



**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A ELM CITY COMMUNITIES**

**2019 Financial and Independent Auditor's Reports
For the Fiscal Year Ended September 30, 2019**



Housing Authority of New Haven
360 Orange Street, New Haven, CT 06511

(203) 498-8800 . TDD (203) 497-8343 . www.elmcitycommunities.org

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

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INTRODUCTORY SECTION



Karen DuBois-Walton
Executive Director

May 19, 2020

The Board of Commissioners
Housing Authority of the City of New Haven
D/B/A Elm City Communities
New Haven, CT 06511

Dear Board of Commissioners:

I am very pleased to submit the enclosed Financial and Independent Auditors' Reports for the fiscal year ended September 30, 2019. Also included are the Management's Discussion and Analysis that highlights the financial positions of the Agency, the Independent Auditors' Reports over Financial Reporting and on Internal Control over Compliance in accordance with the Uniform Guidance.

The financial report and the compliance reports are issued with "clean" unmodified opinions. There was no audit finding over Financial Reporting; however, there was an audit finding over Compliance for Eligibility in the Housing Choice Voucher (HCV) Program. We have prepared responses and corrective action plan to address the HCV deficiencies.

The Housing Authority of the City of New Haven (HANH), D/B/A Elm City Communities (ECC) has evolved over the past 80 years from a traditional public housing authority to become three separate agencies that work collaboratively to meet the missions of public housing and housing choice voucher subsidy administration, asset management, community and economic development, property management and housing development services. These services are delivered through HANH, the Glendower Group, Inc. and 360 Management Group, Co.

During FY 2019, ECC staff work collaboratively compiling an agency-wide balanced budget for all programs; finalized a strategic planning mechanism that creates distinct but interrelated public housing, development, asset management and social service entities that are profitable; partners collaboratively in the City of New Haven and regionally to deliver quality housing and social services for low income families. In addition, I would like to provide the following summarized accomplishments for ECC:

- Served about 6,006 families or 1,179 (24%) more families served since the inception of the Moving-to-Work (MTW) program in FY 2001.

Housing Authority of the City of New Haven's Elm City Communities
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The Board of Commissioners

May 19, 2020

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- Converted an additional 70 units from public housing to the Rental Assistance Demonstration (RAD) program. The conversion allowed significant improvement in three housing sites – Waverly Townhomes, Stanley Justice and Fulton Park. The RAD conversion included installation of new kitchens, new flooring, new lighting, installation of energy efficient appliances and bathroom sinks and toilets, bringing first-class graded units to our residents at this community.
- Completed construction and turnover of Katherine Harvey, Newhall Gardens and Prescott and obtaining full occupancy of 144 units.
- Was awarded 9% Low-Income Housing Tax Credit (LIHTC) for the redevelopment of Valley Townhomes. The redevelopment will provide for a quality, affordable and energy efficient mixed-income community.
- Provided property management services through 360 Management Group, Inc. to 526 units in seven multi-family housing developments – Eastview, Fair Haven, Wilmot Road, Ribicoff 4, Ribicoff 9, RAD I and RAD II.
- Fully implemented the following policies to continually improve the public housing program:
 - Housing Opportunity Through Modernization Act of 2016 (HOTMA) to address over income families residing in the program;
 - Security Deposit Waiver Policy to attract renters to accepting and leasing units without the financial burden of a security deposit.
 - Rent Waiver Policy to attract potential renters to accepting and leasing a unit by waiving the first month rent.
 - Voter Registration to allow new households to register to vote during new admissions.
- Replaced energy saving furnaces and hot water heaters in 138 family units; replaced all damaged doors throughout the developments, including removal of all interior Lead Based Paint on doors and frames.
- Was awarded a HUD Lead Based Paint Grant for \$986,260 to be used in four family developments of 299 units, provided lead safe conditions in units with children under the age of 6 years, established temporary measures to perform the abatement, encapsulation or removal of lead components.

- Achieved the following programs through the Community and Economic Development (CED) to continually improve the lives of our residents:
 - Secured multiple grants including Family Self-Sufficiency (FSS), Cities for Financial Empowerment Funds Grant for staff training in credit counseling, and Consumer Financial Protection Bureau to provide one-on-one budget training to residents.
 - Increased participation of the Resident Owned Business program to 36% over the past year.
 - Revamped the CARES program, whose residents averaged 50% higher in household income than a non-CARES resident.
 - Replaced security with a resident volunteer building attendant (BA) stipend program resulting in a consistent decrease in incident reports.
 - Implemented Client Track to support a resident case management model that tracks outcomes related to resident access of community programming and flexibility.

- The Information Technology upgraded all users to Microsoft Office 2016, upgraded and replaced more than one-half of the Agency's computer equipment, implemented file tracking for the Housing Choice Voucher program, installed smart boards in all conference rooms, and digitized the accounts payable invoices.

I am very proud of the above accomplishments, and plan to continue building on the success. Please contact me at (203) 498-8800, extension 1001 if you have questions. Thank you for your continued support to the Elm City Communities.

Sincerely,



Karen DuBois-Walton, Ph.D.
President/Executive Director

Enclosures

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Housing Authority of the City of New Haven d/b/a
Elm City Communities
New Haven, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of New Haven, as of September 30, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of New Haven's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of New Haven d/b/a Elm City Communities, as of September 30, 2019, and the changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the City of New Haven's basic financial statements. The supplementary information presented on pages 58 through 67, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information presented on pages 58 through 67 and the Schedule of Expenditures of Federal Awards 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. In our opinion, the supplementary information presented on pages 58 through 67 and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, on pages 4 through 6, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated June 9, 2020 on our consideration of the Housing Authority of the City of New Haven's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of New Haven's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of New Haven's internal control over financial reporting and compliance.

Marcum LLP

Boston, Massachusetts
June 9, 2020

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES

MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

As management of the Elm City Communities (ECC), we offer the readers of the ECC’s financial statements this narrative overview and analysis of the financial activities of the ECC for the year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the ECC’s financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Elm City Communities, 360 Orange Street, New Haven, CT 06511, or contact ECC’s President/Executive Director, Karen DuBois-Walton or its Senior Vice President of Finance, I.T. & Administration, H. Rainbow Lin at (203) 498-8800.

Overview of FY 2019 Financial Statements

ECC is comprised of its primary government, the Housing Authority of the City of New Haven, as well as its instrumentalities including the Glendower Group, Inc. and 360 Management Group, Inc. The Glendower Group, Inc. is the development arm of ECC while 360 Management Group, Inc. is the property management arm of the developed and renovated units. Both the Glendower Group, Inc. and 360 Management Group, Inc. are reported as “discretely presented” component units in the financial statements.

The Management’s Discussion and Analysis (MD&A) covers the Primary Government only. As of September 30, 2019, ECC’s Primary Government Net Position was \$317,423,726 as compared to \$302,160,661 as of September 30, 2018, which is an increase of \$15,263,065. The changes in the Net Position categories are as follows:

- **Investment in Capital Assets** decreased by (\$6,099,856) as compared to FY 2018. ECC made capital investments of \$5,612,961. The capital investments are offset by reductions in the amount of \$11,712,817 for depreciation expense and fixed assets disposals due to the Rental Assistance Demonstration (RAD) conversion. A detailed analysis of the changes in Investment in Capital Assets is provided in a later section.
- **Restricted Net Position and Unrestricted Net Position** increased from FY 2018 by a total of \$21,362,921. Restricted Net Position of \$57,953 is for funds to support resident activities at properties owned by the Glendower Group, Inc. Unrestricted Net Position increased over \$14.9 million for Investment in the financing of affordable housing developments, \$3.2 million for predevelopment costs included with development closings, and \$3.3 million as a result of operating revenues exceeding operating expenses.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

Background and Overview of Agency

Moving to Work (MTW) Agreement

ECC’s primary government has been a Moving to Work (MTW) agency since October 1, 2000. On April 14, 2016, the U.S. Department of Housing and Urban Development (HUD) extended the MTW agreement for another 12 years. The terms of the MTW Agreement with HUD will continue through 2028.

MTW is a national demonstration program authorized by Congress, which gives ECC the flexibility to waive certain statutes and HUD regulations pertaining to the Public Housing and Housing Choice Voucher Program (HCVP). The MTW statutory objectives include the following:

1. Reduce cost and achieve greater cost effectiveness in Federal expenditures;
2. Give incentives to families with children whose heads of household are either working, seeking work, or participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and,
3. Increase housing choices for low-income families.

MTW Agencies have the flexibility to combine Federal funds from the public housing operating and modernization programs and Housing Choice Voucher program into a “block grant” to help better meet the purposes of the demonstration and the needs of their communities. However, MTW Agencies must still abide by all other federal rules and regulations, including the Fair Housing Act, the Civil Rights Act, labor standards, environmental rules, procurement guidelines, demolition and disposition procures and relocation regulations.

The MTW activities undertaken and/or planned by ECC are all designed to promote one or more of the above statutory objectives. Under the MTW Agreement, ECC’s funding sources are separated between the MTW Block Grant and the Non-MTW funding programs. MTW Block Grant contains three major funding sources – Low Income Public Housing (LIPH), Section 8 Housing Choice Voucher (HCV) Program and the Capital Fund Program (CFP). All other funding programs fall into the category of Non-MTW.

In addition to the enclosed financial information, ECC has also prepared and made available asset management project (AMP) based financial statements utilizing ECC’s internal accounting reporting system. Each funding program (MTW and Non-MTW) is accounted for separately and is reported in conformity with the accounting principles generally accepted in the United States of America.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

Summary of the Financial Statements

The financial statements included in this audit report are those of a special-purpose government engaged in a business-type activity including the following:

- Statements of Net Position – report ECC’s current financial resources (short-term spendable resources) with capital assets and long-term debt obligations.
- Statements of Revenues, Expenses and Changes in Net Position – report ECC’s operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions.
- Statements of Cash Flows – report ECC’s cash flows from operating, investing, capital and non-capital activities.

Our analysis of ECC’s primary government as a whole begins in the next section. The financial statements of ECC reflect the financial results and management’s goals for a fiscal year. The primary measurement of management’s goals and financial results are the changes in net position.

Net position is an important measure of ECC’s financial position. ECC’s net position is the difference between what ECC owns (assets) and what ECC owes (liabilities). The attached analysis of entity-wide (Primary Government) net position, revenues and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects ECC’s net position and their changes.

Over time, changes in ECC’s net position is an indicator of its financial health. Reductions in net position from year to year reflect management’s strategic decisions. Readers need to consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of ECC’s capital assets to assess the overall health of ECC.

Analysis of Entity Wide Net Position (Primary Government Only)

Total Net Position for the Primary Government for FY 2019 were \$317,423,726 and for FY 2018 \$302,160,661. This represented an increase of \$15,263,065. Listed below are areas that reported major increases or decreases from FY 2018:

- **Total Cash** increased \$4,141,127. Cash increased as a result of operations and cash received at the closing of RAD sites for the reimbursement of predevelopment expenditures.
- **Net Accounts Receivable** increased \$183,616. ECC had Capital Fund Program funding receivable for expenditures not requisitioned prior to fiscal year end. The funds were subsequently received.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

- **Due from Component Unit** increased \$2,743,646. ECC advanced funds to The Glendower Group, Inc. to fund predevelopment and development activities. ECC also advanced funds to 360 Management Group, Inc. to assist with establishing operations.
- **Other Current Assets** increased \$10,489. Prepaid expenses increased because of the timing of payments made to vendors.
- **Capital Assets, net of accumulated depreciation**, decreased \$6,099,856. The change in Net Capital Assets is presented with additional detail under the Analysis of Net Capital Assets section below.
- **Non-Current Assets** increased \$14,887,810. ECC provided financing for affordable housing developments during the fiscal year, primarily for Farnam Courts phase I redevelopment, ECC RAD Group I project and ECC RAD Group II project.
- **Current Liabilities** increased by a net amount of \$1,370,052. ECC received HUD funding in advance for the debt service payment of the Capital Fund Financing Program during fiscal year 2020. ECC recognized payables at FYE 2019 for outstanding construction costs related to development activities.
- **Long Term Liabilities** decreased \$766,285. Long term liabilities decreased due to current year payments made by ECC.
- **Net Position** increased \$15,263,065. Total Unrestricted Net Position increased \$25,078,507, Restricted Net Position decreased \$3,715,586 and Capital Assets, net of accumulated depreciation, decreased \$6,099,856 as discussed previously under the Financial Highlights section.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

The table below further illustrates our analysis of the Entity Wide Net Position.

Primary Government Net Position by Fiscal Years

	FY 2019	FY 2018	Net Increase / (Decrease)	Percent Increase / (Decrease)
Cash & Investments	\$ 39,004,905	\$ 34,863,778	\$ 4,141,127	11.9%
Net Accounts Receivable	806,788	623,172	183,616	29.5%
Due from Component Unit	6,779,707	4,036,061	2,743,646	68.0%
Other Current Assets	85,051	74,562	10,489	14.1%
Net Capital Assets	52,765,212	58,865,068	(6,099,856)	-10.4%
Other Non-Current Assets	229,105,403	214,217,593	14,887,810	6.9%
Total Assets	328,547,066	312,680,234	15,866,832	5.1%
Current Liabilities	5,666,196	4,296,144	1,370,052	31.9%
Long Term Liabilities	5,457,144	6,223,429	(766,285)	-12.3%
Total Liabilities	11,123,340	10,519,573	603,767	5.7%
Investments in Capital Assets	52,765,212	58,865,068	(6,099,856)	-10.4%
Restricted Net Position	57,953	3,773,539	(3,715,586)	100.0%
Unrestricted Net Position	264,600,561	239,522,054	25,078,507	10.5%
Total Net Position	317,423,726	302,160,661	15,263,065	5.1%
Total Liabilities and Net Position	\$ 328,547,066	\$ 312,680,234	\$ 15,866,832	5.1%

Analysis of Net Capital Assets (Primary Government Only)

Total Net Capital Assets for the Primary Government for FY 2019 were \$52,765,212 and for FY 2018 \$58,865,068. This represented a decrease of \$6,099,856.

