

**HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS**

**Financial Statements and Supplemental Schedules Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2011**



**JUNE 30, 2011**

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**SB & COMPANY, LLC**  
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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Board of Commissioners  
Housing Authority of the City of Annapolis

We have audited the accompanying statement of net assets of the Housing Authority of the City of Annapolis (the Authority) as of June 30, 2011, and the related statements of revenue, expenses and change in net assets, and cash flows for the year then ended. These financial statements and supplemental schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the blended component unit financial statements of the Annapolis Community Development Partners, LLC, and Obery Court Phase I, LLC, which represent 54 percent, 2 percent, and 5 percent, respectively, of the total assets, net assets, and operating revenue of the Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Annapolis Community Development Partners, LLC, and Obery Court Phase I, LLC, is based on the reports of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011, and the related change in its operations and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, on our consideration of the Authority'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the 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 and the other auditors 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplemental Schedules of Combining Financial Statements and the HUD Financial Data Schedule as of and for the year ended June 30, 2011, are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and we performed 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hunt Valley, Maryland  
March 15, 2012

*SB & Company, LLC*

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Management's Discussion and Analysis June 30, 2011

### Overview of the Financial Statements and Financial Analysis

This discussion and analysis of the Housing Authority of the City of Annapolis (the Authority) financial statements provides an overview of the Authority's financial activities for the year ended June 30, 2011, with the fiscal year 2010 data presented for comparative purposes. The emphasis of discussion about these statements is on the current-year activity. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. There are three basic financial statements presented: the Statements of Net Assets; the Statements of Revenue, Expenses, and Change in Net Assets; and the Statements of Cash Flows.

### Financial Highlights

#### Statements of Net Assets

The Statements of Net Assets presents the assets, liabilities, and net assets of the Authority as of the end of the fiscal year. This statement reflects a "point-of-time" financial picture. The purpose of the Statements of Net Assets is to present to the readers a fiscal "snapshot" of the Authority. The Statements of Net Assets helps answer the question "is the Authority as a whole financially better off or worse off as a result of the year's activities?" When revenue exceeds expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenue and expenses may be thought of as the Authority's operating results. Net assets are divided into two major categories. The first category, invested in capital assets, provides the Authority's equity in capital assets owned by the Authority. The other category is unrestricted net assets, which are available to the Authority for any lawful purpose of the Authority.

	<u>As of June 30,</u>	
	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current assets	\$ 5,845,515	\$ 2,312,573
Non-current assets, net	49,856,439	22,637,786
<b>Total Assets</b>	<u>55,701,954</u>	<u>24,950,359</u>
<b>Liabilities</b>		
Current liabilities	4,534,976	961,268
Non-current liabilities	29,442,635	3,823,775
<b>Total Liabilities</b>	<u>33,977,611</u>	<u>4,785,043</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	19,235,165	19,285,319
Restricted	1,479,172	642,777
Unrestricted	1,010,006	237,220
<b>Total Net Assets</b>	<u>\$ 21,724,343</u>	<u>\$ 20,165,316</u>

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Management's Discussion and Analysis June 30, 2011

### Financial Highlights (continued)

A review of the Statements of Net Assets reveals that the total assets and net assets of the Authority increased by approximately \$30,752,000 and \$1,559,000, respectively, as a result of the consolidation of Annapolis Community Development Partners, LLC, and Obery Court Phase I, LLC, and increased operating grants and tenant rental income received during fiscal year 2011.

Total liabilities increased by approximately \$29,193,000, primarily through the consolidation of Annapolis Community Development Partners, LLC, and Obery Court Phase I, LLC, which was offset by repayment of debt and a decrease in short term liabilities through better utilization of working capital.

### Statements of Revenue, Expenses and Change in Net Assets

Total net assets as presented on the Statements of Net Assets are based on activity presented in the Statements of Revenue, Expenses, and Change in Net Assets. The purpose of this statement is to present the revenue received by the Authority, both operating and non-operating; the expenses paid by the Authority, both operating and non-operating; and any other revenue, expenses, gains or losses received or spent by the Authority.

