

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
WITH
REPORT OF INDEPENDENT AUDITORS

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
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FOR THE YEAR ENDED DECEMBER 31, 2025

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REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners
Housing Authority of the City Little Rock:

Opinions

We have audited the accompanying statement of net position of the business-type activities (primary government) of the Housing Authority of the City Little Rock (the "Authority") as of December 31, 2025 and were engaged to audit the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and related notes to the financial statements. We have also audited the accompanying statement of net position of the aggregate discretely presented component units of the Authority as of December 31, 2025, and the related statements of revenues, expenses and net position for the year then ended and the related notes to the financial statements.

Qualified Opinion on the Statement of Net Position for the Primary Government

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the primary government of the Authority as of December 31, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Statement of Revenues, Expenses and Changes in Net Position and Cash Flows of the Primary Government

We do not express an opinion on the statements of revenues, expenses and changes in net position and cash flows for the primary government referred to above for the year ended December 31, 2025. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Statement of Revenues, Expenses and Changes in Net Position and Cash Flows 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 statements of revenues, expenses and changes in net position and cash flows for the year ended December 31, 2025.

Unmodified Opinion on the Discretely Presented Component Units

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component units as of December 31, 2025, and the respective changes in their financial position 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 FP Tower Little Rock, LLC, JP Tower Little Rock, LLC, Cumberland Tower Little Rock, LLC, and Sunset Terrace, LLC which represent 99.5% of the assets, 81.0% of the net position and 92.4% of the revenues of the discretely presented component units as of and for the year ended December 31, 2025. Those statements, which were prepared in accordance with the accounting standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the discretely presented component units, to conform those financial statements to present in accordance with the accounting standards issued by the Governmental Accounting Standards Board ("GASB"). Our opinions, insofar as they relate to the amounts included for the discretely presented component units, are based solely on the reports of the other auditors.

Emphasis of Matter

Correction of Error

As discussed in Note 16 to the financial statements, certain errors that resulted in understatement of amounts previously reported for lease receivables and deferred inflows as of December 31, 2024, were discovered. Accordingly, net position as of January 1, 2025 has been restated to correct these errors. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit of the financial statements of the discretely presented component units in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Basis for Qualified Opinion on the Statement of Net Position - Primary Government

Detailed accounting records and supporting data relating to fixed assets for Homes at Granite Mountain and Elm Street Apartments, reported in the business activities program, were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which were reported for fixed assets in the accompanying statement of net position and depreciation expense as stated in the accompanying statement of revenues, expenses and changes in net position.

Basis for Disclaimer of Opinion on the Statement of Revenues, Expenses and Changes in Net Position and Cash Flows - Primary Government

We were unable to obtain supporting documentation for certain account balances as of December 31, 2024 and therefore we were unable to obtain sufficient appropriate audit evidence related to the statement of revenues, expenses and changes in net position for the year ended December 31, 2025. Our inability to obtain sufficient appropriate audit evidence related to account balances as reported on the statement of net position at December 31, 2024, materially affects the determination of the results reported on the statements of revenues, expenses and changes in net position and cash flows for the year ended December 31, 2025.

Responsibilities of Management for the Financial Statements

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

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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

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

Supplementary Information

We have audited the statement of net position and were engaged to audit the statement of revenues, expenses and changes in net position of the primary government and we have audited the financial statements of the discretely presented component units for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. 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 purpose of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the basic financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The schedule of expenditures of federal awards and the financial data schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Statement of Revenues, Expenses and Changes in Net Position and Cash Flows – Primary Government paragraph, it is inappropriate to, and we do not express an opinion on the financial data schedule relating to the statement of revenues, expenses and changes in net position for the primary government.

In our opinion, the schedule of expenditures of federal awards and the financial data schedule related to the discretely presented component units and the financial data schedule related to the statement of net position for the primary government are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Novogradac & Company LLP

Toms River, New Jersey
September 29, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

The Housing Authority of the City of Little Rock (the “Authority”) management discussion and analysis (“MD&A”) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns. The focus of this MD&A is on the Primary Government of the Authority which includes all the financial activity of the Authority with the exception of its discretely presented component unit.

Since the MD&A is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements in this report are those of a special purpose governmental entity engaged in a business type of activity. The following statements are included:

- Statement of Net Position – presents information about the Authority’s assets, liabilities, and net position and is similar to a balance sheet. The Statement of Net Position reports all financial capital resources for the Authority. This statement is presented in the format where assets minus liabilities equals “Net Position”, which is equivalent to equity in a commercial enterprise. Assets and liabilities are presented in order of liquidity and are classified as “current” (convertible to cash or expected to be used up within one year), and “non-current”. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving.
- Statement of Revenues, Expenses, and Changes in Net Position – reports the Authority’s revenues by source and type of its expenses by category to substantiate the change in net position for the fiscal year then ended.
- Statement of Cash Flows – discloses net cash provided by, or used for operating activities, investing activities, and non-capital financial activities, and capital and related financing activities.

Net Position is reported in three broad categories:

- Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position: This component of net position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Position: Consists of net position that does not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than fund types. The Authority consists of exclusively enterprise funds. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by business in the private sector. All of the activities of the Authority are reported in a single enterprise fund.

THE AUTHORITY'S PROGRAMS

To fully understand the financial statements of the Authority, one must start with an understanding of what the Authority actually does. The following is a brief description of the programs and services that the Authority provides for the residents of Little Rock, Arkansas.

Public and Indian Housing

The Public and Indian Housing Program is designed to provide low-cost housing. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Section 8 Housing Choice Vouchers Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rent on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

Business Activities

The Authority owns non-federal housing units and various interests in low income housing tax credit partnerships. Revenues earned from these activities are recorded in the Business Activities fund.

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

THE AUTHORITY'S PROGRAMS (continued)

PIH Family Self Sufficiency Program

The purpose of the FSS program is to enable HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies.

Section 8 Moderate Rehabilitation Single Room Occupancy

The Section 8 Moderate Rehabilitation Single Room Occupancy Program provides rental assistance to homeless individuals. Under the program, HUD entered into Annual Contributions Contracts with public housing agencies in connection with the moderate rehabilitation of residential properties that, when rehabilitation is completed, will contain multiple single room dwelling units.

Mainstream Vouchers Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families whose head of household has a disability. The program provides payments covering the difference between the maximum rent on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating household.

Central Office Cost Center

The Central Office Cost Center ("COCC") is mandated by HUD to account for "centralized" services and functions necessary to the Authority's operations. Funding for the COCC is in the form of fees charged to other Authority programs and activities as well as to affiliate entities. The fees charged include those specified by HUD as management fees, bookkeeping fees, asset management fees and other fees for service. HUD regulates which and how fees may be charged to HUD programs.

Emergency Housing Vouchers

The purpose of Emergency Housing Vouchers is to assist individuals and families who are experiencing homelessness; at risk of experiencing homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; or were recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability.

Neighborhood Stabilization Program Technical Assistance ("NSP")

The purpose of Neighborhood Stabilization Program Technical Assistance is to provide technical assistance to achieve the highest level of performance and results for the NSP, especially for grantees HUD has identified as higher risk and for other program participants. Information about the NSP program and its missions, goals, and activities can be found on the HUD web site. For programmatic funding, rating factors will include grantee capacity to execute projects, leveraging potential, and concentration of investment to achieve neighborhood stabilization.

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

FINANCIAL HIGHLIGHTS

Total Assets for FY 2024 were \$71,913,212 and for FY 2025 the amount was \$68,936,317. This represents an overall net decrease of \$2,976,895 or 4.1%, which was primarily due to the Authority not correctly recording cash in the prior year.

Capital Assets (net) decreased from \$13,064,803 in FY 2024 to \$12,265,030 in FY 2025, or by \$799,773 or 6.1%. The decrease is the net amount of depreciation expense in FY 2025 of \$875,761, capital asset additions of \$5,364, as well of the change in estimate of the COCC depreciation by \$70,624.

Current liabilities increased from \$5,023,520 in FY 2024 to \$8,758,058 in FY 2025 or by \$3,734,538 or 74.3%. The change was primarily due to the reclassification of the long term debt to current.

Non-current liabilities decreased from \$5,383,292 in FY 2024 to \$749,043 in FY 2025 or by \$4,634,249 or 86.1%. The decrease is primarily due to the debt with Walker Dunlop being forgiven in 2026 and the debt being classified as current in the current year.

ANALYSIS OF ENTITY-WIDE ASSETS & LIABILITIES (STATEMENT OF NET POSITION)

The table below illustrates our analysis:

	<u>2025</u>	<u>2024</u>	<u>Net Change</u>	<u>Percent Variance</u>
Cash & Cash Equivalents	\$ 508,154	\$ 3,965,199	\$ (3,457,045)	-87.2%
Other Current Assets	2,426,262	3,031,077	(604,815)	-20.0%
Other Non-Current Assets	53,736,871	51,852,133	1,884,738	3.6%
Net Capital Assets	<u>12,265,030</u>	<u>13,064,803</u>	<u>(799,773)</u>	-6.1%
Total Assets	<u>\$ 68,936,317</u>	<u>\$ 71,913,212</u>	<u>\$ (2,976,895)</u>	-4.1%
Current Liabilities	\$ 8,758,058	\$ 5,023,520	\$ 3,734,538	74.3%
Non Current Liabilities	<u>749,043</u>	<u>5,383,292</u>	<u>(4,634,249)</u>	-86.1%
Total Liabilities	<u>9,507,101</u>	<u>10,406,812</u>	<u>(899,711)</u>	-8.6%
Deferred Inflow of Resources	<u>3,652,375</u>	<u>-</u>	<u>3,652,375</u>	100.0%
Total Liabilities and Deferred Inflows	<u>13,159,476</u>	<u>10,406,812</u>	<u>2,752,664</u>	26.5%
Net Investment in Capital Assets	7,476,357	7,859,740	(383,383)	-4.9%
Restricted Net Position	920,517	589,237	331,280	56.2%
Unrestricted Net Position	<u>47,379,967</u>	<u>53,057,423</u>	<u>(5,677,456)</u>	10.7%
Total Net Position/Liabilities/Equity	<u>\$ 68,936,317</u>	<u>\$ 71,913,212</u>	<u>\$ (2,976,895)</u>	-4.1%

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

ANALYSIS OF CAPITAL ASSET ACTIVITY

The table below illustrates the changes in Capital Assets throughout the fiscal year:

	2025	2024	Net Change	Percent Variances
Land	\$ 2,036,170	\$ 2,036,170	\$ -	0.0%
Buildings	32,981,557	32,978,357	3,200	0.0%
Furniture, Equip., & Mach.	2,724,035	2,718,671	5,364	0.2%
Construction in Process	5,913	9,113	(3,200)	-35.1%
Total Fixed Assets	37,747,675	37,742,311	5,364	0.0%
Accumulated Depreciation	(25,482,645)	(24,677,508)	(805,137)	3.3%
Net Fixed Assets	\$ 12,265,030	\$ 13,064,803	\$ (799,773)	-6.1%

In fiscal year 2025, the Authority acquired capital assets in the amount of \$5,364 from outside vendors which in total, were offset by annual depreciation of \$875,761 and the change in estimate in the COCC depreciation. The fixed assets are yielding a decrease in net capital assets of \$799,773 or 6.1%. Note 5 summarizes the activity of all of capital assets.

ANALYSIS OF LONG-TERM DEBT

The Authority's long-term debt at December 31, 2025 and 2024 amounted to \$4.8 million and \$5.3 million, respectively, a decrease of approximately 9.4%. The decrease was due primarily to the annual payments on the debt.

ANALYSIS OF ENTITY-WIDE REVENUES

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ended 2025 were as follows:

Program	Revenues
Section 8 Housing Choice Vouchers (HCV)	\$ 17,205,055
Emergency Housing Vouchers	745,090
Public and Indian Housing Program	401,616
Public Housing Capital Fund Program (CFP)	35,021
Section 8 Moderate Rehabilitation Program	477,839
Mainstream Vouchers (MV)	700,272
Blended component unit	1,735,289
Neighborhood Stabilization Program	115,016
Central Office Cost Center (COCC)	1,285,664
Business Activities	2,841,856
Total Revenue	\$ 25,542,718

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

ANALYSIS OF ENTITY-WIDE REVENUES (continued)

Total revenues for FY 2024 were \$33,113,642 as compared to \$25,542,718 of total revenues for FY 2025. Comparatively, FY 2025 revenues decreased in relation to FY 2024 revenues by \$7,570,924.

ANALYSIS OF ENTITY-WIDE EXPENSES

The table below illustrates our analysis:

	2025	2024	Net Change	Percent Variances
Administrative	\$ 5,177,069	\$ 5,299,072	\$ (122,003)	-2.3%
Tenant Services	6,949	12,317	(5,368)	-43.6%
Utilities	679,713	732,979	(53,266)	-7.3%
Maintenance	1,246,395	1,519,093	(272,698)	-18.0%
Protective Services	56,309	61,500	(5,191)	-8.4%
Insurance and General Expense	679,760	1,141,470	(461,710)	-40.4%
Housing Assistance Payments	18,260,050	20,481,960	(2,221,910)	-10.8%
Depreciation Expense	875,761	953,986	(78,225)	-8.2%
Total Expenses	\$ 26,982,006	\$ 30,202,377	\$ (3,220,371)	-10.7%

Administrative expenditures for FY 2024 were \$5,299,072 as compared to \$5,177,069 in FY 2025. This represents a decrease of \$122,003 or 2.3%. The decrease was due to turnover of employees during 2025.

Housing assistance payments for FY 2025 were \$18,580,128 as compared to \$20,481,960 in FY 2024, a decrease of \$2,221,910 or 10.8%. This is primarily due to a decrease in unit months leased during 2025.

Maintenance expenditures for FY 2025 were \$1,246,395 as compared to \$1,519,093 in FY 2024, a decrease of \$272,698 or 18.0%. This is primarily due to a decrease in maintenance contracts the Authority entered into during the year.

Depreciation Expense for FY 2025 was \$875,761 as compared to \$953,986 in FY 2024, a decrease of \$78,225 or 8.2%.

MANAGEMENTS DISCUSSION ON THE STATE OF THE AUTHORITY

The FY2025 audit findings relate, in part, to conditions from the 2019 through 2025 reporting periods. During 2025, the Authority completed six audits to bring its reporting current, and FY2025 is the first to include an audit opinion. The context below is not intended to diminish the significance of the findings, which management is actively addressing.

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

MANAGEMENTS DISCUSSION ON THE STATE OF THE AUTHORITY (continued)

The Authority encountered the following unusual circumstances:

- **Software conversions:** The Authority moved from Yardi back to MRI Lindsey without a single coordinated cutover and no longer has access to Yardi, so some historical records may not be retrievable.
- **Staffing reductions:** More than half of the HCV staff was terminated in August 2024; Finance was not fully staffed in 2025, and Public Housing turnover led to misplaced documents.
- **Leadership turnover:** The HCV program had six directors and five executive-level leaders during this period; operations did not stabilize until January 2026.
- **Records conversion:** A shift from electronic to paper participant files began in November 2025 and was incomplete when the HCV Director departed on May 15, 2026.
- **Legacy balances:** Some prior-year balances and documentation were unavailable to current management, and most Capital Fund questioned costs predate 2024.