- **Land** decreased by a net amount of \$205,115. ECC sold three properties to ECC RAD Group II, LLC, a component unit to The Glendower Group, Inc. The ECC's land costs for the disposal of these three properties totaled \$205,115. The properties sold were Fulton Park, Stanley Justice Landing, and Waverly Townhouses.
- **Buildings** decreased by a net amount of \$21,926,466. ECC capitalized \$78,223 of construction in process for completed repairs to a fire unit. During FY 2019, the sale and disposition of three properties to ECC RAD Group II, LLC with a total cost of \$16,924,007 and the disposal of the remaining building costs of Farnam Court of \$5,080,682.
- **Equipment** decreased by a net amount of \$90,315. ECC disposed of equipment from the three properties sold to ECC RAD Group II, LLC and the remaining equipment at Farnum Court.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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- **Construction in Process** increased by a net amount of \$2,380,824. Construction in Process decreased by \$3,232,137, which included \$78,223 for completed constructions projects capitalized as Buildings and \$3,153,914 for predevelopment costs that were included in Glendower Group, Inc. development properties. Construction in process increased by \$5,612,961 for units rehabilitation and renovations, furnace and hot water heater replacements, gas service improvements, and architecture and engineering costs.
- **Accumulated Depreciation** decreased \$13,741,216. Accumulated depreciation decreased for the capital assets disposed, sold or adjusted during the fiscal year in all capital asset categories totaling \$21,205,795; it is offset by an increase of \$7,464,581 recognized for depreciation expense during the fiscal year.

The table below illustrates the Analysis of Net Capital Assets:

Primary Government Analysis of Net Capital Assets by Fiscal Years

	FY 2019	FY 2018	Net Increase / (Decrease)	Percent Increase / (Decrease)
Land	\$ 19,902,229	\$ 20,107,344	\$ (205,115)	-1.0%
Buildings	187,592,814	209,519,280	(21,926,466)	-10.5%
Equipment	1,957,585	2,047,900	(90,315)	-4.4%
Construction in Process	8,431,207	6,050,383	2,380,824	39.3%
Total Capital Assets	217,883,835	237,724,907	(19,841,072)	-8.3%
Accumulated Depreciation	165,118,623	178,859,839	(13,741,216)	-7.7%
Net Capital Assets	\$ 52,765,212	\$ 58,865,068	\$ (6,099,856)	-10.4%

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

Analysis of Entity Wide Revenues (Statement of Activities)

ECC administers the following programs with their respective revenues during FY 2019:

FY 2019 Revenues by Programs (Primary Government Only)

<u>MTW Block Grant Programs</u>	
Low Rent Public Housing	\$25,769,493
Section 8 Housing Choice Voucher Program (HCVP)	72,755,926
Capital Fund Program Funding	2,728,310
Total MTW Revenue	\$101,253,729
<u>Non-MTW Programs</u>	
Mod. Rehabilitation	684,234
Business Activities	5,002,535
Central Office Cost Center	957,931
ROSS & Family Self-Sufficiency Programs	177,839
Total Non-MTW Programs Revenue	6,822,539
Total Revenues (Agree with Line 700 of the FDS)	108,076,268
 <i>Per Statements of Revenues, Expenses and Changes in Net Assets for FY 2019:</i>	
Operating revenues	\$101,786,223
Interest Income	4,985,388
Capital Contributions	1,304,657
Non-Operating Revenues	\$6,290,045
Total Proprietary Fund Revenues (Agrees with Line 700 of the FDS)	\$108,076,268

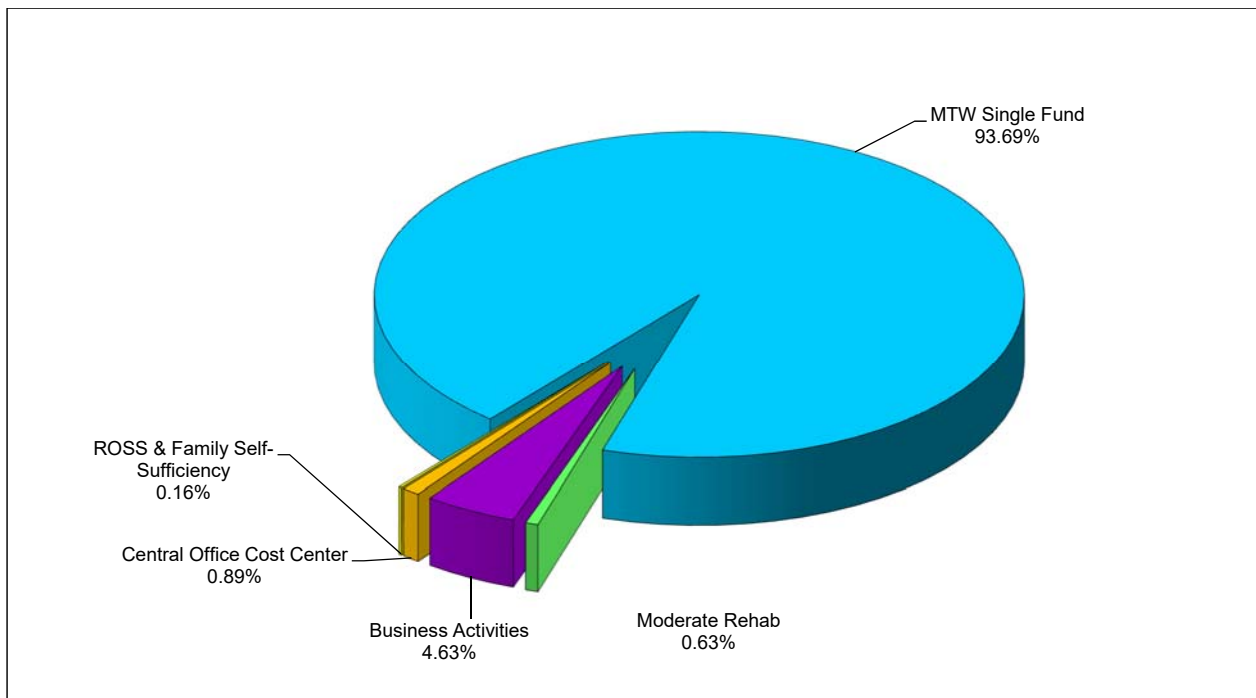
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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

The diagram below illustrates the percentage of revenues generated from these programs by ECC during FY 2019.

Primary Government Revenue Percentages by Programs



ECC's primary government operating revenues were \$101,786,223 and non-operating revenues were \$6,290,045, for a total of \$108,076,268 in FY 2019. As compared to total revenues of \$111,416,402 in FY 2018, there was a decrease of \$3,474,152, primarily due to a decrease in MTW funding. Listed below are areas that reported major increases or decreases from FY 2019:

- **Dwelling rental** decreased \$309,529. ECC sold three public housing properties to ECC RAD Group II, LLC, a component unit of The Glendower Group, Inc. Dwelling rental revenue for the public housing program decreased due to the reduced number of units.
- **HUD Subsidies** decreased by a net amount of \$3,488,920. HUD revenue decreased primarily due to a decrease in Public Housing and Capital Fund Program funding for the conversion of units to RAD. Housing Assistance Payments (HAP) funding provided by HUD for the fiscal year decreased as compared to the prior year due to a reduced HAP funding utilized to leverage development and RAD projects as permitted by ECC's MTW agreement.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

- **Charges for Services** increased \$475,468 due to an increase in revenue generated from management fees charged to ECC’s discretely component units by the Central Office Cost Center.
- **Investment Income** increased \$775,926 primarily because of the increase in the Investment in the financing of affordable housing developments balance.
- **Capital Grants** increased \$94,442. ECC’s primary source of Capital Grants revenue is HUD’s Capital Fund Program (CFP). Capital Grants revenues are matched dollar for dollar directly to capital expenditures from ECC’s CFP.
- **Gain (Loss) on disposal of assets** had a difference of \$1,021,539 between FY 2019 and FY 2018. ECC completed the sale of three public housing sites to ECC RAD Group II, LLC during FY 2019 as compared to the sale of four public housing sites during FY 2018.

The table below presents an analysis of total revenues by major revenue category:

Primary Government by Major Revenue Category

	FY 2019	FY 2018	Net Increase / (Decrease)	Percent Increase / (Decrease)
Dwelling Rental	\$ 2,956,099	\$ 3,265,628	\$ (309,529)	-9.5%
HUD Subsidies	91,540,450	95,029,370	(3,488,920)	-3.7%
Charges for Services	1,211,332	735,864	475,468	64.6%
Gain (loss) on disposal of assets	6,078,342	7,099,881	(1,021,539)	-14.4%
Operating Revenue	101,786,223	106,130,743	(4,344,520)	-4.1%
Investment Income	4,985,388	4,209,462	775,926	18.4%
Capital Grants	1,304,657	1,210,215	94,442	7.8%
Non-Operating Revenue	6,290,045	5,419,677	870,368	16.1%
Impairment Loss	-	(134,018)	134,018	-100.0%
Total Revenue	\$ 108,076,268	\$ 111,416,402	\$ (3,474,152)	-3.1%

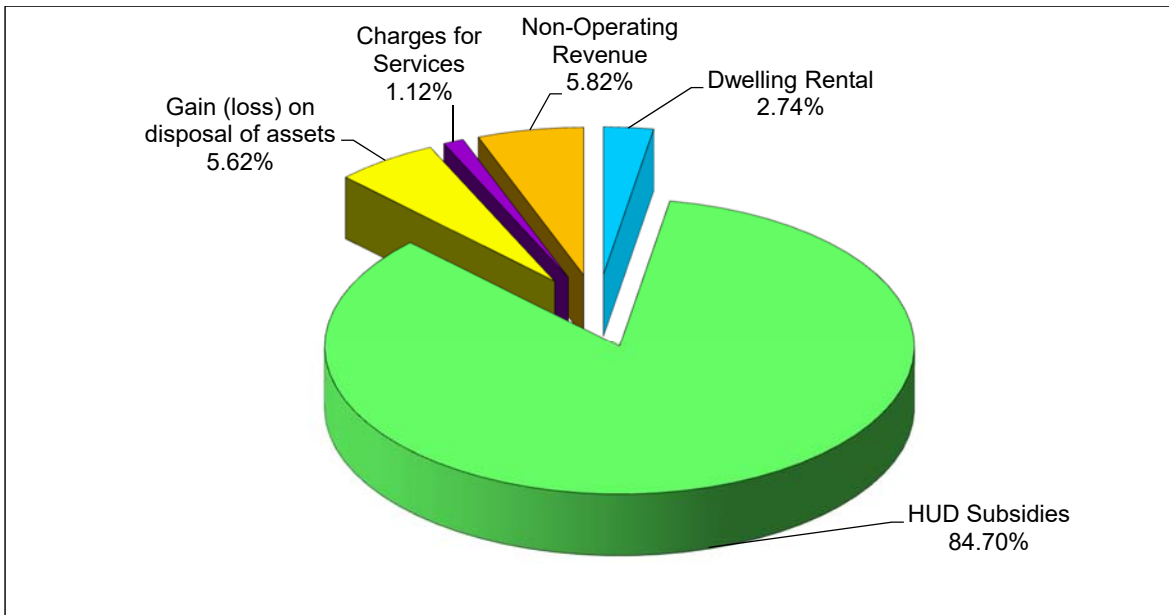
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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

The diagram on the following page illustrates the percentage of revenues generated from each major revenue category by ECC during FY 2019.

Primary Government Revenue Percentages by Major Revenue Category



HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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ELM CITY COMMUNITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

Analysis of Entity Wide Expenses (Primary Government Only)

ECC administers the following programs and the related expenses during FY 2019:

Primary Government FY 2019 Expenses by Programs

		<u>Non-Capital Expenditures</u>	<u>Capital Expenditures</u>	<u>Total Expenditures</u>
MTW Block Grant Programs				
Low Rent Public Housing	\$ 14,007,388			
Section 8 Housing Choice Voucher Program (HCVP)	58,777,430			
Capital Fund Program	181,532			
Total MTW Expenses		\$ 72,966,350	\$ 1,304,656	\$ 74,271,006
Non-MTW Programs				
Mod. Rehabilitation		606,895	0	606,895
Business Activities		1,105,570	4,308,305	5,413,875
Central Office Cost Center		10,315,618	0	10,315,618
ROSS & Family Self-Sufficiency Programs		177,839	0	177,839
Total Non-MTW Expenses		12,205,922	4,308,305	16,514,227
Total Proprietary Fund Expenditures		\$ 85,172,272	\$ 5,612,961	\$ 90,785,233
Depreciation Expense	7,464,581			
Interest Expense	176,350			
Non-Operating Expenses		7,640,931		
Total Proprietary Fund Expenses (Agrees with Line 90000 of the FDS)		\$ 92,813,203		
<i>Per Statements of Revenues, Expenses and Changes in Fund Net Position for FY 2019:</i>				
Operating Expenses		\$ 92,636,853	N/A	N/A
Interest Expense	176,350			
Non-Operating Expenses		176,350		

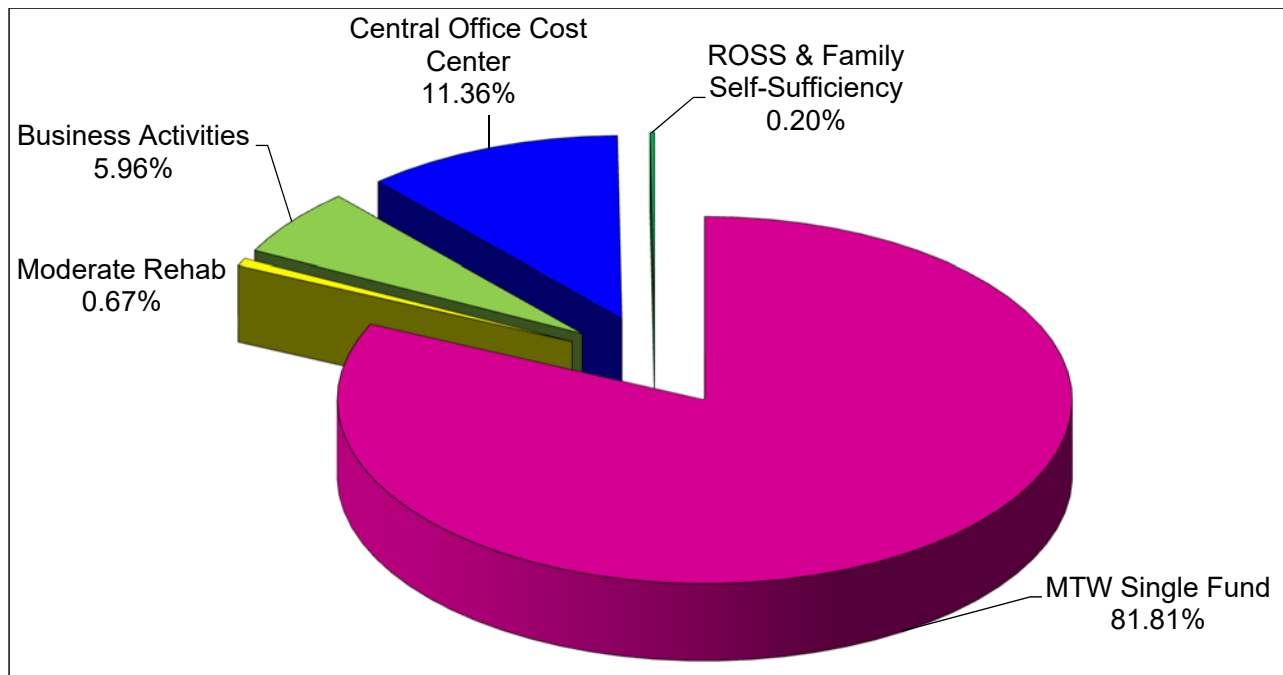
HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

The diagram below illustrates the percentage of expenses generated from these programs by ECC during FY 2019.