Operating revenue consists of tenant rental revenue, operating grants and other revenue to provide housing and services to tenants of the Authority. Operating expenses are those expenses paid to acquire or produce the services provided in return for the operating revenue, and to carry out the mission of the Authority. Non-operating revenue is revenue received for which goods or services are not provided. The non-operating revenue for the year ended June 30, 2011, relates to investment earnings, interest costs and grants for capital purposes.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Management's Discussion and Analysis June 30, 2011

### Financial Highlights (continued)

#### Statements of Revenue, Expenses, and Change in Net Assets (continued)

	<b>For the Years Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating Revenue</b>		
Operating grant	\$ 9,468,430	\$ 8,367,150
Tenant rental	2,355,489	2,283,378
Other	602,318	672,662
<b>Total Revenue</b>	<b>12,426,237</b>	<b>11,323,190</b>
<b>Operating Expenses</b>		
Administrative	3,639,497	2,851,137
Housing assistance payments	2,590,498	2,203,119
Tenant services	708,585	587,172
Utilities	1,019,362	1,321,381
Maintenance and operations	3,078,922	3,207,465
Depreciation	1,649,931	1,203,994
Bad debt expense	61,440	77,342
<b>Total Operating Expenses</b>	<b>12,748,235</b>	<b>11,451,610</b>
<b>Net Operating Loss</b>	<b>(321,998)</b>	<b>(128,420)</b>
<b>Non-Operating Income</b>		
Investment income	4,489	4,770
Gain on sale of assets	2,974	-
Write-off of capital assets	-	(508,700)
Interest expense	(293,536)	(177,331)
Capital grants	1,320,720	2,287,893
Other income	846,378	-
<b>Total Non-Operating Income</b>	<b>1,881,025</b>	<b>1,606,632</b>
Change in net assets	1,559,027	1,478,212
Net assets, beginning of year	20,165,316	18,687,104
<b>Net Assets, End of Year</b>	<b>\$ 21,724,343</b>	<b>\$ 20,165,316</b>

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Management's Discussion and Analysis June 30, 2011

### Financial Highlights (continued)

Total revenue increased by approximately \$1,031,000, which is due primarily to an increase in operating grant revenue of approximately \$1,101,000, related to changes in HUD funding. Expenses increased by approximately \$1,495,000, due to an increase in housing assistance payments.

Capital grants decreased by approximately \$967,000, as a result of the decrease in grant monies from the American Recovery and Reinvestment Act.

### Statements of Cash Flows

An additional method to assess the financial health of the Authority is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the Authority during a defined period. The Statements of Cash Flows also helps users to assess the Authority's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Need for external financing.

	<b>For the Years Ended June 30,</b>	
<b>Cash flows from:</b>	<b>2011</b>	<b>2010</b>
Operating activities	\$ 1,293,816	\$ 1,022,641
Capital and related financing activities	2,706,347	(392,332)
Non-capital related financing activities	(415,653)	-
Investing activities	(46,215)	(149,079)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,538,295</b>	<b>481,230</b>
Cash and cash equivalents, beginning of year	1,346,708	865,478
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,885,003</b>	<b>\$ 1,346,708</b>

Cash from operating activities was increased by approximately \$271,000, primarily because of an increase in grant revenue. Cash from capital and non-capital related financing activities was increased by approximately \$1,898,362, primarily due to increase of approximately \$7,990,000, from proceeds from mortgages and approximately \$13,000,000 from proceeds of exchange funds, and approximately \$6,210,000 from contributions from members, which was offset by purchases of fixed assets of approximately \$25,175,000, and a decrease in capital grants of approximately \$1,075,000. Cash from investing activities was increased by approximately \$103,000, as a result of a decrease in purchased investments.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Management's Discussion and Analysis June 30, 2011

### Financial Highlights (continued)

#### Capital Assets and Debt

Details of these capital assets as of June 30, 2011 and 2010, are indicated below:

	As of June 30,	
	2011	2010
<b>Capital Assets</b>		
Land	\$ 4,929,603	\$ 4,704,603
Building and improvements	61,325,924	33,913,179
Furniture and equipment	1,433,742	912,040
<b>Total Capital Assets</b>	<b>67,689,269</b>	<b>39,529,822</b>
Less: accumulated depreciation	18,386,405	16,892,036
<b>Capital Assets, Net</b>	<b>\$ 49,302,864</b>	<b>\$ 22,637,786</b>

During the year ended June 30, 2011, capital assets increased by approximately \$26,665,000. This increase was due to the consolidation of Annapolis Community Development Partners, LLC, and Obery Court Phase I, LLC related to additions of approximately \$28,312,000, which was offset by depreciation expense of \$1,650,000.