The Authority acknowledges the adverse opinion on the Housing Voucher Cluster, the disclaimer on the Public and Indian Housing program, and the material weaknesses in internal control; the circumstances above are context, not justification. Operating under HUD receivership, we are using our SEMAP Corrective Action Plan, HUD technical assistance, and targeted scopes of work to remediate historical deficiencies. Finance reconciles the general ledger, eLOCCS, and Capital Fund activity monthly, and management reviews all HUD reports before submission. Our goal is sustainable, agency-wide controls that produce accurate, timely, and auditable information, and we will keep the Board and HUD informed of our progress.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the Authority’s finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director of the Housing Authority of the City of Little Rock.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2025

ASSETS

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current assets:			
Cash and cash equivalents	\$ 508,154	\$ 534,279	\$ 1,042,433
Tenant security deposits	-	116,836	116,836
Accounts receivable, net	1,956,900	505,070	2,461,970
Prepaid expenses	440,836	371,643	812,479
Lease receivable, current	<u>28,526</u>	<u>-</u>	<u>28,526</u>
Total current assets	<u>2,934,416</u>	<u>1,527,828</u>	<u>4,462,244</u>
Non-current assets:			
Restricted cash	1,054,421	4,231,919	5,286,340
Notes receivable	38,127,477	-	38,127,477
Accrued interest on notes receivable	13,505,658	-	13,505,658
Lease receivable, non-current	801,411	-	801,411
Asset held for sale	204,239	-	204,239
Other assets	43,665	388,503	432,168
Right-to-use assets, net	-	3,672,680	3,672,680
Capital assets, net	<u>12,265,030</u>	<u>46,866,216</u>	<u>59,131,246</u>
Total non-current assets	<u>66,001,901</u>	<u>55,159,318</u>	<u>121,161,219</u>
Total assets	<u>\$ 68,936,317</u>	<u>\$ 56,687,146</u>	<u>\$ 125,623,463</u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
STATEMENT OF NET POSITION (continued)
AS OF DECEMBER 31, 2025

LIABILITIES

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Current liabilities:			
Accounts payable	\$ 537,736	\$ 1,759,715	\$ 2,297,451
Accrued expenses	76,686	3,424	80,110
Tenant security deposits	18,128	116,149	134,277
Prepaid rent	521,741	243,086	764,827
Accrued compensated absences, current	12,890	-	12,890
Current portion of long-term debt	4,788,673	258,815	5,047,488
Accrued interest payable	2,802,204	9,914,723	12,716,927
Lease liability, current portion	-	2,566	2,566
Other current liabilities	<u>-</u>	<u>2,014,937</u>	<u>2,014,937</u>
Total current liabilities	<u>8,758,058</u>	<u>14,313,415</u>	<u>23,071,473</u>
Non-current liabilities:			
Accrued compensated absences, non-current	40,139	-	40,139
Lease liability, excluding current portion	-	944,108	944,108
Long-term debt, net of current portion	-	51,109,525	51,109,525
Litigation contingency	525,000	-	525,000
Other non-current liabilities	<u>183,904</u>	<u>5,108,819</u>	<u>5,292,723</u>
Total non-current liabilities	<u>749,043</u>	<u>57,162,452</u>	<u>57,911,495</u>
Total liabilities	<u>9,507,101</u>	<u>71,475,867</u>	<u>80,982,968</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows	<u>3,652,375</u>	<u>-</u>	<u>3,652,375</u>
Total deferred inflows of resources	<u>3,652,375</u>	<u>-</u>	<u>3,652,375</u>

NET POSITION

Net position:			
Net investment in capital assets	7,476,357	(1,776,118)	5,700,239
Restricted	920,517	4,231,919	5,152,436
Unrestricted	<u>47,379,967</u>	<u>(17,244,522)</u>	<u>30,135,445</u>
Total net position	<u>55,776,841</u>	<u>(14,788,721)</u>	<u>40,988,120</u>
Total liabilities, deferred inflows and net position	<u>\$ 68,936,317</u>	<u>\$ 56,687,146</u>	<u>\$ 125,623,463</u>

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Operating revenues:			
Tenant revenue	\$ 2,898,706	\$ 5,242,208	\$ 8,140,914
HUD operating grants	19,091,050	-	19,091,050
Other revenues	<u>1,863,394</u>	<u>241,069</u>	<u>2,104,463</u>
Total operating revenues	<u>23,853,150</u>	<u>5,483,277</u>	<u>29,336,427</u>
Operating expenses:			
Administrative	5,177,069	1,650,739	6,827,808
Tenant services	6,949	115	7,064
Utilities	679,713	902,191	1,581,904
Ordinary repairs and maintenance	1,246,395	2,449,725	3,696,120
Protective services	56,309	-	56,309
Insurance	236,159	519,832	755,991
General expenses	443,601	470,440	914,041
Housing assistance payments	18,260,050	-	18,260,050
Depreciation	<u>875,761</u>	<u>1,744,903</u>	<u>2,620,664</u>
Total operating expenses	<u>26,982,006</u>	<u>7,737,945</u>	<u>34,719,951</u>
Operating loss	<u>(3,128,856)</u>	<u>(2,254,668)</u>	<u>(5,383,524)</u>
Non-operating revenues (expenses):			
Investment income	1,689,568	248	1,689,816
Interest expense	(349,880)	(3,003,547)	(3,353,427)
Loss contingency	(242,271)	-	(242,271)
Casualty losses	-	(209,541)	(209,541)
Loss on sale of capital assets	<u>-</u>	<u>(55,508)</u>	<u>(55,508)</u>
Net non-operating revenues (expenses)	<u>1,097,417</u>	<u>(3,268,348)</u>	<u>(2,170,931)</u>
Loss before special items	<u>(2,031,439)</u>	<u>(5,523,016)</u>	<u>(7,554,455)</u>
Special item - subscription receipts	<u>-</u>	<u>(5,222,020)</u>	<u>(5,222,020)</u>
Change in net position	(2,031,439)	(10,745,036)	(12,776,475)
Net position, beginning of year (as originally reported)	<u>61,506,400</u>	<u>(4,043,685)</u>	<u>57,462,715</u>
Prior period adjustment - correction of error	<u>(3,698,120)</u>	<u>-</u>	<u>(3,698,120)</u>
Net position, beginning of year	<u>57,808,280</u>	<u>(4,043,685)</u>	<u>53,764,595</u>
Net position, end of year	<u>\$ 55,776,841</u>	<u>\$ (14,788,721)</u>	<u>\$ 40,988,120</u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Primary Government</u>
Cash Flows from Operating Activities:	
Cash received from tenants and others	\$ 5,779,379
Cash received from grantors	19,440,843
Cash paid to employees	(5,925,624)
Cash paid to vendors and suppliers	<u>(21,618,720)</u>
Net cash used in operating activities	<u>(2,324,122)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of bonds/notes	18,984
Principal payments of notes	(485,374)
Interest paid on long term debt	(349,732)
Principal payments on lease	421
Purchase of capital assets	<u>(5,364)</u>
Net cash used in capital and related financing activities	<u>(821,065)</u>
Cash Flows from Investing Activities:	
Investment income	<u>25,097</u>
Net cash provided by investing activities	<u>25,097</u>
Net decrease in cash, cash equivalents, and restricted cash	(3,120,090)
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,682,665</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 1,562,575</u></u>
Reconciliation of cash, cash equivalents, and restricted cash to the Statement of Net Position is as follows:	
Cash and cash equivalents	\$ 508,154
Restricted cash	<u>1,054,421</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 1,562,575</u></u>

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (3,128,856)
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	875,761
Bad debt expense - tenants	301,517

Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

Accounts receivable, net	(208,022)
Prepaid expenses	515,477
Other assets	(70,445)
Inventory, net	1,107
Accounts payable	(579,159)
Accrued expenses	56,976
Tenant security deposits liability	17,928
Unearned revenue	114,240
Accrued compensated absences	27,348
Other current liabilities	(265,019)
Other non-current liabilities	55,675
Deferred inflows of resources	<u>(38,650)</u>

Net cash used in operating activities	\$ <u><u>(2,324,122)</u></u>
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Schedule of non-cash capital and related financing activities:

Loss contingency	\$ <u><u>242,271</u></u>
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HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2025

	ASSETS					
	<u>Granite Mountain, LP</u>	<u>FP Tower Little Rock, LP</u>	<u>JP Tower Little Rock, LP</u>	<u>Cumberland Tower Little Rock, LP</u>	<u>Sunset Terrace LLC</u>	<u>Total</u>
Current assets:						
Cash and cash equivalents	\$ 5,814	\$ 109,128	\$ 102,808	\$ 136,919	\$ 179,610	\$ 534,279
Tenant security deposits	-	29,941	29,739	28,918	28,238	116,836
Accounts receivable, net	23,338	109,812	75,172	88,284	208,464	505,070
Prepaid expenses	<u>39,423</u>	<u>112,581</u>	<u>87,242</u>	<u>81,264</u>	<u>51,133</u>	<u>371,643</u>
Total current assets	<u>68,575</u>	<u>361,462</u>	<u>294,961</u>	<u>335,385</u>	<u>467,445</u>	<u>1,527,828</u>
Non-current assets:						
Restricted cash	256,432	1,254,281	941,256	1,068,655	711,295	4,231,919
Other assets	7,950	96,359	69,685	73,812	140,697	388,503
Right-of-use assets	-	394,197	162,845	77,117	3,038,521	3,672,680
Capital assets, net	<u>-</u>	<u>11,631,050</u>	<u>6,852,624</u>	<u>8,545,006</u>	<u>19,837,536</u>	<u>46,866,216</u>
Total non-current assets	<u>264,382</u>	<u>13,375,887</u>	<u>8,026,410</u>	<u>9,764,590</u>	<u>23,728,049</u>	<u>55,159,318</u>
Total assets	<u>\$ 332,957</u>	<u>\$ 13,737,349</u>	<u>\$ 8,321,371</u>	<u>\$ 10,099,975</u>	<u>\$ 24,195,494</u>	<u>\$ 56,687,146</u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
COMBINING STATEMENT OF NET POSITION (continued)
DISCRETELY PRESENTED COMPONENT UNITS
AS OF DECEMBER 31, 2025

	LIABILITIES					
	<u>Granite Mountain, LP</u>	<u>FP Tower Little Rock, LP</u>	<u>JP Tower Little Rock, LP</u>	<u>Cumberland Tower Little Rock, LP</u>	<u>Sunset Terrace LLC</u>	<u>Total</u>
Current liabilities:						
Accounts payable	28,777	953,573	26,633	701,275	49,457	1,759,715
Accrued expenses	-	-	3,424	-	-	3,424
Tenant security deposits	1,104	29,771	29,060	28,300	27,914	116,149
Prepaid rent	7,616	45,922	74,318	45,143	70,087	243,086
Note payable, current	-	83,191	69,315	68,368	37,941	258,815
Accrued interest payable	-	3,592,485	3,025,604	2,971,559	325,075	9,914,723
Lease liability, current portion	-	1,595	659	312	-	2,566
Other current liabilities	<u>72,920</u>	<u>467,935</u>	<u>1,091,349</u>	<u>282,257</u>	<u>100,476</u>	<u>2,014,937</u>
Total current liabilities	<u>110,417</u>	<u>5,174,472</u>	<u>4,320,362</u>	<u>4,097,214</u>	<u>610,950</u>	<u>14,313,415</u>
Non-current liabilities:						
Lease liability, excluding current portion	-	392,602	162,186	76,805	312,515	944,108
Note payable, non-current	2,815,890	14,787,905	10,435,951	10,290,215	12,779,564	51,109,525
Other non-current liabilities	<u>213,118</u>	<u>362,916</u>	<u>741,933</u>	<u>736,833</u>	<u>3,054,019</u>	<u>5,108,819</u>
Total non-current liabilities	<u>3,029,008</u>	<u>15,543,423</u>	<u>11,340,070</u>	<u>11,103,853</u>	<u>16,146,098</u>	<u>57,162,452</u>
Total liabilities	<u>3,139,425</u>	<u>20,717,895</u>	<u>15,660,432</u>	<u>15,201,067</u>	<u>16,757,048</u>	<u>71,475,867</u>
	NET POSITION					
Net position:						
Net investment in capital assets	(2,815,890)	(3,240,046)	(3,652,642)	(1,813,577)	9,746,037	(1,776,118)
Restricted	256,432	1,254,281	941,256	1,068,655	711,295	4,231,919
Unrestricted	<u>(247,010)</u>	<u>(4,994,781)</u>	<u>(4,627,675)</u>	<u>(4,356,170)</u>	<u>(3,018,886)</u>	<u>(17,244,522)</u>
Total net position	<u>(2,806,468)</u>	<u>(6,980,546)</u>	<u>(7,339,061)</u>	<u>(5,101,092)</u>	<u>7,438,446</u>	<u>(14,788,721)</u>
Total liabilities and net position	<u>\$ 332,957</u>	<u>\$ 13,737,349</u>	<u>\$ 8,321,371</u>	<u>\$ 10,099,975</u>	<u>\$ 24,195,494</u>	<u>\$ 56,687,146</u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Granite Mountain, LP</u>	<u>FP Tower Little Rock, LP</u>	<u>JP Tower Little Rock, LP</u>	<u>Cumberland Tower Little Rock, LP</u>	<u>Sunset Terrace LLC</u>	<u>Total</u>
Operating revenues:						
Tenant revenue	\$ 298,941	\$ 1,654,715	\$ 1,139,891	\$ 1,200,738	\$ 947,923	\$ 5,242,208
Other revenues	<u>120,438</u>	<u>-</u>	<u>20,532</u>	<u>-</u>	<u>100,099</u>	<u>241,069</u>
Total operating revenues	<u>419,379</u>	<u>1,654,715</u>	<u>1,160,423</u>	<u>1,200,738</u>	<u>1,048,022</u>	<u>5,483,277</u>
Operating expenses:						
Administrative	218,885	439,284	361,479	320,833	310,258	1,650,739
Tenant services	115	-	-	-	-	115
Utilities	42,174	294,173	244,726	223,469	97,649	902,191
Ordinary repairs and maintenance	162,776	776,663	523,426	579,036	407,824	2,449,725
Insurance	31,020	167,221	137,140	139,131	45,320	519,832
General expenses	3,982	10,035	17,111	1,818	437,494	470,440
Depreciation	<u>-</u>	<u>360,042</u>	<u>457,938</u>	<u>266,784</u>	<u>660,139</u>	<u>1,744,903</u>
Total operating expenses	<u>458,952</u>	<u>2,047,418</u>	<u>1,741,820</u>	<u>1,531,071</u>	<u>1,958,684</u>	<u>7,737,945</u>
Operating loss	<u>(39,573)</u>	<u>(392,703)</u>	<u>(581,397)</u>	<u>(330,333)</u>	<u>(910,662)</u>	<u>(2,254,668)</u>
Non-operating revenues (expenses):						
Investment income	1	42	43	32	130	248
Interest expense	(573)	(946,750)	(744,573)	(718,411)	(593,240)	(3,003,547)
Casualty losses, non-capitalized	-	(191,536)	-	(8,586)	(9,419)	(209,541)
Gain (loss) on sale of fixed assets	<u>-</u>	<u>-</u>	<u>(55,508)</u>	<u>-</u>	<u>-</u>	<u>(55,508)</u>
Net non-operating (expenses)	<u>(572)</u>	<u>(1,138,244)</u>	<u>(800,038)</u>	<u>(726,965)</u>	<u>(602,529)</u>	<u>(3,268,348)</u>
Loss before special items	(40,145)	(1,530,947)	(1,381,435)	(1,057,298)	(1,513,191)	(5,523,016)
Special item - subscription receipts	<u>-</u>	<u>-</u>	<u>(8,164,000)</u>	<u>-</u>	<u>2,941,980</u>	<u>(5,222,020)</u>
Change in net position	(40,145)	(1,530,947)	(9,545,435)	(1,057,298)	1,428,789	(10,745,036)
Net position, beginning of year	<u>(2,766,323)</u>	<u>(5,449,599)</u>	<u>2,206,374</u>	<u>(4,043,794)</u>	<u>6,009,657</u>	<u>(4,043,685)</u>
Net position, end of year	<u><u>\$ (2,806,468)</u></u>	<u><u>\$ (6,980,546)</u></u>	<u><u>\$ (7,339,061)</u></u>	<u><u>\$ (5,101,092)</u></u>	<u><u>\$ 7,438,446</u></u>	<u><u>\$ (14,788,721)</u></u>

See accompanying notes to financial statements

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Little Rock (the "Authority") is a governmental, public corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in Little Rock, Arkansas (the "City"). The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous, but is responsible to HUD. An executive director is appointed by the Authority's board of commissioners to manage the day-to-day operations of the Authority.

B. Basis of Accounting / Financial Statement Presentation

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized on a fund basis. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The programs of the Authority are combined and considered an enterprise fund. An enterprise fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's financial statements are prepared in accordance with GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34"), as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions*, ("GASB 33"), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting / Financial Statement Presentation (continued)

On January 30, 2008, HUD issued *PIH Notice 2008-9* which requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions, as defined by GASB 33, are met when these funds are available and measurable, not when these funds are expended. The Section 8 Housing Choice Vouchers program is no longer a cost reimbursement grant; therefore, the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting. In accordance with 2 CFR 200.305(b)(9), any investment income earned up to \$500 on these funds may be retained by the Authority. Amounts in excess of \$500 must be remitted annually to the Department of Health and Human Services, Payment Management System.

C. Reporting Entity

In accordance with GASB 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB Statement No. 14 and No. 34*, the Authority's basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The Authority is legally entitled to or can otherwise access the organization's resources.
2. The Authority is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The Authority is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes the following blended and discretely presented component units:

Blended component units:

Central Arkansas Housing Corporation ("CAHC")

CAHC is governed by a three-member board. CAHC is a nonprofit organization created for the advancement of public housing needs. The Authority is the sole corporate member and has the ability to approve and remove CAHC board members. Two of the five Authority commissioners serve as board members of CAHC.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

Madison Heights II, LP ("MHII")

MHII was formed under the laws of the State of Arkansas to acquire, develop and operate Madison Heights Phase II located in Little Rock, Arkansas. MHII consists of a 140-unit apartment community developed where 59 units are operated under the low-income housing tax credit program. MHII is owned 0.01% by MHA MH II GP, LLC, the general partner, and 99.99% by CAHC, the limited Partner.

