

**ANSONIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Management's analysis of the Authority's annual financial report is for the Fiscal Year Ended December 31, 2015 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 increased by \$569,832 during fiscal year 2015 (FY2015). Net Positions were \$7,617,698 and \$8,187,530 for 2014 and 2015, respectively. Total revenues increased by 10% while total expenditures increased by 4%. This resulted in a loss before capital contributions of \$177,232. Capital contributions from HUD's Capital Fund Program (CFP) and City bonding for redevelopment of Riverside Apartments totaled \$747,064, offsetting the loss.
- Total revenue (operating and non-operating) increased by \$798,073 during FY2015. Revenues were \$8,626,020 for 2015 and \$7,827,947 for 2014.
- Total expenses (operating and non-operating) for all programs increased by \$299,882. Total expenses were \$8,803,252 for 2015 and \$8,503,370 for 2014. The Section 8 Housing Choice Voucher (HCV) program saw an increase in landlord Housing Assistance Payments (HAP) of \$301,312 as compared to 2014. Ongoing redevelopment of Riverside Apartments did not substantially affect agency costs (the decrease in administrative costs of 4% was offset by increases in tenant services and maintenance costs of 21% and 4%, respectively). Utility costs remained flat. In aggregate, all operating and non-operating expenses outside of HAP decreased by \$1,430 during 2015.

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 positive change in Net Position of \$569,832 was the result of an agency-wide operating loss of \$177,232 and capital contributions of \$747,064.

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Depreciation expense for the year was \$467,227, a 7% decrease over the prior fiscal year (\$502,123). 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 \$1,937,220. HAP totaled \$5,973,985 and utility expenses amounted to \$424,820.

Tenant Revenues (dwelling rents / miscellaneous charges) and subsidies/grants represent the two major operating revenue funding sources. Tenant Revenues totaled \$658,483 and subsidies/grants, primarily from the Federal Government, amounted to \$7,921,235. Other and Interest Income totaled \$46,302.

**TABLE I
Combined Statement of Net Position**

	2015	2014	Dollar Change	% Change
Current Assets	\$ 2,029,106	\$ 2,188,047	\$ (158,941)	-7.26%
Non-Current Assets	\$ 7,084,694	\$ 6,547,087	\$ 537,607	8.21%
Total Assets	\$ 9,113,800	\$ 8,735,134	\$ 378,666	4.33%
Deferred Outflows of Resources	\$ 81,226	\$ 55,001	\$ 26,225	100.00%
Total Assets & Deferred Outflows	<u>\$ 9,195,026</u>	<u>\$ 8,790,135</u>	<u>\$ 404,891</u>	4.61%
Current Liabilities	\$ 356,917	\$ 541,011	\$ (184,094)	-34.03%
Non-Current Liabilities	\$ 650,579	\$ 518,305	\$ 132,274	25.52%
Total Liabilities	\$ 1,007,496	\$ 1,059,316	\$ (51,820)	-4.89%
Deferred Inflows of Resources	\$ -	\$ 113,121	\$ (113,121)	-100.00%
Total Liabilities & Deferred Inflows	\$ 1,007,496	\$ 1,172,437	\$ (164,941)	-14.07%
Net Investment in Capital Assets	\$ 7,084,694	\$ 6,547,087	\$ 537,607	8.21%
Restricted	\$ 93,413	\$ 3,947	\$ 89,466	0.00%
Unrestricted	\$ 1,009,423	\$ 1,066,664	\$ (57,241)	-5.37%
Total Net Position	\$ 8,187,530	\$ 7,617,698	\$ 569,832	7.48%
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 9,195,026</u>	<u>\$ 8,790,135</u>	<u>\$ 404,891</u>	4.61%

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**TABLE II
Combined Statement of Revenues and Expenses and Changes in Net Position**

	2015	2014	Dollar Change	% Change
Tenant Revenue	\$ 658,483	\$ 634,927	\$ 23,556	3.71%
Subsidy & Grants	\$ 7,921,235	\$ 7,129,086	\$ 792,149	11.11%
Other Income & Fees for Service	\$ 43,746	\$ 61,671	\$ (17,925)	-29.07%
Interest Income	<u>\$ 2,556</u>	<u>\$ 2,263</u>	<u>\$ 293</u>	12.95%
Total Revenue	\$ 8,626,020	\$ 7,827,947	\$ 798,073	10.20%
Administration	\$ 1,043,797	\$ 1,092,557	\$ (48,760)	-4.46%
Tenant Services	\$ 195,620	\$ 161,928	\$ 33,692	20.81%
Utilities	\$ 424,820	\$ 424,574	\$ 246	0.06%
Ordinary Maintenance	\$ 430,614	\$ 412,940	\$ 17,674	4.28%
Insurance Premiums	\$ 104,373	\$ 96,001	\$ 8,372	8.72%
General	\$ 162,816	\$ 140,574	\$ 22,242	15.82%
Housing Assistance Payments	\$ 5,973,985	\$ 5,672,673	\$ 301,312	5.31%
Depreciation	\$ 467,227	\$ 502,123	\$ (34,896)	-6.95%
NonRoutine Maintenance	\$ -	\$ -	\$ -	0.00%
Interest Expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.00%
Total Expenses	<u>\$ 8,803,252</u>	<u>\$ 8,503,370</u>	<u>\$ 299,882</u>	3.53%
Net Income/(Loss) Before Capital Contributions	\$ (177,232)	\$ (675,423)	\$ 498,191	73.76%
Special Items and Prior Year Adjustments	\$ -	\$ -	\$ -	0.00%
Capital Contributions	<u>\$ 747,064</u>	<u>\$ 432,862</u>	<u>\$ 314,202</u>	72.59%
Change in Net Position	\$ 569,832	\$ (242,561)	\$ 812,393	-334.92%
Net Position, Beginning of Year	\$ 7,617,698	\$ 7,860,259	\$ (242,561)	-3.09%
Net Position, End of Year	<u>\$ 8,187,530</u>	<u>\$ 7,617,698</u>	<u>\$ 569,832</u>	7.48%