Notes payable increased by approximately \$7,178,000 due to the consolidation of Annapolis Community Development Partners, LLC and Obery Court Phase I, LLC.

### **Economic Outlook**

The economic position of the Authority is closely tied to that of the State of Maryland. Because the Authority's revenue is primarily received from HUD, it is heavily dependent on its relationship with HUD and the need for subsidized housing in the City of Annapolis because of its economy.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Statement of Net Assets For the Year Ended June 30, 2011

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 4,191,929
Cash and cash equivalents - restricted	693,074
Accounts receivable, net of allowance of \$12,704	529,243
Investments	253,122
Inventories, net of allowance of \$8,845	79,625
Prepaid expenses and other current assets	98,522
<b>Total Current Assets</b>	<b>5,845,515</b>

#### Non-Current Assets

Land	4,929,603
Building and improvements	61,325,924
Furniture and equipment	1,433,742
Accumulated depreciation	(18,386,405)
Capital assets, net	49,302,864
Intangible assets, net of accumulated amortization of \$30,508	385,145
Deferred financing costs, net of accumulated amortization of \$1,511	121,722
Deferred tax credit fees, net of accumulated amortization of \$1,335	46,708
<b>Total Non-Current Assets, Net</b>	<b>49,856,439</b>
<b>TOTAL ASSETS</b>	<b>55,701,954</b>

### LIABILITIES

#### Current Liabilities

Accounts payable	1,541,576
Accrued expenses and other liabilities	197,461
Tenants' security deposit	116,021
Accrued compensated absences	26,293
Deferred revenue	64,022
Current portion of notes payable	1,934,952
Miscellaneous liabilities	654,651
<b>Total Current Liabilities</b>	<b>4,534,976</b>

#### Non-Current Liabilities

Notes payable, net of current portion	8,595,033
Deferred revenue	220,454
Accrued compensated absences	235,071
Development fee payable	1,491,602
Unearned grant income	12,875,626
Other liabilities	6,024,849
<b>Total Non-Current Liabilities</b>	<b>29,442,635</b>
<b>TOTAL LIABILITIES</b>	<b>33,977,611</b>

### NET ASSETS

Investment in capital assets, net of related debt	19,235,165
Restricted	1,479,172
Unrestricted	1,010,006
<b>TOTAL NET ASSETS</b>	<b>\$ 21,724,343</b>

The accompanying notes are an integral part of this financial statement.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Statement of Revenue, Expenses and Change in Net Assets For the Year Ended June 30, 2011

<b>Operating Revenue</b>	
Grants for operating purposes	\$ 9,468,430
Tenant rental income	2,355,489
Other income	602,318
<b>Total Operating Revenue</b>	<u>12,426,237</u>
<b>Operating Expenses</b>	
Administrative	3,639,497
Housing assistance payments	2,590,498
Tenant services	708,585
Utilities	1,019,362
Maintenance and operations	3,078,922
Depreciation and amortization	1,649,931
Bad debt expense	61,440
<b>Total Operating Expenses</b>	<u>12,748,235</u>
<b>Net Operating Loss</b>	<u>(321,998)</u>
<b>Non-Operating Revenue</b>	
Investment income	4,489
Gain on sale of assets	2,974
Interest expense	(293,536)
Other income	846,378
<b>Total Non-Operating Revenue</b>	<u>560,305</u>
<b>Grants for Capital Purposes</b>	<u>1,320,720</u>
Change in net assets	1,559,027
Net assets, beginning of year	20,165,316
<b>Net Assets, End of Year</b>	<u>\$ 21,724,343</u>

The accompanying notes are an integral part of this financial statement.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Statement of Cash Flows For the Year Ended June 30, 2011

<b>Cash Flows from Operating Activities</b>	
Tenant revenue receipts	\$ 2,870,271
Operating grant revenue receipts	9,527,979
Other income receipts	635,055
Payments to employees	(3,014,367)
Payments to tenants	(3,207,105)
Payments to suppliers	(5,518,017)
<b>Net Cash from Operating Activities</b>	<u>1,293,816</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Grants for capital expenditures receipts	1,212,521
Proceeds from notes payable	7,989,635
Purchase of fixed assets	(25,175,438)
Interest expense payments	(171,076)
Principal repayments	(343,232)
Proceeds from exchange funds	12,983,825
Contributions from members	6,210,112
<b>Net Cash from Capital and Related Financing Activities</b>	<u>2,706,347</u>
<b>Non-Capital Related Financing Activities</b>	
Purchase of intangible assets	<u>(415,653)</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(669)
Interest income	2,497
Other investing activities	(48,043)
<b>Net Cash from Investing Activities</b>	<u>(46,215)</u>
Net increase in cash and cash equivalents	3,538,295
Cash and cash equivalents, beginning of year	1,346,708
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,885,003</u>

