENT ASSETS											
Capital assets, net	3,709,734	4,453,501	18,411,630	52,981,936	21,439,245	30,237,772	15,696,425	15,914,380	54,877,833	41,652,831	384,069,606
Other noncurrent assets	-	-	99,507	149,679	63,477	27,586	137,172	95,068	301,415	209,519	1,662,478
Total noncurrent assets	3,709,734	4,453,501	18,511,137	53,131,615	21,502,722	30,265,358	15,833,597	16,009,448	55,179,248	41,862,350	385,732,084
Total assets	4,274,003	5,288,078	20,714,623	56,678,205	22,656,277	31,345,761	16,844,611	16,072,318	57,359,858	42,134,021	412,549,427
LIABILITIES											
CURRENT LIABILITIES											
Current portion of long-term debt	-	-	5,546,839	-	26,144	21,562	7,677	5,991,543	72,088	19,749,224	32,197,159
Accounts payable and accrued liabilities	321,045	441,132	2,826,097	2,375,953	524,780	990,391	1,093,775	2,014,939	7,171,121	7,614,905	32,819,487
Tenant security deposits	9,923	15,837	74,435	133,667	51,469	54,986	45,500	-	104,028	6,596	940,128
Accrued interest payable	1,288,214	1,963,681	386,855	2,904,026	1,393,488	279,124	214,341	137,883	589,808	167,676	22,609,360
Total current liabilities	1,619,182	2,420,650	8,834,226	5,413,646	1,995,881	1,346,063	1,361,293	8,144,365	7,937,045	27,538,401	88,566,134
NONCURRENT LIABILITIES											
Long-term debt, net	2,318,300	1,107,578	12,436,823	9,249,361	14,731,865	22,569,479	4,598,917	7,215,003	30,116,972	12,875,432	192,429,475
Total liabilities	3,937,482	3,528,228	21,271,049	14,663,007	16,727,746	23,915,542	5,960,210	15,359,368	38,054,017	40,413,833	280,995,609
NET POSITION											
Net investment in capital assets	1,391,434	3,345,923	427,968	43,732,575	6,681,236	7,646,731	11,089,831	2,707,834	24,688,773	9,028,175	159,442,972
Restricted	394,661	405,783	11,543	1,916,877	630,123	562,494	226,683	-	740,576	(6,596)	11,227,146
Unrestricted	(1,449,574)	(1,991,856)	(995,937)	(3,634,254)	(1,382,828)	(779,006)	(432,113)	(1,994,884)	(6,123,508)	(7,301,391)	(39,116,300)
Total net position	\$ 336,521	\$ 1,759,850	\$ (556,426)	\$ 42,015,198	\$ 5,928,531	\$ 7,430,219	\$ 10,884,401	\$ 712,950	\$ 19,305,841	\$ 1,720,188	\$ 131,553,818

See independent auditor's report.

Housing Authority of the City of Milwaukee

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - DISCRETE COMPONENT UNITS

For the year ended December 31, 2023

	Becher Court	Cherry Court	Convent Hill	Highland Park	Holton Terrace	Lapham Park	Merrill Park	National Soldiers Home Residences II	National Soldiers Home Residences III
OPERATING REVENUES									
Tenant revenue, net	\$ 769,391	\$ 747,964	\$ 663,779	\$ 1,004,694	\$ 927,949	\$ 1,739,197	\$ 640,475	\$ 468,693	\$ 260,204
Other operating revenue	5,328,988	6,838	-	-	193,843	411	364,442	60,955	110,300
Total operating revenues	6,098,379	754,802	663,779	1,004,694	1,121,792	1,739,608	1,004,917	529,648	370,504
OPERATING EXPENSES									
Administrative	169,478	153,444	87,888	169,242	173,128	252,330	178,301	178,632	106,338
Utilities	158,213	201,238	-	179,697	110,472	289,267	185,438	131,649	71,979
Maintenance	183,875	343,930	121,406	352,423	275,637	495,506	220,737	228,469	112,273
Protective services	44,184	8,726	12,213	10,525	29,137	42,750	39,374	22,105	14,664
General	128,180	88,085	390,006	90,049	98,008	291,975	87,054	76,528	75,818
Depreciation	302,213	452,479	532,514	526,874	297,552	812,919	380,398	1,016,516	655,695
Total operating expenses	986,143	1,247,902	1,144,027	1,328,810	983,934	2,184,747	1,091,302	1,653,899	1,036,767
OPERATING INCOME (LOSS)	5,112,236	(493,100)	(480,248)	(324,116)	137,858	(445,139)	(86,385)	(1,124,251)	(666,263)
NON-OPERATING REVENUES (EXPENSES)									
Interest income	22,372	9,424	1,129	26	46,349	35,375	22,994	12,469	150
Interest expense	(280,180)	(458,083)	(288,479)	(265,181)	(411,895)	(50,157)	(360,413)	(100,539)	(31,002)
Total non-operating revenues (expenses)	(257,808)	(448,659)	(287,350)	(265,155)	(365,546)	(14,782)	(337,419)	(88,070)	(30,852)
Change in net position	4,854,428	(941,759)	(767,598)	(589,271)	(227,688)	(459,921)	(423,804)	(1,212,321)	(697,115)
Total net position - beginning	355,056	(2,468,091)	(2,776,618)	(771,685)	3,631,730	3,398,892	7,949,368	14,022,741	14,177,787
Total net position - ending	\$ 5,209,484	\$ (3,409,850)	\$ (3,544,216)	\$ (1,360,956)	\$ 3,404,042	\$ 2,938,971	\$ 7,525,564	\$ 12,810,420	\$ 13,480,672

See independent auditor's report.

Housing Authority of the City of Milwaukee

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - DISCRETE COMPONENT UNITS (continued)

For the year ended December 31, 2023

	Scattered Sites	Scattered Sites II	Townhomes at Carver	Westlawn Renaissance	Westlawn Renaissance II	Westlawn Renaissance III	Westlawn Renaissance IV	Westlawn Renaissance V	Westlawn Renaissance VI	Westlawn Renaissance VII	Total
OPERATING REVENUES											
Tenant revenue, net	\$ 219,529	\$ 238,945	\$ 997,166	\$ 1,948,526	\$ 572,295	\$ 579,390	\$ 397,882	\$ 4,068	\$ 1,252,468	\$ 68,328	\$ 13,815,864
Other operating revenue	-	-	455	1,704	28,496	-	11,316,830	996,108	4,525	1,369,958	19,786,104
Total operating revenues	219,529	238,945	997,621	1,950,230	600,791	579,390	11,714,712	1,000,176	1,256,993	1,438,286	33,601,968
OPERATING EXPENSES											
Administrative	36,603	38,717	230,637	316,118	125,538	100,449	108,701	14,501	167,760	24,073	2,718,634
Utilities	33,904	39,690	192,412	353,798	113,393	91,549	49,728	4,438	211,101	19,975	2,514,871
Maintenance	106,067	62,469	282,949	730,353	183,603	226,150	121,255	5,573	174,865	38,870	4,338,133
Protective services	3,357	3,283	21,083	52,293	3,474	11,378	6,027	-	17,982	-	342,555
General	37,222	47,068	428,343	416,965	122,785	102,437	89,978	-	152,628	34,128	2,797,155
Depreciation	154,006	176,218	500,454	1,981,424	651,897	889,994	445,861	106,347	1,489,002	233,343	11,942,665
Total operating expenses	371,159	367,445	1,655,878	3,850,951	1,200,690	1,421,957	821,550	130,859	2,213,338	350,389	24,654,013
OPERATING INCOME (LOSS)	(151,630)	(128,500)	(658,257)	(1,900,721)	(599,899)	(842,567)	10,893,162	869,317	(956,345)	1,087,897	8,947,955
NON-OPERATING REVENUES (EXPENSES)											
Interest income	837	861	137	50,678	13,449	18,646	4,895	-	29,965	-	272,000
Interest expense	(101,328)	(217,607)	(718,954)	(469,275)	(376,112)	(168,725)	(466,368)	(156,367)	(502,908)	(229,405)	(5,706,373)
Total non-operating revenues (expenses)	(100,491)	(216,746)	(718,817)	(418,597)	(362,663)	(150,079)	(461,473)	(156,367)	(472,943)	(229,405)	(5,434,373)
Change in net position	(252,121)	(345,246)	(1,377,074)	(2,319,318)	(962,562)	(992,646)	10,431,689	712,950	(1,429,288)	858,492	3,513,582
Total net position - beginning	588,642	2,105,096	820,648	44,334,516	6,891,093	8,422,865	452,712	-	20,735,129	861,696	128,040,236
Total net position - ending	\$ 336,521	\$ 1,759,850	\$ (556,426)	\$ 42,015,198	\$ 5,928,531	\$ 7,430,219	\$ 10,884,401	\$ 712,950	\$ 19,305,841	\$ 1,720,188	\$ 131,553,818

See independent auditor's report.

