

**ANSONIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2014**

Management's analysis of the Authority's annual financial report is for the Fiscal Year Ended December 31, 2014 and consists of a discussion of its financial performance. This analysis was designed to provide an overview of the Authority's financial activity and assist in identifying individual issues and concerns.

Management's Discussion and Analysis should be read in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's Net Position decreased by \$276,563 during fiscal year 2014 (FY2014). Net Positions were \$8,305,678 and \$8,029,115 for 2013 and 2014, respectively. Total revenues and expenditures both decreased, by 7% and 6%, respectively. This resulted in a loss before capital contributions of \$709,425. Capital contributions from HUD's Capital Fund Program (CFP) and City bonding for redevelopment of Riverside Apartments totaled \$432,862, partially offsetting the loss.
- Total revenue (operating and non-operating) decreased by \$577,339 during FY2014. Revenues were \$7,827,947 for 2014 and \$8,405,286 for 2013.
- Total expenses (operating and non-operating) for all programs decreased by \$511,936. Total expenses were \$8,537,372 for 2014 and \$9,049,308 for 2013. The Section 8 Housing Choice Voucher (HCV) program saw a decrease in landlord Housing Assistance Payments (HAP) of \$434,586 as compared to 2013. The bargaining unit negotiations were finalized in late 2013, resulting in a significant decrease to health insurance costs; general expenses decreased by \$76,564 versus 2013. Ongoing redevelopment of Riverside Apartments did not substantially affect agency costs (increases in administrative and maintenance costs of 8% and 11%, respectively, were offset by decreases in tenant services and utilities of 29% and 11%, respectively). In aggregate, all operating and non-operating expenses outside of HAP and general expenses increased by \$786 during 2014.

THE FINANCIAL STATEMENTS

The Authority's Financial Statements present information using Generally Accepted Accounting Principles (GAAP) similar to those used by private entities (Enterprise Fund).

The Statement of Net Position (Balance Sheet) consists of all the Authority's assets and liabilities, and provides information about the amounts invested in assets and the obligations to Authority's creditors. It also provides a basis to assess the Authority's liquidity and financial flexibility. In addition, increases and decreases in net position may provide a useful indicator of the Authority's financial health.

The Statement of Revenues, Expenses and Changes in Net Position accounts for the current year's revenues, expenses and changes in net position, and depicts the operating activity during the year.

The Statement of Cash Flow provides information concerning the Authority's sources and uses of funds during the reporting period. It also reflects net changes in cash as a result of operations.

FINANCIAL ANALYSIS OF THE AUTHORITY

A summary of the Authority's Net Position is presented in Table I. The Statement of Revenues, Expenses and Changes in Net Position (TABLE II) provides additional detail on the changes in financial position.

The negative change in Net Position of \$276,563 was the result of an agency-wide operating loss of \$711,688, a non-operating gain of \$2,263 and capital contributions of \$432,862.

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Depreciation expense for the year was \$502,123, a 1% increase over the prior fiscal year (\$497,114). Depreciation is recognized on open Capital Fund Program grant purchases. Prior to FY2012, depreciation was not recognized until each grant was closed.

Management costs (administrative, tenant services, maintenance, insurance and general), utility expenses, and Housing Assistance Payments represent three of the largest items in the Housing Authority's budget. Management costs totaled \$1,938,002. HAP totaled \$5,672,673 and utility expenses amounted to \$424,574.

Tenant Revenues (dwelling rents / miscellaneous charges) and subsidies/grants represent the two major operating revenue funding sources. Tenant Revenues totaled \$634,927 and subsidies/grants, primarily from the Federal Government, amounted to \$7,129,086. Other and Interest Income totaled \$63,934.