REVENUE

Tenant Revenue – Tenant Revenue represents rent and other charges paid by the occupants of the Authority's apartments. The Authority billed \$658,483 during the most recent year. The Authority has

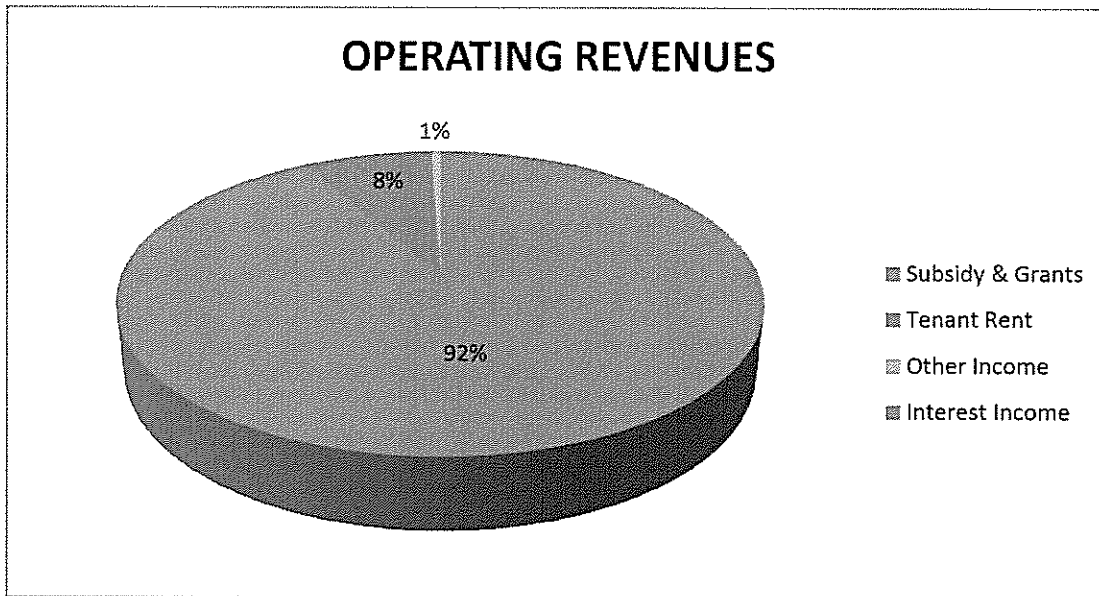
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maintained a lease up rate in the mid to high 90's (%) as required by the individual providers of subsidies/grants.

Program Grants / Subsidies – Subsidy and Grant Revenues for the year were \$7,921,235. Most grants/subsidies are Federally-funded.

Federal Low Income Program	\$ 940,301
Housing Choice Voucher Program	\$ 6,569,691
Capital Fund Program	\$ 243,841
ROSS Grant	\$ 78,774
FSS Grant	\$ 81,122
Resident Services Coordinator Grant	<u>\$ 7,506</u>
Total	\$ 7,921,235

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 an increase in total expenses for the current year of \$299,882.

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 decreased over the prior year by 4% or \$48,760.

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 \$17,674, or 4%, versus the prior year.

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Insurance Premiums – All insurance costs (property, auto, liability, worker's compensation, public official's liability, fidelity bonding, lead based paint, etc.). Insurance costs increased by \$8,372 (9%) from the prior year.