Primary Government Expenses by Programs in FY 2019



Total expenses were \$92,813,203 in FY 2019 and \$94,353,003 in FY 2018. Total expenses decreased by \$1,539,800 as discussed in further detail below:

- **Administrative Expenses** were about the same amounts for both fiscal years.
- **Tenant Services** decreased \$492,483. Salaries and benefits expenses related to Community and Support Services escrows decreased. Tenant services contract expenses decreased due to decreases in contract services used for public housing sites owned.
- **Utilities** decreased \$537,489. Utility expenses decreased for reduced number of units primarily due to the sale of public housing sites.
- **Maintenance** decreased \$2,908,116. Predevelopment costs included non-routine maintenance expenses that decreased as compared to FY 2018. These expenses would fluctuate based on future development activities.
- **Housing Assistance Payments (HAP)** increased \$2,577,190 due to inflation, increase in number of units and average cost per unit.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

- **Insurance Expenses** increased \$58,987. Worker's compensation expense increased due to increasing premiums.

Primary Government Expenses by Category

	FY 2019	FY 2018	Net Increase / (Decrease)	Percent Increase / (Decrease)
Administrative	\$ 11,894,953	\$ 11,805,049	\$ 89,904	0.8%
Tenant Services	1,875,738	2,368,221	(492,483)	-20.8%
Utilities	4,404,207	4,941,696	(537,489)	-10.9%
Maintenance	6,715,421	9,623,537	(2,908,116)	-30.2%
Protective Services	276,512	1,362,031	(1,085,519)	-79.7%
Housing Assistance Payments	56,872,877	54,295,687	2,577,190	4.7%
Insurance Expense	1,218,051	1,159,064	58,987	5.1%
Other Operating Expenses	1,914,513	1,921,558	(7,045)	-0.4%
Expenses before Depreciation	<u>85,172,272</u>	<u>87,476,843</u>	<u>(2,304,571)</u>	<u>-2.6%</u>
Depreciation	7,464,581	6,654,343	810,238	12.2%
Interest Expense	176,350	191,093	(14,743)	-7.7%
Loss on defeasance of debt	-	30,724	(30,724)	100.0%
Total Expenses	<u><u>\$ 92,813,203</u></u>	<u><u>\$ 94,353,003</u></u>	<u><u>\$ (1,539,800)</u></u>	<u><u>-1.6%</u></u>

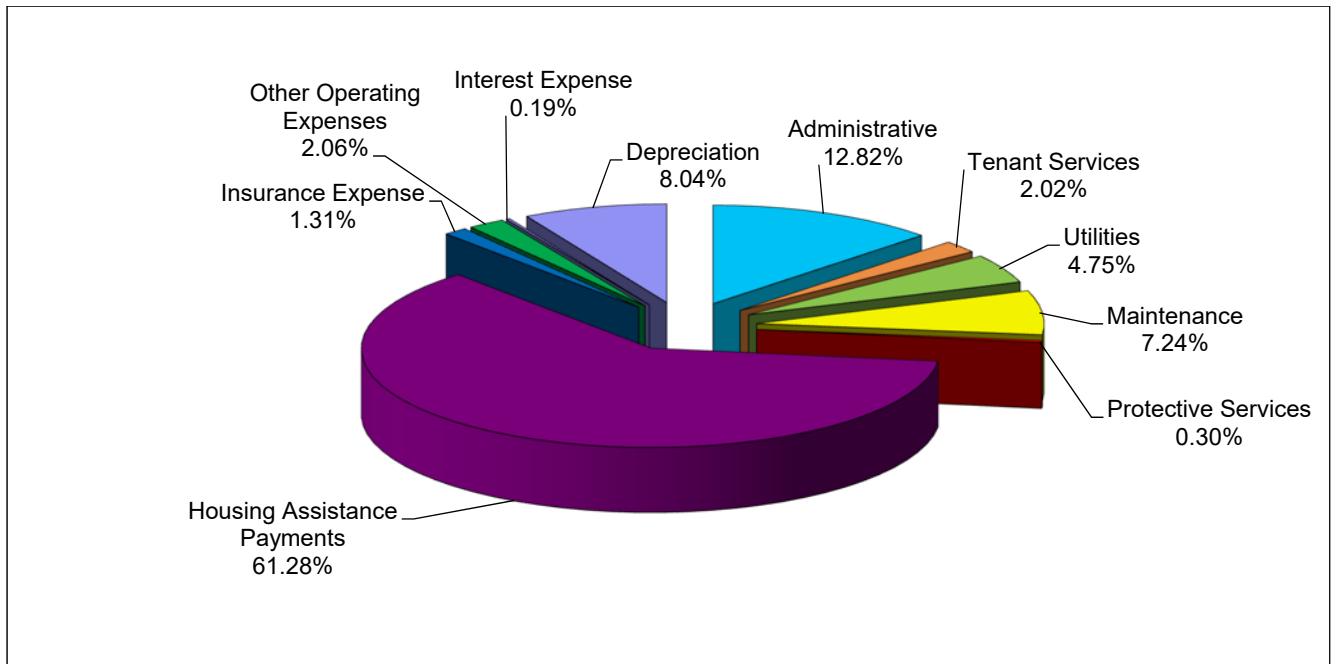
**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2019

The diagram on the following page illustrates ECC’s Primary Government expenses by major category during FY 2019:

Primary Government Expenses by Category in FY 2019



Future Events

As outlined in its FY 2020 MTW Annual Plan, ECC intends to aggressively implement the MTW initiatives to increase housing choice, promote cost effectiveness and increase family self-sufficiency. These initiatives include deconcentration of poverty through expanded housing opportunities and project-based vouchers program, caring about resident economic self-sufficiency program, development of replacement public housing units and continued conversion of the RAD units.

The RAD Group III for 213 units at Winslow Celentano and McQueeney Towers has been closed in March 2020. The RAD Group IV units in Ruoppolo and Fairmount are planned to be closed in the Summer 2020. These units will be managed by ECC’s 360 Management Group, Inc.

ECC’s Glendower Group, Inc. is pursuing new development projects for Valley, Westville Manor, Farnam Phase II 4% and 9% projects. Rockview Phase II was closed during fiscal year 2019 with construction anticipated to be completed by the end of summer 2020. These projects are estimated with total development costs exceeding \$143 million. ECC plans to utilize the MTW funding flexibility to leverage about 10% for these development projects.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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STATEMENTS OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government	Discrete Component Units
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 35,279,082	\$ 7,861,344
Restricted cash	1,611,839	176,898
Accounts receivable, net	806,788	1,191,088
Due from Component Units, current	408,899	572,271
Current portion of notes receivable	--	17,033
Prepaid expenses and other current assets	85,051	339,591
Assets held for sale	--	108,002
Total Current Assets	38,191,659	10,266,227
Noncurrent Assets		
Restricted cash	2,113,984	16,046,816
Due from Component Units, Non-current	6,370,808	--
Investment in the financing of affordable housing developments	229,105,403	7,432,619
Capital assets, non-depreciable	28,333,436	25,305,917
Capital assets, net of accumulated depreciation	24,431,776	155,423,072
Other noncurrent assets	--	968,051
Total Noncurrent Assets	290,355,407	205,176,475
TOTAL ASSETS	\$ 328,547,066	\$ 215,442,702

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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STATEMENT OF NET POSITION (CONTINUED)

SEPTEMBER 30, 2019

	Primary Government	Discrete Component Units
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 944,087	\$ 6,355,395
Current portion of long term debt	685,000	6,843,180
Accrued wages and current portion of compensated absences	686,235	65,089
Interest payable	75,856	95,629
Due to Other Component Units	--	572,271
Other accrued expenses	2,324,766	681,899
Unearned revenue	685,636	45,632
Tenant security deposits	<u>264,616</u>	<u>176,898</u>
Total Current Liabilities	<u>5,666,196</u>	<u>14,835,993</u>
Noncurrent Liabilities		
Long term debt, net of current portion	2,685,000	129,031,641
Long term accrued interest	--	8,970,134
Accrued compensated absences, net of current portion	614,113	80,131
Family self-sufficiency and other tenant-related escrows	2,158,031	--
Due to Primary Government	<u>--</u>	<u>5,878,020</u>
Total Noncurrent Liabilities	<u>5,457,144</u>	<u>143,959,926</u>
TOTAL LIABILITIES	<u>11,123,340</u>	<u>158,795,919</u>
NET POSITION		
Investment in capital assets	52,765,212	36,627,026
Restricted:		
Grants with continuing restrictions	--	3,064,912
Restricted Reserves	57,953	16,046,816
Unrestricted	<u>264,600,561</u>	<u>908,029</u>
TOTAL NET POSITION	<u>317,423,726</u>	<u>56,646,783</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 328,547,066</u>	<u>\$ 215,442,702</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Primary Government	Discrete Component Units
OPERATING REVENUES		
HUD grants and contributions	\$ 91,540,450	\$ --
Gain on sale of capital assets	6,078,342	--
Tenant rental income	2,956,099	9,383,510
Developer fees	--	1,418,287
Property management fees	--	1,166,253
Other revenue	<u>1,211,332</u>	<u>452,401</u>
Total Operating Revenues	<u>101,786,223</u>	<u>12,420,451</u>
OPERATING EXPENSES		
Housing assistance payments	56,872,877	--
Administration	11,894,953	6,059,479
Depreciation expense	7,464,581	4,960,082
Repair and maintenance	6,715,421	884,928
Utilities	4,404,207	1,465,611
Other general expenses	1,914,513	412,845
Tenant services	1,875,738	--
Insurance expense	1,218,051	654,758
Protective services	<u>276,512</u>	<u>--</u>
Total Operating Expenses	<u>92,636,853</u>	<u>14,437,703</u>
Operating Income (Loss)	<u>9,149,370</u>	<u>(2,017,252)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue	4,985,388	142,169
Interest expense	<u>(176,350)</u>	<u>(4,563,300)</u>
Total Nonoperating Revenues (Expenses)	<u>4,809,038</u>	<u>(4,421,131)</u>
Income (Loss) before Capital Grants and Special Items	13,958,408	(6,438,383)
CAPITAL GRANTS AND CONTRIBUTIONS		
HUD capital grants	1,304,657	--
Investor capital contributions	--	19,867,491
Investor capital distributions	--	(6,361)
Syndication fees	<u>--</u>	<u>(177,000)</u>
Total Capital Grants and Contributions	<u>1,304,657</u>	<u>19,684,130</u>
Change in Net Position	15,263,065	13,245,747
Net Position, Beginning of Year	<u>302,160,661</u>	<u>43,401,036</u>
Net Position, End of Year	<u>\$ 317,423,726</u>	<u>\$ 56,646,783</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

HUD grants	\$ 91,496,062
Receipts from tenants	2,958,582
Other operating receipts	1,136,971
Payments to employees	(12,302,528)
Payments to suppliers	(15,935,350)
Payments to landlords	<u>(56,872,877)</u>
Net cash provided by operating activities	<u>10,480,860</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interest expense	(189,569)
Payments on long term debt	(705,000)
Advances to Component Unit	<u>(2,334,747)</u>
Net cash used in noncapital financing activities	<u>(3,229,316)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

HUD capital grants	1,460,049
Acquisitions of capital assets	<u>(2,486,383)</u>
Net cash used in capital and related financing activities	<u>(1,026,334)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	139,683
Proceeds from the collection on notes receivable	93,402
Issuance of investments in affordable housing	<u>(2,317,168)</u>
Net cash used in investing activities	<u>(2,084,083)</u>

Net increase in cash, cash equivalents, and restricted cash 4,141,127

Cash, cash equivalents, and restricted cash, beginning of year 34,863,778

Cash, cash equivalents, and restricted cash, end of year \$ 39,004,905

The accompanying notes are an integral part of these financial statements.

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Reconciliation of operating income to net cash provided by operating activities:

Operating Income	\$	9,149,370
Adjustments:		
Depreciation		7,464,581
Non-Cash gain on sale of capital assets		(6,078,342)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, tenants		41,999
(Increase) decrease in accounts receivable, other		(40,804)
(Increase) decrease in accounts receivable, HUD		(44,388)
(Increase) decrease in accounts receivable, other government		(19,714)
(Increase) decrease in prepaid expenses and other current assets		(10,489)
(Decrease) increase in accounts payable		(558,882)
(Decrease) increase in compensated absences and accrued wages		114,737
(Decrease) increase in accrued expenses and other current liabilities		496,857
(Decrease) increase in tenant security deposits		(25,728)
(Decrease) increase in unearned operating revenue		(8,337)
Net cash provided by operating activities	\$	<u>10,480,860</u>

Cash, cash equivalents, and restricted cash per Statement of Net Position:

Cash and cash equivalents	\$	35,279,082
Restricted cash - current		1,611,839
Restricted cash - noncurrent		<u>2,113,984</u>
Total cash, cash equivalents, and restricted cash per Statement of Net Position	\$	<u>39,004,905</u>

Supplemental Disclosure of Cash Flow Information:

Gain on sale of capital assets financed by Notes Receivable	\$	<u>7,200,000</u>
-------------------------------------------------------------	----	------------------

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – ORGANIZATION

PRIMARY GOVERNMENT

The Housing Authority of the City of New Haven d/b/a Elm City Communities (Elm City Communities) was incorporated under the laws of the State of Connecticut. Elm City Communities operates under a board of commissioner form of government to provide safe and decent housing to low and moderate-income families and elderly individuals. The Board is comprised of five members, four members appointed by the Mayor and affirmed by a vote of the City Alders, and one resident member elected by their peers. The Board appoints the President/Executive Director to administer the affairs of Elm City Communities. Elm City Communities is not a component unit of the City of New Haven, and as a result, Elm City Communities financial statements are not included in the City's financial statements.

Elm City Communities maintains its accounting records by program and operates the following programs:

Moving-to-Work Demonstration Program (MTW) – This is a demonstration program for public housing authorities (PHAs) that provides them the opportunity to design and test innovative, locally-designed strategies that use federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW gives PHAs exemptions from many existing public housing and voucher rules and more flexibility with how they use their Federal funds.