**TABLE I
Combined Statement of Net Position**

	2014	2013	Dollar Change	% Change
Current Assets	\$ 2,188,047	\$ 2,605,172	\$ (417,125)	(16%)
Non-current Assets	<u>\$ 6,547,087</u>	<u>\$ 6,058,564</u>	<u>\$ 488,523</u>	8%
Total Assets	<u>\$ 8,735,134</u>	<u>\$ 8,663,736</u>	<u>\$ 71,398</u>	1%
Current Liabilities	\$ 541,011	\$ 217,381	\$ 323,630	149%
Noncurrent Liabilities	<u>\$ 165,008</u>	<u>\$ 140,677</u>	<u>\$ 24,331</u>	17%
Total Liabilities	<u>\$ 706,019</u>	<u>\$ 358,058</u>	<u>\$ 347,961</u>	97%
Invested in Capital				
Assets (net of Related Debt)	\$ 6,547,087	\$ 6,055,283	\$ 491,804	8%
Unrestricted Net Assets	\$ 1,478,081	\$ 1,957,586	\$ (479,505)	(24%)
Restricted Net Assets	<u>\$ 3,947</u>	<u>\$ 292,809</u>	<u>\$ (288,862)</u>	(98%)
Total Net Position	<u>\$ 8,029,115</u>	<u>\$ 8,305,678</u>	<u>\$ (276,563)</u>	(3%)
Total Liabilities & Net Position	<u>\$ 8,735,134</u>	<u>\$ 8,663,736</u>	<u>\$ 71,398</u>	1%

TABLE II

**ANSONIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2014**

Combined Statement of Revenues and Expenses and Changes in Net Position

	2014	2013	Dollar Change	% Change
Tenant Revenue	\$ 634,927	\$ 588,449	\$ 46,478	8%
Subsidy & Grant Funding	\$ 7,129,086	\$ 7,577,779	\$ (448,693)	(6%)
Other Income (includes interest)	<u>\$ 63,934</u>	<u>\$ 239,058</u>	<u>\$ (175,124)</u>	(73%)
Total Revenue	\$ 7,827,947	\$ 8,405,286	\$ (577,339)	(7%)
Administration	\$ 1,126,559	\$ 1,038,196	\$ 88,363	8%
Tenant & Protective Services	\$ 161,928	\$ 234,528	\$ (72,600)	(30%)
Utilities	\$ 424,574	\$ 477,108	\$ (52,534)	(11%)
Maintenance	\$ 412,940	\$ 372,322	\$ 40,618	11%
Insurance Premiums	\$ 96,001	\$ 101,836	\$ (5,835)	(6%)
General Expense	\$ 140,574	\$ 217,138	\$ (76,564)	(35%)
Housing Assistance Payments	\$ 5,672,673	\$ 6,107,259	\$ (434,586)	(7%)
Extraordinary Maintenance	\$ 0	\$ 3,807	\$ (3,807)	(100%)
Disposal of Fixed Assets	\$ 0	\$ 0	\$ 0	0%
Depreciation	<u>\$ 502,123</u>	<u>\$ 497,114</u>	<u>\$ 5,009</u>	1%
Total Expenses	<u>\$ 8,537,372</u>	<u>\$ 9,049,308</u>	<u>\$ (511,936)</u>	(6%)
Net Income (Loss) Before Capital Contributions	\$ (709,425)	\$ (644,022)	\$ (65,403)	(10%)
Capital Contributions	<u>\$ 432,862</u>	<u>\$ 1,541,649</u>	<u>\$ (1,108,787)</u>	(72%)
Change in Net Position	\$ (276,563)	\$ 897,627	\$ (1,174,190)	(131%)
Beginning Net Position	\$ 8,305,678	\$ 7,408,051	\$ 897,627	12%
Prior Year Adjustments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0%
Ending Net Position	<u>\$ 8,029,115</u>	<u>\$ 8,305,678</u>	<u>\$ (276,563)</u>	(3%)

REVENUE

Tenant Revenue – Tenant Revenue represents rent and other charges paid by the occupants of the Authority's apartments. The Authority collected \$634,927 during the most recent year. The Authority has maintained a lease up rate in the high 90's (%) as required by the individual providers of subsidies/grants.