Housing Authority of the City of Milwaukee

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - RETIREE BENEFITS PLAN

For the year ended December 31, 2023

Fiscal year	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportional share percentage*	0.665769%	0.703214%	0.776635%	0.806718%	0.861628%	1.096314%	1.123111%	1.166164%	1.278258%
Net pension liability*	\$ 10,128,000	\$ 3,163,000	\$ 8,486,000	\$ 8,010,000	\$ 11,536,000	\$ 3,974,000	\$ 4,786,000	\$ 4,904,000	\$ 1,450,000
Covered payroll*	3,857,000	4,125,000	4,632,000	4,689,000	4,949,000	6,326,000	6,559,000	6,248,000	6,772,000
Net pension liability as percentage of covered payroll*	262.59%	76.68%	183.20%	170.83%	233.10%	62.82%	72.97%	78.49%	21.41%
Plan fiduciary net position as a percentage of the total pension liability*	78.41%	93.46%	83.79%	84.83%	78.71%	93.70%	91.98%	98.20%	97.76%
Contractually required contribution	498,841	586,351	668,282	635,798	772,027	980,257	900,100	931,049	1,005,471
Contributions in relation to the contractually required contribution	(498,841)	(586,351)	(668,282)	(635,798)	(772,027)	(980,257)	(900,100)	(931,049)	(1,005,471)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	3,857,000	4,125,000	4,632,000	4,689,000	4,949,000	6,326,000	6,559,000	6,248,000	9,562,255
Contributions as a percentage of covered payroll	12.93%	14.21%	14.43%	13.56%	15.60%	15.50%	13.72%	14.90%	10.51%

*The amounts presented for each fiscal year were determined as of December 31 of the prior fiscal year.

Note 1:
 GASB No. 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for only those years for which information is available.

Note 2:
 Changes in actuarial assumptions: none

See independent auditor's report.

Housing Authority of the City of Milwaukee

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS - EMPLOYEE'S RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

For the year ended December 31, 2023

Total OPEB Liability Change	2023	2022	2021	2020	2019	2018
Service cost	\$ 427,590	\$ 614,512	\$ 575,181	\$ 530,364	\$ 437,590	\$ 408,154
Interest	461,223	275,446	267,904	373,114	355,484	413,951
Differences between expected and actual experience	-	(556,170)	-	(360,487)	-	(2,279,731)
Changes in assumptions and other inputs	-	(2,720,318)	-	3,341,094	-	196,213
Benefit payments	(472,621)	(525,056)	(485,634)	(479,275)	(353,306)	(301,450)
<i>Net changes</i>	416,192	(2,911,586)	357,451	3,404,810	439,768	(1,562,863)
Total OPEB liability - beginning	10,507,455	13,419,041	13,061,590	9,656,780	9,217,012	10,779,875
Total OPEB liability - ending	<u>\$ 10,923,647</u>	<u>\$ 10,507,455</u>	<u>\$ 13,419,041</u>	<u>\$ 13,061,590</u>	<u>\$ 9,656,780</u>	<u>\$ 9,217,012</u>
Covered payroll	\$ 9,715,336	\$ 9,432,365	\$ 10,614,624	\$ 10,305,460	\$ 9,815,812	\$ 10,640,578
Total OPEB liability as a percentage of covered-employee payroll	112.44%	111.40%	126.42%	126.74%	98.38%	86.62%

Note 1:

GASB No. 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for only those years for which information is available.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

Housing Authority of the City of Milwaukee

FINANCIAL DATA SCHEDULE

For the year ended December 31, 2023

PHA: W002 FYED: 12/31/2023																					
Line Item No.	Account Description	Total AMPS	FSS Escrow Forfeiture Account 14.EFA	14.895 Jobs-Plus Pilot Initiative	2 State/Local Veteran Housing Program	Coronavirus State and Local Fiscal Recovery Funds 21.027	Section 8 Housing Choice Voucher Program 14.871	Resident Opportunity and Support Service 14.870	Choice Neighborhoods Implementation Grants 14.889	Emergency Housing Voucher 14.EHV	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	Central Office Cost Center	Other Federal Program 1	Blended Component Unit Total	Elimination	Primary Government Total	Discretely Presented Component Units	Total			
111	Cash - Unrestricted	5,771,685	-	-	1,394	-	-	-	-	73,149	-	-	-	169,311	-	6,015,539	7,832,356	13,847,895			
113	Cash - other restricted	165,563	109,895	-	581,622	-	-	-	-	187,083	8,093	-	-	-	-	1,052,256	11,227,146	12,279,402			
114	Cash - Tenant Security Deposits	617,639	-	-	594,363	-	-	-	-	-	-	4,200	-	-	-	1,216,202	940,128	2,156,330			
115	Cash - Restricted for payment of current liability	-	-	-	-	-	516,115	-	-	-	-	-	-	-	-	516,115	-	516,115			
100	Total Cash	6,554,887	109,895	-	1,177,379	-	516,115	-	-	260,232	8,093	4,200	-	169,311	-	8,800,112	19,999,630	28,799,742			
122	Accounts Receivable - HUD	1,898,647	-	1,643,217	-	2,458,130	41,804	18,506	-	-	-	-	-	206,865	-	6,267,169	-	6,267,169			
124	Accounts Receivable - other government	-	-	-	-	-	219,537	-	-	-	-	60	-	-	-	219,597	-	219,597			
125	Accounts Receivable - Miscellaneous	497,930	-	-	1,503	-	-	-	-	5,715	-	3,385,975	-	1,166,054	-	5,057,177	2,980,228	8,037,405			
126	Accounts Receivable - Tenants Dwelling Rents	2,357,467	-	-	1,703,683	-	650	-	-	-	-	-	-	-	-	4,061,800	2,010,977	6,072,777			
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(310,882)	-	-	(118,658)	-	-	-	-	-	-	-	-	-	-	(429,540)	-	(429,540)			
127	Notes, Loans, & Mortgages Receivable - current	5,900,000	-	-	8,164,466	-	425,880	-	-	-	-	11,312,378	-	-	(15,969,721)	9,833,003	-	9,833,003			
129	Accrued interest receivable	17,358,579	-	-	-	-	-	-	-	-	-	2,605,145	-	-	-	19,963,724	-	19,963,724			
120	Total Receivables, net of allowances for doubtful accounts	27,701,741	-	1,643,217	9,750,994	2,458,130	687,871	18,506	-	5,715	-	17,303,558	-	1,372,919	(15,969,721)	44,972,930	4,991,205	49,964,135			
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-	-	2,122,777	-	-	-	2,122,777	-	2,122,777			
132	Investments - restricted	-	-	-	4,850,780	-	-	-	-	-	-	-	-	-	-	4,850,780	-	4,850,780			
142	Prepaid Expenses and Other Assets	202,059	-	-	77,463	-	42,935	-	-	-	-	71,046	-	215,887	-	609,390	1,826,508	2,435,898			
144	Interprogram due from	5,258,916	-	-	6,982,031	-	2,600,000	-	-	-	-	6,409,380	-	-	(21,250,327)	-	-	-			
150	Total Current Assets	39,717,603	109,895	1,643,217	22,838,647	2,458,130	3,846,921	18,506	-	265,947	8,093	25,910,961	-	1,758,117	(37,220,048)	61,355,989	26,817,343	88,173,332			
161	Land	30,770,324	-	-	-	-	-	-	-	-	-	474,372	-	-	-	31,244,696	10,188,710	41,433,406			
162	Buildings	199,579,983	-	-	-	-	-	-	-	-	-	11,232,727	-	-	-	210,812,710	439,862,079	650,674,789			
163	Furniture, Equipment & Machinery - Dwellings	24,198	-	-	-	-	-	-	-	-	-	-	-	-	-	24,198	-	24,198			
164	Furniture, Equipment & Machinery - Administration	1,320,046	-	-	305,690	-	72,604	-	-	-	-	1,859,183	-	37,725	-	3,595,248	10,983,799	14,579,047			
166	Accumulated Depreciation	(177,309,816)	-	-	(142,489)	-	(72,604)	-	-	-	-	(7,113,024)	-	(15,623)	-	(184,653,556)	(88,721,308)	(273,374,864)			
167	Construction In Progress	-	-	-	98	-	-	-	-	-	-	86,392	-	520	-	87,010	11,756,326	11,843,336			
160	Total Fixed Assets, Net of Accumulated Depreciation	54,384,735	-	-	163,299	-	-	-	-	-	-	6,539,650	-	22,622	-	61,110,306	384,069,606	445,179,912			
171	Notes, loans, and mortgages receivable - Noncurrent	104,249,720	-	-	-	-	-	-	-	-	-	61,091,781	-	-	-	165,341,501	-	165,341,501			
172	Notes, Loans, & Mortgages Receivable - past due	-	-	-	3,000,000	-	-	-	-	-	-	-	-	-	(3,000,000)	-	-	-			
174	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,662,478	1,662,478			
176	Investment in joint ventures	-	-	-	-	-	-	-	-	-	-	6,230,154	-	-	-	6,230,154	-	6,230,154			
180	Total Non-Current Assets	158,634,455	-	-	3,163,299	-	-	-	-	-	-	73,861,585	-	22,622	(3,000,000)	232,681,961	385,732,084	618,414,045			
190	Total Assets	198,352,058	109,895	1,643,217	26,001,946	2,458,130	3,846,921	18,506	-	265,947	8,093	99,772,546	-	1,780,739	(40,220,048)	294,037,950	412,549,427	706,587,377			
200	Deferred Outflow of Resources	1,431,112	-	-	-	-	1,864,025	-	-	-	-	4,045,231	-	-	-	7,340,368	-	7,340,368			
290	Total Assets and Deferred Outflows	199,783,170	109,895	1,643,217	26,001,946	2,458,130	5,710,946	18,506	-	265,947	8,093	103,817,777	-	1,780,739	(40,220,048)	301,378,318	412,549,427	713,927,745			

See independent auditor's report.