The accompanying notes are an integral part of this financial statement.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Statement of Cash Flows For the Year Ended June 30, 2011

<b>Reconciliation of Operating Loss to Cash Flow from Operating Activities</b>	
Net operating loss	\$ (321,998)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation expense	1,649,931
Effect of changes in non-cash operating assets and liabilities:	
Accounts receivable	(17,916)
Inventories	41,069
Prepaid expenses	(17,131)
Accounts payable, excluding capital expenditures	(23,614)
Accrued expenses and other liabilities	17,293
Tenants' security deposits	(104)
Accrued compensated absences	(14,838)
Deferred revenue	(18,876)
<b>Net Cash from Operating Activities</b>	<b>\$ 1,293,816</b>

The accompanying notes are an integral part of this financial statement.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements

June 30, 2011

### 1. SUMMARY OF ACCOUNTING POLICIES

#### Organization

The Housing Authority of the City of Annapolis (the Authority) was established pursuant to the laws of the State of Maryland to transact business and to have powers as defined therein. An independent Board of Commissioners, appointed for five-year terms by the Mayor, is responsible for all activities of the Authority. The offices of the Authority are separate from those of the City of Annapolis (the City), and employees of the Authority are not included in or entitled to benefit programs of the City. Separate accounting records are maintained, and debts incurred by the Authority are not obligations of the City. In accordance with GASB 14, *The Financial Reporting Entity*, the accompanying financial statements present the Authority and its blended component units, Annapolis Community Development Partners, LLC, (the Company) and Obery Court Phase I, LLC. The two companies' year end is December 31, 2010. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations.

The Company was formed as a limited liability company under the laws of the Maryland on November 26, 2008, for the purpose of constructing and operating a 150-unit apartment project known as Annapolis Gardens in Annapolis, Maryland. Pursuant to the Operating Agreement dated September 29, 2009, the managing member of the Company is Landex Development, LLC, a Maryland limited liability company, and the housing authority member is Annapolis/Bowman Redevelopment, LLC.

Obery Court Phase I, LLC, was formed as a limited liability company under the laws of the State of Maryland on March 6, 2009. The purpose of Obery Court Phase I, LLC, is to acquire, construct, renovate and operate an affordable housing project consisting of 50 rental units. Rental operations began on February 19, 2010. There were no significant operations before February 19, 2010.

#### Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The Authority has not elected to apply all Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC) issued after November 30, 1989, unless they are required by GASB.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements

June 30, 2011

### 1. SUMMARY OF ACCOUNTING POLICIES (continued)

#### Cash and Cash Equivalents

Cash equivalents represent highly liquid investments with original maturities of three months or less.

Restricted cash and cash equivalents represent amounts received for a specific purpose. Once the purpose has been fulfilled, the restriction will be released. As of June 30, 2011, \$7,710 and \$600,000 was restricted for security deposits from the Company and Obery Court Phase I, LLC, and \$85,364 may only be disbursed with DHCD's approval.

#### Investments

As of June 30, 2011, the Authority has certificate of deposit investments with both carrying value and market value at \$253,122, with various institutions that are covered by FDIC deposit insurance and other collateral. These investments are to mature in 2011 with an average interest rate of 0.95%. The Authority's investment policy limits investment portfolio to maturities of less than one year. FDIC deposit insurance is \$250,000 per depositor, per bank.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

#### Accounts Receivable

Accounts receivable includes amounts due from tenants and for grant reimbursements. It is the practice of the Authority to write-off uncollectible receivables only upon approval of the Board of Commissioners after exhausting all efforts to collect the amounts due. An allowance for doubtful accounts is used in the valuation of receivables to estimate the net realizable value.