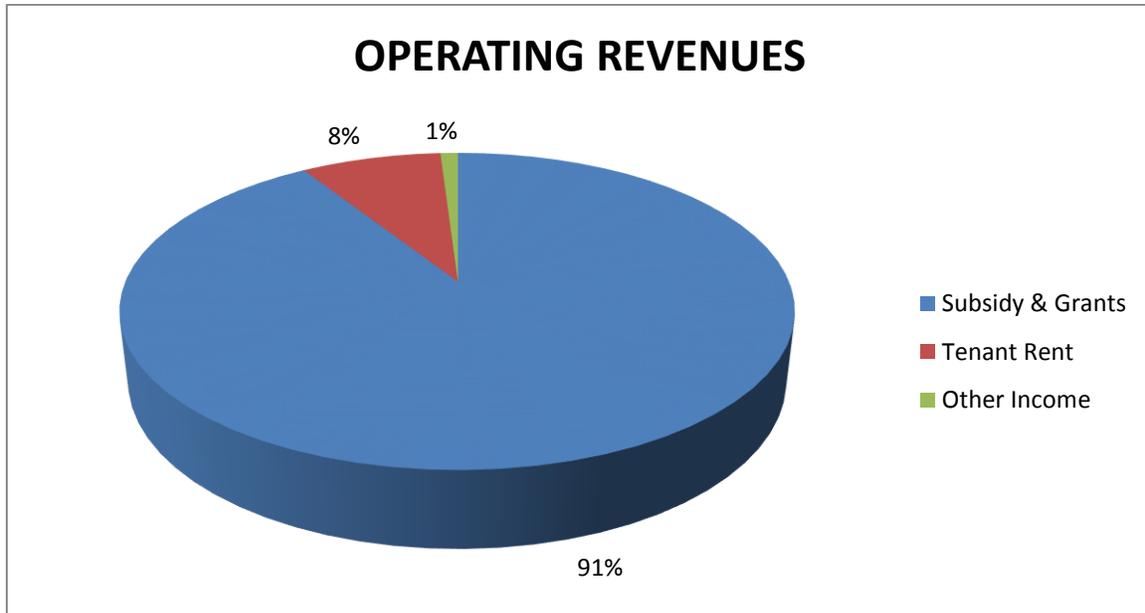
Program Grants / Subsidies – Subsidy and Grant Revenues for the year were \$7,129,086. Most grants/subsidies are Federally-funded.

Federal Low Income Program \$ 1,092,184

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Housing Choice Voucher Program	\$ 5,887,211
Capital Fund Program	\$ 68,821
ROSS Grant	\$ 73,364
Resident Services Coordinator Grant	<u>\$ 7,506</u>
Total	\$ 7,129,086

Other Income – The Authority receives funding from various sources which may or may not provide a steady flow of funds in future years.



EXPENDITURES

The Ansonia Housing Authority experienced a decrease in total expenses for the current year of \$511,936.

Administrative – Administrative costs exclude all maintenance, utilities, tenant service costs, landlord payments, insurance and general expenses. Such costs include administrative payroll, legal, auditing, training, the cost of supplies, telephone, etc. During the year, administrative costs increased over the prior year by 8% or \$88,363.

Maintenance – All costs to maintain the owned and/or managed housing units of the Authority fall into this category. It consists of maintenance payroll, supplies and contracts. As part of a preventative maintenance effort, contract costs rose, resulting in increased maintenance costs of \$40,618, or 11%, versus the prior year.

Insurance Premiums – All insurance costs (property, auto, liability, worker's compensation, public official's liability, fidelity bonding, lead based paint, etc.). Insurance costs decreased by \$5,835 (6%) from the prior year.

General Expense – General expenses include collection losses, compensated absences, payment-in-lieu-of- taxes (PILOT) to the City of Ansonia, etc. For the first time in many years, PILOT expenses were accrued for the Federal Low Rent program as relatively stable tenant revenues outpaced decreasing energy costs. Due to improved rent collections, resulting in less write offs of vacated tenant receivables,