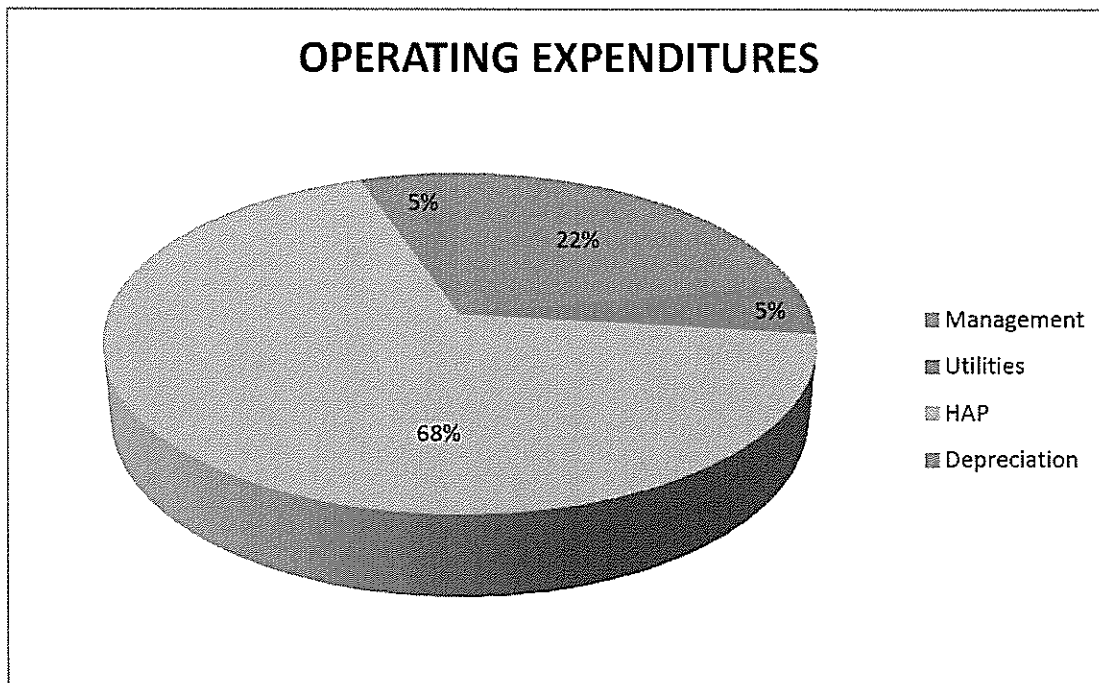
General Expense – General expenses include collection losses, compensated absences, payment-in-lieu-of- taxes (PILOT) to the City of Ansonia, etc. For only the second time in many years, PILOT expenses were accrued for the Federal Low Rent program as relatively stable tenant revenues outpaced decreasing energy costs. Due to a 100% increase in tenant bad debt, along with small increases in compensated absences and PILOT, total general expenses increased by \$22,242 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 FY2015, the Agency experienced an increase in utilization of 87 unit months. This, along with an increase in per-unit-month HAP cost of \$32 led to a increase in HAP expense of \$301,312 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 increased by \$246 (<1%).



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**TABLE III
Capital Assets – Total Authority**

	Beginning	Additions	Deductions	Ending
Non-Depreciable Assets				
Land	\$ 204,428	\$ -	\$ -	\$ 204,428
Depreciable Assets				
Buildings & Improvements	\$ 13,542,237	\$ 604,933	\$ -	\$ 14,147,170
Equipment	\$ 1,369,723	\$ 25,336	\$ -	\$ 1,395,059
Construction in Progress	<u>\$ 2,610,424</u>	<u>\$ 374,565</u>	<u>\$ -</u>	<u>\$ 2,984,989</u>
Total	\$ 17,726,812	\$ 1,004,834	\$ -	\$ 18,731,646
Accumulated Depreciation	<u>\$ (11,179,725)</u>	<u>\$ (467,227)</u>	<u>\$ -</u>	<u>\$ (11,646,952)</u>
Net Book Value		<u>\$ 6,547,087</u>		<u>\$ 7,084,694</u>

As of December 31, 2015, the Authority had \$7,084,694 invested in a broad range of capital assets, including land, buildings, furniture, equipment and construction in progress. This represents a net increase of \$537,607 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.

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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

Significant economic factors affecting the Authority are:

1. Operating subsidy for the Conventional Housing Program was funded at 85.36% of the Authority's eligibility. This represents a reduction in funding of \$161,270.
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. The CY2013 crime rate per 100,000 people in Ansonia was 174. For CY2014, the crime rate remained unchanged at 174 per 100,000 people. By comparison, the U.S. city average crime rates were 245 and 236, respectively, for the same years. Crime rates in the City of Ansonia are considered low based on the national crime index.
4. The September 2015 unemployment rate for the City of Ansonia was 5.6%, down from 7.1% as of June 2014. By comparison, the State of Connecticut's September 2015 unemployment rate was 5.1%, down from 6.5% as of June 2014.
5. The 2013 median household income for Ansonia was \$42,991, a decrease of 17% from \$52,115 a year earlier. Comparatively, the 2013 median household income for the State of Connecticut was \$67,098 or unchanged versus the \$67,276 average of 2012. Additionally, the 2013 percentage of Ansonia and Connecticut residents "living in poverty" was 23.7% and 13.9%, respectively.
6. The 2013 median residential house or condo value in Ansonia was \$219,392 (the State of Connecticut's median house or condo value for 2013 was \$267,000). The percent of homes built pre-1950 was 49% for Ansonia as compared to 32% for pre-1950 homes throughout the entire State of Connecticut. During 2013, three 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.