

**ANSONIA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Management's analysis of the Ansonia Housing Authority's (the Authority) annual financial report is for the Fiscal Year Ended December 31, 2016 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 \$864,586 during fiscal year 2016 (FY2016). Net Positions were \$8,187,530 and \$9,052,116 for 2015 and 2016, respectively.
- Total revenue (operating and non-operating) increased by \$468,886 during FY2016. A decrease in tenant revenue was sufficiently offset by increases in HUD operating grants, other government grant revenue and fees for service. Total revenues were \$9,096,960 for 2016 and \$8,628,074 for 2015.
- Total expenses for all Authority programs increased by \$349,040 or 3.96% from 2015. Total expenses were \$9,154,346 for 2016 and \$8,805,306 for 2015. All expense categories with the exception of Housing Assistance Payments (HAP) decreased during the fiscal year. The increase in HAP was the result of additional voucher utilization.

THE FINANCIAL STATEMENTS

The Authority is considered by accounting principles generally accepted in the United States of America (GAAP) to be a special purpose single purpose government accounted for as enterprise funds. That is, its chartered purpose is the housing of low and moderate income families and elderly individuals. All of the activities, programs and grants administered by the Authority are focused to that purpose.

As a single purpose enterprise fund government the Authority is permitted to issue combined entity level and fund level financial statements. These statements report financial information for each of the Authority's major funds, an aggregated total for all non-major funds and a combined total of all funds that represents the authority wide financial position. The following provides a brief overview of each financial statement.

Statement of Net Position

The Statement of Net Position is prepared using the accrual basis of accounting and provides information relating to all financial and capital resources for the Authority as of the reporting date and related debts and other liabilities. The Statement of Net Position is presented in a format where assets equal liabilities plus Net Position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business), and "Non-current." A summary of the Authority's Net Position is presented in Table I.

Net Position represents the cumulative effect of revenues and expenses. It is also the difference between assets and liabilities. Net Position is reported in three broad categories:

Net Investment in Capital Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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Restricted Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority.

**TABLE I
Combined Statement of Net Position**

	2016	2015	Dollar Change	% Change
Current Assets	\$ 2,776,150	\$ 2,029,106	\$ 747,044	36.82%
Non-Current Assets	<u>\$ 7,749,855</u>	<u>\$ 7,084,694</u>	<u>\$ 665,161</u>	9.39%
Total Assets	\$ 10,526,005	\$ 9,113,800	\$ 1,412,205	15.50%
Deferred Outflows of Resources	<u>\$ 175,569</u>	<u>\$ 81,226</u>	<u>\$ 94,343</u>	116.15%
Total Assets & Deferred Outflows	<u>\$ 10,701,574</u>	<u>\$ 9,195,026</u>	<u>\$ 1,506,548</u>	16.38%
Current Liabilities	\$ 901,673	\$ 356,917	\$ 544,756	152.63%
Non-Current Liabilities	<u>\$ 747,785</u>	<u>\$ 650,579</u>	<u>\$ 97,206</u>	14.94%
Total Liabilities	\$ 1,649,458	\$ 1,007,496	\$ 641,962	63.72%
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.00%
Total Liabilities & Deferred Inflows	\$ 1,649,458	\$ 1,007,496	\$ 641,962	63.72%
Net Investment in Capital Assets	\$ 7,749,855	\$ 7,084,694	\$ 665,161	9.39%
Restricted	\$ 97,513	\$ 93,414	\$ 4,099	4.39%
Unrestricted	<u>\$ 1,204,748</u>	<u>\$ 1,009,422</u>	<u>\$ 195,326</u>	19.35%
Total Net Position	\$ 9,052,116	\$ 8,187,530	\$ 864,586	10.56%
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 10,701,574</u>	<u>\$ 9,195,026</u>	<u>\$ 1,506,548</u>	16.38%

Statement of Revenue, Expenses and Changes in Net Position

The Statement of Revenue, Expenses and Changes in Net Position is similar to an Income Statement. This Statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, and maintenance, and depreciation, Non-Operating revenue and expenses, such as grant revenue, investment income and interest expense, and capital contributions and operating transfers. A summary of the Authority's Statement of Revenues, Expenses and Changes in Net Position is presented in Table II, followed by a more detailed analysis of revenues and expenses.