Low Rent Public Housing – (Asset Management Projects (AMPS)) – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by Elm City Communities. These units are rented to low income families and low-income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). Elm City Communities receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by Elm City Communities under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of Elm City Communities.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – ORGANIZATION (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Section 8 Housing Choice Voucher – HUD provides grants to Elm City Communities to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. Elm City Communities will subsidize the landlord for the difference between the rent requested and the tenant’s share of the rent not to exceed a predetermined payment standard.

Family Self Sufficiency Program (FSS) – This HUD-funded program helps eligible individuals acquire the skills and experience needed to obtain work that pays a living wage, and also offers them an opportunity to save towards home-ownership. Elm City Communities works with welfare agencies, schools, businesses, and other local partners to help FSS participants access services including but not limited to; child care, transportation, education and training, and home-ownership counseling.

Section 8 Moderate Rehabilitation – The moderate rehabilitation program provides project-based rental assistance for low income families. Assistance is limited to properties previously rehabilitated pursuant to a housing assistance payments (HAP) contract between an owner and Elm City Communities. Under the contract, the owner receives a subsidy equal to the difference between an approved contract rent and the tenant’s share of the rent determined under HUD Section 8 regulations.

Resident Opportunities and Self Sufficiency (ROSS) - ROSS links public housing residents with supportive services, resident empowerment activities, and assistance in becoming economically self-sufficient. Grants are received from HUD pursuant to a detailed application submitted by Elm City Communities.

Central Office Cost Center (COCC) – This program tracks common overhead expenses incurred by Elm City Communities. To offset these common expenses, the COCC receives a monthly property management, bookkeeping and asset management fee from the AMPs. Additionally, the COCC receives, from the Section 8 Housing Choice Voucher Program, a monthly property management and bookkeeping fee.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – ORGANIZATION (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Business Activities – This program accounts for Elm City Communities redevelopment activity and investment in affordable housing developments, along with select social service activities. The redevelopment activity is consistent with the objectives of the revitalization of severely distressed public housing program (HOPE VI), for which Elm City Communities was awarded grants in prior years and the objectives of Elm City Communities MTW plan. This program is currently funded through the MTW program and other fee earnings.

COMPONENT UNITS

Elm City Communities' financial statements include the accounts of all of Elm City Communities' operations. The criteria for including organizations as component units within Elm City Communities' reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The Entity is legally separate (can sue and be sued in their own name)
- Elm City Communities holds the corporate powers of the entity
- Elm City Communities appoints a voting majority of the entity's board
- Elm City Communities is able to impose its will on Entity
- The Organization has the potential to impose a financial benefit/burden on Elm City Communities
- There is fiscal dependency by Organization on Elm City Communities

Based on the aforementioned criteria, Elm City Communities has two component units;

Discretely Presented Component Units

The Glendower Group, Inc. (Glendower) – Glendower is a nonprofit organization committed to providing promotion and advancement of neighborhood economic development, property management, and related employment opportunities and housing revitalization and urban renewal in the City of New Haven, Connecticut. This is done through a cooperative effort with Elm City Communities. The Board of Commissioners of the Housing Authority of the City of New Haven has appointment powers for the Board of The Glendower Group, Inc.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – ORGANIZATION (CONTINUED)

The consolidated financial statements of the Glendower Group, Inc. include the accounts of Glendower and its wholly-owned subsidiaries, Brookside HO-1 Associates, LLC (Brookside), Glendower Wilmot, LLC (Wilmot LLC), Glendower Chatham SP, LLC (Chatham), Glendower Brookside Phase 2 Rental, LLC (GBP2R) and Glendower Rockview Phases 1 Rental, LLC (GRP1R).

Additionally, Glendower wholly owns the managing members of Eastview Terrace, LLC (Eastview), ECC Group I RAD, LLC (RAD I), ECC Group II RAD, LLC (RAD II) Glendower Fair Haven, LLC (Fair Haven), Glendower Farnam Courts I, LLC (Farnam), Glendower Ribicoff, LLC (Ribicoff), Glendower Ribicoff Four, LLC (Ribicoff Four), Glendower Wilmot Road Residential, LLC (Wilmot) and Glendower Rockview Phase 2 Rental Owner Entity Limited Partnership (Rockview 2). Each entity is an existing low-income housing tax credit (LIHTC) project under Section 42 of the Internal Revenue Code (IRC). Glendower has controlling financial interest of these entities and accordingly, the accounts of each entity are included in Glendower's financial statements.

As permitted by U.S. GAAP, the Organization has elected to use, for consolidation purposes, the audited financial statements of the above entities for the year or period ending December 31, 2019. Management estimates that the activity for the three-month increment is not material, except for the transactions highlighted in the following sentences. Management believes that the following transactions during the three-month increment materially affect the financial position of the organization and require disclosure in the financial statements.

- In October 2019, Farnam received the second and third investor capital contributions. These funds were used to pay down the construction loan and pay \$2,782,310 of developer fees to Glendower. This portion of the developer fee receivable from Farnam has not been eliminated on the Consolidated Statement of Financial Position.
- In December 2019, Fair Haven received the final investor capital contribution. This was used to pay \$574,048 of developer fees, repay the loan from Glendower in the amount of \$1,002,856, and repay Glendower's advance to fund the pledge account. These receivables from Fair Haven have not been eliminated for consolidation purposes.

Aside from the transactions above, all material inter-company transactions and accounts have been eliminated in consolidation.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – ORGANIZATION (CONTINUED)

360 Management Group, Co. (360 Management) - a nonprofit organization established to provide property management and related services to properties owned by affiliates of Elm City Communities and to other properties in the region. Elm City Communities appoints a majority of the Board of Directors of 360 Management.

In accordance with Governmental Accounting Standards Board (GASB) Statement 61, Glendower and 360 Management are incorporated into the accompanying financial statements as of, and for the year ended, September 30, 2019. Separate financial statements for Glendower and 360 Management are issued and prepared in accordance with the Financial Accounting Standards Board (FASB) guidance and can be obtain by contacting the management of Elm City Communities

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND ACCOUNTING

The Primary Government is referred to as ECC/HANH or Elm City Communities and its financial statements are presented as a single enterprise fund utilizing the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows. Elm City Communities' financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB). The discretely presented component units are referred to either as Glendower or 360 Management.

Elm City Communities' primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidies revenue is recognized at the time eligible program expenditures occur and/or Elm City Communities has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Grants received in advance of expenditures are recorded as a liability until earned.

NOTES TO THE FINANCIAL STATEMENTS

Notes 2 through 17 of the Notes to the Financial Statements report on the Primary Government only, unless explicitly stated otherwise.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS ADOPTED

During 2019, Elm City Communities adopted GASB Statement #83, *Certain Asset Retirement Obligations* and Statement #88, *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements*. The adoption of these standards did not result in any significant changes to the financial statements or note disclosures.

USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Authority considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

ACCOUNTS RECEIVABLE

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually. See Note 6 for details of accounts receivable and allowances at year end.

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time of acquisition. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	27.5 years
Land and Building Improvements	10 years
Furniture, Equipment and Machinery	5 years

IMPAIRMENT OF CAPITAL ASSETS

Governmental Accounting Standards Board's, Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires recognition or disclosure regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2019.

COMPENSATED ABSENCES

Elm City Communities allows employees to carry forward a maximum of 240 hours of paid time off (PTO). Upon standard retirement or death, the employee or employees' beneficiary will be reimbursed for unused paid time off up to 240 hours. In the case of involuntary separation, the employee shall not receive a payout of accrued PTO time. PTO for all employees accrues from 189 to 320 hours per year, based on years of service and the employee's position. Total accrued compensated absences at September 30, 2019 aggregated \$977,330.

OPERATING REVENUES AND EXPENSES

Operating revenue includes operating grants and subsidies, rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NON-OPERATING REVENUES AND EXPENSE

Elm City Communities nonoperating revenues relate primarily to capital grants provided by HUD and interest and investment income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Elm City Communities' primary housing operations and are reported as incurred. Nonoperating expenses consisted of interest expense.

ECONOMIC DEPENDENCY

Elm City Communities is economically dependent on annual contributions from HUD. Elm City Communities' federal programs operate at a loss prior to receiving these contributions. For the year ended September 30, 2019, Elm City Communities received approximately 86% of its revenues from HUD through the Moving-to-Work Demonstration Program. HUD has extended Elm City Communities MTW agreement until 2028. A reduction in funding from HUD could significantly change the services provided by Elm City Communities.

INVESTMENT IN THE FINANCING OF AFFORDABLE HOUSING DEVELOPMENTS

Investment in the Financing of Affordable Housing Developments represents long-term subsidized loans to Public-Private Partnership entities formed to revitalize and preserve affordable housing properties. The loans were funded through the Federal Revitalization of Severely Distressed Public Housing (HOPE VI) Program, Moving-to-Work Demonstration Program, and various other Federal, State, City or Community Development programs such as the Federal Home loan program. As these loans were generally subsidized by HUD or other governmental organizations, instruments with below market interest rate have not been discounted. No currently known facts lead management of Elm City Communities to believe that there is a probability of default on the loans and accordingly no allowance on these investments has been recorded. These notes are supported by promissory notes and collateralized by the properties. Interest on these notes is recognized as accrued. Elm City Communities has not recorded an allowance on the accrued interest. See Note 8 for additional information.

APPLICATION OF RESOURCES

The Authority would first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Elm City Communities has evaluated subsequent events through June 9, 2020, the date the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Elm City Communities' operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants' ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

In March 2020, a RAD closing with HUD was completed for 213 of Elm City Communities public housing units (known as Group III). The monthly LIPH subsidy and Capital Fund grants will be provided to these public housing units through those respective programs from April 2020 through December 2020. In January 2021, these funds will be moved from those programs to the S8 HAP program. Upon conversion, Elm City Communities transferred ownership of Group III and received a seller note of \$17.0 million.

NOTE 3 – NET POSITION

Primary Government

Net position is reported in three categories:

Investment in Capital Assets consists of all capital assets, reduced by accumulated depreciation, and the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. Elm City Communities had no debt related to its capital assets at September 30, 2019. At September 30, 2019, the investment in capital assets was \$52,765,212.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. At September 30, 2019, restrictions of \$57,953 represent reserves held by Elm City Communities for various tenant and community related purposes.

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NOTE 3 – NET POSITION (CONTINUED)

Unrestricted Net Position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”. These funds are available to use for any lawful and prudent purpose of the Authority. At September 30, 2019, included in unrestricted net position of \$264,600,561 is investment in the financing of affordable housing developments of \$229,105,403, less related debt of \$3,370,000, for a net total of \$ 225,735,403 (See Note 8 for further detail).

Discretely Presented Component Units

Restricted Net Position consists of the net assets with donor restrictions of Glendower and 360 Management. At September 30, 2019, restrictions of \$19,111,728 represent grants received by Glendower with continuing affordability restrictions and reserves held by consolidated entities in accordance with the respective operating agreements. The following table summarizes the discretely presented component units’ restricted net position at September 30, 2019:

<u>Restriction</u>	<u>Amount</u>
Grants with continuing restrictions	\$ 3,064,912
Restricted reserves	<u>16,046,816</u>
Total	<u>\$ 19,111,728</u>

NOTE 4 – CASH AND CASH EQUIVALENTS

Elm City Communities has adopted HUD’s Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, by U.S. Government obligations that have a fair value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

Custodial Credit Risk – Cash Deposits

At times, Elm City Communities’ balances may exceed the Federal Deposit Insurance Corporation (FDIC) limits; however, Elm City Communities has not experienced any losses with respect to its bank balance in excess of government provided insurance. In addition, balances are fully collateralized through agreements with the financial institutions. Management believes that no significant risk exists with respect to cash balances as of September 30, 2019.

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NOTE 5 – RESTRICTED CASH

Included in the current restricted cash are amounts held in escrow for tenant security deposits and debt service reserves. The non current restricted cash balances represents the following: funds held in escrow for tenants enrolled in the family Self-Sufficiency, community and support services in accordance with contractual agreements for HOPE VI projects or for other tenant related programs, and funds held in an affordability reserve account maintained in accordance with contractual agreements for HOPE VI. At September 30, 2019, restricted cash was categorized as follows:

Category of Restriction	Amount
Family Self-Sufficiency & other tenant escrows	\$ 1,721,028
Debt Service reserves	1,347,223
Affordability reserves	392,956
Tenant security deposits	264,616
Total	\$ 3,725,823

NOTE 6 – ACCOUNTS RECEIVABLE

Due from Component Units consists of receivable balances from Glendower of \$5,627,816, 360 management of \$742,992 and \$408,899 from Glendower Farnam Courts I, LLC (an entity consolidated into Glendower) for development advances made by Elm City Communities. These advances are noninterest bearing with no specified maturity date. The following is a listing of receivables for the Authority including the applicable allowances for uncollectible accounts at September 30, 2019.

Category of Receivable	Amount
Due from Component Units	\$ 6,779,707
HUD	673,980
Tenants	134,968
Miscellaneous	92,255
Other Government	19,714
Gross Receivables	7,700,624
Allowance - Tenants	(86,606)
Allowance - Other	(27,523)
Net Receivables	\$ 7,586,495

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – ACCOUNTS RECEIVABLE (CONTINUED)

Net receivables are presented on the Statement of Net Position as follows:

	Amount
Accounts receivable, net	\$ 806,788
Due from Component Units, current	408,899
Due from Component Units, Non-current	<u>6,370,808</u>
Net Receivables	<u>\$ 7,586,495</u>

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets and related accumulated depreciation.

	October 01, 2018	Increases	Decreases	Transfers	September 30, 2019
Capital assets not being depreciated					
Land	\$ 20,107,344	\$ --	\$ (205,115)	\$ --	\$ 19,902,229
Construction in Progress	<u>6,050,383</u>	<u>5,612,961</u>	<u>(3,153,914)</u>	<u>(78,223)</u>	<u>8,431,207</u>
Total capital assets not being depreciated	<u>26,157,727</u>	<u>5,612,961</u>	<u>(3,359,029)</u>	<u>(78,223)</u>	<u>28,333,436</u>
Capital Assets being depreciated					
Buildings	209,519,280	--	(22,004,689)	78,223	187,592,814
Furniture, equipment & machinery	<u>2,047,900</u>	--	<u>(90,315)</u>	--	<u>1,957,585</u>
Total capital assets being depreciated	<u>211,567,180</u>	--	<u>(22,095,004)</u>	<u>78,223</u>	<u>189,550,399</u>
Less accumulated depreciation					
Buildings	177,787,452	7,172,306	(21,128,603)	--	163,831,155
Furniture, equipment & machinery	<u>1,072,385</u>	<u>292,275</u>	<u>(77,192)</u>	--	<u>1,287,468</u>
Total accumulated depreciation	<u>178,859,837</u>	<u>7,464,581</u>	<u>(21,205,795)</u>	--	<u>165,118,623</u>
Capital Assets, Net	<u>\$ 58,865,070</u>	<u>\$ (1,851,620)</u>	<u>\$ (4,248,238)</u>	<u>\$ --</u>	<u>\$ 52,765,212</u>

During 2019, Elm City Communities sold the properties known as Waverly Townhomes, Fulton Park, and Stanley Justice Landing to ECC RAD Group II, LLC. This sale was financed by a leasehold acquisition loan from ECC RAD Group II in the amount of \$7.2 million. Elm City Communities recorded a gain on the disposition of approximately \$6.0 million.