#### Inventories

Inventories of materials are valued at the lower of cost or market with cost being determined on a first-in, first-out basis. The Authority has established a valuation allowance for its estimate of obsolete inventories.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements

June 30, 2011

### 1. SUMMARY OF ACCOUNTING POLICIES (continued)

#### Capital Assets

Capital assets consist of land, structures and equipment which are stated at cost. Donated assets are recorded at fair market value at the date of donation. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. The Authority capitalizes all expenditures for capital assets in excess of \$1,000. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	45 years
Furniture and equipment	3 to 15 years
Improvements	15 years

Expenditures for maintenance and repairs are charged to expense.

#### Accrued Compensated Absences

The Authority accrues a liability for compensated absences, including vacation and sick leave that have been earned but not yet paid.

#### Payment in Lieu of Taxes

Under Federal, state and city laws, the Authority is exempt from income, property and excise taxes. Housing authorities are, however, required to make payments in lieu of taxes (PILOT) in accordance with the provisions of their cooperation agreement with local taxing authorities. Under its cooperation agreement with the City, the Authority must pay the City the greater of 10% of its net shelter rent or the amounts charged for sanitation services. Net shelter rent is defined as the excess of rental income over total utilities expense.

For the year ended June 30, 2011, the amount paid for sanitation services was approximately \$180,180. This exceeded 10% of the net shelter rent, therefore no PILOT is required.

#### Revenue and Expenses

Revenue and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are tenant rentals and operating grants/subsidies from the Department of Housing and Urban Development (HUD).

Operating expenses include the costs associated with the day-to-day operations of the Authority and depreciation on capital assets. All revenue and expenses not meeting these definitions are reported as non-operating revenue and expenses.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements June 30, 2011

### 2. CAPITAL ASSETS

A summary of activity in capital assets for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>June 30, 2011</u>
Land	\$ 4,704,603	\$ 225,000	\$ -	\$ 4,929,603
Building and improvements	33,913,179	27,412,745	-	61,325,924
Furniture and equipment	912,040	674,418	(152,716)	1,433,742
<b>Total Capital Assets</b>	<u>39,529,822</u>	<u>28,312,163</u>	<u>(152,716)</u>	<u>67,689,269</u>
Less: Accumulated depreciation	16,892,036	1,647,085	(152,716)	18,386,405
<b>Capital Assets, Net</b>	<u>\$ 22,637,786</u>	<u>\$ 26,665,078</u>	<u>\$ -</u>	<u>\$ 49,302,864</u>

### 3. NOTES PAYABLE

During the year ended June 30, 2007, the Authority entered into a \$5,186,820, debt agreement with the State of Maryland Department of Housing and Community Development (DHCD) which matures on July 1, 2023. The debt requires payment of interest at 4.51% and is payable from future HUD capital grants with annual payments of approximately \$392,000, starting December 31, 2006. HUD repaid approximately \$220,000 against the debt during the year ended June 30, 2011. The Authority incurred approximately \$171,000, of interest expense related to the debt.

On September 29, 2009, the Company entered in a loan agreement with TD Bank, N.A., a national banking association, in the maximum amount of \$2,300,000, to fund the construction of the Project (the "Construction Loan"). The Construction Loan is secured by the Project. The Construction Loan bears interest at a variable rate equal to the LIBOR Rate plus 400 basis points, provided, however, that the interest rate is not less than 4.25%. As of December 31, 2010, the interest rate was 4.78%. Monthly payments of interest only are required. The Construction Loan's original maturity date was March 29, 2011. On March 15, 2011, the construction was extended until September 30, 2011. As of December 31, 2010, the outstanding principal and accrued interest were \$1,934,952 and \$637, respectively. For the period beginning November 26, 2008 (inception) and ending December 31, 2010, interest incurred was \$637, and interest expense and capitalized interest was \$-0- and \$637, respectively.

On September 29, 2009, the Company entered into a deed of trust note with the Department of Housing and Community Development of the State of Maryland in the maximum amount of \$1,747,245 (the "DHCD Loan"). The DHCD Loan is secured by the Project. The DHCD Loan matures on May 1, 2051. The DHCD Loan bears no interest from September 29, 2009, until the last day of April 2011 (the "Construction Period"). Thereafter, the DHCD Loan bears interest at the rate of 4% per annum until the outstanding indebtedness is paid in full. No payments required during the Construction Period.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements

June 30, 2011

### 3. NOTES PAYABLE (continued)

All interest accruing from the end of the Construction Period until December 31, 2011 is due and payable from not more than 75% of surplus cash on April 1, 2012. Thereafter, interest and principal is due and payable in consecutive annual installment in an amount equal to the lesser of 75% of surplus cash or the scheduled payment, as more particularly defined in the contractual documents associated with the DHCD Loan. As of December 31, 2010, the outstanding principal and accrued interest on the DHCD Loan were \$46,209 and \$-0-, respectively. For the period beginning November 26, 2008 (inception) and ending December 31, 2010, interest incurred was \$-0-.