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

	2016	2015	Dollar Change	% Change
Tenant Revenue	\$ 555,706	\$ 658,483	\$ (102,777)	-15.61%
Subsidy & Grants	\$ 8,372,596	\$ 7,921,235	\$ 451,361	5.70%
Other Income & Fees for Service	\$ 166,266	\$ 45,800	\$ 120,466	263.03%
Interest Income	\$ 2,392	\$ 2,556	\$ (164)	-6.42%
Total Revenue	<u>\$ 9,096,960</u>	<u>\$ 8,628,074</u>	<u>\$ 468,886</u>	5.43%
Administration	\$ 932,488	\$ 1,043,797	\$ (111,309)	-10.66%
Tenant Services	\$ 189,462	\$ 195,620	\$ (6,158)	-3.15%
Utilities	\$ 298,208	\$ 424,820	\$ (126,612)	-29.80%
Ordinary Maintenance	\$ 374,465	\$ 432,668	\$ (58,203)	-13.45%
Insurance Premiums	\$ 98,596	\$ 104,373	\$ (5,777)	-5.53%
General	\$ 124,414	\$ 162,816	\$ (38,402)	-23.59%
Housing Assistance Payments	\$ 6,684,209	\$ 5,973,985	\$ 710,224	11.89%
Depreciation	\$ 452,504	\$ 467,227	\$ (14,723)	-3.15%
NonRoutine Maintenance	\$ -	\$ -	\$ -	0.00%
Interest Expense	\$ -	\$ -	\$ -	0.00%
Total Expenses	<u>\$ 9,154,346</u>	<u>\$ 8,805,306</u>	<u>\$ 349,040</u>	3.96%
Net Income/(Loss) Before Capital Contributions	\$ (57,386)	\$ (177,232)	\$ 119,846	67.62%
Special Items and Prior Year Adjustments	\$ -	\$ -	\$ -	0.00%
Capital Contributions	<u>\$ 921,972</u>	<u>\$ 747,064</u>	<u>\$ 174,908</u>	23.41%
Change in Net Position	\$ 864,586	\$ 569,832	\$ 294,754	51.73%
Net Position, Beginning of Year	\$ 8,187,530	\$ 7,617,698	\$ 569,832	7.48%
Net Position, End of Year	<u>\$ 9,052,116</u>	<u>\$ 8,187,530</u>	<u>\$ 864,586</u>	10.56%