Housing Authority of the City of Milwaukee

FINANCIAL DATA SCHEDULE

For the year ended December 31, 2023

PHA: W1002 FYED: 12/31/2023																					
Line Item No.	Account Description	Total AMPS	FSS Escrow Forfeiture Account 14.EFA	14.895 Jobs-Plus Pilot Initiative	2 State/Local Veteran Housing Program	Coronavirus State and Local Fiscal Recovery Funds 21.027	Section 8 Housing Choice Voucher Program 14.871	Resident Opportunity and Support Service 14.870	Choice Neighborhoods Implementation Grants 14.889	Emergency Housing Voucher 14.EHV	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	Central Office Cost Center	Other Federal Program 1	Blended Component Unit Total	Elimination	Primary Government Total	Discretely Presented Component Units	Total			
312	Accounts Payable <= 90 Days	5,897,582	-	-	9,865	-	1,327,455	-	-	22,351	-	7,132,089	-	4,200,822	-	18,590,164	3,256,981	21,847,145			
321	Accrued Wage/Payroll Taxes Payable	33,090	-	-	2,446	-	218,142	-	-	1,298	-	537,087	-	725,484	-	1,517,545	-	1,517,545			
322	Accrued Compensated Absences	-	-	-	-	-	-	-	-	-	-	171,837	-	65,067	-	236,904	-	236,904			
324	Accrued contingency liability	-	-	-	-	-	109,883	-	-	-	-	-	-	-	-	109,883	-	109,883			
325	Accrued interest payable	-	-	-	231,400	-	-	-	-	-	-	-	-	-	-	231,400	22,609,360	22,840,760			
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	12,910	-	-	-	-	12,910	-	12,910			
333	Accounts Payable - Other Government	579,561	-	-	632,570	-	-	-	-	-	-	2,792,694	-	-	-	4,004,825	-	4,004,825			
341	Tenant Security Deposits	617,639	-	-	594,363	-	-	-	-	-	-	4,200	-	-	-	1,216,202	940,128	2,156,330			
342	Unearned Revenues	163,362	-	-	125,381	-	-	-	-	-	-	-	-	-	-	288,743	-	288,743			
343	Current portion of L-T debt - capital projects	-	-	-	881,438	-	-	-	-	-	-	-	-	-	-	881,438	32,197,159	33,078,597			
345	Other current liabilities	1,405,887	-	-	163,755	-	516,115	-	-	-	-	13,883,964	-	-	(15,969,721)	-	25,026,103	25,026,103			
346	Accrued liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,536,403	4,536,403			
347	Interprogram due to	8,139,600	-	1,643,217	397,952	2,458,130	-	18,506	-	103,172	17,610	2,600,000	-	5,872,140	(21,250,327)	-	-	-			
310	Total Current Liabilities	16,836,721	-	1,643,217	3,039,170	2,458,130	2,171,595	18,506	-	126,819	30,520	27,121,871	-	10,863,513	(37,220,048)	27,090,014	88,566,134	115,656,148			
351	Long-term debt, net of current - capital projects	-	-	-	12,080,454	-	-	-	-	-	-	-	-	-	-	12,080,454	192,429,475	204,509,929			
352	Long-Term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000	(3,000,000)	-	-	-			
353	Noncurrent Liabilities - Other	165,563	-	-	-	-	-	-	-	-	-	-	-	-	-	165,563	-	165,563			
354	Accrued compensated Absences - Non Current	-	-	-	-	-	-	-	-	-	-	400,953	-	151,823	-	552,776	-	552,776			
357	Net Pension Liability	5,091,948	-	-	-	-	4,527,425	-	-	-	-	11,432,273	-	-	-	21,051,646	-	21,051,646			
350	Total Noncurrent Liabilities	5,257,511	-	-	12,080,454	-	4,527,425	-	-	-	-	11,833,226	-	3,151,823	(3,000,000)	33,850,439	192,429,475	226,279,914			
300	Total Liabilities	22,094,232	-	1,643,217	15,119,624	2,458,130	6,699,020	18,506	-	126,819	30,520	38,955,097	-	14,015,336	(40,220,048)	60,940,453	280,995,609	341,936,062			
400	Deferred Inflow of Resources	1,629,747	-	-	-	-	1,557,307	-	-	-	-	3,713,589	-	-	-	6,900,643	-	6,900,643			
508.4	Net Investment in Capital Assets	54,384,735	-	-	(12,798,593)	-	-	-	-	-	-	6,539,650	-	22,622	-	48,148,414	159,442,972	207,591,386			
511.4	Restricted Net Position	104,249,720	109,895	-	5,201,002	-	-	-	187,083	8,093	-	-	-	-	-	109,755,793	11,227,146	120,982,939			
512.4	Unrestricted Net Position	17,424,736	-	-	18,479,913	-	(2,545,381)	-	(47,955)	(30,520)	54,609,441	-	-	(12,257,219)	-	75,633,015	(39,116,300)	36,516,715			
513	Total Equity	176,059,191	109,895	-	10,882,322	-	(2,545,381)	-	139,128	(22,427)	61,149,091	-	-	(12,234,597)	-	233,537,222	131,553,818	365,091,040			
600	Total Liabilities, Deferred Inflows and Equity	199,783,170	109,895	1,643,217	26,001,946	2,458,130	5,710,946	18,506	-	265,947	8,093	103,817,777	-	1,780,739	(40,220,048)	301,378,318	412,549,427	713,927,745			
70300	Net Tenant Rental Revenue	9,379,870	-	-	8,208,400	-	-	-	-	-	-	-	-	-	-	17,588,270	11,478,338	29,066,608			
70400	Tenant Revenue - Other	299,773	-	-	174,200	-	-	-	-	-	-	-	-	-	-	473,973	3,551,014	4,024,987			
70500	Total Tenant Revenue	9,679,643	-	-	8,382,600	-	-	-	-	-	-	-	-	-	-	18,062,243	15,029,352	33,091,595			
70600	HUD PHA Grants	10,633,561	-	1,643,217	-	4,685,750	46,517,398	89,889	-	946,780	23,232	-	-	-	-	64,539,827	-	64,539,827			
70610	HUD PHA Capital Grants	305,526	-	-	-	-	-	-	48,677	-	-	-	-	-	-	354,203	-	354,203			
70710	Management Fee Revenue	-	-	-	-	-	-	-	-	-	-	3,060,880	-	-	(3,060,880)	-	-	-			
70720	Asset Management Fee Revenue	-	-	-	-	-	-	-	-	-	-	259,320	-	-	(259,320)	-	-	-			
70730	Bookkeeping Fee Revenue	-	-	-	-	-	-	-	-	-	-	278,378	-	-	(278,378)	-	-	-			
70740	Front Line Services Fees Revenue	-	-	-	-	-	-	-	-	-	-	4,124,689	-	-	(4,124,689)	-	-	-			
70750	Other Fee Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
70800	Other government grants	-	-	-	-	-	-	-	-	-	-	-	-	278,247	-	278,247	-	278,247			
71100	Investment Income - Unrestricted	1,814,821	-	-	213,551	-	9	-	-	-	-	1,226,586	-	1,435	-	3,256,402	136,000	3,392,402			
71200	Mortgage interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
71310	Cost of Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
71400	Fraud recovery	-	-	-	-	-	55,524	-	-	-	-	-	-	-	-	55,524	-	55,524			
71500	Other revenue	2,559,001	-	-	399,735	-	10,456	-	-	-	-	1,300,937	-	38,483,458	-	42,753,587	19,786,104	62,539,691			
71600	Gain/Loss on Sale of Fixed Assets	1,585,366	-	-	(6,463,340)	-	-	-	-	-	-	4,782,704	-	-	-	(95,270)	-	(95,270)			
72000	Investment income - restricted	-	-	-	1,540	-	32	-	-	-	-	5,240	-	-	-	6,812	136,000	142,812			
70000	Total Revenue	26,577,918	-	1,643,217	2,534,086	4,685,750	46,583,419	89,889	48,677	946,780	23,232	15,038,734	-	38,763,140	(7,723,267)	129,211,575	35,087,456	164,299,031			