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SEPTEMBER 30, 2019

NOTE 8 – INVESTMENTS IN THE FINANCING OF AFFORDABLE HOUSING DEVELOPMENTS

Consistent with the objectives of Revitalization of Severely Distressed Public Housing (HOPE VI) and Elm City Communities Moving-to-Work (MTW) objectives, Elm City Communities has invested approximately \$194,300,000 in the debt financing of affordable housing developments. These developments, which had been obsolete conventional federally subsidized projects, have been sold and privately syndicated in order to utilize private investment incentives under the Low-Income Housing Tax Credit (LIHTC) program. The terms of these notes range from 12 months to 55 years and accrue interest at rates varying from 0.0% to 8.0%. Repayments of principal and accrued interest vary based on each individual note. Investments in financing of affordable housing developments are as follows:

Investment	Loan	Invested	Interest	Outstanding	Interest Rates	Maturity Date
Brookside I Associates, LLC	Second Mortgage	\$ 20,868,480	\$ 2,440,029	\$ 23,308,509	1.40%	March 31, 2053
Brookside II Associates, LLC	Second Mortgage	1,221,723	51,944	1,273,667	3.00%	July 31, 2053
Brookside HO I Associates	Homeownership	779,178	-	779,178	0.00%	Various
Eastview Terrace LLC	MTW Loan	25,190,366	-	25,190,366	0.00%	December 31, 2064
Eastview Terrace LLC	Capital Funds Loan	3,591,481	1,742,861	5,334,342	4.46%	December 31, 2064
Eastview Terrace LLC	AHP Loan	375,000	-	375,000	0.00%	January 31, 2063
Eastview Terrace LLC	Construction Loan	614,265	-	614,265	0.00%	December 31, 2064
ECC Group I RAD, LLC	Leasehold Mortgage	10,400,000	844,480	11,244,480	6.00%	June 1, 2060
ECC Group I RAD, LLC	Advances	252,900	-	252,900	0.00%	June 1, 2060
ECC Group II RAD, LLC	Leasehold Mortgage	7,200,000	144,000	7,344,000	4.00%	April 1, 2061
ECC Group II RAD, LLC	MTW Loan	1,168,874	-	1,168,874	4.00%	April 1, 2061
Elm Haven Rental LP I	HOPE VI Loan	21,162,172	3,719,539	24,881,711	1.00%	June 8, 2051
Elm Haven Rental LP I	Acquisition Loan	493,375	1,293,164	1,786,539	5.25%	June 30, 2052
Elm Haven Rental LP I	CPI Loan	1,425,993	263,346	1,689,339	1.00%	June 8, 2051
Elm Haven Rental LP I	HANH loan	2,250,254	32,099	2,282,353	0.01%	August 11, 2055
Elm Haven Rental LP II	HOPE VI Loan	3,178,172	7,712,279	10,890,451	5.05-7.18%	December 31, 2051
Elm Haven Rental LP III	HOPE VI Loan	2,274,275	3,419,561	5,693,836	5.05-7.18%	December 31, 2053
Elm Haven Rental LP III	AHP Loan	250,000	4,472	254,472	0.10%	December 31, 2053
Elm Haven Rental LP III	Bridge Loan	13,965	-	13,965	0.00%	December 31, 2053
Glendower Essex, LLC	Predevelopment	49,778	-	49,778	0.00%	September 30, 2014
Glendower Crawford, LLC	Predevelopment	87,069	-	87,069	0.00%	September 30, 2014
Glendower Fair Haven, LLC	MTW Loan	5,913,459	1,284,085	7,197,544	5.00%	December 1, 2055
Glendower Farnam Courts I, LLC	MTW Loan	12,148,261	768,052	12,916,313	3.00%	December 31, 2058
Glendower Farnam Courts I, LLC	DOH Bridge Loan	4,000,000	263,550	4,263,550	4.33%	December 31, 2058
Glendower Farnam Courts I, LLC	City Funds Loan	592,100	-	592,100	0.00%	December 31, 2058

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SEPTEMBER 30, 2019

NOTE 8 – INVESTMENTS IN THE FINANCING OF AFFORDABLE HOUSING DEVELOPMENTS
(CONTINUED)

Glendower Ribicoff Four, LLC	MTW Loan	9,679,062	1,136,007	10,815,069	3.00%	December 31, 2066
Glendower Ribicoff, LLC	MTW Loan	4,538,144	550,661	5,088,805	2.25%	December 31, 2065
Glendower Valley, LLC	Predevelopment	217,837	-	217,837	0.00%	December 31, 2013
Glendower Wilmot Road Residential, LLC	MTW Loan	1,645,602	1,734,933	3,380,535	6.23%	December 31, 2068
Glendower Westville, LLC	Predevelopment	94,724	-	94,724	0.00%	September 30, 2015
Glendower Group, Inc	HANH Bridge Loan	129,448	23,193	152,641	3.00%	December 31, 2059
Glendower Group, Inc	HANH Loan	703,703	-	703,703	0.00%	March 1, 2045
Rockview I Associates, LLC	Third Mortgage	3,799,227	57,328	3,856,555	0.75%	December 20, 2052
Trinity New Haven Housing LP	HANH loan	5,949,852	4,338,897	10,288,749	4.68-5.02%	December 31, 2046
Trinity New Haven Housing Two LP	Capital Funds Loan	2,956,933	1,227,811	4,184,744	3.25%	December 31, 2048
Trinity New Haven Housing Two LP	HOPE VI Loan	2,208,634	1,042,146	3,250,780	5.21%	December 31, 2048
Trinity New Haven Housing Three LP	MTW Loan	1,591,910	1,281	1,593,191	0.01%	December 31, 2052
Trinity New Haven Housing Three LP	COCC Loan	1,261,283	853	1,262,136	0.01%	December 31, 2052
Trinity New Haven Housing Three LP	CFRC Loan	5,000,000	4,413	5,004,413	0.01%	December 31, 2052
Trinity New Haven Housing Three LP	Developer Loan	360,381	111	360,492	0.01%	December 31, 2027
Trinity Rowe LP	Developer Loan	692,932	699	693,631	0.01%	December 31, 2027
Trinity Rowe LP	City Funds Loan	2,485,709	2,089	2,487,798	0.01%	December 31, 2052
Trinity Rowe LP	COCC Loan	593,584	440	594,024	0.01%	December 31, 2052
Trinity Rowe LP	CFRC Loan	10,000,000	9,008	10,009,008	0.01%	December 31, 2052
Trinity Rowe LP	RHF Loan	2,399,440	1,941	2,401,381	0.01%	December 31, 2052
Trinity Rowe LP	MTW Loan	2,976,976	2,388	2,979,364	0.01%	December 31, 2052
Trinity Rowe LP	DECD Loan	974,291	676	974,967	0.01%	December 31, 2052
Trinity Rowe LP	DECD Loan	2,025,709	1,411	2,027,120	0.01%	December 31, 2052
Trinity New Haven Site Work Inc	QT II - Demo	1,547,707	2,727	1,550,434	0.01%	September 29, 2048
Trinity New Haven Site Work Inc	QT II - Infrastructure	1,339,484	2,350	1,341,834	0.01%	September 29, 2048
Trinity New Haven Site Work Inc	QT II - Soil	527,229	949	528,178	0.01%	September 29, 2048
Trinity New Haven Site Work Inc	QT I - Demo	981,765	1,272	983,037	0.01%	September 29, 2048
Trinity New Haven Site Work Inc	QT I - ECCO Demo	636,645	818	637,463	0.01%	December 28, 2046
Trinity New Haven Site Work Inc	QT I - Infrastructure	770,825	999	771,824	0.01%	December 28, 2046
Trinity New Haven Site Work Inc	QT I - Soil	1,376,326	1,790	1,378,116	0.01%	December 28, 2046
Revolving Loan Fund	Revolving loan fund	8,000	-	8,000	0.00%	Various
West Rock	Predevelopment	249	-	249	0.00%	
Total investment in financing of affordable housing		<u>\$ 194,974,751</u>	<u>\$ 34,130,652</u>	<u>\$ 229,105,403</u>		

Subsequent to September 30, Elm City Communities has provided additional advances to Glendower Farnam Courts I, LLC and ECC Group I RAD, LLC of \$1,362,079 and \$3,711,000, respectively in accordance with the MTW loan agreements.

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SEPTEMBER 30, 2019

NOTE 8 – INVESTMENTS IN THE FINANCING OF AFFORDABLE HOUSING DEVELOPMENTS
(CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS

In the furtherance of its affordable housing mission, Glendower has made various investments in affordable housing. These loans accrue interest at rates varying from 1.0% to 3.87%. Repayments of principal and accrued interest vary based on each individual note. As of September 30, 2019, the outstanding balance of the investments in the financing of affordable housing developments was \$3,683,400, with \$17,033 representing current maturities. Summarized investments in affordable housing developments is as follows:

Entity	Principal	Interest	Total
Brookside I Associates LLC	\$ 402,770	\$ 34,162	\$ 436,932
Brookside 2 Associates LLC	270,000	58,996	328,996
Brookside 2 Associates LLC	1,400,000	96,667	1,496,667
Commercial Tenant	320,240	--	320,240
Individual Homeowners	377,052	--	377,052
Glendower Fair Haven LLC	1,002,856	--	1,002,856
Loan Loss Reserve	<u>(279,343)</u>	<u>--</u>	<u>(279,343)</u>
	<u>\$ 3,493,575</u>	<u>\$ 189,825</u>	<u>\$ 3,683,400</u>

For the year ended September 30, 2019, Glendower earned developed fees of \$2,251,250, of which \$832,963 was eliminated upon consolidation. At September 30, 2019, developer fees receivable have been recorded at net realizable value and consists of the following:

Entity	Amount
Brookside I Associates, LLC	\$ 519,240
Farnam	2,782,310
Fair Haven	574,048
Less discount	<u>(109,346)</u>
Total net realizable value	<u>\$ 3,766,252</u>

The developer fee receivable is non-interest bearing and payments are subject to available cash flow. The developer fee is to be paid no later than September 30, 2053. Developer fees receivable earned from entities that are managed by Glendower amounted to \$8,674,091, of which \$5,317,733 was eliminated upon consolidation. Farnam and Fair Haven repaid the amounts above during the three month period between September 30th and December 31st and accordingly, have not been eliminated for consolidation purposes.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 9 – GROUND LEASE AGREEMENTS

As described in Note 8, Elm City Communities has invested in the financing of various affordable housing developments. In addition to these investments, it has also leased several parcels of land to the third parties, in which it is invested, until between 2079 and 2115. Elm City Communities receives a dollar per year lease payment for each of these leases. The cost of the land under these leases reflected in Elm City Communities' capital assets is \$16,505,066.

During 2019, Elm City Communities entered into a 98-year ground lease agreement with ECC Group II RAD, LLC expiring in 2117 relating to the redevelopment of three developments. This lease called for an initial purchase price of \$7.2 million. This lease has been accounted for as a sales-type lease and accordingly, the carrying cost of the land and building has been removed from Elm City Communities financial statements. Elm City Communities recorded a gain on the disposition of approximately \$6.0 million.

NOTE 10 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended September 30, 2019 is as follows:

	October 01, 2018	Additions	Reductions	September 30, 2019	Amount due within one year
Compensated Absences	\$ 876,895	\$ 897,182	\$ (796,747)	\$ 977,330	\$ 363,217
FSS & Homeownership Escrows	383,530	200,394	(125,411)	458,513	--
Cares REEF Escrow	1,520,271	454,234	(666,094)	1,308,411	--
Affordability Reserves	<u>391,107</u>	<u>--</u>	<u>--</u>	<u>391,107</u>	<u>--</u>
Total	<u>\$ 3,171,803</u>	<u>\$ 1,551,810</u>	<u>\$ (1,588,252)</u>	<u>\$ 3,135,361</u>	<u>\$ 363,217</u>

NOTE 11 – LONG TERM DEBT

PRIMARY GOVERNMENT

Long term debt activity for the year ended September 30, 2019 is as follows:

	October 01, 2018	Additions	Reductions	September 30, 2019	Amount due within one year
Capital Fund Financing Program Bonds	<u>\$ 4,075,000</u>	<u>\$ --</u>	<u>\$ (705,000)</u>	<u>\$ 3,370,000</u>	<u>\$ 685,000</u>

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NOTE 11 – LONG TERM DEBT (CONTINUED)

Elm City Communities sold \$11,655,000 of tax-exempt Capital Fund Financing Program Revenue Bonds (Series A) on January 13, 2011. Proceeds of the bonds were used to fund a portion of the development known as ‘Brookside Phase 1 Rental Project,’ fund a debt service reserve and pay certain costs of issuance. The debt service reserve fund is funded at approximately \$785,000 (the requirement of six months of maximum annual debt service) and Elm City Communities also made an equity contribution of \$333,759 in cash to fund the costs of issuance.

The repayment of the bonds is over a 14-year period with the first debt payment made in September of 2011, and subsequent payments made once a year. Interest payments are made semiannually, each March and October, at an effective rate of 4.85% per annum. The debt and interest payments are expected to be funded through subsequent annual grants received by Elm City Communities through the Capital Fund Program.

In September 2019, Elm City Communities received \$685,000 through its capital fund program to be used for the bond payment due October 1, 2019. This amount has been recorded as unearned revenue on the Statement of Net Position.