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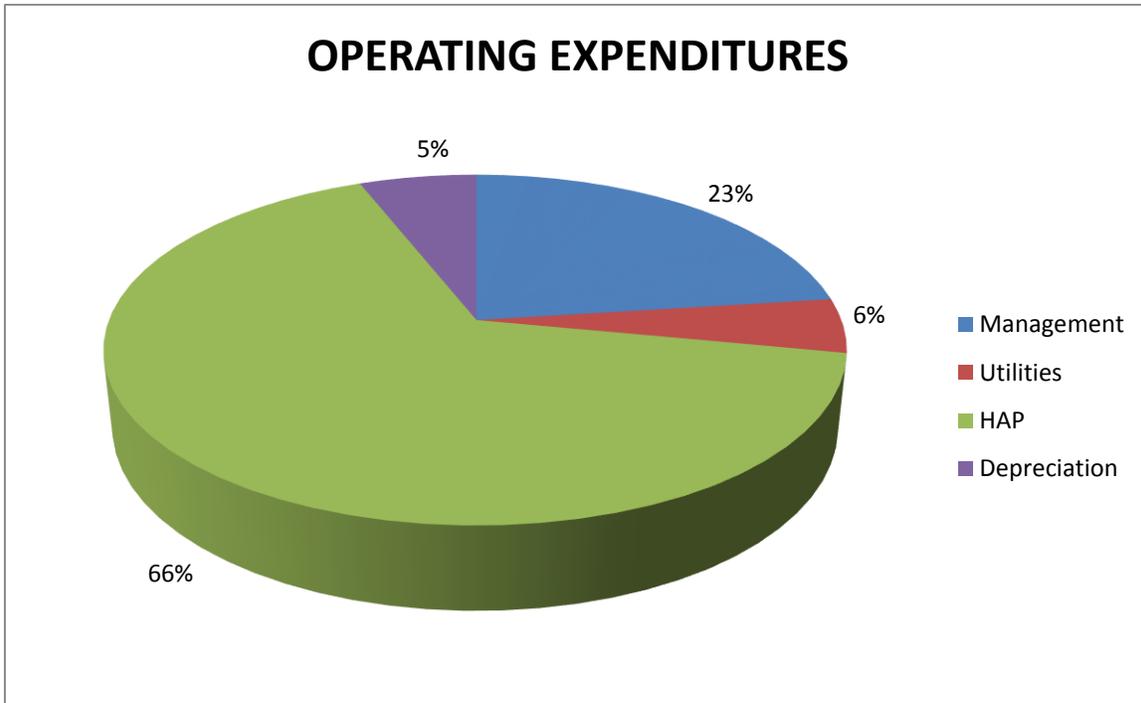
along with a decrease in administrative fees paid on HCV portable vouchers, total general expenses decreased by \$76,564 from the prior year.

Housing Assistance Payments – HAP consists of rental payments to owners of private property on behalf of low income households for which the Authority has an agreement with both the private landlord and the low income residents. The payment to the landlord is the difference between his/her contract rent and the tenant portion (30% of adjusted income) subsidized by the Authority. For FY2014, the Agency experienced a drop in utilization of 400+ unit months. This, along with a decline in per-unit-month HAP cost of \$15 led to a decrease in HAP expense of \$434,586 versus the prior year.

Depreciation Expense – The capitalization of costs are spread over their useful life; the estimated current year expense is recorded as depreciation.

Tenant and Protective Services – Costs include all expenses incurred in providing security and social services to the residents. Costs in this category vary year to year based on the availability of grant and operating funding.

Utilities – Utilities expense for the Authority decreased by \$52,534 (11%) due to falling energy rates and a more mild winter than the previous.



**TABLE III
Capital Assets – Total Authority**

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	Beginning	Additions	Deductions	Ending
Non-depreciable Assets				
Land	\$ 204,428	\$ -	\$ -	\$ 204,428
Depreciable Assets				
Building & Improvements	13,476,323	65,914	-	13,542,237
Equipment	1,362,551	7,172	-	1,369,723
Construction in Progress	<u>1,689,583</u>	<u>920,841</u>	-	<u>2,610,424</u>
Total	16,732,885	993,927	-	17,726,812
Accumulated Depreciation	<u>(10,677,602)</u>	(502,123)	-	<u>(11,179,725)</u>
Net Book Value	<u>\$ 6,055,283</u>			<u>\$ 6,547,087</u>

As of December 31, 2014, the Authority had \$6,547,087 invested in a broad range of capital assets, including land, buildings, furniture, equipment and construction in progress. This represents a net increase of \$491,804 from last year. The increase was primarily attributable to ongoing Riverside Apartments redevelopment activities, including abatement and demolition, which were funded through City of Ansonia bonds funds.