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Housing Authority of the City of Milwaukee

FINANCIAL DATA SCHEDULE

For the year ended December 31, 2023

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91100	Administrative Salaries	1,463,109	-	59,106	315,430	-	1,984,834	43,527	-	11,463	2,680	2,894,835	-	5,365,026	-	12,140,010	831,778	12,971,788			
91200	Accounting and Auditing Fees	86,643	-	-	36,525	-	86,643	-	-	-	-	12,797	-	5,464	-	228,272	359,990	588,262			
91300	Management Fee	2,377,100	-	-	683,780	-	-	-	-	-	-	-	-	-	(3,060,880)	-	-	-			
91310	Book-keeping Fee	193,826	-	-	84,552	-	-	-	-	-	-	-	-	-	(278,378)	-	-	-			
91400	Advertising and Marketing	2,340	-	-	2,346	-	-	-	-	-	-	20,503	-	-	-	25,189	-	25,189			
91500	Employee Benefit Contributions - Administrative	742,136	-	33,771	159,032	-	909,226	3,350	-	844	1,148	1,496,835	-	2,569,271	-	5,915,613	120,812	6,036,425			
91600	Office Expenses	728,275	-	-	59,299	-	606,441	-	-	-	-	702,465	-	159,203	-	2,255,683	-	2,255,683			
91700	Legal Expense	110,546	-	-	48,200	-	7,784	-	-	-	-	196,718	-	10,209	-	373,457	-	373,457			
91800	Travel	2,892	-	-	-	-	20,128	-	-	-	-	25,793	-	7,522	-	56,335	-	56,335			
91900	Other	3,107,937	-	-	1,313,544	-	465,320	-	-	-	3,668	738,300	-	293,373	-	5,922,142	1,406,054	7,328,196			
92000	Asset Management Fee Expense	141,720	-	-	117,600	-	-	-	-	-	-	-	-	-	(259,320)	-	-	-			
92100	Tenant services - salaries	206,054	-	135,345	-	-	-	38,097	-	-	-	11,276	-	254,538	-	645,310	-	645,310			
92200	Relocation Costs	-	-	-	6,735	-	-	-	-	-	-	8,500	-	-	-	15,235	-	15,235			
92300	Employee benefit contributions - tenant services	56,381	-	8,351	-	-	-	4,915	-	-	-	4,812	-	43,630	-	118,089	-	118,089			
92400	Tenant Services - Other	453,848	-	6,600	-	-	-	-	48,677	-	-	11,039	-	1,913	-	522,077	-	522,077			
93100	Water	2,310,077	-	-	980,912	-	328	-	-	-	-	17,861	-	4,140	-	3,313,318	1,119,945	4,433,263			
93200	Electricity	1,105,387	-	-	49,408	-	-	-	-	-	-	56,757	-	23,358	-	1,234,910	1,111,492	2,346,402			
93300	Gas	653,078	-	-	30,186	-	-	-	-	-	-	20,851	-	13,467	-	717,582	283,434	1,001,016			
93600	Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
94100	Ordinary Maintenance and Operations - Labor	720,781	-	-	330,369	-	-	-	-	-	-	1,401,525	-	1,867,478	-	4,320,153	601,485	4,921,638			
94200	OMO - Materials and Other	2,441,470	-	-	290,829	-	3,644	-	-	-	-	122,873	-	167,617	-	3,026,433	432,894	3,459,327			
94300	OMO - Contract Costs	5,685,178	-	-	1,947,251	4,685,750	102	-	-	-	-	1,762,656	-	28,946,013	(4,124,689)	38,902,261	3,220,981	42,123,242			
94500	Employee Benefit Contributions - Ordinary Maintenance	378,042	-	-	147,006	-	-	-	-	-	-	601,077	-	138,222	-	1,264,347	82,773	1,347,120			
95200	Protective Services - Other Contract Costs	262,982	-	-	225	-	22,427	-	-	-	-	-	-	-	-	285,634	342,555	628,189			
96110	Property Insurance	589,401	-	-	153,448	-	-	-	-	-	-	23,296	-	-	-	766,145	366,534	1,132,679			
96120	Liability Insurance	201,551	-	-	82,262	-	110,131	-	-	-	-	4,735	-	40,304	-	438,983	366,534	805,517			
96130	Workmen's Compensation	52,791	-	-	3,365	-	55,435	-	-	-	-	96,691	-	361,811	-	570,093	366,533	936,626			
96140	All Other Insurance	74,598	-	-	9,785	-	-	-	-	-	-	57,544	-	223	-	142,150	-	142,150			
96200	Other General Expenses	768,697	-	-	5,500	-	411,536	-	-	-	-	227,633	-	27,953	-	1,441,319	1,697,554	3,138,873			
96210	Compensated Absences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
96300	Payments in Lieu of Taxes	579,471	-	-	632,570	-	-	-	-	-	-	-	-	119	-	1,212,160	-	1,212,160			
96400	Bad Debt - Tenant Rents	85,225	-	-	10,362	-	-	-	-	-	-	-	-	-	-	95,587	1,213,488	1,309,075			
96500	Bad Debt - Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
96600	Bad Debt - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	472,174	-	-	-	-	-	-	-	-	-	-	472,174	-	472,174			
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,706,373	5,706,373			
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
96800	Severance Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
96900	Total Operating Expenses	25,688,335	-	243,173	7,972,695	4,685,750	4,684,179	89,889	48,677	12,307	7,496	10,517,372	-	40,381,614	(7,723,267)	86,608,220	19,631,209	106,239,429			

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Housing Authority of the City of Milwaukee

FINANCIAL DATA SCHEDULE

For the year ended December 31, 2023

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97000	Excess Operating Revenue over Operating Expenses	889,583	-	1,400,044	(5,438,609)	-	41,899,240	-	-	934,473	15,736	4,521,362	-	(1,618,474)	-	42,603,355	15,456,247	58,059,602
97100	Extraordinary Maintenance	265	-	-	562,315	-	-	-	-	-	-	-	-	-	-	562,580	-	562,580
97200	Casualty Losses - Non-Capitalized	596,177	-	-	1,104	-	-	-	-	-	-	44,783	-	-	-	642,064	-	642,064
97300	Housing Assistance Payments	-	-	-	-	-	41,727,124	-	-	877,258	21,358	-	-	-	-	42,625,740	-	42,625,740
97350	HAP Portability-In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97400	Depreciation Expense	3,724,454	-	-	179,914	-	-	-	-	-	-	434,689	-	11,466	-	4,350,523	11,942,665	16,293,188
97500	Fraud losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97600	Capital outlays - governmental funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97700	Debt principal payment - governmental funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90000	Total Expenses	30,009,231	-	243,173	8,716,028	4,685,750	46,411,303	89,889	48,677	889,565	28,854	10,996,844	-	40,393,080	(7,723,267)	134,789,127	31,573,874	166,363,001
10010	Operating transfers in	2,204,664	-	-	-	-	-	-	-	-	-	-	-	-	(2,204,664)	-	-	-
10020	Operating transfers out	(2,204,664)	-	-	-	-	-	-	-	-	-	-	-	-	2,204,664	-	-	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10050	Proceeds from notes, loans and bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10060	Proceeds from property sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10080	Special items, net gain (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10091	Inter AMP Excess Cash Transfer In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10092	Inter AMP Excess Cash Transfer Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10093	Transfers from Program to AMP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10094	Transfers from AMP to Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10100	Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	(3,431,313)	-	1,400,044	(6,181,942)	-	172,116	-	-	57,215	(5,622)	4,041,890	-	(1,629,940)	-	(5,577,552)	3,513,582	(2,063,970)
11020	Debt Principal Payments	-	-	-	845,000	-	-	-	-	-	-	-	-	-	-	845,000	-	845,000
11030	Beginning Equity	177,040,664	109,895	5,786	13,676,844	-	(733,245)	-	5,749,220	81,913	(16,805)	46,083,904	7,487	11,771,737	-	253,777,400	128,040,236	381,817,636
11040	Prior Period Adjustments, Equity Transfer and Correction of Errors	2,449,840	-	(1,405,830)	3,387,420	-	(1,984,252)	-	(5,749,220)	-	-	11,023,297	(7,487)	(22,376,394)	-	(14,662,626)	-	(14,662,626)
11190	Unit Months Available	27,090	-	-	11,741	-	92,304	-	-	1,210	156	-	-	-	-	132,501	20,566	153,067
11210	Number of Unit Months Leased	25,757	-	-	11,211	-	69,287	-	-	1,143	83	-	-	-	-	107,481	16,020	123,501
11170	Administrative Fee Equity	-	-	-	-	-	(2,545,381)	-	-	-	-	-	-	-	-	(2,545,381)	-	(2,545,381)
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11270	Excess Cash	20,440,051	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000	23,440,051	-	23,440,051
11610	Land Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11650	Leasehold Improvement Purchases	215,187	-	-	-	-	-	-	-	-	-	-	-	-	-	215,187	-	215,187
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

See independent auditor's report.