DEFEASED DEBT

On May 10, 2018, Elm City Communities deposited with US Bank, the trustee, in an irrevocable trust cash of \$575,724. The assets held in escrow contain obligations guaranteed by the U.S. government denominated in U.S. dollars that are essentially risk free as the escrow’s cash flows approximately coincide as to timing and amount with the scheduled interest and principal payments of the defeased debt. Due to the defeasance, \$545,000 of the outstanding debt, was removed from the liabilities of Elm City Communities Statement of Net Position. In accordance with GASB Statement 86, *Certain Debt Extinguishment Issues*, the difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance shall be recognized as a gain or loss in the period of the defeasance. This resulted in a loss on defeasance of \$30,724. At September 30, 2019, \$545,000 of the defeased debt remains outstanding.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 11 – LONG TERM DEBT (CONTINUED)

The debt will be amortized as follows:

Year	Principal Payments	Interest Payments	Total
2020	\$ 685,000	\$ 138,013	\$ 823,013
2021	645,000	110,606	755,606
2022	265,000	90,606	355,606
2023	270,000	77,900	347,900
2024	290,000	64,600	354,600
2025-2029	<u>1,215,000</u>	<u>71,844</u>	<u>1,286,844</u>
Total	<u>\$ 3,370,000</u>	<u>\$ 553,569</u>	<u>\$ 3,923,569</u>

DISCRETELY PRESENTED COMPONENT UNITS

Long-term debt for the discretely presented component units as of September 30, 2019 is summarized below:

Entity	Outstanding Principal Balance
Eastview Terrace	\$ 31,334,353
Farnam Courts I	26,218,076
RAD I	24,515,520
RAD II,	14,884,139
Ribicoff Four	12,544,062
Fair Haven	12,213,283
Ribicoff	8,561,471
Rockview 2	4,059,532
Wilmot Road Residential	2,460,061
Wilmot LLC	833,150
360 Management Group	<u>742,992</u>
Subtotal	138,366,639
Less: Debt Issuance Costs	(2,491,818)
Less: Current Portion	<u>(6,843,180)</u>
Total long term debt	<u>\$ 128,031,641</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE 11 – LONG TERM DEBT (CONTINUED)

The debt will be amortized as follows:

	Principal Payments	Interest Payments
2020	\$ 6,823,023	\$ 2,010,188
2021	7,782,025	1,666,770
2022	488,832	1,472,051
2023	447,161	1,448,497
2024	476,188	1,422,332
Thereafter	122,349,410	18,320,416
	<u>\$ 138,366,639</u>	<u>\$ 26,340,254</u>

During the year ended September 30, 2019, total interest cost incurred was \$5,084,034; of which \$520,734 was capitalized and \$4,563,300 was expensed. As of September 30, 2019, the outstanding principal balance of the mortgage and notes payable less unamortized debt issuance costs was \$135,131,829. As of September 30, 2019, unamortized debt issuance costs of \$2,491,818 consists of financing costs of \$3,052,268 less accumulated amortization of \$560,450. During the year ended September 30, 2019, amortization expense incurred was \$31,368 and was included in interest expense. The current portion of these mortgage and notes payable is \$6,823,023. Accrued interest on these mortgages and notes aggregated \$9,065,763, with \$95,629 reported as a current liability.

NOTE 12 – REAL ESTATE TAXES

Elm City Communities' property is exempt from local real estate taxes. Elm City Communities did not make a payment in lieu of taxes to the City of New Haven for the year ended September 30, 2019.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 13 – RETIREMENT PLANS

Elm City Communities provides pension benefits for all its full-time employees through a defined contribution plan entitled “Housing Authority of the City of New Haven Pension Plan.” The plan is administered by the Principle Financial Group with the Plan Trustee of Chase Manhattan Bank of CT, N.A. with principal place of business at 999 Broad Street, Bridgeport, CT 06604. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board of Commissioners for Elm City Communities is authorized to establish and amend plan benefits. Employees are eligible to participate from the date of employment. Elm City Communities contributes 5% of the employee’s base salary each month, while the employee also contributes 5%. Elm City Communities’ contributions for each employee (and interest allocated to the employee’s account) are fully vested after five years of continuous service, or until age 65, whichever is first.

Elm City Communities’ contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce Elm City Communities’ current-period contribution requirement. Elm City Communities’ total covered payroll for the period was approximately \$10,500,000. Elm City Communities’ required and actual contributions to the plan for the year ended September 30, 2019 were \$435,732. Employee contributions for those years were \$435,260.

Elm City Communities also provides to employees a separate deferred compensation plan in accordance with IRC §457. The plan is open to all employees. Employee contributions for the year ended September 30, 2019 were \$83,888. There were no employer contributions.

NOTE 14 – TERMINATION BENEFITS

In connection with the redevelopment of its existing public housing portfolio, Elm City Communities is undergoing a reorganization and restructuring. As a result of this, several employees were involuntarily terminated, with Elm City Communities paying a portion of their salary and health insurance for specified periods of time. Elm City Communities has recorded a liability for the involuntary termination benefits of \$82,136, which is recorded as a current liability on the Statement of Net Position. Management’s estimate of the liability is based on the employee’s current salary and health insurance premium.

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SEPTEMBER 30, 2019

NOTE 15 – RISK MANAGEMENT

Litigation

The Authority is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Authority.

Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 16 – CONDUIT DEBT

Elm City Communities has issued special revenue bonds to provide financial assistance to not-for-profit agencies and private developers for the purpose of constructing or rehabilitating low-income housing. These non-recourse conduit bonds are secured by the property financed. Elm City Communities is not obligated in any manner, and accordingly, the bonds have not been recorded in the accompanying financial statements.

Farnam Courts

To support the redevelopment of 175 units at Farnam Courts, Elm City Communities sold two series of Multifamily Housing Revenue Bonds (Farnam Courts Series A-1 & A-2) in the aggregate amount of \$20.2 million to fund the construction and redevelopment of the property. The construction loan bears interest at 3.62%. The bonds are constructed in a draw down format, and as of September 30, 2019, the outstanding balance on the Farnam Courts Series bonds aggregated \$20,194,652.

Ribicoff Apartments

To support the redevelopment of 51 units at Ribicoff Apartments, Elm City Communities issued three series of Multifamily Housing Revenue Bonds (Ribicoff Cottages Series A-1, A-2 & A-3). The proceeds of the Ribicoff Cottages Series A-2 and A-3 issues totaling \$6,450,000 were provided to Glendower Ribicoff Four, LLC as a construction loan. These bonds were redeemed in September 2017.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 16 – CONDUIT DEBT (CONTINUED)

Ribicoff Cottages Series A-1 bonds were issued totaling \$3,715,000 and the proceeds were provided to Glendower Ribicoff Four, LLC as a construction and permanent loan with an interest rate of 5.4%. In November 2017, \$800,000 of the \$3,715,000 Ribicoff Cottages Series A-1 bonds of the bonds were redeemed and the \$2,915,000 balance was converted to a permanent loan. At September 30, 2019, the outstanding balance of the Ribicoff Series Bonds aggregated \$2,870,000.

Fairmont Heights and Ruppolo Manor

In January 2019, Elm City Communities authorized the issuance of \$18,750,000 in Multifamily Housing Revenue Bonds for the purpose of rehabilitating the Fairmont Heights and Ruppolo Manor housing developments consisting of 201 residential units for a total investment of \$32,413,944. At September 30, 2019, these bonds had yet to be issued.

St. Martins Preservation II LP

In February 2019, Elm City Communities (ECC) authorized the issuance of \$12,500,000 in Multifamily Housing Revenue Bonds that will earn bond fees from the making of a loan to finance the cost of St. Martins, which is a non-ECC 63 unit residential rental housing development. The outstanding balance of the bonds was not able to be determined at September 30, 2019.

NOTE 17 – RENTAL ASSISTANCE DEMONSTRATION PROGRAM

The Rental Assistance Demonstration Program (RAD) is a voluntary program of HUD and was designed to support the preservation of public housing by providing public housing agencies (PHA) with access to more stable funding and leveraging opportunities to make improvements to properties or to redevelop them. Conversion to the RAD program does not have a financial impact on residents. Residents continue to pay 30% of their income towards their rent and they maintain the same basic rights as they possess in the public housing program. Through the RAD program Elm City Communities has the ability to transition Elm City Communities developments from HUD's Low-Income Public Housing Program to the S8 Housing Choice Voucher (HCV) Platform, which historically has had a more consistent funding stream.

In the first year of a RAD deal (based on a HUD calendar year funding cycle), the public housing and capital fund subsidies and grants relating to the RAD deal remain in their originating programs – the LIPH program and the Capital Funds program. In subsequent years (based on a HUD calendar year funding cycle), the funding is removed from the originating funding program and moved to the S8 HAP program.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 17 – RENTAL ASSISTANCE DEMONSTRATION PROGRAM (CONTINUED)

- In May 2018, a RAD closing with HUD was completed for 144 of Elm City Communities public housing units (known as Group I). The monthly LIPH subsidy and Capital Fund grants will be provided to these public housing units through those respective programs from June 2018 through December 2018. In January 2019, funding was transferred to the S8 HAP program.
- In March 2019, a RAD closing with HUD was completed for 70 of Elm City Communities public housing units (known as Group II). The monthly LIPH subsidy and Capital Fund grants will be provided to these public housing units through those respective programs from April 2019 through December 2019. In January 2020, funding will be transferred to the S8 HAP program.
- Conversion of the next set of properties is expected to begin in 2020. RAD Groups III and IV for the remaining units are also targeted to be closed in the summer and fall of 2020. Similar to RAD Group I and Group II, these units will be converted from the public housing program to become Project Based Voucher (PBV) program administered by ECC's Housing Choice Voucher Program. 360 Management will manage the RAD sites.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION

The following tables reflect the condensed statements of net position and statements of revenues, expenses and changes in net position for the discretely presented component units as of and for the year ended September 30, 2019:

	Glendower	360 Management	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 7,786,058	\$ 75,286	\$ 7,861,344
Restricted cash	176,898	--	176,898
Accounts receivable, net	1,191,088	--	1,191,088
Due from Component Units, current	326,823	245,448	572,271
Current portion of notes receivable	17,033	--	17,033
Prepaid expenses and other current assets	339,591	--	339,591
Assets held for sale	<u>108,002</u>	<u>--</u>	<u>108,002</u>
Total Current Assets	<u>9,945,493</u>	<u>320,734</u>	<u>10,266,227</u>
Noncurrent Assets			
Restricted cash	16,046,816	--	16,046,816
Investment in the financing of affordable housing developments	7,432,619	--	7,432,619
Capital assets, non-depreciable	25,305,917	--	25,305,917
Capital assets, net of accumulated depreciation	155,366,155	56,917	155,423,072
Other noncurrent assets	<u>968,051</u>	<u>--</u>	<u>968,051</u>
Total Noncurrent Assets	<u>205,119,558</u>	<u>56,917</u>	<u>205,176,475</u>
TOTAL ASSETS	<u>\$ 215,065,051</u>	<u>\$ 377,651</u>	<u>\$ 215,442,702</u>

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION (CONTINUED)

	Glendower	360 Management	Total
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 6,351,749	\$ 3,646	\$ 6,355,395
Current portion of long term debt	6,843,180	--	6,843,180
Accrued wages and current portion of compensated absences	--	65,089	65,089
Interest payable	95,629	--	95,629
Due to Other Component Units	245,448	326,823	572,271
Other accrued expenses	669,899	12,000	681,899
Unearned revenue	45,632	--	45,632
Tenant security deposits	<u>176,898</u>	<u>--</u>	<u>176,898</u>
Total Current Liabilities	<u>14,428,435</u>	<u>407,558</u>	<u>14,835,993</u>
Noncurrent Liabilities			
Long term debt, net of current portion	128,288,649	742,992	129,031,641
Long term accrued interest	8,970,134	--	8,970,134
Accrued compensated absences, net of current portion	--	80,131	80,131
Due to Primary Government	<u>5,878,020</u>	<u>--</u>	<u>5,878,020</u>
Total Noncurrent Liabilities	<u>143,136,803</u>	<u>823,123</u>	<u>143,959,926</u>
TOTAL LIABILITIES	<u>157,565,238</u>	<u>1,230,681</u>	<u>158,795,919</u>
NET POSITION			
Net investment in capital assets	36,570,109	56,917	36,627,026
Restricted:			--
Grants with continuing restrictions	3,064,912	--	3,064,912
Restricted Reserves	16,046,816	--	16,046,816
Unrestricted (deficit)	<u>1,817,976</u>	<u>(909,947)</u>	<u>908,029</u>
TOTAL NET POSITION	<u>57,499,813</u>	<u>(853,030)</u>	<u>56,646,783</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 215,065,051</u>	<u>\$ 377,651</u>	<u>\$ 215,442,702</u>

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 18 – DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION (CONTINUED)

	Glendower	360 Management	Total
OPERATING REVENUES			
Tenant rental income	\$ 9,383,510	\$ --	\$ 9,383,510
Developer fees	1,418,287	--	1,418,287
Property management fees	--	1,166,253	1,166,253
Other revenue	452,401	--	452,401
Total Operating Revenues	<u>11,254,198</u>	<u>1,166,253</u>	<u>12,420,451</u>
OPERATING EXPENSES			
Administration	4,352,426	1,707,053	6,059,479
Depreciation expense	4,950,972	9,110	4,960,082
Repair and maintenance	875,739	9,189	884,928
Utilities	1,465,611	--	1,465,611
Other general expenses	293,451	119,394	412,845
Insurance expense	648,760	5,998	654,758
Total Operating Expenses	<u>12,586,959</u>	<u>1,850,744</u>	<u>14,437,703</u>
Operating Loss	<u>(1,332,761)</u>	<u>(684,491)</u>	<u>(2,017,252)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	141,810	359	142,169
Interest expense	(4,563,300)	--	(4,563,300)
Total Nonoperating Revenues (Expenses)	<u>(4,421,490)</u>	<u>359</u>	<u>(4,421,131)</u>
Loss before Capital Grants and Special Items	<u>(5,754,251)</u>	<u>(684,132)</u>	<u>(6,438,383)</u>
CAPITAL GRANTS AND CONTRIBUTIONS			
Investor capital contributions	19,867,491	--	19,867,491
Investor capital distributions	(6,361)	--	(6,361)
Syndication fees	(177,000)	--	(177,000)
Total Capital Grants and Contributions	<u>19,684,130</u>	<u>--</u>	<u>19,684,130</u>
Change in Net Position	<u>13,929,879</u>	<u>(684,132)</u>	<u>13,245,747</u>
Net Position, Beginning of Year	<u>43,569,934</u>	<u>(168,898)</u>	<u>43,401,036</u>
Net Position, End of Year	<u>\$ 57,499,813</u>	<u>\$ (853,030)</u>	<u>\$ 56,646,783</u>

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 19 – RESTATEMENT OF BEGINNING NET POSITION

DISCRETELY PRESENTED COMPONENT UNITS

During 2019, Glendower adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update 2016-14 (ASU 2016-14), *Not-For-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. The major changes affecting Glendower include requiring the representation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”. As a result of implementing this standard, Management has restated its beginning net asset balances for grants received in prior years that have continuing affordability and use restrictions.