THE AUTHORITY'S PROGRAMS

Conventional Public Housing – Under the Conventional Public Housing Program or Low Income Public Housing (LIPH), the Authority rents units to low income households. These units are operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital funds to enable the Authority to provide a rent that is based on 30% of adjusted household income.

Housing Choice Voucher Program – Under this program the Authority administers contracts with independent landlords of private property. The Authority assists participants by providing subsidy toward the payment of rent. The subsidy is called a Housing Assistance Payment (HAP) and is made to private sector landlords on behalf of the low income participants. The participant's share is limited to 30% of adjusted household income for the first year of tenancy. The program is administered under a separate Annual Contributions Contract (ACC) with HUD.

State and Local Fund – This fund includes an assisted housing program administered by the State of Connecticut's Department of Housing (DOH) through CHFA. Under this program, housing is provided to elderly residents at a minimum rent (base rent) unless 30% of a family's household income results in the family's ability to pay a higher rent, commonly called "excess of base". The rental structure should be sufficient to operate the project as well as servicing the debt. No subsidies are provided to the Authority by the State of Connecticut or DECD.

Business Activities – This fund represents non-HUD and non-State resources developed from a variety of activities.

Capital Fund Program – HUD provides funds on an annual basis to the Authority for the primary purpose of upgrading and modernizing the Conventional Public Housing units and systems. In prior

years (2010 and 2011), the agency received additional capital funds based on the American Recovery & Reinvestment Act (ARRA).

ECONOMIC FACTORS AND EVENTS AFFECTING OPERATIONS

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Significant economic factors affecting the Authority are:

1. Operating subsidy for the Conventional Housing Program was funded at 88.79% of the Authority's eligibility. This represents a reduction in funding of approximately \$138,000.
2. Housing Choice Voucher (HCV) subsidies are not tied to a specific number of units. Instead, the HCV program is a fund-based program; i.e., housing agencies can issue Housing Assistance Payments (HAP) up to the maximum budget authority, regardless of the number of units served. As a result, the Authority must carefully monitor its performance in relation to the number of vouchers that would normally be issued. Based on the limited number of rental units within the City, participants are frequently unsuccessful in locating available properties within the required timeframe.
3. As of September 30, 2013, the AHA no longer administers the Milford Redevelopment and Housing Partnership Housing Choice Voucher Program.
4. The CY2011 crime rate per 100,000 people in Ansonia was 179. For CY2012, the crime rate had increased to 183 per 100,000 people. By comparison, the U.S. city average crime rates were 260 and 257, respectively, for the same years. Crime rates in the City of Ansonia are considered low based on the national crime index.
5. The June 2014 unemployment rate for the City of Ansonia was 7.1%, down from 10.0% as of July 2013. By comparison, the State of Connecticut's June 2014 unemployment rate was 6.5%, down from 8.4% as of July 2013.
6. The 2012 median household income for Ansonia was \$52,115, a decrease of less than 1% from \$52,375 a year earlier. Comparatively, the 2012 median household income for the State of Connecticut was \$67,276 or 2% more than the \$65,753 average of 2011. Additionally, the 2012 percentage of Ansonia and Connecticut residents "living in poverty" was 13.9% and 11.2%, respectively.
7. The 2012 median residential house or condo value in Ansonia was \$232,284 (the State of Connecticut's median house or condo value for 2012 was \$267,800). The percent of homes built pre-1950 was 50% for Ansonia as compared to 31% for pre-1950 homes throughout the entire State of Connecticut. During 2012, four single-family new home building permits were secured.

NOTE: The most recent statistics available regarding nos. 4, 5, 6 and 7 above were taken from the most recent data profile for Ansonia, CT at www.city-data.com/city/Ansonia-Connecticut.html.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is issued to provide users with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, contact the Executive Director at 36 Main Street, Ansonia, CT 06401, by telephone 203-736-8888, or by fax at 203-736-8833.