SINGLE AUDIT SECTION

Housing Authority of the City of Milwaukee

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2023

Federal Grantor/Pass -Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Federal Expenditures
<u>Direct from the U.S. Department of Housing and Urban Development:</u>		
Housing Voucher Cluster		
Section 8 Housing Choice Voucher Program	14.871	\$ 46,517,398
Emergency Housing Voucher	14.871	946,780
Housing Voucher Cluster Total		\$ 47,464,178
Public and Indian Housing	14.850	7,599,580
Public Housing Capital Fund Program	14.872	3,339,507
Resident Opportunity and Support Service	14.870	89,889
Jobs-Plus Pilot Initiative	14.895	1,643,217
Choice Neighborhoods Implementation Grant	14.889	48,677
Section 8 Project-Based Cluster		
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	23,232
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		60,208,280
<u>Direct from the U.S. Department of Treasury</u>		
Coronavirus State and Local Fiscal Recovery Funds	21.027	4,685,750
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 64,894,030

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information on 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Housing Choice Voucher Program, ALN 14.871, to be considered an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD.

Note 2 - INDIRECT COST RATE

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

Note 3 - SUB-RECIPIENTS

During the year ended December 31, 2023, the Authority had no sub-recipients.

Note 4 - NONCASH ASSISTANCE AND OTHER

During the year ended December 31, 2023, the Authority did not receive any noncash assistance, federal loans, or federally funded insurance.

See independent auditor's report.

**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**

Board of Commissioners
Housing Authority of the City of Milwaukee
Milwaukee, WI

We were engaged to audit, 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 Housing Authority of the City of Milwaukee (the "Authority"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 2, 2026. Our report disclaims an opinion on such financial statements because we were unable to obtain adequate records or supporting documentation necessary to perform audit procedures required.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as **Finding No. 2023-001** that we consider to be a material weakness.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Authority, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as **Finding No. 2023-001**. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance may have been identified and reported herein.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

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 Authority'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 Authority's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

March 2, 2026
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

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

Board of Commissioners
Housing Authority of the City of Milwaukee
Milwaukee, WI

Report on Compliance for Each Major Federal Program

Adverse and Unmodified Opinions

We have audited the Housing Authority of the City of Milwaukee's (the "Authority") 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 the Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Adverse Opinion on Housing Voucher Cluster and Public and Indian Housing

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the Authority did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Housing Voucher Cluster and Public and Indian Housing for the year ended December 31, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2023.

Basis for Adverse and Unmodified Opinions

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 Authority 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 Authority's compliance with the compliance requirements referred to above.

Matters Giving Rise to Adverse Opinion on Housing Voucher Cluster and Public and Indian Housing

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with the requirements regarding Assistance Listing 14.871 Housing Voucher Cluster as described in **Finding No. 2023-002** for eligibility, **2023-003** for special tests and provisions-SEMAP, **2023-004** for special tests and provisions-waiting list, and **2023-007** for allowability-interprograms and Assistance Listing 14.850 Public and Indian Housing as described in **Finding No. 2023-005** for eligibility, and **2023-006** for special tests and provisions-waiting list.

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 the Authority'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 Authority'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 Authority'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 The Authority'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 the Authority’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 Authority’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.

Other Matters

Government Auditing Standards require the auditor to perform limited procedures on the Authority’s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding No. 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007** to be material weaknesses.

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.

Government Auditing Standards require the auditor to perform limited procedures on the Authority’s response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

March 2, 2026
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Authority of the City of Milwaukee
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Disclaimer**

Internal control over financial reporting:

Material weakness identified? **Yes (Finding No. 2023-001)**

Significant deficiencies identified? **None reported**

Noncompliance material to financial statements noted? **Yes (Finding No. 2023-001)**

Federal Awards

Internal control over major programs:

Material weakness identified? **Yes (Finding No. 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007)**

Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major programs:

- Housing Voucher Cluster - **Adverse**
- Public and Indian Housing - **Adverse**
- Public Housing Capital Fund Program - **Unmodified**
- Coronavirus State and Local Fiscal Recovery Funds - **Unmodified**

Are there audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes (Finding No. 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007)**

The program tested as a major program is as follows:

- Housing Voucher Cluster
 - Section 8 Housing Choice Voucher Program, ALN 14.871
 - Emergency Housing Voucher, ALN 14.871
- Public and Indian Housing, ALN 14.850
- Public Housing Capital Fund Program, ALN 14.872
- Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027

The threshold for distinguishing types A and B programs was **\$1,946,821**

Did the auditee qualify as a low-risk auditee? **No**

Housing Authority of the City of Milwaukee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

December 31, 2023

B. FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENTS AUDIT

2023-001 Financial Reporting - Disclaimer of Opinion

Material Weakness in Internal Control

Material Noncompliance

(Repeated in part from prior year, Finding No. 2022-001 and 2022-002)

Condition: During our audit of the Authority's financial statements, numerous material balances lacked full support and it was noted that certain accounts had not been properly reconciled and correcting entries were not available. Given these issues, the auditor did not have enough time to complete the necessary audit procedures and as such have issued a disclaimer of opinion on the financial statements.

Context: We obtained the financial information from the Authority's general ledger system. As part of our audit process, the financial information was compared to the unaudited submission sent to the U.S. Department of Housing and Urban Development Real Estate Assessment Center ("REAC"). Due to the lack of support, adequate audit procedures were not able to be performed on significant areas.

Criteria: In accordance with AU-C 265, when a deficiency or a combination of deficiencies in internal control is identified, which indicates that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis, a material weakness should be reported.

Cause: The Authority was unable to maintain proper oversight of its financial closing processes and recording keeping during a period of staff transitions. As a result the Authority did not have access to accurate closing schedules and was not able to implement the internal controls and processes to ensure that the general ledger and the unaudited REAC submission was complete and accurate.

Effect: The general ledger and the unaudited data submitted to REAC required numerous and material audit adjustments that delayed the audit, and therefore HUD could not provide proper timely financial oversight based on the unaudited REAC submission. In addition, we were not able to complete the required audit procedures which resulted in a disclaimer of opinion on the financial statements.

Auditor's Recommendations: The Authority should continue to develop and implement internal controls over both internal and external reporting, and the year-end close process to ensure reporting remains accurate and timely, with any unexpected financial data being investigated and corrected before it is reported.

Management Response: See Corrective Action Plan.

Housing Authority of the City of Milwaukee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

December 31, 2023

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

2023-002 Eligibility

Housing Voucher Cluster

Material Weakness in Internal Control

Material Noncompliance

(Repeated in part from prior year, Finding No. 2022-003 and 2022-004)

Condition: Out of an approximate population of 5,800 Housing Voucher Cluster tenants we tested 41 tenants and the following deficiencies were noted:

- 10 files were missing 214 forms,
- 9 files had incorrect income or missing income support,
- 9 files were missing identification for adults in the household,
- 8 files were missing birth certificates or other support for minors receiving income credits,
- 6 units did not have the required inspections performed,
- 3 files had late recertifications,
- 3 files were missing valid 9886 forms,
- 1 file was missing support of rent reasonableness that was required to be performed during the year for that unit,
- 1 file was missing required asset support, and
- 1 file contained an incorrect payment standard.

Criteria: The Authority's Administrative Plan and 24 CFR 982.516 requires internal controls to be in place to ensure proper procedures are being followed in compliance with HUD requirements regarding timely, complete, and accurate tenant files.

Context: The auditor haphazardly selected tenant files out of the population from each program as outlined, which we consider to be a statistically valid sample size. The auditor reviewed the tenant files and support to ensure that proper procedures are being followed and that the Authority is in compliance with HUD requirements regarding timely, complete, and accurate tenant files.

Cause: The Authority experienced staffing and operational challenges and did not have the available staff to follow the established internal controls to ensure proper compliance with regards to timely recertifications and collection of required HUD documentation to verify eligibility and calculate accurate housing assistance payments.

Effect: The Authority is not in compliance with HUD requirements regarding eligibility which could result in the incorrect amount of rental assistance provided.

Questioned Costs: Unknown.