	Previously Reported	After Reclassification
Unrestricted	\$ 12,895,184	\$ --
Without donor restrictions	--	9,830,272
With donor restrictions	--	3,064,912
Total	\$ 12,895,184	\$ 12,895,184

SUPPLEMENTARY INFORMATION

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SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

FDS Line Item	Description	Project Totals	ROSS	Section 8 Moderate Rehabilitation Program	Moving to Work Demonstration Program	MTW - CFP	MTW - HCV	MTW - LIPH
111	Cash - Unrestricted	7,134,504	-	482,238	325,624	-	-	-
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-
113	Cash - Other Restricted	420,125	-	-	145,835	-	-	-
114	Cash - Tenant Security Deposits	264,616	-	-	-	-	-	-
100	Total Cash	7,819,245	-	482,238	471,459	-	-	-
122	Accounts Receivable - HUD Other Projects	604,458	-	12,584	-	-	-	-
124	Accounts Receivable - Other Government	-	-	-	19,714	-	-	-
125	Accounts Receivable - Miscellaneous	58,986	-	-	2,483,932	-	-	-
126	Accounts Receivable - Tenants	134,968	-	-	-	-	-	-
126.1	Allowance for Doubtful Accounts - Tenants	(86,606)	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	(10,058)	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	701,748	-	12,584	2,503,646	-	-	-
142	Prepaid Expenses and Other Assets	7,325	-	-	-	-	-	-
144	Inter Program Due From	-	-	-	23,062	-	-	-
145	Assets Held for Sale	-	-	-	-	-	-	-
150	Total Current Assets	8,528,318	-	494,822	2,998,167	-	-	-
161	Land	3,430,804	-	-	-	-	-	-
162	Buildings	173,794,054	-	-	-	-	-	-
163	Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	-	-
164	Furniture, Equipment & Machinery - Administration	1,158,544	-	-	20,501	-	-	-
166	Accumulated Depreciation	(154,945,794)	-	-	(20,501)	-	-	-
167	Construction in Progress	1,413,674	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	24,851,282	-	-	-	-	-	-
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-
180	Total Non-Current Assets	24,851,282	-	-	-	-	-	-
200	Deferred Outflow of Resources	-	-	-	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	33,379,600	-	494,822	2,998,167	-	-	-
312	Accounts Payable <= 90 Days	863,062	-	-	46,139	-	-	-
321	Accrued Wage/Payroll Taxes Payable	70,616	-	-	23,769	-	-	-
322	Accrued Compensated Absences - Current Portion	82,684	-	-	26,171	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	-

See Independent Auditors' Report

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SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

FDS Line Item	Description	Project Totals	ROSS	Section 8 Moderate Rehabilitation Program	Moving to Work Demonstration Program	MTW - CFP	MTW - HCV	MTW - LIPH
341	Tenant Security Deposits	264,616	-	-	-	-	-	-
342	Unearned Revenue	636	-	-	-	-	-	-
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	380,821	-	-	37,113	-	-	-
347	Inter Program - Due To	-	-	-	-	-	-	-
310	Total Current Liabilities	1,662,435	-	-	133,192	-	-	-
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353	Non-current Liabilities - Other	417,666	-	-	145,835	-	-	-
354	Accrued Compensated Absences - Non Current	139,658	-	-	44,263	-	-	-
350	Total Non-Current Liabilities	557,324	-	-	190,098	-	-	-
300	Total Liabilities	2,219,759	-	-	323,290	-	-	-
400	Deferred Inflow of Resources	-	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	24,851,282	-	-	-	-	-	-
511.4	Restricted Net Position	2,459	-	-	-	-	-	-
512.4	Unrestricted Net Position	6,306,100	-	494,822	2,674,877	-	-	-
513	Total Equity - Net Assets / Position	31,159,841	-	494,822	2,674,877	-	-	-
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	33,379,600	-	494,822	2,998,167	-	-	-
70300	Net Tenant Rental Revenue	2,956,099	-	-	-	-	-	-
70500	Total Tenant Revenue	2,956,099	-	-	-	-	-	-
70600	HUD PHA Operating Grants	-	51,337	683,034	-	1,423,653	72,690,656	16,565,268
70610	Capital Grants	-	-	-	-	1,304,657	-	-
70710	Management Fee	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	42	-	-	-	-	-	-
71400	Fraud Recovery	-	-	-	5,506	-	-	-
71500	Other Revenue	169,742	-	1,200	59,764	-	-	-
71600	Gain or Loss on Sale of Capital Assets	6,078,342	-	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	-	-
70000	Total Revenue	9,204,225	51,337	684,234	65,270	2,728,310	72,690,656	16,565,268
91100	Administrative Salaries	724,182	-	-	936,220	-	-	-

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**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
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SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

FDS Line Item	Description	Project Totals	ROSS	Section 8 Moderate Rehabilitation Program	Moving to Work Demonstration Program	MTW - CFP	MTW - HCV	MTW - LIPH
91200	Auditing Fees	-	-	-	-	-	-	-
91300	Management Fee	1,596,546	-	68,423	7,272,969	-	-	-
91400	Advertising and Marketing	9,582	-	-	6,057	-	-	-
91500	Employee Benefit contributions - Administrative	578,477	-	-	450,717	-	-	-
91600	Office Expenses	175,801	20,292	-	142,054	-	-	-
91700	Legal Expense	268,621	-	-	1,081	-	-	-
91800	Travel	2,432	-	-	-	-	-	-
91900	Other	101,768	12,000	20,283	695,170	-	-	-
91000	Total Operating - Administrative	3,457,409	32,292	88,706	9,504,268	-	-	-
92100	Tenant Services - Salaries	-	19,045	-	-	-	-	-
92200	Relocation Costs	110,468	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-
92400	Tenant Services - Other	138,087	-	-	50	-	-	-
92500	Total Tenant Services	248,555	19,045	-	50	-	-	-
93100	Water	787,766	-	-	-	-	-	-
93200	Electricity	1,690,178	-	-	-	-	-	-
93300	Gas	916,973	-	-	-	-	-	-
93400	Fuel	5,242	-	-	-	-	-	-
93600	Sewer	928,337	-	-	-	-	-	-
93800	Other Utilities Expense	27,787	-	-	-	-	-	-
93000	Total Utilities	4,356,283	-	-	-	-	-	-
94100	Ordinary Maintenance and Operations - Labor	1,880,344	-	-	-	-	-	-
94200	Ordinary Maintenance and Operations - Materials and Other	675,949	-	-	-	-	-	-
94300	Ordinary Maintenance and Operations Contracts	1,722,925	-	-	30	-	-	-
94500	Employee Benefit Contributions - Ordinary Maintenance	431,858	-	-	2,800	-	-	-
94000	Total Maintenance	4,711,076	-	-	2,830	-	-	-
95200	Protective Services - Other Contract Costs	209,225	-	-	125	-	-	-
95000	Total Protective Services	209,225	-	-	125	-	-	-
96110	Property Insurance	331,674	-	-	276	-	-	-
96120	Liability Insurance	175,723	-	-	60,459	-	-	-
96130	Workmen's Compensation	236,671	-	-	4,450	-	-	-
96140	All Other Insurance	94,768	-	-	-	-	-	-
96100	Total insurance Premiums	838,836	-	-	65,185	-	-	-
96200	Other General Expenses	1,534,554	-	-	185,904	-	-	-
96210	Compensated Absences	23,727	-	-	-	-	-	-

See Independent Auditors' Report

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

FDS Line Item	Description	Project Totals	ROSS	Section 8 Moderate Rehabilitation Program	Moving to Work Demonstration Program	MTW - CFP	MTW - HCV	MTW - LIPH
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-
96400	Bad debt - Tenant Rents	18,513	-	-	-	-	-	-
96600	Bad debt - Other	36,920	-	-	-	-	-	-
96000	Total Other General Expenses	1,613,714	-	-	185,904	-	-	-
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-
96900	Total Operating Expenses	15,435,098	51,337	88,706	9,758,362	-	-	-
97000	Excess of Operating Revenue over Operating Expenses	(6,230,873)	-	595,528	(9,693,092)	2,728,310	72,690,656	16,565,268
97100	Extraordinary Maintenance	336,488	-	-	5,772	-	-	-
97200	Casualty Losses - Non-capitalized	13,880	-	-	-	-	-	-
97300	Housing Assistance Payments	-	-	586,612	56,286,265	-	-	-
97400	Depreciation Expense	7,114,318	-	-	-	-	-	-
90000	Total Expenses	22,899,784	51,337	675,318	66,050,399	-	-	-
10010	Operating Transfer In	16,762,827	-	-	92,669,234	-	-	-
10020	Operating transfer Out	(8,393,320)	-	-	(24,690,091)	(2,728,310)	(72,690,656)	(16,565,268)
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-
10100	Total Other financing Sources (Uses)	8,369,507	-	-	67,979,143	(2,728,310)	(72,690,656)	(16,565,268)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(5,326,052)	-	8,916	1,994,014	-	-	-
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-	-
11030	Beginning Equity	35,011,183	-	485,906	680,863	-	-	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	1,474,710	-	-	-	-	-	-
11190	Unit Months Available	17,238	-	960	56,742	-	-	-
11210	Number of Unit Months Leased	15,264	-	931	56,742	-	-	-
11620	Building Purchases	1,304,657	-	-	-	-	-	-

See Independent Auditors' Report

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

DS Line Item	Description	FSS Program	Business Activities	Component Unit - Discretely Presented	COCC	Eliminations	Total
111	Cash - Unrestricted	-	25,098,379	7,861,344	2,238,337	-	43,140,426
112	Cash - Restricted - Modernization and Development	-	1,347,223	-	-	-	1,347,223
113	Cash - Other Restricted	-	1,548,024	16,046,816	-	-	18,160,800
114	Cash - Tenant Security Deposits	-	-	176,898	-	-	441,514
100	Total Cash	-	27,993,626	24,085,058	2,238,337	-	63,089,963
122	Accounts Receivable - HUD Other Projects	26,068	-	-	30,870	-	673,980
124	Accounts Receivable - Other Government	-	-	-	-	-	19,714
125	Accounts Receivable - Miscellaneous	-	1,566,378	1,071,413	2,762,666	-	7,943,375
126	Accounts Receivable - Tenants	-	-	944,074	-	-	1,079,042
126.1	Allowance for Doubtful Accounts -Tenants	-	-	(252,128)	-	-	(338,734)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	(17,465)	-	(27,523)
127	Notes, Loans, & Mortgages Receivable - Current	-	-	17,033	-	-	17,033
120	Total Receivables, Net of Allowances for Doubtful Accounts	26,068	1,566,378	1,780,392	2,776,071	-	9,366,887
142	Prepaid Expenses and Other Assets	-	-	339,591	77,726	-	424,642
144	Inter Program Due From	-	-	-	-	(23,062)	-
145	Assets Held for Sale	-	-	108,002	-	-	108,002
150	Total Current Assets	26,068	29,560,004	26,313,043	5,092,134	(23,062)	72,989,494
161	Land	-	16,374,945	7,968,222	96,480	-	27,870,451
162	Buildings	-	13,380,330	175,781,301	418,430	-	363,374,115
163	Furniture, Equipment & Machinery - Dwellings	-	-	4,160,619	-	-	4,160,619
164	Furniture, Equipment & Machinery - Administration	-	-	69,503	778,540	-	2,027,088
166	Accumulated Depreciation	-	(9,486,218)	(24,588,351)	(666,110)	-	(189,706,974)
167	Construction in Progress	-	7,017,533	17,337,695	-	-	25,768,902
160	Total Capital Assets, Net of Accumulated Depreciation	-	27,286,590	180,728,989	627,340	-	233,494,201
171	Notes, Loans and Mortgages Receivable - Non-Current	-	229,105,403	7,432,619	-	-	236,538,022
174	Other Assets	-	-	968,051	-	-	968,051
180	Total Non-Current Assets	-	256,391,993	189,129,659	627,340	-	471,000,274
200	Deferred Outflow of Resources	-	-	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	26,068	285,951,997	215,442,702	5,719,474	(23,062)	543,989,768
312	Accounts Payable <= 90 Days	-	34,886	6,600,843	-	-	7,544,930
321	Accrued Wage/Payroll Taxes Payable	3,006	-	17,710	225,627	-	340,728
322	Accrued Compensated Absences - Current Portion	-	-	47,379	254,362	-	410,596
325	Accrued Interest Payable	-	75,856	95,629	-	-	171,485

See Independent Auditors' Report

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

DS Line Item	Description	FSS Program	Business Activities	Component Unit - Discretely Presented	COCC	Eliminations	Total
341	Tenant Security Deposits	-	-	176,898	-	-	441,514
342	Unearned Revenue	-	685,000	45,632	-	-	731,268
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	6,843,180	-	-	6,843,180
344	Current Portion of Long-term Debt - Operating Borrowings	-	685,000	-	-	-	685,000
346	Accrued Liabilities - Other	-	1,731,708	1,008,722	175,124	-	3,333,488
347	Inter Program - Due To	23,062	-	-	-	(23,062)	-
310	Total Current Liabilities	26,068	3,212,450	14,835,993	655,113	(23,062)	20,502,189
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	137,258,783	-	-	137,258,783
352	Long-term Debt, Net of Current - Operating Borrowings	-	2,685,000	742,992	-	-	3,427,992
353	Non-current Liabilities - Other	-	1,594,530	5,878,020	-	-	8,036,051
354	Accrued Compensated Absences - Non Current	-	-	80,131	430,192	-	694,244
350	Total Non-Current Liabilities	-	4,279,530	143,959,926	430,192	-	149,417,070
300	Total Liabilities	26,068	7,491,980	158,795,919	1,085,305	(23,062)	169,919,259
400	Deferred Inflow of Resources	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	-	27,286,590	36,627,026	627,340	-	89,392,238
511.4	Restricted Net Position	-	55,494	19,111,728	-	-	19,169,681
512.4	Unrestricted Net Position	-	251,117,933	908,029	4,006,829	-	265,508,590
513	Total Equity - Net Assets / Position	-	278,460,017	56,646,783	4,634,169	-	374,070,509
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	26,068	285,951,997	215,442,702	5,719,474	(23,062)	543,989,768
70300	Net Tenant Rental Revenue	-	-	9,383,510	-	-	12,339,609
70500	Total Tenant Revenue	-	-	9,383,510	-	-	12,339,609
70600	HUD PHA Operating Grants	126,502	-	-	-	-	91,540,450
70610	Capital Grants	-	-	-	-	-	1,304,657
70710	Management Fee	-	-	-	8,937,938	(8,937,938)	-
70700	Total Fee Revenue	-	-	-	8,937,938	(8,937,938)	-
71100	Investment Income - Unrestricted	-	4,808,838	142,169	172,373	-	5,123,422
71400	Fraud Recovery	-	-	-	-	-	5,506
71500	Other Revenue	-	189,562	3,036,941	785,558	-	4,242,767
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	6,078,342
72000	Investment Income - Restricted	-	4,135	-	-	-	4,135
70000	Total Revenue	126,502	5,002,535	12,562,620	9,895,869	(8,937,938)	120,638,888
91100	Administrative Salaries	-	-	2,891,456	3,472,349	-	8,024,207