Madison Heights III, LP ("MHIII")

MHIII was formed under the laws of the State of Arkansas to acquire, develop and operate Madison Heights Phase III located in Little Rock, Arkansas. MHIII consists of a 60-unit apartment community developed where 48 units are operated under the low-income housing tax credit program. MHIII is owned 0.01% by Madison Heights CAHC III GP, LLC, the general partner, and 99.99% by CAHC, the investor limited Partner.

University Heights Associates, LP ("UHA")

UHA was formed under the laws of the State of Arkansas to acquire, develop and operate Madison Heights Phase I located in Little Rock, Arkansas. UHA consists of a 28 building, 140-unit apartment community developed where 94 units are operated under the low-income housing tax credit program. UHA is owned 0.01% by MHA MH I GP, LLC, the general partner, and 99.99% by CAHC, the limited Partner.

The Authority's blended component units are presented within the primary government as of and for the year ended December 31, 2025.

Discretely presented component units:

Granite Mountain Senior Homes, L.P. ("GMSH")

GMSH was formed in May 2010 to acquire, construct, and operate a 40 unit senior apartment complex known as Legacy Homes at Granite Mountain located in Little Rock, Arkansas. The Authority is the managing general partner of the partnership and CAHC is the co-general partner. The limited partner (Hunt Capital Partners Tax Credit Fund 2011-4, L.P.) has limited rights regarding the operation of the partnership, and the Authority possesses essentially all authority over day-to-day operations.

FP Tower Little Rock, LLC ("FP")

FP was organized on November 20, 2017, as a limited liability company in the state of Arkansas, to rehabilitate, own and operate a 250 unit multifamily rental housing development known as Fred Parris Towers located in Little Rock, Arkansas. FP has one managing member (CAHC FP Tower Little Rock, LLC), one special member (GEC Little Rock Towers, LLC), one investor member (RBC Tax Credit Equity National Fund-28, LP) and one special investor member (RBC Tax Credit Manager II, Inc.).

JP Tower Little Rock, LLC ("JP")

JP was organized on November 20, 2017, as a limited liability company in the state of Arkansas, to rehabilitate, own and operate a 169 unit multifamily rental housing development known as Jesse Powell Towers located in Little Rock, Arkansas. JP has one managing member (CAHC JP Tower Little Rock, LLC), one special member (GEC Little Rock Towers, LLC), one investor member (RBC Tax Credit Equity National Fund-X Structured Housing 1 Limited Partnership) and one special investor member (RBC Tax Credit Manager II, Inc.).

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Reporting Entity (continued)

Cumberland Tower Little Rock, LLC ("CTLR")

CTLR was organized on November 20, 2017, as a limited liability company in the state of Arkansas, to rehabilitate, own and operate a 178 unit multifamily rental housing development known as Cumberland Towers located in Little Rock, Arkansas. CTLR has one managing member (CAHC Cumberland Tower Little Rock, LLC), one special member (GEC Little Rock Towers, LLC), one investor member (RBC Tax Credit Equity National Fund-27, LP) and one special investor member (RBC Tax Credit Manager II, Inc.).

Sunset Terrace, LLC ("SUN")

SUN was organized on March 27, 2017, as a limited liability company formed under the Arkansas Limited Liability Company Act, to lease, rehabilitate, develop and operate a 87-unit low-income housing project known as Sunset Terrace, LLC, located in Little Rock, Arkansas. SUN has one managing member (Sunset Terrace GP, LLC), one investor member (Bank of America, N.A.), one special investor member (Banc of America CDC Special Holding Company, Inc.), and one class A member (GEC Sunset Terrace, LLC).

The Authority's discretely presented component units are presented as of and for the year ended December 31, 2025. Copies of the separately issued audited financial statements can be obtained by contacting the Authority at 2800 S Battery Street, Little Rock, AR 72206.

D. Description of Programs

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Public and Indian Housing Program

The Public and Indian Housing Program is designed to provide low-cost housing within the City. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Section 8 Housing Choice Vouchers Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income households under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating household.

Mainstream Vouchers

Mainstream Vouchers provides rental assistance to enable families for whom the head, spouse, or co-head is a person with disabilities to lease affordable private housing of their choice.

Family Self-Sufficiency Program ("FSS")

The purpose of the FSS Program is to promote the development of local strategies to coordinate the use of assistance under the Section 8 Housing Choice Vouchers and Public and Indian Housing programs with public and private resources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Description of Programs (continued)

Emergency Housing Vouchers

The purpose of Emergency Housing Vouchers is to assist individuals and families who are experiencing homelessness; at risk of experiencing homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; or were recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability.

Section 8 Moderate Rehabilitation Single Room Occupancy

The Section 8 Moderate Rehabilitation Single Room Occupancy Program provides rental assistance to homeless individuals. Under the program, HUD entered into Annual Contributions Contracts with public housing agencies in connection with the moderate rehabilitation of residential properties that, when rehabilitation is completed, will contain multiple single room dwelling units.

Public Housing Capital Fund Program

The purpose of the Public Housing Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

Neighborhood Stabilization Program Technical Assistance ("NSP")

The purpose of Neighborhood Stabilization Program Technical Assistance is to provide technical assistance to achieve the highest level of performance and results for the NSP, especially for grantees HUD has identified as higher risk and for other program participants. Information about the NSP program and its missions, goals, and activities can be found on the HUD web site. For programmatic funding, rating factors will include grantee capacity to execute projects, leveraging potential, and concentration of investment to achieve neighborhood stabilization.

Business Activities

The Authority owns non-federal housing units and various interests in low income housing tax credit partnerships. Revenues earned from these activities are recorded in the Business Activities fund.

Central Office Cost Center

The Central Office Cost Center is mandated by HUD to account for "centralized" services and functions necessary to the Authority's operations. Funding for the Central Office Cost Center is in the form of fees charged to other Authority programs and activities as well as to affiliate entities. The fees charged include those specified by HUD as management fees, bookkeeping fees, asset management fees and other fees for service. HUD regulates which and how fees may be charged to HUD programs.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Use of Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, 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. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

F. Cash and Cash Equivalents

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with HUD requirements.

G. Accounts Receivable, Net

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and due from vacated tenants. Also, included in accounts receivable are those amounts that tenants owe the Authority as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order.

The Authority recognizes a receivable from HUD and other governmental agencies for amounts earned and billed but not received and for amounts unbilled, but earned as of year end.

H. Allowance for Doubtful Accounts

The Authority periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectible. If it is determined that an account or accounts may be uncollectible, the Authority prepares an analysis of such accounts and records an appropriate allowance against such amounts.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

J. Notes Receivable

The Authority has utilized development funds in accordance with HUD guidelines to assist in the construction and redevelopment of numerous affordable housing developments through the issuance of mortgage notes. When preparing financial statements in accordance with generally accepted accounting principles, management is required to make estimates as to the collectability of such mortgage notes. When estimating collectability, management analyzes the value of the underlying mortgaged property, the property's ability to generate positive cash flow, and current economic trends and conditions. Management utilizes these estimates and judgments in connection with establishing an allowance for uncollectible amounts during an accounting period.

K. Assets held for sale

Assets held for sale consist of remaining residential units under the Authority's home ownership program held for resale. Homes were constructed and used by the Authority's Public and Indian Housing Program as Section 32 homeownership homes until the Authority ended the program in 2011.

L. Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- | | | |
|---|----------------------------|------------|
| • | Buildings and Improvements | 5-40 Years |
| • | Furniture and Equipment | 3-7 Years |

The Authority has established a capitalization threshold of \$5,000.

M. 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 significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. During the year ended December 31, 2025, there were no impairment losses incurred.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Inter-program Receivables and Payables

Inter-program receivables and payables are all classified as either current assets or current liabilities and are the result of the use of a concentrated account depository as the common paymaster for most of the programs of the Authority. Cash settlements are made monthly. All inter-program balances are reconciled, and inter-program receivables and payables balances net to zero. In accordance with GASB 34, inter-program receivables and payables are eliminated for financial statement purposes. Detail balances by program, if any, are found in the Financial Data Schedule of this report.

O. Accounts Payable and Accrued Expenses

The Authority recognizes a liability for goods and services received but not paid for as of year-end. The Authority recognizes a liability for wages and fringe benefits related to services performed at year-end but not yet paid to employees or taxing authorities.

P. Prepaid Rent

The Authority's prepaid rent primarily consists of the prepayment of rent by residents applicable to future periods.

Q. Compensated Absences

Compensated absences are absences for which employees will be paid in accordance with the Authority's Personnel Policy. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such event take place.

Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees.

R. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Right-to-Use Asset and Lease Liabilities

Lessees are required to recognize a lease liability and an intangible right-of-use lease asset. The lease liability is the present value of future payments expected to be made over the course of the lease, and the right-of-use lease assets are measured as the initial amount of lease liability, plus any payments made to the lessor at or before the time of commencement of the lease and minus and any lease incentives received from the lessor.

In determining the present value of lease payments, the Authority uses the interest rate charged by the lessor which may be implicit in the lease or if not readily determinable, its incremental borrowing rate at the commencement date. Amortization of the right-of-use lease asset is recognized on a straight-line basis over the lease term.

T. Lease Receivable

Lease receivables are recognized at the net present value of the lease payments expected to be received during the lease term at a borrowing rate either explicitly described in the lease agreement or implicitly determined by the Authority.

U. Net Position Classifications

Net position is classified in three components:

Net investment in capital assets - Consists of resources including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

V. Use of Restricted Assets

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as needed.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

W. Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. The Authority receives annual operating subsidies from HUD, subject to limitations prescribed by HUD. Operating subsidies from HUD are recorded in accordance with GASB 33 and are accounted for as revenue. Other contributions from HUD that are for development and modernization of capital assets are reflected separately in the accompanying financial statements as capital grants. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues and expenses as non-operating.

X. Regulated Leases

The Authority is a lessor of residential dwelling units under regulated leases as defined by GASB 87 and as such recognizes rental revenue in accordance with the terms of the lease contract. The leases which are twelve months in length are regulated by HUD as to rent, unit size, household composition and tenant income. For the year ended December 31, 2025, rental revenue earned under the aforementioned leases totaled \$2,898,706 for the primary government and \$5,242,208 for the discretely presented component units.

Y. Taxes

No provision for income taxes is recorded as the Authority is a governmental entity; its component units qualify as nonprofit, tax-exempt entities under the Internal Revenue Code.

Z. Budgets and Budgetary Accounting

The Authority adopts annual, appropriated operating budgets for all its programs receiving federal expenditure awards, which are used as a management tool throughout the accounting cycle. All budgets are prepared on a HUD basis, which differs with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

AA. Risk Management

The Authority is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and said amount exceeds insurance coverage. Settlement amounts have not exceeded insurance coverage for the last three years.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BB. Certain Risk Disclosures

The Authority's operations are significantly dependent upon funding from the U.S. Department of Housing and Urban Development (HUD). For the year ended December 31, 2025, a substantial portion of the Authority's revenues was derived from HUD programs, including:

- Housing Choice Voucher (HCV) Program
- Public Housing Operating and Capital Fund Programs
- Other HUD and federal housing assistance programs

A reduction in funding levels, changes in program regulations, or delays in funding from HUD could have a significant adverse impact on the Authority's financial position and results of operations.

In addition, the Authority's tenant population is concentrated in low-income households as defined by HUD eligibility requirements. As a result, the Authority's tenant rental revenue is subject to economic factors affecting this population, including employment levels and governmental benefit programs.

The Authority is also subject to various federal regulatory and contractual constraints imposed by HUD and other funding sources. These constraints include, but are not limited to:

- Requirements governing the use of program funds
- Compliance with federal statutes and regulations (including 24 CFR and 2 CFR Part 200)
- Restrictions on disposition of property and program assets
- Limits on administrative fees and allowable expenditures

Noncompliance with these requirements could result in:

- Repayment obligations
- Reduction or termination of funding
- Additional monitoring or oversight by HUD

Management has evaluated the concentrations and constraints described above and determined that they could expose the Authority to the risk of a substantial impact in the event of:

- Significant reductions in federal appropriations for housing programs
- Changes in HUD funding formulas or program structures
- Adverse regulatory actions or compliance findings
- Economic conditions affecting tenant rent contributions

The Authority actively monitors legislative, regulatory, and economic developments and takes steps to mitigate these risks where possible, including maintaining operating reserves and ensuring compliance with program requirements.

NOTE 2. CASH AND CASH EQUIVALENTS

As of December 31, 2025, the primary government had funds on deposit in checking, savings, and money market accounts. The carrying amount of the primary government's cash and cash equivalents (including restricted cash) was \$1,562,575 and the bank balances were \$1,805,822.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 2. CASH AND CASH EQUIVALENTS (continued)

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Unrestricted	\$ 508,154	\$ 534,279	\$ 1,042,433
Tenant security deposits	-	116,836	116,836
Restricted	<u>1,054,421</u>	<u>4,231,919</u>	<u>5,286,340</u>
Total cash and cash equivalents	\$ <u>1,562,575</u>	\$ <u>4,883,034</u>	\$ <u>6,445,609</u>

Of the primary government's bank balances, \$896,263 was covered by federal depository insurance and the remaining balance of \$909,559 was collateralized with the pledging financial institution as of December 31, 2025.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of December 31, 2025, the Authority's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at December 31, 2025:

<u>Description</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Accounts receivable - HUD	\$ 175,266	\$ 298,582	\$ 473,848
Accounts receivable - tenants, net	121,007	178,090	299,097
Accounts receivable - PHA Projects	137,359	-	137,359
Accounts receivable - miscellaneous	<u>1,523,268</u>	<u>28,398</u>	<u>1,551,666</u>
Total accounts receivable, net	\$ <u>1,956,900</u>	\$ <u>505,070</u>	\$ <u>2,461,970</u>

Accounts Receivable - HUD

As of December 31, 2025, Accounts receivable - HUD consisted of amounts due from HUD for amounts owed under the Housing Choice Voucher and Mainstream Voucher programs. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

Accounts Receivable - Tenants, Net

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance of the primary government is shown net of an allowance for doubtful accounts of \$76,806.

Accounts Receivable - PHA Projects

Accounts receivable - PHA Projects represents amounts owed to the Authority by other Public Housing Authorities for administrative fees and Port-in HAP expense under the portability provisions of the Section 8 Housing Choice Vouchers program. Management estimates the amounts to be fully collectible and therefore no allowance for doubtful accounts has been established.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 3. ACCOUNTS RECEIVABLE, NET (continued)

Accounts Receivable - Miscellaneous

Accounts receivable - miscellaneous consists of amounts owed from managed properties and other miscellaneous sources from normal ongoing operations. The amount is shown net of an allowance for doubtful accounts of \$485,157.

NOTE 4. RESTRICTED DEPOSITS

As of December 31, 2025, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
Housing assistance payment reserves	\$ 520,748	\$ -	\$ 520,748
FSS escrows	133,904	-	133,904
Operating reserves	399,769	2,516,951	2,916,720
Replacement reserves	-	1,714,968	1,714,968
Tenant security deposits	<u>-</u>	<u>116,836</u>	<u>116,836</u>
Total restricted deposits	\$ <u>1,054,421</u>	\$ <u>4,348,755</u>	\$ <u>5,403,176</u>

Housing assistance payment reserves are restricted for use only in the Section 8 Housing Choice Vouchers Program for future housing assistance payments.

Family Self Sufficiency ("FSS") program escrows are restricted for use in the Section 8 Housing Choice Voucher and Public and Indian Housing Programs by FSS program participants.

Replacement and operating reserves are required to be set aside for future project expenditures in accordance with regulatory agreements.