Auditor Recommendations: The Authority should reevaluate their established procedures and controls in place to ensure full compliance in regards to eligibility and the timeliness of recertifications. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Management Response: See Corrective Action Plan.

Housing Authority of the City of Milwaukee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

December 31, 2023

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS (continued)

2023-003 Special Tests and Provisions - SEMAP

Housing Voucher Cluster

Material Weakness in Internal Control

Material Noncompliance

(Repeated in part from prior year, Finding No. 2022-003 and 2022-004)

Condition: The Authority was under Troubled Status with HUD for its Housing Choice Voucher program during the 2023 fiscal year. There were multiple findings from HUD with a Corrective Action Plan implemented covering areas typically monitored through SEMAP self-assessment process.

Criteria: The Authority is required to maintain oversight and internal controls of its federal programs.

Context: The auditor received the HUD findings report and follow up Corrective Action Plan monitoring during the year. The Authority's action items were ongoing throughout the duration of the audit.

Cause: The Authority continued to experience reporting and operational challenges which require HUD oversight. In addition, it was noted that the Authority was not able to implement effective controls over their Housing Choice Voucher program during this year.

Effect: The Authority is unable to perform their annual SEMAP reporting.

Questioned Costs: Unknown.

Auditor Recommendations: The Authority should evaluate and update its internal control policies and procedures related to HCV compliance requirements. The Authority should continue to work on its Corrective Action Plan with HUD to move out of Troubled Status.

Management Response: See Corrective Action Plan.

Housing Authority of the City of Milwaukee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

December 31, 2023

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS (continued)

2023-004 Special Tests and Provisions - Waiting List

Housing Voucher Cluster

Material Weakness in Internal Control

Material Noncompliance

(Repeated in part from prior year, Finding No. 2022-003 and 2022-004)

Condition: During our audit, we noted that the Authority was unable to provide complete and adequate waiting list documentation to support the selection of tenants who were issued housing vouchers. Specifically, required records demonstrating waiting list position, selection order, and eligibility determinations were not available for review. In addition, 8 of the 40 new admissions tested lacked support for the auditor to complete testing in this area.

Criteria: In accordance with 24 CFR 982.204 the Authority should follow the policies and procedures documented in its Administrative Plan for applicant eligibility, purging the waiting list, and maintaining the proper order of the waiting list.

Context: The HCV program requires housing authorities to maintain a waiting list and to issue vouchers in a manner that is consistent with HUD regulations and the Authority's Administrative Plan. The waiting list reports could not be located and staff were unable to pull waitlist reports from the system to show historical data.

Cause: The Authority experienced staffing turnover and did not have the available staff to fully implement the established internal controls to ensure proper maintenance and compliance of the waiting list.

Effect: The Authority is not in full compliance with HUD requirements regarding waiting list and tenant placement which could result in tenants being issued a voucher incorrectly.

Questioned Costs: None.

Auditor Recommendations: We recommend that management perform a reconciliation of the waiting list and reconstruct missing documentation where possible to support applicant selection and voucher issuance. Management should update and formalize waiting list procedures in accordance with HUD regulations and the Authority's Administrative Plan, implement supervisory review controls to verify completeness of waiting list documentation prior to voucher issuance, and ensure records are retained in accordance with HUD and federal record-retention requirements. In addition, management should provide training to staff responsible for waiting list administration to promote consistent compliance with HUD requirements.

Management Response: See Corrective Action Plan.

Housing Authority of the City of Milwaukee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

December 31, 2023

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS (continued)

2023-005 Eligibility

Public and Indian Housing - ALN 14.850

Material Weakness in Internal Control

Material Noncompliance

Condition: Out of an approximate population of 2,150 tenants from the Public and Indian Housing program, we tested 43 tenants and the following deficiencies were noted:

- 16 files were missing a flat rent option form,
- 14 files were missing 214 forms,
- 10 units did not have the required inspection performed,
- 9 files had incorrect income or missing income support,
- 8 files incorrectly contained prior year information in the current year recertification,
- 6 files were missing valid 9886 forms,
- 2 files were missing identification for adults in the household, and
- 1 file was missing birth certificate or other documentation for minors receiving income credits.

Criteria: The Authority's ACOP and 24 CFR 960.259 requires internal controls to be in place to ensure proper procedures are being followed in compliance with HUD requirements regarding timely, complete, and accurate tenant files.

Context: The auditor haphazardly selected tenant files out of the population from the program as outlined, which we consider to be a statistically valid sample size. The auditor reviewed the tenant files and support to ensure that proper procedures are being followed and that the Authority is in compliance with HUD requirements regarding timely, complete, and accurate tenant files.

Cause: The Authority experienced staffing and operational challenges and did not have the available staff to follow the established internal controls to ensure proper compliance with regards to timely recertifications and collection and retention of required HUD documentation to verify eligibility and calculate accurate tenant rental payments.

Effect: The Authority is not in compliance with HUD requirements regarding eligibility which could result in the incorrect amount of rental assistance provided.

Questioned Costs: Unknown.

Auditor Recommendations: The Authority should reevaluate their established procedures and controls in place to ensure full compliance in regards to eligibility and the timeliness of recertifications. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Management Response: See Corrective Action Plan.

Housing Authority of the City of Milwaukee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

December 31, 2023

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS (continued)

2023-006 Special Tests and Provisions - Waiting List

Public and Indian Housing Program - AL No. 14.850

Material Weakness in Internal Control

Material Noncompliance

Condition: During our audit, we noted that the Authority was unable to provide complete and adequate waiting list documentation to support the selection of tenants who were admitted into the Public Housing Program. Specifically, required records demonstrating waiting list position, selection order, and eligibility determinations were not available for review. As a result, we were unable to verify that applicants were admitted in accordance with HUD waiting list and tenant selection requirements.

Criteria: In accordance with 24 CFR 960.206 the Authority should follow the policies and procedures documented in its Public Housing Administrative Plan for applicant eligibility, purging the waiting list, and maintaining the proper order of the waiting list.

Context: The Auditor recognized an issue with maintaining an accurate and up to date waiting list. The waiting list report could not be located and staff were unable to pull a waitlist report from the system to show historical data.

Cause: The Authority experienced staffing turnover and did not have the available staff to fully implement the established internal controls to ensure proper maintenance and compliance of the waiting list.

Effect: The Authority is not in compliance with HUD requirements regarding waiting list and tenant placement which could result in tenants being housed incorrectly.

Questioned Costs: None.

Auditor Recommendations: We recommend that management perform a reconciliation of the waiting list and reconstruct missing documentation where possible to support applicant selection and admission into the program. Management should update and formalize waiting list procedures in accordance with HUD regulations and the Authority's ACOP, implement supervisory review controls to verify completeness of waiting list documentation prior to tenant admission, and ensure records are retained in accordance with HUD and federal record-retention requirements. In addition, management should provide training to staff responsible for waiting list administration to promote consistent compliance with HUD requirements.

Management Response: See Corrective Action Plan.

Housing Authority of the City of Milwaukee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

December 31, 2023

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS (continued)

2023-007 Allowability - Interprograms

Housing Voucher Cluster

Material Weakness in Internal Control

Material Noncompliance

(Repeated in part from prior year, Finding No. 2022-001)

Condition: Currently the Authority maintains a material interprogram receivable in Housing Choice Voucher program ("HCV"), which is due from the Central Office Cost Center ("COCC"). As of December 31, 2023, the interprogram receivable for HCV is \$2,500,000.

Criteria: Per HUD regulations, 2 CFR part 200, and the line definition guide issued by HUD for the Financial Data Schedule, funds in HCV can only be transferred to other related Housing Assistance Payment based programs or to the COCC for a fee for service or other pre-approved HUD exceptions. The Authority is cautioned that funds are normally not fungible between different federal programs regardless of the nature of the transfer or receivable. Inappropriate use of funds, even a temporary loan, are considered ineligible costs resulting in non-compliance. HCV, under current laws, should not loan the COCC any funds.

Context: During the audit review of reconciling cash, it was observed that COCC had been transferred these funds in prior years.

Cause: The Authority lacked internal controls to prevent the misuse of federal funds to cover operating losses in the COCC.

Effect: The Authority is not in compliance with HUD requirements regarding eligible use of federal funds.

Questioned Costs: \$2,500,000

Auditor Recommendations: The Authority should follow the Recovery Plan, once established, that will be implemented with HUD to pay back the interprogram receivable. The Authority should continue to budget and monitor COCC and other Authority expenses to eliminate the need for borrowing funds from restricted federal programs, and to have the ability to reimburse HCV for the borrowed funds.

Management Response: See Corrective Action Plan.