REVENUE

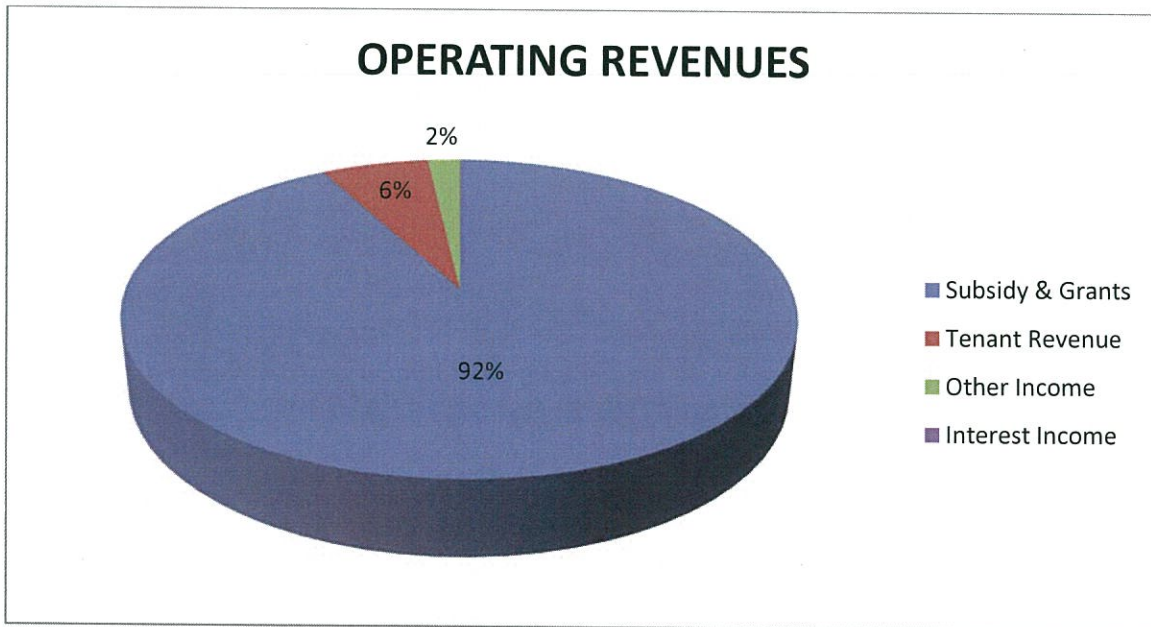
Tenant Revenue – Represents rent charged to the occupants of the Authority's apartments. The Authority billed \$555,706 during the most recent year. The Authority has maintained a lease up rate in the mid to high 90's (%) as required by the individual providers of subsidies/grants.

Program Grants / Subsidies – HUD Operating Grants and Other Government Operating Grants for the year totaled \$8,372,596. Most operating grants and subsidies are federally-funded.

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Federal Low Income Program	\$ 911,989
Housing Choice Voucher Program	\$ 7,243,376
Capital Fund Program	\$ 61,046
ROSS Grant	\$ 83,360
FSS Grant	\$ 69,000
Resident Services Coordinator Grant	<u>\$ 3,825</u>
Total	\$ 8,372,596

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 \$349,040.

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. For FY2016, administrative costs decreased over the prior year by 10.66% or \$111,309.

Tenant Services – Costs include all expenses incurred in providing supportive 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 \$126,612 or 29.80% due to the disposition of Riverside Apartments.

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. The reduction in units as a

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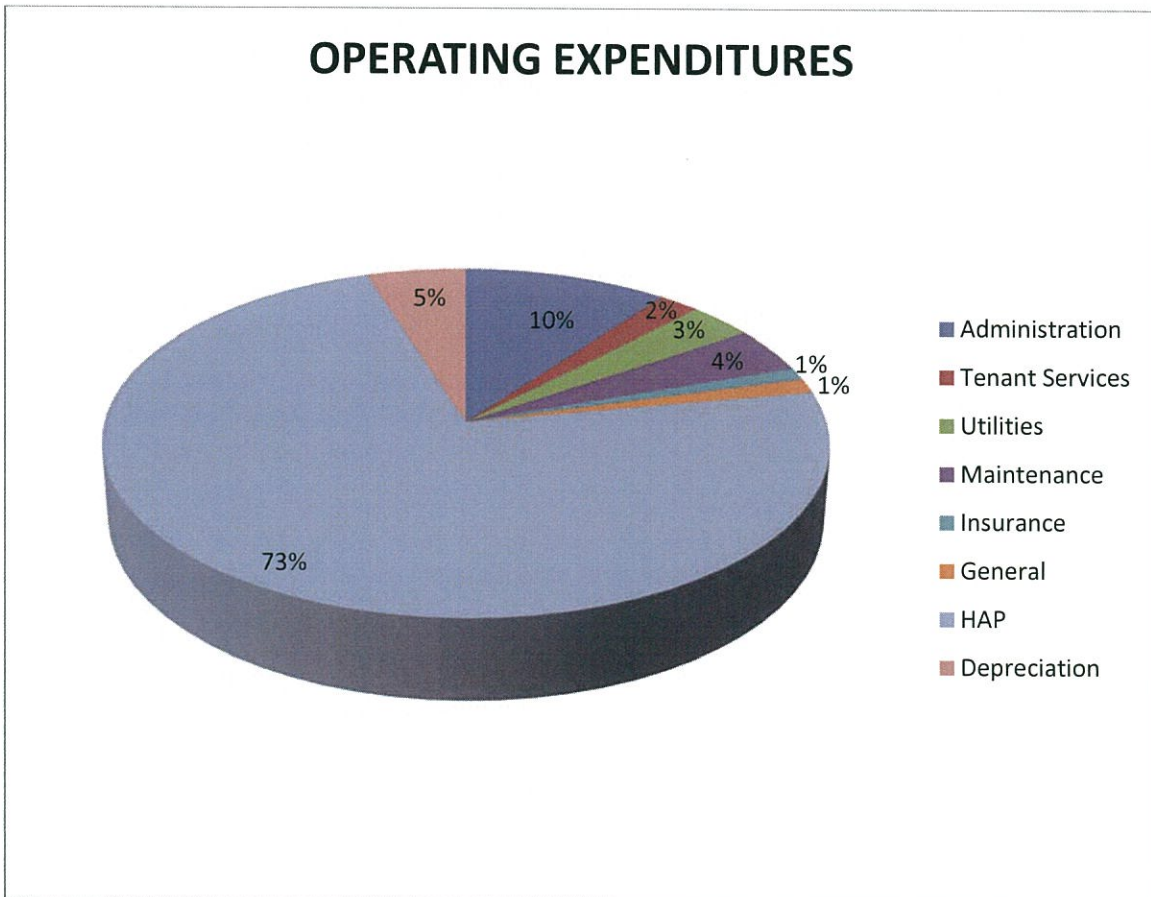
result of the Riverside Apartments disposition maintenance costs resulted in a decrease of \$58,203 or 13.45% versus the prior year.