Tenant security deposits represent amounts held by the Authority on behalf of tenants. Upon termination from the program, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 5. CAPITAL ASSETS, NET

The following is a summary of the primary government's changes in capital assets during the year ended December 31, 2025:

Description	December 31, 2024	Additions	Dispositions	Transfers	December 31, 2025
<u>Non-depreciable:</u>					
Land	\$ 2,036,170	\$ -	\$ -	\$ -	\$ 2,036,170
Construction in progress	<u>9,113</u>	<u>-</u>	<u>-</u>	<u>(3,200)</u>	<u>5,913</u>
Total	<u>2,045,283</u>	<u>-</u>	<u>-</u>	<u>(3,200)</u>	<u>2,042,083</u>
<u>Depreciable:</u>					
Building and improvements	32,978,357	-	-	3,200	32,981,557
Furniture and equipment	<u>2,718,671</u>	<u>5,364</u>	<u>-</u>	<u>-</u>	<u>2,724,035</u>
Total	<u>35,697,028</u>	<u>5,364</u>	<u>-</u>	<u>3,200</u>	<u>35,705,592</u>
Less: accumulated depreciation	<u>24,606,884</u>	<u>875,761</u>	<u>-</u>	<u>-</u>	<u>25,482,645</u>
Net capital assets	<u>\$ 13,135,427</u>	<u>\$ (870,397)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,265,030</u>

Depreciation expense for the primary government for the year ended December 31, 2025 amounted to \$875,761.

The following is a summary of the discretely presented component units' changes in capital assets during the year ended December 31, 2025:

Description	December 31, 2024	Additions	Dispositions	Transfers/ Adjustments	December 31, 2025
<u>Non-depreciable:</u>					
Land	\$ 1,804,751	\$ -	\$ -	\$ -	\$ 1,804,751
Total	<u>1,804,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,804,751</u>
<u>Depreciable:</u>					
Buildings and improvements	\$ 69,208,612	\$ 270,136	\$ (8,466,669)	\$ -	\$ 61,012,079
Furniture and equipment	<u>2,480,617</u>	<u>41,905</u>	<u>(29,861)</u>	<u>-</u>	<u>2,492,661</u>
Total	<u>71,689,229</u>	<u>312,041</u>	<u>(8,496,530)</u>	<u>-</u>	<u>63,504,740</u>
Less: accumulated depreciation	<u>16,765,853</u>	<u>1,744,903</u>	<u>(67,481)</u>	<u>-</u>	<u>18,443,275</u>
Net capital assets	<u>\$ 56,728,127</u>	<u>\$ (1,432,862)</u>	<u>\$ (8,429,049)</u>	<u>\$ -</u>	<u>\$ 46,866,216</u>

Depreciation expense for the discretely presented component units for the year ended December 31, 2025 amounted to \$1,744,903.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 6. NOTES RECEIVABLE

Outstanding notes receivable for the primary government as of December 31, 2025 consisted of the following:

<u>Description</u>	<u>Amount</u>
Metropolitan Village Associates, L.P. – Loan in the original amount of \$550,000 starting on September 11, 2008. Interest on the principal amount outstanding accrues at the rate of 7.25% through construction period, capped at \$10,000, and thereafter bears interest at an annual rate of 5.50% until maturity. Principal and interest are payable from net available cash flow from operations or from net proceeds or condemnation proceeds. The note matures on September 11, 2048, and is secured by a third priority leasehold.	\$ 539,000
Metropolitan Village Associates, L.P. – Loan in the original amount of \$1,104,734 starting on September 11, 2008. Interest on the principal amount outstanding accrues at the rate of 7.25% through construction period, capped at \$30,000, and thereafter bears interest at an annual rate of 3.50% until maturity. Principal is payable from net available cash flow from operations or from net proceeds or condemnation proceeds. The note matures on September 11, 2053, and is secured by a third priority leasehold mortgage on the project.	1,104,734
Cumberland Manor Associates, L.P. – Loan in the original amount of \$550,000 starting on September 11, 2008. Interest on the principal amount outstanding accrues at the rate of 7.25% through construction period, capped at \$10,000, and thereafter bears interest at an annual rate of 5.5% until maturity. Principal is payable from 75% of net available cash flow from operations or from net proceeds or condemnation proceeds. The note matures on September 11, 2048, and is secured by a third priority leasehold.	539,000
Cumberland Manor Associates, L.P. – Loan in the original amount of \$1,064,840 starting on September 11, 2008. Interest on the principal amount outstanding accrues at the rate of 7.25% through construction period, capped at \$30,000, and thereafter bears interest at an annual rate of 3.5% until maturity. Principal and interest are payable from net available cash flow from operations or from net proceeds or condemnation proceeds. The note matures on September 11, 2053, and is secured by a third priority leasehold mortgage on the project.	1,064,840
Granite Mountain Senior Homes, L.P. – Loan in the original amount of \$2,251,731 starting on June 24, 2011. Secured by a leasehold mortgage on project; payable at maturity on June 24, 2051; note does not bear interest.	2,251,731
Granite Mountain Senior Homes, L.P. – Loan in the original amount of \$565,023 starting on June 24, 2011. Secured by a leasehold mortgage and security agreement; payable at maturity on June 24, 2051; note does not bear interest.	565,023

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 6. NOTES RECEIVABLE (continued)

<u>Description</u>	<u>Amount</u>
Metropolitan Village Associates, L.P. – Loan in the original amount of \$1,600,000 starting on September 11, 2008. Interest on the principal amount outstanding accrues at the rate of 7.25% through construction period, capped at \$53,500, and thereafter bears interest at an annual rate of 3.50% until maturity. Principal and interest are payable from net available adjusted surplus cash flow. The note matures on September 11, 2053, and is secured by a fourth leasehold mortgage on the project.	1,600,000
Cumberland Manor Associates, L.P. – Loan in the original amount of \$1,600,000 starting on September 11, 2008. Interest on the principal amount outstanding accrues at the rate of 7.25% through construction period, capped at \$53,500, and thereafter bears interest at an annual rate of 3.50% until maturity. Principal and interest are payable from net available adjusted surplus cash flow. The note matures on September 11, 2053, and is secured by a fourth leasehold mortgage on the project.	1,600,000
Cumberland Tower Little Rock, LLC - Note receivable in the original amount of \$5,620,000 starting on October 1, 2018. The note bears interest at a rate of 6% compounding annually and matures on October 1, 2068. The loan is secured by a third mortgage on the property.	5,620,000
Cumberland Tower Little Rock, LLC - Note receivable in the amount of \$659,088 starting on October 1, 2018. The note bears no interest, payments are due from available cash, and matures on October 1, 2068. The loan is secured by a fifth mortgage on the property.	659,088
FP Tower Little Rock, LP - Seller loan in the amount of \$6,780,000 on October 1, 2018. The loan bears interest at 6% compounding annually and requires annual principal and interest payments subject to available cash flow. The balance of accrued interest is added to the loan amount. The loan matures on October 1, 2068, and is secured by a second mortgage on the property.	6,780,000
FP Tower Little Rock, LP - Acquired reserves loan in the amount of \$145,354 starting on October 1, 2018. The loan bears no interest and requires annual principal and interest payments subject to available cash flow. The loan matures on October 1, 2068, and is secured by a fourth mortgage on the property.	145,354
JP Tower Little Rock, LP - Seller loan in the amount of \$5,720,000 starting on October 1, 2018. The loan bears interest at 6% compounding annually and requires annual principal and interest payments subject to available cash flow. The balance of accrued interest is added to the loan amount. The loan matures on October 1, 2068, and is secured by a third mortgage on the property.	5,720,000

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 6. NOTES RECEIVABLE (continued)

<u>Description</u>	<u>Amount</u>
JP Tower Little Rock, LP - Acquired reserves loan in the amount of \$521,219 starting on October 1, 2018. The loan bears no interest and requires annual principal and interest payments subject to available cash flow. The loan matures on October 1, 2068, and is secured by a fifth mortgage on the property.	521,219
FP Tower Little Rock, LP - Note receivable in the amount of \$2,000,000 starting on October 1, 2018. The note bears no interest, payments are due at maturity, and matures on October 1, 2068. The loan is secured by a fifth mortgage on the property.	2,000,000
Sunset Terrace, LLC - Note dated October 31, 2022 in the original principal amount of \$2,700,000. The note bears interest at a fixed rate of 3.43% per annum, compounded annually. Principal and interest are payable subject to cash flow, commencing upon permanent loan conversion. The note matures November 1, 2062, at which time all remaining principal and interest shall be due. The note is secured by the property.	2,700,000
Sunset Terrace, LLC - Note dated October 31, 2022 in the maximum principal amount of \$5,050,000. The note does not bear interest. The note matures November 1, 2062, at which time all remaining principal shall be due. The note is secured by the property.	<u>4,717,488</u>
Total notes receivable	\$ <u><u>38,127,477</u></u>

As of December 31, 2025, interest on these loans has accrued in the amount of \$13,505,658.

NOTE 7. LEASE RECEIVABLE

On December 28, 2017, the Authority entered into a lease agreement as a lessor with FP Tower Little Rock, LLC for the lease of property. The term of the lease was for 99 years commencing on December 28, 2017. An initial lease receivable was recorded in the amount of \$236,643. As of December 31, 2025, the value of the lease receivable was \$225,516. Beginning on the commencement of the lease term, annual rent shall be paid to the Authority in the amount of \$9,293. For the year ended December 31, 2025, the Authority received payments of \$9,293 on the lease. The implicit interest rate on the lease was 3%. The value of the deferred inflows of resources as of December 31, 2025 was \$215,130. For the year ended December 31, 2025, the Authority recognized lease revenue and interest income on the lease in the amounts of \$51 and \$9,031, respectively.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 7. LEASE RECEIVABLE (continued)

On December 28, 2017, the Authority entered into a lease agreement as a lessor with JP Tower Little Rock, LLC for the lease of property. The term of the lease was for 99 years commencing on December 28, 2017. An initial lease receivable was recorded in the amount of \$97,759. As of December 31, 2025, the value of the lease receivable was \$93,162. Beginning on the commencement of the lease term, annual rent shall be paid to the Authority in the amount of \$3,839. For the year ended December 31, 2025, the Authority received payments of \$3,839 on the lease. The implicit interest rate on the lease was 3%. The value of the deferred inflows of resources as of December 31, 2025 was \$88,871. For the year ended December 31, 2025, the Authority recognized lease revenue and interest income on the lease in the amounts of \$108 and \$3,731, respectively.

On December 28, 2017, the Authority entered into a lease agreement as a lessor with Cumberland Tower Little Rock, LLC for the lease of property. The term of the lease was for 99 years commencing on December 28, 2017. An initial lease receivable was recorded in the amount of \$46,295. As of December 31, 2025, the value of the lease receivable was \$44,118. Beginning on the commencement of the lease term, annual rent shall be paid to the Authority in the amount of \$1,818. For the year ended December 31, 2025, the Authority received payments of \$1,818 on the lease. The implicit interest rate on the lease was 3%. The value of the deferred inflows of resources as of December 31, 2025 was \$42,086. For the year ended December 31, 2025, the Authority recognized lease revenue and interest income on the lease in the amounts of \$51 and \$1,767, respectively.

On October 31, 2022, the Authority entered into a lease agreement as a lessor with Sunset Terrace, LLC for the lease of land and building. The term of the lease was for 99 years commencing on October 31, 2022. An initial lease receivable was recorded in the amount of \$445,500. As of December 31, 2025, the value of the lease receivable was \$467,141. Beginning on the commencement of the lease term, annual rent shall be paid to the Authority in the amount of \$4,500 increasing 3% annually. At the commencement of the lease, an initial base rent payment of \$3,000,000 was to be paid via sellers loan of \$2,700,000 and construction loan of \$300,000. For the year ended December 31, 2025, the Authority received payments of \$4,917 on the lease. The implicit interest rate on the lease was 3%. The value of the deferred inflows of resources as of December 31, 2025 was \$3,306,288. For the year ended December 31, 2025, the Authority recognized interest income on the lease in the amount of \$13,749.

NOTE 8. RIGHT-TO-USE ASSETS, NET

The discretely presented component units entered into several ground leases with the Authority. The ground leases are for 99-year terms. Annual rent is paid in accordance with the various ground lease agreements. See further detail in note 7.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 8. RIGHT-TO-USE ASSETS, NET (continued)

The following table summarizes the lease right-of-use assets, net for the discretely presented component units as of December 31, 2025:

FP Tower Little Rock, LLC

Description	December 31, 2024	Additions	Dispositions	December 31, 2025
Right-of-use asset	\$ 400,270	\$ -	\$ -	\$ 400,270
Less: accumulated amortization	<u>4,510</u>	<u>1,563</u>	<u>-</u>	<u>6,073</u>
Right-of-use asset	<u>\$ 395,760</u>	<u>\$ (1,563)</u>	<u>\$ -</u>	<u>\$ 394,197</u>

The lease liability for FP Tower Little Rock, LLC as of December 31, 2025 was \$394,197, with \$1,595 classified as a current liability.

JP Tower Little Rock, LLC

Description	December 31, 2024	Additions	Dispositions	December 31, 2025
Right-of-use asset	\$ 165,354	\$ -	\$ -	\$ 165,354
Less: accumulated amortization	<u>1,863</u>	<u>646</u>	<u>-</u>	<u>2,509</u>
Right-of-use asset	<u>\$ 163,491</u>	<u>\$ (646)</u>	<u>\$ -</u>	<u>\$ 162,845</u>

The lease liability for JP Tower Little Rock, LLC as of December 31, 2025 was \$162,845, with \$659 classified as a current liability.

Cumberland Tower Little Rock, LLC

Description	December 31, 2024	Additions	Dispositions	December 31, 2025
Right-of-use asset	\$ 78,305	\$ -	\$ -	\$ 78,305
Less: accumulated amortization	<u>882</u>	<u>306</u>	<u>-</u>	<u>1,188</u>
Right-of-use asset	<u>\$ 77,423</u>	<u>\$ (306)</u>	<u>\$ -</u>	<u>\$ 77,117</u>

The lease liability for Cumberland Tower Little Rock, LLC as of December 31, 2025 was \$77,117, with \$312 classified as a current liability.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 8. RIGHT-TO-USE ASSETS, NET (continued)

Sunset Terrace, LLC

Description	December 31, 2024	Additions	Dispositions	December 31, 2025
Right-of-use asset	\$ 3,285,141	\$ -	\$ -	\$ 3,285,141
Less: accumulated amortization	<u>168,740</u>	<u>77,880</u>	<u>-</u>	<u>246,620</u>
Right-of-use asset	<u>\$ 3,116,401</u>	<u>\$ (77,880)</u>	<u>\$ -</u>	<u>\$ 3,038,521</u>

The lease liability for Sunset Manor, LLC as of December 31, 2025 was \$312,515, with \$0 classified as a current liability.

NOTE 9. ACCOUNTS PAYABLE

As of December 31, 2025, accounts payable consisted of the following:

Description	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Accounts payable - vendors	\$ 441,063	\$ 1,759,715	\$ 2,200,778
Accounts payable - HUD	<u>96,673</u>	<u>-</u>	<u>96,673</u>
Total accounts payable	<u>\$ 537,736</u>	<u>\$ 1,759,715</u>	<u>\$ 2,297,451</u>

Accounts Payable - Vendors

Accounts payable - vendors represents the amounts payable to contractors and vendors for materials received or services rendered.

Accounts Payable - HUD

Accounts payable - HUD represents amounts due and payable to the HUD due to overdrawing the grants.

NOTE 10. LONG TERM DEBT

Long-term debt of the primary government consisted of the following as of December 31, 2025:

Description	Amount
Note payable to VOA National Housing Corporation which is an unsecured, non-recourse note bearing no interest and shall be payable only upon the sale or refinancing of CAHC's Elm Street apartment.	\$ 50,000

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 10. LONG TERM DEBT (continued)

<u>Description</u>	<u>Amount</u>
University Heights Associates, LP - On June 28, 2019, Walker & Dunlap Commercial Property Funding, LLC, provided a mortgage of \$3,000,000, secured by the property, and an assignment of rents and is payable in monthly installments of interest only calculated at 9% through January 2023, after which all accrued interest and principal is due. The loan was originally due on April 1, 2020 and has been extended to August 2025. The loan was paid off in April 2026.	2,525,391
Madison Heights Phase II, LP - On June 28, 2019, Walker & Dunlap Commercial Property Funding, LLC, provided a mortgage of \$2,600,000, secured by the property, and an assignment of rents and is payable in monthly installments of interest only through January 2023, after which all accrued interest and principal is due. Interest was determined to be 9%. The loan was originally due on April 1, 2020 and has been extended to August 2025. The loan was paid off in April 2026.	<u>2,213,282</u>
Total long-term debt	\$ <u><u>4,788,673</u></u>

Annual debt service for principal and interest over the next year is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ <u><u>4,788,673</u></u>	\$ <u><u>-</u></u>	\$ <u><u>4,788,673</u></u>

Accrued interest payable and interest expense for the year ended December 31, 2025 totaled \$2,802,204 and \$349,880, respectively.