Housing Authority of the City of Milwaukee

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

December 31, 2023

2022-001 Financial Reporting

Material Weakness in Internal Control

Condition: There is a lack of internal controls over financial reporting which does not provide reliable and accurate information used in preparation of the year-end financial statements. Material misstatements (including a restatement related to proper reporting of Housing Assistance Payment accruals) were discovered as part of the audit process. In addition, there was an account reconciliation provided for audit purposes that contained an unreconciled variance of \$2,561,093. Furthermore, the Authority has received communications from their major funding agency and us, as your auditor, from prior periods that pertain to inaccuracies in financial reporting that have not been corrected for the current fiscal year.

Auditor's Recommendations: The Authority should review current policies and procedures related to year-end financial reporting to determine whether improvements to accuracy and timeliness of financial information are feasible. Management and the governing board should continue to make reasonable effort to be knowledgeable about the Authority's financial condition and financial reporting requirements. Lastly, management should work directly with HUD to agree upon a corrective action plan to address the matters raised in prior communications.

Current Year Status: Repeated in Finding No. 2023-001 and 2023-007.

2022-002 Segregation of Duties

Material Weakness in Internal Control

Condition: The Authority operates its accounting and reporting function with a limited number of individuals, which precludes a proper segregation of duties. A large volume of transactions are processed by a limited number of individuals, and in some cases, only one person may process and record a transaction. Furthermore, the Authority has received communications from their major funding agency and us, as your auditor, from prior periods that pertain to incompatible duties in the financial reporting process that have not been corrected for the current fiscal year.

Auditor's Recommendations: The Authority should review the year-end processes, job roles and overall organizational structure to ensure timely completion of the financial reporting process and segregation of incompatible duties to the extent possible. Lastly, management should work directly with HUD to agree upon a corrective action plan to address the matters raised in prior communications.

Current Year Status: Repeated in part in Finding No. 2023-001.

Housing Authority of the City of Milwaukee

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (continued)

December 31, 2023

2022-003 Program Scope Limitation

Material Weakness in Internal Control
Material Noncompliance

Condition: In December 2022, the U.S. Department of Housing and Urban Development (HUD), Office of Public Housing and Voucher Programs, Quality Assurance Division conducted a Financial Management Review (FMR) and a Management & Operations Review (MOR) of the Housing Choice Voucher (HCV) program of the Authority for the period ending December 31, 2022. The results of those reviews noted several instances where appropriate and sufficient information was not available, and a continued degradation of internal controls was noted when compared to previous reports conducted. They noted substantive errors in the financial recording and reporting that appear to be prevalent, pervasive and systemic. Lastly, their review of participant files yielded a 100% error rate that resulted in them suspending their review of the remaining sample selected.

HUD conducted a follow-up review in February 2023 noting similar findings pertaining to the HCV program. This letter was not made available to us in a timely fashion.

Based on the provisions of 200.518, assistance listing number 14.871, Section 8 Housing Choice Voucher program was selected as a major program. However, we were unable to complete the required testing due to the matters identified by HUD whereby no progress had been made towards corrective action at the time of audit.

Auditor's Recommendations: The Authority should review the job roles and overall organizational structure, specifically impacting the Housing Choice Voucher program, to ensure timely and accurate reporting, including maintaining satisfactory documentation supporting eligibility determinations and program expenditures. Management should work directly with HUD to agree upon a corrective action plan to address the matters raised in their report.

Current Year Status: Repeated in part in Finding No. 2023-002, 2023-003, and 2023-004.

2022-004 Program Scope Limitation

Housing Voucher Cluster
Material Weakness in Internal Control
Material Noncompliance

Same as Finding No. 2022-003



HOUSING AUTHORITY OF THE
CITY OF MILWAUKEE

Cavalier Johnson
Mayor

Ken Barbeau
Acting Secretary-Executive Director

Board of Commissioners

CORRECTIVE ACTION PLAN

March 2, 2026

U.S. Department of Housing and Urban Development
310 West Wisconsin Avenue, Ste. W950
Milwaukee, WI 53203-2289
Attn: Shirley Wong, PIH Director

The Housing Authority of the City of Milwaukee (HACM) respectfully submits the following corrective action plan for the year ended December 31, 2023.

Berman Hopkins Wright & LaHam, CPAs and Associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

Audit period: January 1, 2023 - December 31, 2023

The finding from the December 31, 2023 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.



FINDINGS - FINANCIAL STATEMENTS

2023-001 Financial Reporting – Disclaimer of Opinion

Material Weakness in Internal Controls

Material Noncompliance

Condition: During our audit of the Authority's financial statements, numerous material balances lacked full support and it was noted that certain accounts had not been properly reconciled and correcting entries were not available. Given these issues, the auditor did not have enough time to complete the necessary audit procedures and as such have issued a disclaimer of opinion on the financial statements.

Auditor Recommendations: The Authority should continue to develop and implement internal controls over both internal and external reporting, and the year-end close process to ensure reporting remains accurate and timely, with any unexpected financial data being investigated and corrected before it is reported.

Action Taken: For an effective audit, reconciliations and year-end adjusting journal entries should be completed prior to the time that the independent auditors come in for fieldwork.

On the same note and based on a HUD review of operations, HACM entered into a Recovery Agreement and a Sustainability Plan with the U.S. Department of Housing and Urban Development in early 2025.

The Sustainability Plan includes a requirement to conduct a review of all current financial policies and procedures to determine improvements, changes and missing requirements. HACM then amends or develops financial policies and procedures to implement the changes and improvements identified. Additionally, HACM shall develop and implement a quality control process to ensure future financial reporting is accurate. All these items will be provided to the HUD field office.

HACM is in the process currently (March 2026) of hiring a new Chief Financial Officer. Therefore, HACM has contracted with the accounting and consultant firm, BDO, to review and propose revisions to HACM's accounting policies and procedures.

Name of Responsible Person: Ken Barbeau, Acting Secretary-Executive Director; Chief Financial Officer (currently vacant); Finance Director—Pam Watson

Projected Completion Date: July 31, 2026

FINDINGS - FEDERAL AWARDS PROGRAMS AND QUESTIONED COSTS

2023-002 Eligibility

Housing Voucher Cluster

Material Weakness in Internal Controls

Material Noncompliance

Condition: Out of an approximate population of 5,800 Housing Voucher Cluster tenants we tested 41 tenants and the following deficiencies were noted:

- 10 files were missing 214 forms,
- 9 files had incorrect income or missing income support,
- 9 files were missing identification for adults in the household,
- 8 files were missing birth certificates or other support for minors receiving income credits,
- 6 units did not have the required inspections performed,
- 3 files had late recertifications,
- 3 files were missing valid 9886 forms,
- 1 file was missing support of rent reasonableness that was required to be performed during the year for that unit,
- 1 file was missing required asset support, and
- 1 file contained an incorrect payment standard.

Auditor Recommendations: The Authority should reevaluate their established procedures and controls in place to ensure full compliance in regards to eligibility and the timeliness of recertifications. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Action Taken: Via a nationwide Request for Proposal, HACM hired the contractor, CVR Associates, Inc. (CVR) to manage and operate the entire Housing Choice Voucher program for HACM, effective January 2, 2025. This contract is currently overseen by the Acting Secretary-Executive Director and will be overseen by the Chief Operations Officer once a new one is hired. CVR was selected as the contractor in part due to their extensive experience in managing similar voucher programs nationwide and on their tools/software that they have developed to manage items, such as quality control testing in the areas such as the items noted above.

CVR provided additional training to staff, prepared new standard operating procedures, and perform quality control testing over the course of the entire year. Many of the SEMAP indicators have improved, but some have additional improvement still needed based on the 2025 SEMAP results. When there are issues, the CVR Quality Control team follows up with the staff person to correct the issue, and to provide guidance or additional training with the goal to reduce the error rate in the future. We believe that HACM will be back to being a standard performer or higher in 2026 in general for SEMAP

Name of Responsible Person: Ken Barbeau, Acting Secretary-Executive Director;
Chief Operations Officer (once hired);

Projected Completion Date: December 31, 2026

2023-003 Special Tests and Provisions - SEMAP

Housing Voucher Cluster

Material Weakness in Internal Controls

Material Noncompliance

Condition: The Authority was under Troubled Status with HUD for its Housing Choice Voucher program during the 2023 fiscal year. There were multiple findings from HUD with a Corrective Action Plan implemented covering areas typically monitored through SEMAP self-assessment process.

Auditor Recommendations: The Authority should evaluate and update its internal control policies and procedures related to HCV compliance requirements. The Authority should continue to work on its Corrective Action Plan with HUD to move out of Troubled Status.

Action Taken: On the same note and based on a HUD review of operations, HACM entered into a SEMAP Corrective Action Plan with HUD with the goal to improve the SEMAP performance indicator scores.