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 \$5,777 (5.53%) 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 third time in many years, PILOT expenses were accrued for the Federal Low Rent program as relatively stable tenant revenues outpaced decreasing energy costs. Total general expenses decreased by \$38,402 or 23.59% 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 FY2016, the Agency experienced an increase in utilization of 597 unit months. This resulted on an increase in HAP expense of \$710,224 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.



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**TABLE III
Capital Assets – Total Authority**

	Beginning	Additions	Deductions	Ending
Non-Depreciable Assets				
Land	\$ 204,428	\$ -	\$ -	\$ 204,428
Construction in Progress	\$ 2,984,989	\$ 1,068,990	\$ 91,538	\$ 3,962,441
Depreciable Assets				
Buildings & Improvements	\$ 14,147,170	\$ 127,388	\$ -	\$ 14,274,558
Equipment	\$ 1,395,059	\$ 12,825	\$ -	\$ 1,407,884
Total	\$ 18,731,646	\$ 1,209,203	\$ 91,538	\$ 19,849,311
Accumulated Depreciation	\$ (11,646,952)	\$ (452,504)	\$ -	\$ (12,099,456)
Net Book Value	\$ 7,084,694			\$ 7,749,855

As of December 31, 2016, the Authority had \$7,749,855 invested in a broad range of capital assets, including land, buildings, furniture, equipment and construction in progress. This represents a net increase of \$665,161 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 – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. 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 HUD. The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Section 8 Housing Choice Voucher Program (HCV) – HUD provides grants to the Authority 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. The Authority 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.

Capital Fund Program – 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 the Authority 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 the Authority.

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

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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.

ECONOMIC FACTORS AND EVENTS AFFECTING OPERATIONS

Significant economic factors affecting the Authority are:

1. Operating subsidy for the Conventional Housing Program was funded at 90.21% of the Authority's eligibility, resulting in a \$98,973 reduction in funding.
2. 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 moderate based on the national crime index.
3. 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.
4. 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.
5. 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. 2, 3, 4 and 5 above were taken from the most recent data profile for Ansonia, CT at www.city-data.com/city/Ansonia-Connecticut.html.

REQUEST FOR INFORMATION

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.