A summary of the Authority's discretely presented component units long-term debt is as follows:

<u>Loans payable to the Authority as evidenced by a Note Receivable (see Note 6):</u>	<u>Amount</u>
Authority loan with Granite Mountain Senior Homes, L.P.	\$ 2,250,867
Authority loan with Granite Mountain Senior Homes, L.P.	565,023
Authority loan with Cumberland Tower Little Rock, LLC	5,620,000
Authority loan with Cumberland Tower Little Rock, LLC	659,088
Authority loan with FP Tower Little Rock, L.P. - Seller Loan	6,780,000
Authority loan with FP Tower Little Rock, L.P. - Acquired reserves	145,354
Authority loan with JP Tower Little Rock, L.P. - Seller Loan	5,720,000
Authority loan with JP Tower Little Rock, L.P. - Acquired reserves	521,219
Authority loan with Sunset Terrace, LLC	2,700,000
Authority loan with Sunset Terrace, LLC	<u>4,717,488</u>
Total primary government loans to discretely presented component units	\$ <u><u>29,679,039</u></u>

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 10. LONG TERM DEBT (continued)

Bonds and loans payable to other lenders consisted of the following as of December 31, 2025:

<u>Description</u>	<u>Amount</u>
FP Tower Little Rock, LP - First mortgage note with Walker & Dunlop, LLC in the original principal amount of \$6,522,000. The note bears interest at 5.52% and a service fee at .14% and requires monthly principal, interest, and service fee payments of \$35,110, continuing until maturity, November 1, 2038, at which time all principal and interest is due. The note is secured by the first mortgage on the property.	\$ 5,945,742
FP Tower Little Rock, LP - Note payable to the Central Arkansas Housing Corporation in the original principal amount of \$2,000,000. The loan does not bear interest and requires payments subject to available cash flow. Any remaining unpaid portion of the loan is due at maturity, October 1, 2068. The loan is secured by a fifth mortgage.	2,000,000
JP Tower Little Rock, LP - First mortgage payable to Walker & Dunlop, LLC in the original amount principal amount of \$4,177,000. The note bears interest at 5.64% and a service fee of .16% and requires monthly principal, interest and service fee payments of \$22,816 continuing until maturity, November 1, 2038. Upon maturity, all remaining principal and interest is due. The note is secured by a first mortgage on the property.	3,689,880
JP Tower Little Rock, LP - Note payable due to the Arkansas Development Authority in the original principal amount of \$650,000. The loan does not bear interest and requires monthly payments of \$1,548 beginning on the third anniversary of the placed in service date. Any remaining unpaid portion of the loan is due to maturity, November 30, 2053. The loan is secured by a second mortgage.	574,167
Cumberland Tower Little Rock, LP - First mortgage payable to Walker & Dunlop, LLC in the original principal amount of \$3,871,000. The note bears interest at 5.64% and a service fee at .16% and requires monthly principal, interest, and service fee payments of \$21,144, continuing until maturity, November 1, 2038. Upon maturity, all remaining principal and interest is due. The note is secured by a first mortgage on the property.	3,461,162
Cumberland Tower Little Rock, LP - NSP loan with the Arkansas Development Finance Authority in the original principal amount of \$700,000. The note does not bear interest and will require monthly principal payments of \$1,667, commencing 36 months after substantial completion. The loan matures November 30, 2053, at which time all principal shall become due. The loan is secured by a second mortgage on the property.	618,333

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 10. LONG TERM DEBT (continued)

<u>Description</u>	<u>Amount</u>
Sunset Terrace, LLC - Construction loan payable with Arkansas Development Finance Authority dated October 31, 2022 in the original amount of \$13,140,000. The loan requires monthly interest only payments commencing December 1, 2022 and bears interest at a variable rate of the lesser of 16.99% or 2.55% plus BSBY daily floating rate, with a BSBY daily floating rate floor of .75% (7.02% as of December 31, 2023). The note matures May 1, 2025, at which time all remaining principal and interest shall be due. The note is secured by the rental property. The loan was paid in full in September 2025.	-
Sunset Terrace, LLC - Note payable to Cedar Rapids Bank and Trust Company, dated September 1, 2025 in the maximum principal amount of \$4,130,500. The note bears interest at 30-day term SOFR plus 1.25% (5.04% as of December 31, 2025). Monthly installments of principal and interest are due commencing November 1, 2025. The note matures October 1, 2040, at which time all remaining principal and interest shall be due. The note is secured by a mortgage on the rental property.	3,400,017
Sunset Terrace, LLC - Note payable to the Arkansas Development Finance Authority (NHTF Loan), dated October 31, 2022 in the maximum principal amount of \$2,000,000. The note does not bear interest. Annual installments of principal in the lesser amount of \$66,667 or 50% of available cash flow, are payable commencing June 1, 2025. The note matures October 31, 2054, at which time all remaining principal and interest shall be due. The note is secured by a mortgage on the rental property.	<u>2,000,000</u>
Total long-term debt payable to other lenders	51,368,340
Less: current portion	<u>258,815</u>
Total long-term debt	<u>\$ 51,109,525</u>
Accrued interest payable and interest expense for the year ended December 31, 2025 totaled \$9,914,723 and \$3,003,547, respectively.	

NOTE 11. NON-CURRENT LIABILITIES

Non-current liabilities of the primary government as of December 31, 2025 consisted of the following:

Description	December 31, 2024	Additions	Payments	Eliminations	December 31, 2025	Due within one year
Compensated absences	\$ 25,681	\$ 39,990	\$ (12,642)	\$ -	\$ 53,029	\$ 12,890
Loans payable	5,255,063	18,984	(485,374)	-	4,788,673	4,788,673
Due to ITEX	282,729	242,271	-	-	525,000	-
Due to affiliate	-	50,000	-	-	50,000	-
FSS escrows	<u>128,229</u>	<u>5,675</u>	<u>-</u>	<u>-</u>	<u>133,904</u>	<u>-</u>
Total non-current liabilities	<u>\$ 5,691,702</u>	<u>\$ 356,920</u>	<u>\$ (498,016)</u>	<u>\$ -</u>	<u>\$ 5,550,606</u>	<u>\$4,801,563</u>

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 11. NON-CURRENT LIABILITIES (continued)

Non-current liabilities of the discretely presented component units as of December 31, 2025 consisted of the following:

Description	December 31, 2024	Additions	Payments	December 31, 2025	Due within one year
Loans payable	\$ 55,898,768	\$ 4,324,387	\$ (8,854,815)	\$ 51,368,340	\$ 258,815
Lease liability	937,373	11,816	(2,515)	946,674	2,566
Due to affiliate	1,510,158	2,550,871	(191,092)	3,869,937	2,014,937
Construction payable	95,975	-	(74,538)	21,437	-
Developer fee	<u>3,232,382</u>	<u>-</u>	<u>-</u>	<u>3,232,382</u>	<u>-</u>
Total non-current liabilities	<u>\$ 61,674,656</u>	<u>\$ 6,887,074</u>	<u>\$ (9,122,960)</u>	<u>\$ 59,438,770</u>	<u>\$ 2,276,318</u>

NOTE 12. RETIREMENT PLAN

The Authority provides pension benefits for all of its full-time employees through the Housing Authority of the City of Little Rock Retirement Plan (the Plan). The Plan is a single-employer defined contribution plan and is administered by the Authority. The Plan is authorized and may be amended by the Authority's board of commissioners. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six-month exclusionary period. The employee contributes 3% and the Authority contributes 5% of the employee's base salary each month. The Authority's contributions for each employee are fully vested after five years of participation. Contributions to the Plan were approximately \$37,759 during the year ended December 31, 2025.

NOTE 13. RESTRICTED NET POSITION

Restricted net position consists of the following as of December 31, 2025:

Description	Primary Government	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
Housing assistance payment reserves	\$ 520,748	\$ -	\$ 520,748
Operating and replacement reserves	<u>399,769</u>	<u>4,231,919</u>	<u>4,631,688</u>
Total restricted net position	<u>\$ 920,517</u>	<u>\$ 4,231,919</u>	<u>\$ 5,152,436</u>

Housing assistance payment reserves are restricted for rent payments to landlords as part of the Section 8 Housing Choice Vouchers and Mainstream Vouchers Programs.

Operating and replacement reserves are restricted for future project expenditures, such as rehabilitation, debt service, taxes, and insurance.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 14. CONDENSED INFORMATION FOR THE BLENDED COMPONENT UNITS

	CAHC	University Heights	Madison Heights II	Madison Heights III	Total
Assets:					
Current assets	\$ 11,152,943	\$ 133,768	\$ 207,657	\$ 173,289	\$ 11,667,657
Capital assets	106,682	3,035,194	2,366,925	1,795,991	7,304,792
Other non-current assets	<u>12,892,373</u>	<u>198,460</u>	<u>35,355</u>	<u>-</u>	<u>13,126,188</u>
Total assets	<u>24,151,998</u>	<u>3,367,422</u>	<u>2,609,937</u>	<u>1,969,280</u>	<u>32,098,637</u>
Liabilities:					
Current	25,166	4,818,679	6,678,121	2,700,245	14,222,211
Non-current	<u>-</u>	<u>8,722,335</u>	<u>6,378,753</u>	<u>1,674,480</u>	<u>16,775,568</u>
Total liabilities	<u>25,166</u>	<u>13,541,014</u>	<u>13,056,874</u>	<u>4,374,725</u>	<u>30,997,779</u>
Net Position:					
Net investment in capital assets	106,682	(5,353,384)	(4,010,800)	122,539	(9,134,963)
Restricted	-	192,913	35,355	-	228,268
Unrestricted	<u>24,020,150</u>	<u>(5,013,121)</u>	<u>(6,713,763)</u>	<u>(2,527,984)</u>	<u>9,765,282</u>
Net position	<u>\$24,126,832</u>	<u>\$10,173,592</u>	<u>\$10,689,208</u>	<u>\$ (2,405,445)</u>	<u>\$ 858,587</u>
	CAHC	University Heights	Madison Heights II	Madison Heights III	Total
Operating revenue:					
Tenant revenue	\$ -	\$ 754,263	\$ 714,807	\$ 378,315	\$ 1,847,385
Other revenues	<u>5,458</u>	<u>29,450</u>	<u>-</u>	<u>54,115</u>	<u>89,023</u>
Total operating revenues	<u>5,458</u>	<u>783,713</u>	<u>714,807</u>	<u>432,430</u>	<u>1,936,408</u>
Operating expenses:					
Administrative	20,142	246,917	221,222	168,105	656,386
Maintenance and utilities	-	437,729	388,285	205,182	1,031,196
Other	<u>11,895</u>	<u>362,362</u>	<u>510,708</u>	<u>164,670</u>	<u>1,049,635</u>
Total operating expenses	<u>32,037</u>	<u>1,047,008</u>	<u>1,120,215</u>	<u>537,957</u>	<u>2,737,217</u>
Other income (expense)					
Interest income	840,139	7,558	1,427	10	849,134
Interest expense	<u>-</u>	<u>(195,646)</u>	<u>(795,837)</u>	<u>(184,007)</u>	<u>(1,175,490)</u>
Net other income (expense)	<u>840,139</u>	<u>(188,088)</u>	<u>(794,410)</u>	<u>(183,997)</u>	<u>(326,356)</u>
Change in net position	<u>\$ 813,560</u>	<u>\$ (451,383)</u>	<u>\$ (1,199,818)</u>	<u>\$ (289,524)</u>	<u>\$ (1,127,165)</u>

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2025

NOTE 15. LOSS CONTINGENCY

The Authority is involved in litigation arising from a breach of contract dispute. Legal counsel has advised that an unfavorable outcome is likely and has estimated the Authority's exposure to be between approximately \$525,000 and \$600,000 or greater. As a result, the Authority has recorded a liability of \$525,000 as of December 31, 2025. The ultimate resolution of this matter may differ from the amount recorded, and additional losses may be incurred.

The Authority is a defendant in a breach of contract action in which damages in excess of \$4.3 million have been alleged. Legal counsel has advised that an unfavorable outcome is reasonably possible; however, the amount of any potential loss cannot currently be reasonably estimated. Accordingly, no liability has been recorded in the accompanying financial statements. The Authority intends to vigorously defend this matter.

NOTE 16. CORRECTION OF ERROR

The Authority's financial statements have been restated as of January 1, 2025 due to the correction of errors related to lease receivable and deferred inflows of resources. As a result of the correction, net position was decreased by \$3,698,120.

NOTE 17. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through September 29, 2026 (the date the financial statements were available to be issued) and management determined that the following subsequent event requires disclosure:

- On April 6, 2026, the Authority refinanced Madison Heights I and Madison Heights II loans with Southern Bancorp totaling \$5.1 million each. Both loans mature on April 9, 2029.

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

To the Board of Commissioners
Housing Authority of the City Little Rock:

We have audited the accompanying statement of net position of the business-type activities (primary government) of the Housing Authority of the City Little Rock (the "Authority") as of December 31, 2025 and were engaged to audit the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and related notes to the financial statements. We have also audited the accompanying statement of net position of the aggregate discretely presented component units of the Authority as of December 31, 2025, and the related statements of revenues, expenses and net position for the year then ended and the related notes to the financial statements and have issued our report thereon dated September 29, 2026. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units as described in our report on the financial statements of the Authority. Those financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, 2025-004, and 2025-005 to be material weaknesses.

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. We consider the deficiencies described as item 2025-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 items 2025-006, 2025-007, 2025-008, 2025-009, 2025-010, 2025-011 and 2025-012.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Novogradac & Company LLP". The signature is written in a cursive, flowing style.

Toms River, New Jersey
September 29, 2026

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

To the Board of Commissioners
Housing Authority of the City Little Rock:

Report on Compliance for Each Major Federal Program

Adverse and Disclaimer of Opinion on Each Major Federal Program

We have audited the Housing Authority of the City Little Rock'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, 2025. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Adverse Opinion on the Housing Voucher Cluster

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Housing Voucher Cluster 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 for the year ended December 31, 2025.

Disclaimer of Opinion on the Public and Indian Housing Program

We do not express an opinion on the Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each major federal program.

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Public and Indian Housing Program" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Public and Indian Housing Program.

Basis for Adverse Opinion on the Housing Voucher Cluster

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.

Basis for Adverse Opinion on the Housing Voucher Cluster (continued)

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 adverse and unmodified opinions 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.

Matter(s) Giving Rise to Adverse Opinion on the Housing Voucher Cluster

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements of the Housing Choice Voucher Cluster as detailed in findings 2025-006, 2025-007, 2025-008, 2025-009, 2025-010, and 2025-011. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to the Housing Choice Voucher Cluster of programs.

Basis for Disclaimer of Opinion on the Public and Indian Housing Program

As described in the accompanying schedule of findings and questioned costs, the Authority was unable to provide the required documentation to adequately test compliance of the Public and Indian Housing Program as described in finding number 2025-012. As a result of these matters, we were unable to determine whether the Authority complied with the requirements applicable to the Public and Indian Housing Program.

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.

Auditors' Responsibilities for the Audit of Compliance

Auditors' Responsibilities for the Audit of Compliance for the Housing Voucher Cluster

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.

Auditors' Responsibilities for the Audit of Compliance (continued)

Auditors' Responsibilities for the Audit of Compliance for the Housing Voucher Cluster (continued)

- 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.

Auditors' Responsibilities for the Audit of Compliance for the Public and Indian Housing Program

Our responsibility is to conduct an audit of compliance in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditors' report. However, because of the matter described in the "Basis for Disclaimer of Opinion on the Public and Indian Housing Program" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-013. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to non-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 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 of obtaining 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 expressing an opinion on the effectiveness of the Authority's internal control over compliance. However, because of the matter described in the "Basis for Disclaimer of Opinion on Each Major Federal Program" section of our report, we were unable to consider internal control over compliance.

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

Report on Internal Control Over Compliance (continued)

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-006, 2025-007, 2025-008, 2025-009, 2025-010, 2025-011, and 2025-012 to be material weaknesses. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-013 to be a significant deficiency.

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.

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 audit 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 audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

Novogradac & Company LLP

Toms River, New Jersey
September 29, 2026

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

<u>Federal Grantor / Program Title</u>	<u>Federal AL Number</u>	<u>Pass-through Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 18,493,888
Emergency Housing Vouchers	14.871	N/A	704,503
Mainstream Vouchers	14.879	N/A	<u>696,886</u>
Total Housing Voucher Cluster			<u>19,895,277</u>
Section 8 Project Based Cluster:			
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	N/A	<u>477,839</u>
Total Section 8 Project Based Cluster			<u>477,839</u>
Public and Indian Housing	14.850	N/A	401,616
Public Housing Capital Fund Program	14.872	N/A	<u>35,021</u>
Total Expenditures of Federal Awards			<u>\$ 20,809,753</u>

See accompanying notes to schedule of expenditures of federal awards

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the net position, changes in net position or cash flows of the Authority. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The Authority has not elected to use the fifteen percent de minimis indirect cost rate allowed under the Uniform Guidance for federal programs awarded on or after October 1, 2024 or the ten percent de minimis indirect cost rate for federal programs awarded prior to October 1, 2024 .

**HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|--|--|
| 1. | Type of auditors' report issued:
Primary Government

Discretely Presented Component Units | Qualified and
Disclaimer of Opinion
Unmodified |
| 2. | Internal control over financial reporting | |
| a. | Material weakness(es) identified? | Yes |
| b. | Significant deficiency(ies) identified? | Yes |
| 3. | Noncompliance material to the financial statements? | Yes |

Federal Awards Section

- | | | | | | | | | | | | | | | |
|------------------|---|------------------|--------------------------------|--------|--------------------------|--------|---|--------|---------------------|--|----------------------------|--------|-----------------------------------|--|
| 1. | Internal Control over compliance: | | | | | | | | | | | | | |
| a. | Material weakness(es) identified? | Yes | | | | | | | | | | | | |
| b. | Significant deficiency(ies) identified? | Yes | | | | | | | | | | | | |
| 2. | Type of auditors' report on compliance
for major programs:
14.871 & 14.879 Housing Voucher Cluster - Adverse Opinion
14.850 Public and Indian Housing Program - Disclaimer of Opinion | | | | | | | | | | | | | |
| 3. | Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a)? | Yes | | | | | | | | | | | | |
| 4. | Identification of major programs: | | | | | | | | | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>AL Number</u></td> <td style="text-align: left;"><u>Name of Federal Program</u></td> </tr> <tr> <td>14.871</td> <td>Housing Voucher Cluster:</td> </tr> <tr> <td>14.879</td> <td>Section 8 Housing Choice Vouchers Program</td> </tr> <tr> <td>14.EHV</td> <td>Mainstream Vouchers</td> </tr> <tr> <td></td> <td>Emergency Housing Vouchers</td> </tr> <tr> <td>14.850</td> <td>Public and Indian Housing Program</td> </tr> </table> | <u>AL Number</u> | <u>Name of Federal Program</u> | 14.871 | Housing Voucher Cluster: | 14.879 | Section 8 Housing Choice Vouchers Program | 14.EHV | Mainstream Vouchers | | Emergency Housing Vouchers | 14.850 | Public and Indian Housing Program | |
| <u>AL Number</u> | <u>Name of Federal Program</u> | | | | | | | | | | | | | |
| 14.871 | Housing Voucher Cluster: | | | | | | | | | | | | | |
| 14.879 | Section 8 Housing Choice Vouchers Program | | | | | | | | | | | | | |
| 14.EHV | Mainstream Vouchers | | | | | | | | | | | | | |
| | Emergency Housing Vouchers | | | | | | | | | | | | | |
| 14.850 | Public and Indian Housing Program | | | | | | | | | | | | | |
| 5. | Dollar threshold used to distinguish between
Type A and Type B Programs: | \$1,000,000 | | | | | | | | | | | | |
| 6. | Auditee qualified as low-risk Auditee? | No | | | | | | | | | | | | |

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

II. Financial Statement Findings

Finding 2025-001

Criteria: The Authority did not maintain adequate internal controls over financial reporting.

Condition: During audit testing we noted the following:

- Numerous material adjusting journal entries were required to present the Authority's financial statements in accordance with GAAP.
- The Authority did not properly implement GASB 87 - Leases which resulted in a material prior period adjustment.
- The Authority was not recording revenue in accordance with revenue recognition policies.
- The Authority was unable to provide support for the fixed assets for Homes at Granite Mountain and Elm Street Apartments which are business activities.
- The Authority was unable to provide accurate support for certain balances to support the Statement of Net Position as of December 31, 2024.

Cause: The Authority has not properly followed internal controls over the financial reporting monthly account reconciliations and reviews of monthly and year-end financial statements were not conducted.

Auditors' Recommendation: We recommend that the Authority institute monthly procedures whereby financial statements and general ledger accounts will be reviewed at least monthly for accuracy and reconciled to their subsidiary ledgers.

View of Responsible Officials and Corrective Actions: The Authority acknowledges the finding. The adjustments required during the audit were primarily due to the lack of third-party confirmations and supporting documentation for certain balances, including documentation from prior years that was not available to current management. Management currently reviews the financial statements and key general ledger accounts monthly. Management is assessing and strengthening their internal controls to prevent similar issues. The Authority will continue to reconcile the statement of net position and other key account balances on an ongoing basis and will perform additional reconciliations following any large or unusual adjusting entries.

Finding 2025-002:

Criteria: The Authority must maintain adequate internal controls over the handling of tenant cash receipts from the time of receipt to deposit in the appropriate depository or broker account.

Condition: During our testing we noted the following:

- Thirteen (13) out of twenty-five (25) tenant cash receipts tested were not able to be traced to the supporting deposit slip and bank statement.

Cause: Management has not properly followed internal controls over the handling of tenant cash receipts from the time of receipt to deposit in the appropriate depository or broker account.

Recommendation: We recommend that the Authority strengthen internal controls over cash receipts to insure all tenant rent receipts are deposited when collected, and that supporting documentation is kept on file.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

II. Financial Statement Findings (continued)

Finding 2025-002 (continued):

Authority Response: The Authority acknowledges the finding. The Public Housing program maintains a shared drive for storing all rent receipts and deposit documentation. Management will retrain our property managers on the use of the shared drive and our expectations for retaining documentation, so that each tenant receipt can be traced to the deposit slip and bank statement.

Finding 2025-003:

Criteria: The Authority must maintain adequate internal controls over the handling of cash disbursements from the time of authorization and payment.

Condition: During our testing we noted the following:

- One (1) out of twenty-five (25) cash disbursements tested were not properly authorized.
- Two (2) out of twenty-five (25) cash disbursements tested authorization was not provided.
- Three (3) out of twenty-five (25) cash disbursements tested were unable to be traced to the bank statement.

Cause: Management has not properly followed internal controls over the handling of cash disbursements from the time of authorization and payment.

Recommendation: We recommend that the Authority strengthen internal controls over cash disbursements to insure all disbursements are properly authorized and paid.

Authority Response: The Authority acknowledges the finding. During 2025, the Authority did not have a fully staffed finance department and hired new finance staff during the testing period. The Authority now requires dual signatures on all disbursements, and each disbursement is reviewed for proper authorization before it is released.

Finding 2025-004:

Criteria: The Authority must maintain adequate internal controls over the procurement of vendors for various projects with disbursements over the procurement threshold.

Condition: During our testing we noted that of the seventeen (17) vendors, six (6) vendors procurement documentation was unable to be provided therefore, the procurement method could not be determined.

Cause: Management has not properly followed internal controls over the procurement of vendors with disbursements above the procurement threshold of \$20,000.

Recommendation: We recommend that the Authority strengthen internal controls over procurement to ensure all disbursements above the procurement threshold of \$20,000, are properly procured and records are kept.

Authority Response: The Authority agrees with the finding. Procurement records for transactions before July 2025 were not properly maintained and could not be produced. Since July 2025, the Authority has strengthened its procurement practices. The Authority has updated its procurement handbook, created and distributed updated procurement forms and standard operating procedures, and required that documentation be retained for all purchases above the \$20,000 threshold. Management is also establishing disciplinary measures for staff who do not follow procurement procedures.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

II. Financial Statement Findings (continued)

Finding 2025-005:

Criteria: The Authority should maintain effective internal controls over payroll to ensure compensation paid to employees is properly authorized, accurately calculated, supported by appropriate documentation, and consistent with board-approved salary schedules. Any deviations from approved compensation amounts should be formally approved and adequately documented.

Condition: The Authority employs forty-three (43) employees. During detailed testing of five (5) employees selected from the payroll population, we noted that all employees are being paid hourly instead of their approved salary. Of the five employees tested, one (1) employees compensation paid per payroll report did not agree to the salary amount reflected in the board-approved salary guide. Management was unable to provide supporting documentation or an explanation for the variance between the approved salary and the amount paid or the difference between the hourly and salary payment.

Cause: The Authority lacked adequate controls to ensure that employee compensation is reviewed and reconciled to board-authorized salary schedules. In addition, employees are not being paid in accordance with their approved salary form.

Effect: Without adequate review and documentation of compensation amounts, there is an increased risk that payroll expenditures may be inaccurate, unauthorized, or inconsistent with Board-approved compensation levels, and that errors or irregularities may not be identified and corrected in a timely manner.

Recommendation: We recommend that the Authority implement procedures to ensure employee compensation is periodically reconciled to board-approved salary authorizations. Any changes to employee compensation should be formally approved, adequately documented, and maintained in personnel files. Management should also perform and document periodic supervisory reviews of payroll reports to verify that compensation paid agrees to authorized salary amounts.

Authority's Response: To strengthen internal controls and ensure employee compensation is properly authorized, supported, and consistent with the Board-approved salary budget, the Authority will revise its salary approval forms and related procedures to require complete and appropriate documentation.

Findings 2025-006, 2025-007, 2025-008, 2025-009, 2025-010, 2025-011, and 2025-012 below are also financial statement findings in accordance with *Government Auditing Standards*.

III. Federal Award Findings and Questioned Costs

Finding 2025-006:

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Titles: Housing Voucher Cluster
Assistance Listing Numbers: 14.871 & 14.879
Non Compliance - E. Eligibility - Tenant Files
Non Compliance Material to the Financial Statements: Yes
Material Weakness in Internal Control over Compliance for Eligibility

Criteria: Tenant Files. The PHA must do the following: As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516). These files are required to be maintained and available for examination at the time of audit.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-006 (continued):

Condition: Based upon inspection of the Authority's files and on discussion with management, there were documents that were unavailable for examination at the time of audit.

Context: There are approximately 2,320 units. Of a sample size of thirty-four (34) tenant files, the following was noted:

- HUD form 9886 was unable to be provided in 12 files
- Verification of income was unable to be provided in 20 files
- Verification of assets was unable to be provided in 18 files
- HUD 50058 annual recertification was unable to be provided in 9 files
- Original Application was unable to be provided in 20 files
- Citizen Declaration Section 214 form was unable to be provided in 16 files
- Lead based paint form was unable to be provided in 24 files
- Signed lease was unable to be provided in 19 files

Known Questioned Costs: \$104,699*

* Represents HAP attributable to twenty (20) tenant files for which the Authority could not demonstrate compliance with eligibility requirements. The questioned costs do not represent amounts determined to be ineligible but rather costs associated with the tenant that remained in noncompliance beyond the required recertification date.

Cause: There is a material weakness in internal controls over the eligibility type of compliance related to the maintenance of tenant files in the Housing Voucher Cluster. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that assures the program is in compliance.

Effect: The Authority is in material non-compliance with the eligibility requirements of the Housing Voucher Cluster programs.

Recommendation: We recommend that the Authority implement a process whereby Authority personnel are hired and trained on tenant file maintenance so that documents are accumulated, stored and safeguarded to ensure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority acknowledges that certain documentation identified by the auditors could not be located in the participant files currently available to staff. During the year, the Authority converted its housing management software from Yardi to MRI Lindsey and no longer has operational access to the former Yardi system. As a result, management cannot currently determine whether some of the missing electronic documentation was maintained in Yardi prior to the conversion. To prevent recurrence, the Authority is consolidating its paper records into a permanent digital participant file, so that all required eligibility documentation is complete, retained, and available for review.

Finding 2025-007:

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Housing Voucher Cluster

Assistance Listing Numbers: 14.871 and 14.879

Noncompliance – N. Special Tests and Provisions - Housing Quality Standards

Non Compliance Material to the Financial Statements: Yes

Material Weakness in Internal Control over Compliance for Special Tests and Provisions

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-007 (continued):

Criteria: HQS Inspections. Per the Authority's HCV Admin Plan, the PHA must inspect the unit leased to a family biennially in order to determine if the unit meets HQS standards, and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)). These inspection reports are required to be maintained and available for examination at the time of audit.

Condition: Based upon inspection of the Authority's files and on discussion with management there were inspection reports that were unavailable for examination at the time of audit.

Context: Of a sample size of thirty-four (34) units, twenty-eight (28) units did not have annual HQS inspections performed timely or the Authority was unable to provide proof of inspection.

Our sample size is statistically valid.

Known Questioned Costs: \$186,757*

* Represents HAP attributable to twenty-eight (28) tenant files for which the Authority could not demonstrate compliance with HQS requirements. The questioned costs do not represent amounts determined to be ineligible but rather costs associated with the unit that remained in noncompliance beyond the required HQS date.

Cause: There is a material weakness in internal controls over the compliance for the special tests and provisions type of compliance related to HQS inspections. The Authority has not properly performed HQS inspections in compliance with program requirements.

Effect: The Housing Voucher Cluster programs are in material non-compliance with the with the special tests and provisions type of compliance related to HQS inspections.

Recommendation: We recommend that the Authority implement a process whereby Authority personnel are hired and trained on HQS requirements that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority acknowledges the inspection and enforcement deficiencies identified in this finding. The inspection department and Housing Choice Voucher management are coordinating to ensure that units requiring abatement after a failed inspection and the applicable correction period are properly identified, documented, and processed. The Authority is also working with the HUD Receiver to develop a scope of work to address outstanding historical files and to determine which remediation activities will be performed internally and which may require third-party assistance.

Finding 2025-008:

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Titles: Housing Voucher Cluster

Federal Catalog Numbers: 14.871 & 14.879

Noncompliance – N. Special Tests and Provisions - Housing Assistance Payment

Non Compliance Material to the Financial Statements: Yes

Material Weakness in Internal Control over Compliance for Special Tests and Provisions

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-008 (continued):

Criteria: PHAs must pay monthly HAP in amounts that agree to Line 12u of the HUD-50058 and are accurately reflected in the HAP contract and HAP register (24 CFR § 982.158 and 24 CFR Part 982, Subpart K). PHAs must adopt and maintain a payment standard schedule establishing voucher payment standards by bedroom size within the PHA's jurisdiction (24 CFR § 982.505). Payment standards must generally be set within 90 percent to 110 percent of HUD-published Fair Market Rents (FMRs) or Small Area FMRs, as applicable, without HUD approval (24 CFR § 982.503(d)). PHAs are required to review payment standards annually and revise the schedule, as necessary, no later than three months following the effective date of new FMRs to remain within the basic range (24 CFR § 982.503(c)(3)). For new HAP contracts, the payment standard in effect at the time of HAP execution must be used. For existing HAP contracts, increases in payment standards must be applied no later than the earliest of a rent increase affecting the family share, the family's next regular or interim reexamination, or one year after the effective date of the payment standard increase, unless applied earlier in accordance with the PHA's Administrative Plan (24 CFR § 982.505(c)(4)).

Condition: Based upon inspection of the Authority's files and on discussion with management, it was determined the Authority applied incorrect payment standard amounts in calculating HAP and were unable to provide the HAP contracts. As a result, the HAP reported on Line 12u of the HUD-50058 were calculated using payment standards that were not applicable to the households at the time the HAP amounts were determined.

Context: Of a sample size of thirty-four (34) tenants, twenty-five (25) housing assistance payments contracts were unable to be provided. Of a sample size of thirty-four (34) tenants, twenty (20) tenants' HAP reported on Line 12u of the HUD-50058s were calculated using payment standards that were not applicable to the households at the time of recertification.

Our sample size is statistically valid.

Known Questioned Costs: Unknown

Cause: There is a material weakness in internal controls over the compliance for the special tests and provisions type of compliance related to housing assistance payments. The Authority has not maintained and monitored a system of internal controls that reasonably assures the program is in compliance.

Effect: The Housing Voucher Cluster program is in material non-compliance with the special tests and provisions compliance requirement related to the payment standards of housing assistance payments.

Recommendation: We recommend the Authority design and implement internal control procedures that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

Authority Response: Management is reviewing the historical approval and implementation of the payment standards identified in this finding. Because changes to payment standards during this period may have required formal Board action, the Authority is reviewing available Board resolutions, meeting records, administrative plans, and related documentation to determine whether the applicable payment standards were properly approved and implemented. Management will provide supplemental documentation to the auditor upon completion of this review.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-009:

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Titles: Housing Voucher Cluster
Federal Assistance Listing Numbers: 14.871 and 14.879
Noncompliance - N. Special Tests and Provisions - Selection from the Waiting List
Non Compliance Material to the Financial Statements: Yes
Material Weakness in Internal Control over Compliance for Special Tests and Provisions

Criteria: Selections from the Waiting List. The PHA must have written policies in its Section 8 Administrative Plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants from the waiting list. Except for as provided in 24 CFR section 982.203 (Special admission (non-waiting list), all families admitted to the program must be selected from the waiting list. "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission (24CFR sections 5.410, 982.54(d), and 982.201 through 982.207).