See Independent Auditors' Report

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

DS Line Item	Description	FSS Program	Business Activities	Component Unit - Discretely Presented	COCC	Eliminations	Total
91200	Auditing Fees	-	-	-	42,000	-	42,000
91300	Management Fee	-	-	796,304	-	(8,937,938)	796,304
91400	Advertising and Marketing	-	-	4,333	18,208	-	38,180
91500	Employee Benefit contributions - Administrative	-	-	533,072	1,470,785	-	3,033,051
91600	Office Expenses	-	8,088	444,911	913,664	-	1,704,810
91700	Legal Expense	-	34,924	31,652	541,542	-	877,820
91800	Travel	-	-	723	18,912	-	22,067
91900	Other	-	442,469	1,357,028	787,275	-	3,415,993
91000	Total Operating - Administrative	-	485,481	6,059,479	7,264,735	(8,937,938)	17,954,432
92100	Tenant Services - Salaries	126,502	-	-	929,779	-	1,075,326
92200	Relocation Costs	-	-	-	1,938	-	112,406
92300	Employee Benefit Contributions - Tenant Services	-	-	-	230,748	-	230,748
92400	Tenant Services - Other	-	28,250	-	290,871	-	457,258
92500	Total Tenant Services	126,502	28,250	-	1,453,336	-	1,875,738
93100	Water	-	1,369	210,138	-	-	999,273
93200	Electricity	-	34,066	858,279	-	-	2,582,523
93300	Gas	-	8,275	185,700	-	-	1,110,948
93400	Fuel	-	-	-	-	-	5,242
93600	Sewer	-	3,882	190,022	-	-	1,122,241
93800	Other Utilities Expense	-	-	21,472	332	-	49,591
93000	Total Utilities	-	47,592	1,465,611	332	-	5,869,818
94100	Ordinary Maintenance and Operations - Labor	-	-	-	772,527	-	2,652,871
94200	Ordinary Maintenance and Operations - Materials and Other	-	29,152	-	9,905	-	715,006
94300	Ordinary Maintenance and Operations Contracts	-	63,848	884,928	46,078	-	2,717,809
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	-	269,471	-	704,129
94000	Total Maintenance	-	93,000	884,928	1,097,981	-	6,789,815
95200	Protective Services - Other Contract Costs	-	25,811	-	41,351	-	276,512
95000	Total Protective Services	-	25,811	-	41,351	-	276,512
96110	Property Insurance	-	2,465	-	964	-	335,379
96120	Liability Insurance	-	-	-	-	-	236,182
96130	Workmen's Compensation	-	-	63,753	268,749	-	573,623
96140	All Other Insurance	-	-	591,005	41,852	-	727,625
96100	Total insurance Premiums	-	2,465	654,758	311,565	-	1,872,809
96200	Other General Expenses	-	2,500	9,697	-	-	1,732,655
96210	Compensated Absences	-	-	119,225	97,734	-	240,686

See Independent Auditors' Report

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

SEPTEMBER 30, 2019

DS Line Item	Description	FSS Program	Business Activities	Component Unit - Discretely Presented	COCC	Eliminations	Total
96300	Payments in Lieu of Taxes	-	-	283,923	-	-	283,923
96400	Bad debt - Tenant Rents	-	781	-	-	-	19,294
96600	Bad debt - Other	-	-	-	-	-	36,920
96000	Total Other General Expenses	-	3,281	412,845	97,734	-	2,313,478
96710	Interest of Mortgage (or Bonds) Payable	-	176,350	4,563,300	-	-	4,739,650
96700	Total Interest Expense and Amortization Cost	-	176,350	4,563,300	-	-	4,739,650
96900	Total Operating Expenses	126,502	862,230	14,040,921	10,267,034	(8,937,938)	41,692,252
97000	Excess of Operating Revenue over Operating Expenses	-	4,140,305	(1,478,301)	(371,165)	-	78,946,636
97100	Extraordinary Maintenance	-	419,690	-	48,584	-	810,534
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	13,880
97300	Housing Assistance Payments	-	-	-	-	-	56,872,877
97400	Depreciation Expense	-	204,671	4,960,082	145,592	-	12,424,663
90000	Total Expenses	126,502	1,486,591	19,001,003	10,461,210	(8,937,938)	111,814,206
10010	Operating Transfer In	-	15,297,402	-	338,182	(125,067,645)	-
10020	Operating transfer Out	-	-	-	-	125,067,645	-
10080	Special Items (Net Gain/Loss)	-	-	19,684,130	-	-	19,684,130
10100	Total Other financing Sources (Uses)	-	15,297,402	19,684,130	338,182	-	19,684,130
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-	18,813,346	13,245,747	(227,159)	-	28,508,812
11020	Required Annual Debt Principal Payments	-	705,000	-	-	-	705,000
11030	Beginning Equity	-	261,144,078	43,401,036	4,838,631	-	345,561,697
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	(1,497,407)	-	22,697	-	-
11190	Unit Months Available	-	-	-	-	-	74,940
11210	Number of Unit Months Leased	-	-	-	-	-	72,937
11620	Building Purchases	-	-	-	-	-	1,304,657

See Independent Auditors' Report

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

STATEMENT OF ACTUAL MODERNIZATION COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Project:	CT26P004501-16
Modernization Funds Approved	\$ 3,706,271
Modernization Funds Expended	<u>3,706,271</u>
Excess of Modernization Funds Approved	<u>\$ --</u>
Modernization Funds Advanced	\$ 3,706,271
Modernization Funds Expended	<u>3,706,271</u>
Excess of Modernization Funds Advanced	<u>\$ --</u>

Based on our review of the completed projects:

- 1) All work in connection with the projects is complete.
- 2) All liabilities have been incurred and discharged through payment.

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

STATEMENT OF ACTUAL GRANT COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Grant:	CT004RPS096A015	FSS17CT0186
Grant Funds Approved	\$ 486,000	\$ 128,277
Grant Funds Expended	<u>486,000</u>	<u>128,277</u>
Excess of Grant Funds Approved	<u>\$ --</u>	<u>\$ --</u>
Grant Funds Advanced	\$ 486,000	\$ 128,277
Grant Funds Expended	<u>486,000</u>	<u>128,277</u>
Excess of Grant Funds Advanced	<u>\$ --</u>	<u>\$ --</u>

Based on our review of the completed grant:

- 1) All work in connection with the grant is complete.
- 2) All liabilities have been incurred and discharged through payment.

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass- Through Award Number	Amounts Provided to Sub-recipients	Total Federal Expenditures
Department of Housing & Urban Development (HUD)				
Section 8 Project-Based Cluster				
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	--	\$ --	\$ 683,034
Total Section 8 Project-Based Cluster			--	683,034
Resident Opportunity and Support Services	14.870	--	--	51,337
Moving to Work Demonstration Program	14.881	--	--	91,866,522
PIH Family Self Sufficiency Program	14.896	--	--	126,502
Lead-Based Paint Capital Fund Program	14.888	--	--	117,712
Total Department of Housing & Urban Development			--	92,845,107
Total Expenditures of Federal Awards			\$ --	\$ 92,845,107

See Notes to the Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Housing Authority of the City of New Haven, under programs of the federal government for the year ended September 30, 2019. The information in the schedule is presented in accordance with the requirements of the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Housing Authority of the City of New Haven, it is not intended to and does not present the financial position, changes in net position or cash flows of Housing Authority of the City of New Haven.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For performance-based awards, expenditures reported represent amounts earned.

NOTE 3 – INDIRECT COST RATE

The Housing Authority of the City of New Haven has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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 of New Haven d/b/a
Elm City Communities
New Haven, Connecticut

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of New Haven d/b/a Elm City Communities, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise of Housing Authority of the City of New Haven d/b/a Elm City Communities' basic financial statements, and have issued our report thereon dated June 9, 2020. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the aggregate discretely presented component units 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 aggregate discretely presented component units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the City of New Haven d/b/a Elm City Communities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of New Haven d/b/a Elm City Communities' internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of New Haven d/b/a Elm City Communities' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Marcum LLP

Boston, Massachusetts
June 9, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To The Board of Commissioners
Housing Authority of the City of New Haven d/b/a
Elm City Communities
New Haven, Connecticut

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of New Haven d/b/a Elm City Communities' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Housing Authority of the City of New Haven d/b/a Elm City Communities' major federal program for the year ended September 30, 2019. The Housing Authority of the City of New Haven d/b/a Elm City Communities' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Housing Authority of the City of New Haven d/b/a Elm City Communities' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of New Haven d/b/a Elm City Communities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of New Haven d/b/a Elm City Communities' compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of New Haven d/b/a Elm City Communities' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the major federal program is not modified with respect to this matter.

The Housing Authority of the City of New Haven d/b/a Elm City Communities' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of New Haven d/b/a Elm City Communities' 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

Management of the Housing Authority of the City of New Haven d/b/a Elm City Communities' is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of New Haven d/b/a Elm City Communities' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of New Haven d/b/a Elm City Communities' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify one deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The Housing Authority of the City of New Haven d/b/a Elm City Communities' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Housing Authority of the City of New Haven d/b/a Elm City Communities' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Marcum LLP

Boston, Massachusetts
June 9, 2020

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinions*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over the major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditors' report issued on compliance for the major federal program: *Unmodified Opinion*

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

Identification of the major federal program:

CFDA # **Name of Federal Program or Cluster**

14.881 Moving-to-Work Demonstration Program

Dollar threshold used to distinguish between Type A and Type B programs: \$2,785,353

Auditee qualified as low-risk auditee? Yes No

HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-001 – Eligibility

Significant Deficiency

U.S. Department of Housing and Urban Development
CFDA #: 14.881 – Moving To Work Demonstration Program

CRITERIA

Pursuant to the Authority’s Moving-to-Work plan for fiscal year 2019, recertifications should be done triennially for elderly/disabled households and biennial for work-able households. Rents are based on \$1,000 income bands starting at \$2,500. (Elm City Communities 2019 Moving to Work Annual Plan, Initiative 3.1 – Rent Simplification)

CONDITION

In our sample of MTW-HCV tenant files, we identified the following:

- Seven instances of recertifications not being conducted timely in accordance with the MTW plan.
- One instance of our inability to test the verification of income as this documentation had been archived. Elm City Communities was able to provide the Form 50058 for this recertification.

CAUSE

Elm City Communities implemented their corrective action relating to the previous year’s finding in March 2019. Prior to this, Elm City Communities process for tracking rent redeterminations dates was not sufficient to prevent untimely redeterminations of tenant rent. As a result, Elm City Communities did not have sufficient internal controls to ensure the MTW program operated in accordance with the MTW plan and HUD requirements throughout the entire year.

EFFECT

Redetermination of tenant’s rent was not performed in accordance with the MTW Plan. As a result, tenants may have paid more or less in rent than they should have paid.

**HOUSING AUTHORITY OF THE CITY OF NEW HAVEN
D/B/A
ELM CITY COMMUNITIES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2019-001 – Eligibility (Continued)

QUESTIONED COSTS

None Identified.

CONTEXT

We selected a sample of 60 participants in the Moving to Work program from a population of 6,006. This was not a statistically valid sample.

REPEAT FINDING

This finding is repeated from Finding 2018-001 and 2017-002.

RECOMMENDATION

We recommend that Elm City Communities continue with their corrective action plan in implementing procedures to ensure that timely recertifications are conducted.

AUDITEE'S RESPONSE AND PLANNED CORRECTIVE ACTION

See Corrective Action Plan.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-001 – Eligibility

CONDITION

In our sample of 40 MTW-HCV tenant files, we identified the following:

- Ten instances of annual reexaminations being submitted to PIH Information Center (PIC) after the effective date.
- Three instances of untimely recertifications or insufficient documentation maintained in the tenant file to determine the timeliness.
- Two instances of incorrectly calculating monthly tenant rent.

STATUS – See Finding 2019-001.



Karen DuBois-Walton
Executive Director

2019-01 Eligibility

Auditee's Response and Planned Corrective Action

An outside consulting firm was hired and started on March 25, 2019 to provide leadership to the Housing Choice (HCV) Department. Training was provided to the HCV Managers, Supervisors and staff to ensure that recertifications are completed timely and accurately. The HCV department has been following the corrective action plan previously established in FY2018.

HCV has revised and centralized the recertification schedules. Staff caseloads are currently being monitored on the daily, weekly and monthly basis. Productivity goals were established and previous backlog was eliminated by September 30, 2019. HCV has been following a new workflow design that ensures packets are sent out between 100 to 120 days in advance of the recertification. This plan includes a tracking log that auto populates appropriate dates for follow up based on the initial date the first packets are sent out. A senior staff person monitors the process and ensures timeframes are followed.

During the independent audit on-site field work, the auditors noticed that reexamination files were on time. Quality control practices have been implemented, which include sample testing to ensure that the rent calculations and utility allowances are accurate. Weekly meeting takes place to address any new emerging deficiencies and ongoing concerns, which could affect accurate processing of calculations and/or HUD documentation requirements.

File purging procedures were restructured to ensure that HCV would be able to access purged documents in the future. The HCV staff now record purged documents in the individual electronic file in Elite, and identify the archived box that the items are secured in.

A new Vice President of HCV has been hired and started on March 30, 2020. This new leadership staff will transition with the outside consulting firm to ensure that the corrective action plan continues to be fully implemented.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To The Board of Commissioners
Housing Authority of the City of New Haven
New Haven, Connecticut

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of New Haven (the Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with related hard copy documents included within the audit reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of the Authority and REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the chart below under the "UFRS Rule Information" column with the corresponding printed documents listed in the chart under the "Hard Copy Documents" column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENTS</u>	<u>FINDINGS</u>
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Agrees

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENTS</u>	<u>FINDINGS</u>
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column in the agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Authority as of and for the year ended September 30, 2019 and have issued our reports thereon dated June 9, 2020. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's supplementary information dated June 9, 2020, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditors' reports, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This purpose of this report on applying the agreed-upon procedures is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Boston, Massachusetts
June 9, 2020