Via a nationwide Request for Proposal, HACM hired the contractor, CVR Associates, Inc. (CVR) to manage and operate the entire Housing Choice Voucher program for HACM, effective January 2, 2025. This contract is currently overseen by the Acting Secretary-Executive Director and will be overseen by the Chief Operations Officer once a new one is hired. CVR was selected as the contractor in part due to their extensive experience in managing similar voucher programs nationwide and on their tools/software that they have developed to manage items, such as quality control testing in the areas such as the items noted above.

CVR provided additional training to staff, prepared new standard operating procedures, and perform quality control testing over the course of the entire year. Many of the SEMAP indicators have improved, but some have additional improvement still needed based on the 2025 SEMAP results. When there are issues, the CVR Quality Control team follows up with the staff person to correct the issue, and to provide guidance or additional training with the goal to reduce the error rate in the future. We believe that HACM will be back to being a standard performer or higher in 2026.

FINDINGS - FEDERAL AWARDS PROGRAMS AND QUESTIONED COSTS (continued)

Name of Responsible Person: Ken Barbeau, Acting Secretary-Executive Director;
Chief Operations Officer (once hired);

Projected Completion Date: December 31, 2026

2023-004 Special Tests and Provisions - Waiting List

Housing Voucher Cluster
Material Weakness in Internal Controls
Material Noncompliance

Condition: During our audit, we noted that the Authority was unable to provide complete and adequate waiting list documentation to support the selection of tenants who were issued housing vouchers. Specifically, required records demonstrating waiting list position, selection order, and eligibility determinations were not available for review. In addition, 8 of the 40 new admissions tested lacked support for the auditor to complete testing in this area.

Auditor Recommendations: We recommend that management perform a reconciliation of the waiting list and reconstruct missing documentation where possible to support applicant selection and voucher issuance. Management should update and formalize waiting list procedures in accordance with HUD regulations and the Authority's Administrative Plan, implement supervisory review controls to verify completeness of waiting list documentation prior to voucher issuance, and ensure records are retained in accordance with HUD and federal record-retention requirements. In addition, management should provide training to staff responsible for waiting list administration to promote consistent compliance with HUD requirements.

Action Taken: On the same note and based on a HUD review of operations, HACM entered into a SEMAP Corrective Action Plan with HUD with the goal to improve the SEMAP performance indicator scores.

Via a nationwide Request for Proposal, HACM hired the contractor, CVR Associates, Inc. (CVR) to manage and operate the entire Housing Choice Voucher program for HACM, effective January 2, 2025. This contract is currently overseen by the Acting Secretary-Executive Director and will be overseen by the Chief Operations Officer once a new one is hired. CVR was selected as the contractor in part due to their extensive experience in managing similar voucher programs nationwide and on their tools/software that they have developed to manage items, such as quality control testing in the areas such as the items noted above. This included wait list oversight and wait list selection.

**FINDINGS - FEDERAL AWARDS PROGRAMS AND QUESTIONED COSTS
(continued)**

CVR provided additional training to staff, prepared new standard operating procedures including those over waiting lists, and perform quality control testing over the course of the entire year. Many of the SEMAP indicators have improved, but some have additional improvement still needed based on the 2025 SEMAP results. When there are issues, the CVR Quality Control team follows up with the staff person to correct the issue, and to provide guidance or additional training with the goal to reduce the error rate in the future. We believe that HACM will be back to being a standard performer or higher in 2026. In addition, the self-reported 2025 SEMAP testing was showing good scores in the area of Waiting List.

Name of Responsible Person: Ken Barbeau, Acting Secretary-Executive Director;
Chief Operations Officer (once hired);

Projected Completion Date: December 31, 2026

**FINDINGS - FEDERAL AWARDS PROGRAMS AND QUESTIONED COSTS
(continued)**

2023-005 Eligibility

Public and Indian Housing - ALN 14.850

Material Weakness in Internal Controls

Material Noncompliance

Condition: Out of an approximate population of 2,150 tenants from the Public and Indian Housing program, we tested 43 tenants and the following deficiencies were noted:

- 16 files were missing a flat rent option form,
- 14 files were missing 214 forms,
- 10 units did not have the required inspection performed,
- 9 files had incorrect income or missing income support,
- 8 files incorrectly contained prior year information in the current year recertification,
- 6 files were missing valid 9886 forms,
- 2 files were missing identification for adults in the household, and
- 1 file was missing birth certificate or other documentation for minors receiving income credits.

Auditor Recommendations: The Authority should reevaluate their established procedures and controls in place to ensure full compliance in regards to eligibility and the timeliness of recertifications. The Authority needs to correct the deficiencies noted in the tested files and consider the impact to the rest of the population of tenant files that were not selected as part of the auditor's sample.

Action Taken: HACM's Lease and Compliance department has done additional training with their staff since 2023 on Occupancy, Eligibility, Income and Rent Calculation. In addition, the Director has provided additional onboarding training to new employees and has provided YARDI Aspire training in how to perform certain eligibility tasks in YARDI. We believe that the error rate will decrease in future years from 2023. In addition, between March 2026 and June 2026, the Lease and Compliance Director will work with all staff that perform initial eligibility or recertifications to reiterate the major topics that HACM has had deficiencies and the proper way to treat those items.

Name of Responsible Person: Marquetta Treadway, Lease and Compliance Director

Projected Completion Date: June 30, 2026

**FINDINGS - FEDERAL AWARDS PROGRAMS AND QUESTIONED COSTS
(continued)**

2023-006 Special Tests and Provisions - Waiting List

Public and Indian Housing - ALN 14.850

Material Weakness in Internal Controls

Material Noncompliance

Condition: During our audit, we noted that the Authority was unable to provide complete and adequate waiting list documentation to support the selection of tenants who were admitted into the Public Housing Program. Specifically, required records demonstrating waiting list position, selection order, and eligibility determinations were not available for review. As a result, we were unable to verify that applicants were admitted in accordance with HUD waiting list and tenant selection requirements.

Auditor Recommendations: We recommend that management perform a reconciliation of the waiting list and reconstruct missing documentation where possible to support applicant selection and admission into the program. Management should update and formalize waiting list procedures in accordance with HUD regulations and the Authority's ACOP, implement supervisory review controls to verify completeness of waiting list documentation prior to tenant admission, and ensure records are retained in accordance with HUD and federal record-retention requirements. In addition, management should provide training to staff responsible for waiting list administration to promote consistent compliance with HUD requirements.

Action Taken: HACM's Lease and Compliance department has done additional training with their staff since 2023 on Occupancy, Eligibility, Income and Rent Calculation. In addition, the Director has provided additional onboarding training to new employees and has provided YARDI Aspire training in how to perform certain tasks in YARDI software, including waitlist selection. We believe that the error rate will decrease in future years from 2023. In addition, between March 2026 and June 2026, the Lease and Compliance Director will work with all staff that maintain waitlists or perform waitlist selection to reiterate the proper documentations of how to maintain records that demonstrate waitlist positions, selection order and proper selection.

Name of Responsible Person: Marquetta Treadway, Lease and Compliance Director

Projected Completion Date: June 30, 2026

**FINDINGS - FEDERAL AWARDS PROGRAMS AND QUESTIONED COSTS
(continued)**

2023-007 Allowability - Interprograms

Housing Voucher Cluster

Material Weakness in Internal Controls

Material Noncompliance

Condition: Currently the Authority maintains a material interprogram receivable in Housing Choice Voucher program (“HCV”), which is due from the Central Office Cost Center (“COCC”). As of December 31, 2023, the interprogram receivable for HCV is \$2,500,000.

Auditor Recommendations: The Authority should follow the Recovery Plan, once established, that will be implemented with HUD to pay back the interprogram receivable. The Authority should continue to budget and monitor COCC and other Authority expenses to eliminate the need for borrowing funds from restricted federal programs, and to have the ability to reimburse HCV for the borrowed funds.

Action Taken: HACM performed a 100% financial transaction review related to the Housing Choice Voucher program in compliance with requirements from the HUD Quality Assurance Division Corrective Action Plan. This financial transaction review identified a total of \$2,900,000 in amounts in the Housing Choice Voucher program funding that needed to be repaid to HUD and an additional \$11,712 in ineligible expenses spent from HCV Administrative funding.

HACM’s Acting Secretary-Executive Director has been working with the Quality Assurance Division to provide them documentation requested so that QAD can perform an analysis of HACM’s ability to pay. The goal is to work with HUD to identify a longer-term repayment plan that is in line with the PHA’s ability to pay. The goal is to finalize a repayment agreement in the next couple months.

Name of Responsible Person: Ken Barbeau, Acting Secretary-Executive Director; Chief Financial Officer (when hired);

Projected Completion Date: June 30, 2026

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please contact Kenneth Barbeau, Acting Secretary-Executive Director at (414) 286-5824.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Kenneth Barbeau", with a long horizontal flourish extending to the right.

Kenneth Barbeau
Acting Secretary-Executive Director