Condition: Based upon inspection of the waiting list provided to us during the time of audit, the new move-in list and discussions with management, it could not be determined with any certainty that certain new move-ins to the Housing Voucher Cluster Programs were selected from the wait list in an order that is in accordance with the Authority's Section 8 Administrative Plan.

Context: Of a sample size of fifteen (15) new move-ins, fifteen (15) could not be determined to be housed in proper order from the Authority's waiting list.

Our sample size is statistically valid.

Known Questioned Costs: \$110,747*

* Represents HAP attributable to fifteen (15) new move-ins for which the Authority could not demonstrate compliance with the selection from the waiting list requirements. The questioned costs do not represent amounts determined to be ineligible but rather costs associated with the new move-ins that may not have been housed in compliance with the selection from the waiting list requirements.

Cause: There is a material weakness in internal controls over the compliance for the special tests and provisions type of compliance related to selection from the waiting list. The Authority has not retained records to support proper selection from the waiting list.

Effect: The Housing Voucher Program is in material non-compliance with the special tests and provisions type of compliance related to selection from the waiting list.

Recommendation: We recommend that the Authority implement a process whereby Authority personnel are hired and trained on properly housing applicants from the Authority's waiting list that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority acknowledges the deficiencies identified in its historical waiting list administration. The Authority completed a comprehensive waiting list purge on July 31, 2026, and is now reconciling and reorganizing the remaining applicant entries. Quality control procedures are being incorporated to establish appropriate checks and balances over applicant selection and processing. Consistent with the Authority's corrective action plan, each applicant selected from the waiting list will be subject to documented supervisory review and approval, with supporting documentation maintained in the applicant's file.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-009 (continued):

Views of responsible officials and planned corrective action (continued):

Because the Authority no longer has operational access to Yardi, current management may be unable to independently reconstruct every historical waiting list selection or action recorded in the former system.

Finding 2025-010:

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Titles: Housing Voucher Cluster
Federal Assistance Listing Numbers: 14.871 and 14.879
Noncompliance – N. Special Tests and Provisions - Reasonable Rent
Non Compliance Material to the Financial Statements: Yes
Material Weakness in Internal Control over Compliance for Special Tests and Provisions

Criteria: Reasonable Rent. The Authority must do the following: The Authority must determine that the rent to owner is reasonable at the time of initial leasing. Also, the Authority must determine reasonable rent during the term of the contract (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a 5 percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The Authority must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

Condition: Based upon inspection of the Authority's files and discussion with management, there were newly leased units for which the evaluation of rent reasonableness was not performed.

Context: There were approximately one hundred fifty-three (153) newly leased units. Of a sample size of fifteen (15) newly leased units, four (4) units' documentation of reasonable rent was not available for examination. Our sample size is statistically valid.

Known Questioned Costs: \$7,383*

* Represents HAP attributable to four (4) new move-ins for which the Authority could not demonstrate compliance with the rent reasonableness requirements. The questioned costs do not represent amounts determined to be ineligible but rather costs associated with the new move-ins that may not have been housed in compliance with the rent reasonableness requirements.

Cause: There is a material weakness in internal controls over the compliance for the special tests and provisions type of compliance related to reasonable rent. The Authority has not maintained and monitored a system of internal controls that reasonably assures the program is in compliance.

Effect: The Housing Choice Vouchers Program is in material non-compliance with the special tests and provisions type of compliance related to reasonable rent.

Recommendation: We recommend that the Authority implement a process whereby Authority personnel are hired and trained on performing the appropriate rent reasonableness procedures that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority has recognized the deficiencies in the Housing Voucher Cluster Programs and will train staff on rent reasonableness and implement internal control procedures that will ensure compliance with federal regulations.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-011:

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Titles: Housing Choice Vouchers
Federal Catalog Numbers: 14.871 and 14.879
Noncompliance – N. Special Tests and Provisions – HQS Enforcement
Non Compliance Material to the Financial Statements: Yes
Material Weakness in Internal Control over Compliance for Special Tests and Provisions

Criteria: HQS Enforcement. The PHA must inspect the unit leased to a family at least annually to determine if the unit meets the Housing Quality Standards (HQS) and the Authority must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)). For units that fail inspection the PHA must correct all life threatening HQS deficiencies within 24 hours and all other deficiencies within 30 days.

Condition: Based upon inspection of the Authority's files and on discussions with management, the Authority was unable to provide support for several failed inspection selections. The Authority was also unable to provide a failed inspections listing for January through May 2025.

Context: Of a sample size of twenty-five (25) units the Authority was unable to provide the following:

- Failed inspections for six (6) units
- Passed inspections for nineteen (19) units
- Proof of abatement or extension for two (2) units

Known Questioned Costs: \$44,299*

* Represents HAP attributable to twenty-one (21) failed units for which the Authority could not demonstrate compliance with the HQS enforcement requirements. The questioned costs do not represent amounts determined to be ineligible but rather costs associated with the units that remained in noncompliance beyond the required HQS enforcement date.

Cause: There is a material weakness in internal controls over compliance for the special tests and provisions type of compliance related to HQS enforcement. The Authority has not properly performed or kept record of HQS inspections in compliance with program requirements.

Effect: The Housing Voucher Cluster Programs are in material non-compliance with the special tests and provisions type of compliance related to HQS enforcement.

Recommendation: We recommend that the Authority implement a process whereby Authority personnel are hired and trained on HQS enforcement that will reasonably assure compliance with the Uniform Guidance and the compliance supplement.

Views of responsible officials and planned corrective action: The Authority has recognized the deficiencies in the Housing Voucher Cluster Programs and will train staff on HQS enforcement and implement internal control procedures that will ensure compliance with federal regulations.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-012:

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Titles: Public and Indian Housing
Assistance Listing Numbers: 14.850
Material Noncompliance
Non Compliance Material to the Financial Statements: Yes
Material Weakness in Internal Control over Compliance

Criteria: The Authority must maintain complete and accurate accounts and other records for the program in accordance with HUD compliance requirements.

Condition: The Authority did not maintain complete and accurate accounts and other records in accordance with HUD compliance requirements regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, and Special Tests and Provisions.

Context: The Authority was unable to provide requested documentation at the time of audit to properly test the HUD compliance requirements.

Known Questioned Costs: Unknown

Cause: There is a material weakness in internal controls over compliance related to the maintenance of tenant files, wait lists, inspection reports and other records. The Authority has not properly considered, designed, implemented, maintained and monitored a system of internal controls that reasonably assures the program is in compliance.

Effect: The Public and Indian Housing Program is in material non-compliance with the compliance requirements of the program.

Recommendation: We recommend that the Authority implement a process whereby Authority documents are stored and safeguarded to ensure compliance with the Uniform Guidance and the compliance supplement.

View of Responsible Officials and Corrective Actions: The Authority experienced significant turnover in employees during the year and as a result certain source documents were misplaced or destroyed. Management agrees with the Auditors' finding and is in the process of hiring a new Executive Director who will implement the required safeguards and ensure that the Authority follows its internal control over compliance processes and procedures related to the Public and Indian Housing Program to remedy the aforementioned deficiencies.

Finding 2025-013:

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Titles: Public Housing Capital Fund Program
Federal Assistance Listing Numbers: 14.872
Noncompliance - C. Cash Management
Non Compliance Material to the Financial Statements: No
Significant deficiency in Internal Control over Compliance for Cash Management

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

III. Federal Award Findings and Questioned Costs (continued)

Finding 2025-013 (continued):

Criteria: In accordance with 2 CFR 200.305, payment methods for federal awards must minimize the time elapsing between the transfer of federal funds and the disbursement of those funds by the recipient. Federal funds drawn under the Public Housing Capital Fund Program should be limited to amounts needed to meet the Authority's immediate cash requirements for allowable program expenditures. Accordingly, the Authority should implement procedures to ensure grant funds are not drawn in advance of actual or imminent eligible expenditures.

Condition: The Authority drew down federal funds in advance of immediate cash needs for allowable program expenditures. As of year end, a portion of the funds drawn remained unexpended and was reported as unearned revenue in the financial statements. This indicates that federal funds were received prior to the incurrence of eligible expenditures.

Context: During review of the financial statements, the Authority was noted to have unexpended federal funds on hand at year end that had been drawn prior to the disbursement of allowable program costs. Specifically, amounts recorded as unearned revenue represented federal funds received in advance of immediate cash needs. This condition was identified through review of drawdown activity, general ledger balances, and year end financial reporting records.

Known Questioned Costs: \$465,581

Cause: The Authority did not have adequate internal controls in place to monitor the timing of grant drawdowns in relation to actual program cash needs and allowable expenditures. As a result, federal funds were requested and received prior to the incurrence of eligible costs under the Public Housing Capital Fund Program.

Effect: The Authority was not in compliance with federal cash management requirements governing the timing of federal fund drawdowns. As a result, federal funds were held in advance of immediate cash needs, increasing the risk of improper cash management and noncompliance with Uniform Guidance and HUD requirements.

Recommendation: We recommend the Authority strengthen its internal controls over cash management to ensure federal funds are drawn only for immediate cash needs related to allowable program expenditures. Management should implement monitoring and review controls over grant drawdown activity, including periodic reconciliation of drawdowns to incurred expenditures, to ensure compliance with 2 CFR 200.305 and HUD requirements.

View of Responsible Officials and Corrective Actions: The Authority acknowledges the deficiencies identified in the Public Housing Capital Fund Program. The majority of the questioned costs originated before 2024 under prior management. The primary issue was the failure to identify and document the specific property to which each disbursement related. The Authority will strengthen its Capital Fund cash management procedures, including property-level coding and supporting documentation for each disbursement, periodic reconciliation of grant drawdowns to eligible expenditures by property, and supervisory review. Staff will be trained on these procedures to ensure compliance with federal regulations.

HOUSING AUTHORITY OF THE CITY OF LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2025

IV. Schedule of Prior Year Federal Audit Findings

Finding 2024-001

Observation: The Authority was unable to provide appropriate supporting documentation to adequately test its internal control processes, including payroll, procurement, cash receipts and cash disbursements. Specifically, supporting documents could not be located at the time of audit.

Status: The finding has been resolved.

Finding 2024-002

Observation: The Authority did not perform adequate account reconciliations over accounts payable, accounts receivable and allowances, capital assets and insurance proceeds, other liabilities, prepaid assets, unearned revenue, revenues, grant expenses and the schedule of expenditures of federal awards, in order to present the financial statements in accordance with generally accepted accounting principles.

Status: The finding remains open. See Finding 2025-001.

Finding 2024-003

Observation: The Authority did not keep records of board meetings as required. The Authority was unable to provide the meeting minutes from January of 2024 through December of 2024.

Status: The finding has been resolved.

Finding 2024-004

Observation: The Authority must maintain complete and accurate accounts and other records for the program in accordance with HUD compliance requirements in the Housing Voucher Cluster, Public and Indian Housing Program, and Coronavirus Relief Fund. The Authority did not maintain complete and accurate accounts and other records in accordance with HUD compliance requirements including Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, and Special Tests and Provisions.

Status: The finding remains open. See Finding 2025-012.

Finding 2024-005

Observation: Cash Management – In accordance with 2 CFR Part 200, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government. The Authority did not expend funds before requesting reimbursement from the federal government. Seven of 67 cash drawdowns during 2018 were tested. Of those selected, six did not have the expenses paid prior to the drawdown. Of those six, one did not appear to have been expended within three business days of receiving the funds from HUD.

Status: The finding remains open. See Finding 2025-013.

Little Rock Housing Authority (AR004)

Little Rock, AR

Submission Type: Audited/Single Audit

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2025

	Project Total	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14.879 Mainstream Vouchers
111 Cash - Unrestricted	\$0	\$13,671	\$534,279	\$229,583	\$164,116	\$0
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted			\$4,231,919	\$228,268	\$171,501	
114 Cash - Tenant Security Deposits			\$116,836			
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$0	\$13,671	\$4,883,034	\$457,851	\$335,617	\$0
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects			\$298,582	\$25,695		\$36,279
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$0		\$28,398	\$954,018	\$1	
126 Accounts Receivable - Tenants		\$31,591	\$178,090	\$153,553	\$61,274	
126.1 Allowance for Doubtful Accounts - Tenants		\$901	\$0	\$55,908	\$0	
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$485,157	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable				\$10,429,447	\$12,036,640	
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$30,790	\$505,070	\$11,021,648	\$12,097,915	\$36,279
131 Investments - Unrestricted					\$8,187	
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets		\$21,489	\$371,643	\$204,105	\$189,911	
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From	\$0			\$212,321	\$0	\$307,494
145 Assets Held for Sale	\$204,239					
150 Total Current Assets	\$204,239	\$65,950	\$5,759,747	\$11,895,925	\$12,631,630	\$343,773
161 Land		\$121,724	\$1,804,751		\$1,562,817	
162 Buildings	\$6,400	\$2,302,581	\$61,012,079	\$22,636,455	\$6,003,991	
163 Furniture, Equipment & Machinery - Dwellings			\$2,314,712	\$651,666		
164 Furniture, Equipment & Machinery - Administration	\$60,308		\$177,949	\$773,118	\$237,005	
165 Leasehold Improvements			\$3,672,680			
166 Accumulated Depreciation	\$6,400	\$1,463,838	\$18,443,275	\$16,756,447	\$4,692,878	
167 Construction in Progress		\$5,913				
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$60,308	\$966,380	\$50,538,896	\$7,304,792	\$3,110,935	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current				\$12,854,255	\$36,974,304	
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets			\$388,503	\$5,547		
176 Investments in Joint Ventures				\$38,118		
180 Total Non-Current Assets	\$60,308	\$966,380	\$50,927,399	\$20,202,712	\$40,085,239	\$0
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$264,547	\$1,032,330	\$56,687,146	\$32,098,637	\$52,716,869	\$343,773

Little Rock Housing Authority (AR004)

Little Rock, AR

Submission Type: Audited/Single Audit

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2025

	Project Total	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14.879 Mainstream Vouchers
311 Bank Overdraft		\$0		\$0		
312 Accounts Payable <= 90 Days	\$0	\$1,135	\$1,759,715	\$127,955	\$88,250	\$3,565
313 Accounts Payable >90 Days Past Due				\$25,166		
321 Accrued Wage/Payroll Taxes Payable			\$3,424	\$0		
322 Accrued Compensated Absences - Current Portion		\$126		\$1,029	\$81	
324 Accrued Contingency Liability					\$616	
325 Accrued Interest Payable			\$9,914,723	\$11,762,633		
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits		\$11,034	\$116,149	\$2,899	\$4,195	
342 Unearned Revenue	\$465,581		\$243,086	\$26,697	\$29,462	
344 Current Portion of Long-term Debt - Operating Borrowings			\$261,381	\$16,439,755	\$50,000	
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities		\$0	\$781,044			
346 Accrued Liabilities - Other	\$0		\$1,233,893	\$0		
347 Inter Program - Due To		\$368,580	\$0	\$2,275,832	\$377,894	
348 Loan Liability - Current						
310 Total Current Liabilities	\$465,581	\$380,875	\$14,313,415	\$30,661,966	\$550,496	\$3,565
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$52,053,633	\$0	\$0	
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other			\$5,108,819	\$575,000		
354 Accrued Compensated Absences - Non Current				\$3,084	\$2,091	
355 Loan Liability - Non Current			\$0			
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$0	\$0	\$57,162,452	\$578,084	\$2,091	\$0
300 Total Liabilities	\$465,581	\$380,875	\$71,475,867	\$31,240,050	\$552,589	\$3,565
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	\$60,308	\$966,380	-\$1,776,118	-\$9,134,963	\$3,060,935	
511.4 Restricted Net Position	\$0		\$4,231,919	\$228,268	\$171,501	
512.4 Unrestricted Net Position	-\$261,342	-\$314,925	-\$17,244,522	\$9,765,282	\$48,931,844	\$340,208
513 Total Equity - Net Assets / Position	-\$201,034	\$651,455	-\$14,788,721	\$858,587	\$52,164,280	\$340,208
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$264,547	\$1,032,330	\$56,687,146	\$32,098,637	\$52,716,869	\$343,773

Little Rock Housing Authority (AR004)

Little Rock, AR

Submission Type: Audited/Single Audit

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2025

	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	COCC	ELIM	Total
111 Cash - Unrestricted	\$0	\$0		\$92,597		\$1,034,246
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted	\$654,652	\$0				\$5,286,340
114 Cash - Tenant Security Deposits						\$116,836
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$654,652	\$0	\$0	\$92,597	\$0	\$6,437,422
121 Accounts Receivable - PHA Projects	\$137,359					\$137,359
122 Accounts Receivable - HUD Other Projects	\$0	\$113,292		\$0		\$473,848
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$94,633	\$194,568		\$765,205		\$2,036,823
126 Accounts Receivable - Tenants	\$56,290					\$480,798
126.1 Allowance for Doubtful Accounts - Tenants	\$20,097					\$76,806
126.2 Allowance for Doubtful Accounts - Other	-\$104,895	\$0		\$0		-\$590,052
127 Notes, Loans, & Mortgages Receivable - Current				\$28,526		\$28,526
128 Fraud Recovery	\$0					\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0					\$0
129 Accrued Interest Receivable					-\$6,960,429	\$13,505,658
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$163,290	\$307,860	\$0	\$793,731	-\$6,960,429	\$15,996,154
131 Investments - Unrestricted						\$8,187
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$0			\$25,331		\$812,479
143 Inventories				\$0		\$0
143.1 Allowance for Obsolete Inventories				\$0		\$0
144 Inter Program Due From	\$440,952	\$7,124	\$292,292	\$1,762,123	-\$3,022,306	\$0
145 Assets Held for Sale						\$204,239
150 Total Current Assets	\$1,256,894	\$314,984	\$292,292	\$2,673,782	-\$11,982,735	\$23,458,481
161 Land	\$100,000			\$251,629		\$3,840,921
162 Buildings	\$1,412,036			\$620,094		\$93,993,636
163 Furniture, Equipment & Machinery - Dwellings				\$833,979		\$3,800,357
164 Furniture, Equipment & Machinery - Administration	\$163,667			\$4,292		\$1,416,339
165 Leasehold Improvements						\$3,672,680
166 Accumulated Depreciation	-\$1,141,983			-\$1,421,099		-\$43,925,920
167 Construction in Progress				\$0		\$5,913
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$533,720	\$0	\$0	\$288,895	\$0	\$62,803,926
171 Notes, Loans and Mortgages Receivable - Non-Current				\$801,411	-\$11,701,082	\$38,928,888
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets				\$0		\$394,050
176 Investments in Joint Ventures						\$38,116
180 Total Non-Current Assets	\$533,720	\$0	\$0	\$1,090,306	-\$11,701,082	\$102,164,982
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$1,792,614	\$314,984	\$292,292	\$3,764,088	-\$23,683,817	\$125,623,463

Little Rock Housing Authority (AR004)

Little Rock, AR

Submission Type: Audited/Single Audit

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2025

	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	COCC	ELIM	Total
311 Bank Overdraft						\$0
312 Accounts Payable <= 90 Days	\$0		\$18,918	\$176,074		\$2,175,612
313 Accounts Payable >90 Days Past Due						\$25,166
321 Accrued Wage/Payroll Taxes Payable	\$19,149			\$56,921		\$79,494
322 Accrued Compensated Absences - Current Portion	\$3,108			\$8,546		\$12,890
324 Accrued Contingency Liability						\$616
325 Accrued Interest Payable					-\$8,960,429	\$12,716,927
331 Accounts Payable - HUD PHA Programs	\$96,673					\$96,673
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits						\$134,277
342 Unearned Revenue	\$1			\$0		\$764,827
344 Current Portion of Long-term Debt - Operating Borrowings					-\$11,701,082	\$5,050,054
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						\$781,044
346 Accrued Liabilities - Other	\$0			\$0		\$1,233,893
347 Inter Program - Due To		\$0		\$0	-\$3,022,306	\$0
348 Loan Liability - Current						
310 Total Current Liabilities	\$118,931	\$0	\$18,918	\$241,541	-\$23,683,817	\$23,071,473
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						\$52,053,633
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other	\$133,904					\$5,817,723
354 Accrued Compensated Absences - Non Current	\$9,325			\$25,639		\$40,139
355 Loan Liability - Non Current						\$0
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$143,229	\$0	\$0	\$25,639	\$0	\$57,911,495
300 Total Liabilities	\$262,160	\$0	\$18,918	\$267,180	-\$23,683,817	\$80,982,968
400 Deferred Inflow of Resources				\$3,652,375		\$3,652,375
508.4 Net Investment in Capital Assets	\$533,720			\$288,895	\$11,701,082	\$5,700,239
511.4 Restricted Net Position	\$520,748	\$0	\$0			\$5,152,436
512.4 Unrestricted Net Position	\$475,986	\$314,984	\$273,374	-\$444,362	-\$11,701,082	\$30,135,445
513 Total Equity - Net Assets / Position	\$1,530,454	\$314,984	\$273,374	-\$155,467	\$0	\$40,988,120
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,792,614	\$314,984	\$292,292	\$3,764,088	-\$23,683,817	\$125,623,463

Little Rock Housing Authority (AR004)

Little Rock, AR

Fiscal Year End: 12/31/2025

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

	Project Total	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14.879 Mainstream Vouchers
70300 Net Tenant Rental Revenue		\$107,885	\$5,219,909	\$1,831,446	\$1,247,160	
70400 Tenant Revenue - Other		\$7,130	\$22,299	\$15,939	\$9,224	
70500 Total Tenant Revenue	\$0	\$115,015	\$5,242,208	\$1,847,385	\$1,256,384	\$0
70600 HUD PHA Operating Grants	\$401,616					\$700,272
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants						
71100 Investment Income - Unrestricted			\$205	\$841,102	\$1,673,351	
71200 Mortgage Interest Income			\$43			
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue		\$0	\$241,069	\$89,023	\$15,398	
71600 Gain or Loss on Sale of Capital Assets			-\$55,508			
72000 Investment Income - Restricted		\$1		\$8,032	\$6,707	
70000 Total Revenue	\$401,616	\$115,016	\$5,428,017	\$2,785,542	\$2,951,820	\$700,272
91100 Administrative Salaries		\$54,993	\$89,129	\$253,272	\$210,062	\$28,294
91200 Auditing Fees		\$2,286	\$34,283	\$21,106	\$10,872	
91300 Management Fee		\$0	\$17,886	\$54,748	\$32,677	\$10,320
91310 Book-keeping Fee			\$1,965	\$5,731	\$3,420	\$6,450
91400 Advertising and Marketing				\$92		
91500 Employee Benefit contributions - Administrative		\$13,252	\$20,953	\$83,127	\$59,024	
91600 Office Expenses		\$1,753	\$5,642	\$41,858	\$10,646	
91700 Legal Expense		\$6,204	\$0	\$22,950	\$3,315	
91800 Travel		\$151	\$221	\$207	\$290	
91810 Allocated Overhead						
91900 Other	\$1,053,929	\$26,381	\$1,436,918	\$161,653	\$89,151	
91000 Total Operating - Administrative	\$1,053,929	\$105,020	\$1,606,997	\$644,746	\$419,457	\$45,064
92000 Asset Management Fee			\$43,742	\$11,640	\$4,920	
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other			\$115	\$5,814	\$1,135	
92500 Total Tenant Services	\$0	\$0	\$115	\$5,814	\$1,135	\$0
93100 Water		\$23,986	\$35,130	\$362,603	\$124,518	
93200 Electricity		\$5,259	\$104,693	\$58,890	\$66,989	
93300 Gas			\$0	\$4,306	\$564	
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense		\$1,928	\$762,368	\$1,452	\$23	
93000 Total Utilities	\$0	\$31,173	\$902,191	\$427,251	\$192,094	\$0

Little Rock Housing Authority (AR004)

Little Rock, AR

Fiscal Year End: 12/31/2025

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

	Project Total	14.256 Neighborhood Stabilization Program (Recovery Act Funded)	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14.879 Mainstream Vouchers
94100 Ordinary Maintenance and Operations - Labor		\$8,634	\$15,821	\$35,151	\$33,419	
94200 Ordinary Maintenance and Operations - Materials and Other		\$11,906	\$5,605	\$92,629	\$65,295	
94300 Ordinary Maintenance and Operations Contracts		\$20,918	\$2,428,299	\$476,165	\$254,745	
94500 Employee Benefit Contributions - Ordinary Maintenance						
94000 Total Maintenance	\$0	\$41,458	\$2,449,725	\$603,945	\$353,459	\$0
95100 Protective Services - Labor					\$300	
95200 Protective Services - Other Contract Costs			\$0	\$1,032	\$53,866	
95300 Protective Services - Other				\$582		
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$1,614	\$54,166	\$0
96110 Property Insurance		\$19,229	\$199,341	\$114,923	\$11,079	
96120 Liability Insurance		\$2,260	\$12,994	\$21,863	\$12,122	
96130 Workmen's Compensation				\$576		
96140 All Other Insurance		\$1,139	\$307,497	\$5,604	\$5,432	
96100 Total Insurance Premiums	\$0	\$22,628	\$519,832	\$142,966	\$28,633	\$0
96200 Other General Expenses	\$11,164		\$363,037	\$281,933	\$2	
96210 Compensated Absences				\$4,110	\$2,227	
96300 Payments in Lieu of Taxes				\$0		
96400 Bad debt - Tenant Rents			\$0	\$55,908		
96500 Bad debt - Mortgages						
96600 Bad debt - Other				\$1		
96800 Severance Expense						
96000 Total Other General Expenses	\$11,164	\$0	\$363,037	\$341,952	\$2,229	\$0
96710 Interest of Mortgage (or Bonds) Payable			\$3,003,547	\$1,175,490		
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs			\$107,403			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$3,110,950	\$1,175,490	\$0	\$0
96900 Total Operating Expenses	\$1,065,093	\$200,279	\$8,996,589	\$3,355,418	\$1,056,093	\$45,064
97000 Excess of Operating Revenue over Operating Expenses	-\$663,477	-\$85,263	-\$3,568,572	-\$569,876	\$1,895,727	\$655,208
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized			\$209,541			
97300 Housing Assistance Payments	\$390,452					\$651,822
97350 HAP Portability-In						
97400 Depreciation Expense		\$115,129	\$1,744,903	\$557,289	\$180,959	
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$1,455,545	\$315,408	\$10,951,033	\$3,912,707	\$1,237,052	\$696,886

Little Rock Housing Authority (AR004)

Little Rock, AR

Fiscal Year End: 12/31/2025

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

	Project Total	14,256 Neighborhood Stabilization Program (Recovery Act Funded)	6.1 Component Unit Discretely Presented	6.2 Component Unit Blended	1 Business Activities	14,879 Mainstream Vouchers
10010 Operating Transfer In						
10020 Operating Transfer Out						
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)			-\$5,222,020			
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$5,222,020	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,053,929	-\$200,392	-\$10,745,036	-\$1,127,165	\$1,714,768	\$3,386
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$0	\$865,945	-\$4,043,685	\$2,064,829	\$50,501,377	\$336,622
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$852,895	(\$14,098)	\$0	(\$79,077)	(\$51,865)	\$0
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	0					
11210 Number of Unit Months Leased	0					

Little Rock Housing Authority (AR004)

Little Rock, AR

Fiscal Year End: 12/31/2025

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	COCC	ELIM	Total
70300 Net Tenant Rental Revenue					\$320,078	\$8,086,322
70400 Tenant Revenue - Other						\$54,592
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$320,078	\$8,140,914
70600 HUD PHA Operating Grants	\$16,731,212	\$745,090	\$477,839	\$35,021		\$19,091,050
70610 Capital Grants						
70710 Management Fee				\$580,344	-\$580,344	\$0
70720 Asset Management Fee						
70730 Book Keeping Fee				\$225,187	-\$225,187	\$0
70740 Front Line Service Fee						
70750 Other Fees				\$0		\$0
70700 Total Fee Revenue				\$805,531	-\$805,531	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$500			\$34	-\$840,139	\$1,675,033
71200 Mortgage Interest Income						\$43
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue	\$473,343			\$1,285,630		\$2,104,463
71600 Gain or Loss on Sale of Capital Assets				\$0		-\$55,508
72000 Investment Income - Restricted						\$14,740
70000 Total Revenue	\$17,205,055	\$745,090	\$477,839	\$2,126,216	-\$1,965,748	\$30,970,735
91100 Administrative Salaries	\$750,668	\$28,294	\$25,752	\$779,782		\$2,220,246
91200 Auditing Fees	\$24,735			\$19,885		\$113,169
91300 Management Fee	\$448,152				-\$580,344	-\$16,561
91310 Book-keeping Fee	\$207,622				\$225,187	\$1
91400 Advertising and Marketing	\$677			\$687		\$1,456
91500 Employee Benefit contributions - Administrative	\$232,715			\$174,888		\$583,959
91600 Office Expenses	\$74,488			\$91,296		\$225,683
91700 Legal Expense				\$186,380		\$218,849
91800 Travel	\$3,532			\$11,991		\$16,392
91810 Allocated Overhead						
91900 Other	\$430,999			\$205,281		\$3,404,312
91000 Total Operating - Administrative	\$2,173,588	\$28,294	\$25,752	\$1,470,190	-\$805,531	\$6,767,506
92000 Asset Management Fee					\$0	\$60,302
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other						\$7,064
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$7,064
93100 Water	\$477			\$14,501		\$561,215
93200 Electricity	\$9,514			\$2,131		\$247,476
93300 Gas	\$2,292			\$280		\$7,442
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						\$765,771
93000 Total Utilities	\$12,283	\$0	\$0	\$16,912	\$0	\$1,581,904

Little Rock Housing Authority (AR004)

Little Rock, AR

Fiscal Year End: 12/31/2025

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	COCC	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	\$34,287					\$127,312
94200 Ordinary Maintenance and Operations - Materials and Other	\$1,493			\$11,956		\$188,884
94300 Ordinary Maintenance and Operations Contracts	\$105,747			\$94,050		\$3,379,924
94500 Employee Benefit Contributions - Ordinary Maintenance						
94000 Total Maintenance	\$141,527	\$0	\$0	\$106,006	\$0	\$3,696,120
95100 Protective Services - Labor						\$300
95200 Protective Services - Other Contract Costs				\$529		\$55,427
95300 Protective Services - Other						\$582
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$529	\$0	\$56,309
96110 Property Insurance				\$38,100		\$382,672
96120 Liability Insurance				\$1,855		\$51,094
96130 Workmen's Compensation						\$576
96140 All Other Insurance	\$1,777			\$200		\$321,649
96100 Total Insurance Premiums	\$1,777	\$0	\$0	\$40,155	\$0	\$755,991
96200 Other General Expenses	\$26,353			\$50,891		\$733,380
96210 Compensated Absences	\$1,871			\$5,804		\$14,012
96300 Payments in Lieu of Taxes						\$0
96400 Bad debt - Tenant Rents	\$120,400					\$176,308
96500 Bad debt - Mortgages						
96600 Bad debt - Other	\$125,208					\$125,209
96800 Severance Expense						
96000 Total Other General Expenses	\$273,832	\$0	\$0	\$56,695	\$0	\$1,048,909
96710 Interest of Mortgage (or Bonds) Payable				\$14,529	-\$840,139	\$3,353,427
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						\$107,403
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$14,529	-\$840,139	\$3,460,830
96900 Total Operating Expenses	\$2,603,007	\$28,294	\$25,752	\$1,705,016	-\$1,645,670	\$17,434,935
97000 Excess of Operating Revenue over Operating Expenses	\$14,602,048	\$716,796	\$452,087	\$421,200	-\$320,078	\$13,535,800
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						\$209,541
97300 Housing Assistance Payments	\$15,802,009	\$676,209	\$725,156		-\$320,078	\$17,925,570
97350 HAP Portability-In	\$334,480					\$334,480
97400 Depreciation Expense	\$17,100			\$5,284		\$2,620,664
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$18,756,596	\$704,503	\$750,908	\$1,710,300	-\$1,965,748	\$38,525,190

Little Rock Housing Authority (AR004)

Little Rock, AR

Fiscal Year End: 12/31/2025

Submission Type: Audited/Single Audit

Entity Wide Revenue and Expense Summary

	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	COCC	ELIM	Total
10010 Operating Transfer In						
10020 Operating transfer Out						
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)						-\$5,222,020
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	-\$5,222,020
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$1,551,541	\$40,587	-\$273,069	\$415,916	\$0	-\$12,776,475
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$2,643,578	\$274,397	\$546,443	\$2,954,533		\$56,144,239
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$438,417	\$0	\$0	(\$3,525,916)		-\$2,379,644
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity	\$1,009,706					\$1,009,706
11180 Housing Assistance Payments Equity	\$520,748					\$520,748
11190 Unit Months Available	38700	1500		0		40200
11210 Number of Unit Months Leased	27683	910		0		28593