On September 29, 2009, the Company entered into a leasehold deed of trust note with Arundel Community Development Services, Inc., a body corporate of the State of Maryland in the maximum amount of \$500,000, (the "ACDS Loan") for the purpose of providing gap financing to aid in the construction of the Project. The ACDS Loan is secured by the Project. The ACDS Loan bears no interest until May 29, 2011. Thereafter, the ACDS Loan bears simple interest at the rate of 2% per annum. Amortization of principal begins on May 29, 2011. Annual payments of principal and interest are limited to not more than 25% of annual net cash flow, as defined in the ACDS Loan. Annual payments are due and payable on the first day of April beginning April 1, 2012. The ACDS Loan matures on May 29, 2051. As of December 31, 2010, the outstanding principal and accrued interest on the ACDS Loan was \$500,000 and \$-0-, respectively. For the period beginning November 26, 2008 (inception) and ending December 31, 2010, no interest was incurred on this agreement.

The Department of Housing and Community Development of the State of Maryland (DHCD) issued a commitment to lend and has originated funding in the amount of \$2,000,000, which is secured by a deed of trust note. The loan bears simple interest at a rate of 4% per annum commencing on June 1, 2010 and ends at maturity (June 1, 2050). Annual payments of outstanding principal and interest are due and payable out of 75% surplus cash, beginning April 1, 2011. Interest expense for the period ended December 31, 2010, was \$46,667. Accrued interest as of December 31, 2010, is \$46,667, of which \$31,513 is currently due. As of December 31, 2010, the outstanding principal was \$1,800,000.

DHCD issued a commitment to lend and has originated funding in the amount of \$2,307,547, which is secured by a deed of trust note. The loan bears simple interest at a rate of 4% per annum commencing on June 1, 2010, and ends at maturity (June 1, 2050). All payments of principal and interest are deferred and shall remain outstanding in perpetuity, as agreed to in the deed of trust note. Interest expense for the period ended December 31, 2010 was \$53,843. Accrued interest as of December 31, 2010, is \$53,843. As of December 31, 2010, the outstanding principal was \$2,116,356.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements

June 30, 2011

### 3. NOTES PAYABLE (continued)

Arundel Community Development Services, Inc. (ACDS) issued a commitment to lend and has originated funding in the amount of \$1,000,000, which is secured by a deed of trust note. The loan bears simple interest at a rate of 2% per annum commencing on March 6, 2011 and ends at maturity (March 6, 2051). All outstanding principal and interest are due and payable at maturity. As of December 31, 2010, the outstanding principal was \$1,000,000.

The scheduled debt payments were as follows:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,206,106	\$ -
2013	303,154	141,581
2014	303,154	141,581
2015	303,154	141,581
2016	303,154	141,581
2017-2021	1,651,770	614,626
2022-2026	689,238	150,028
2027-2031	230,770	9,231
2032-2036	230,770	9,231
2037-2041	230,770	9,231
2042-2046	230,770	9,231
2047-2051	3,847,175	153,887
<b>Total</b>	<u>\$ 10,529,985</u>	<u>\$ 1,521,788</u>

A summary of activity in notes payable and accrued compensated absences for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Payments</u>	<u>Additions</u>	<u>June 30, 2011</u>	<u>Amounts Due in One Year</u>
Notes payable	\$ 3,352,467	\$ 343,232	\$ 7,520,750	\$ 10,529,985	\$ 1,934,952
Accrued compensated absences	276,202	14,838	-	261,364	26,294
<b>Total</b>	<u>\$ 3,628,669</u>	<u>\$ 358,070</u>	<u>\$ 7,520,750</u>	<u>\$ 10,791,349</u>	<u>\$ 1,961,246</u>

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements June 30, 2011

### 4. RETIREMENT PLAN

The Authority participates in the Housing Renewal and Local Agency Retirement Plan, a multiemployer defined contribution plan covering substantially all employees. The Authority contributes 5.5% of participating employees' gross salaries, if the employees contribute 5.0% of their gross salaries. Employees can voluntarily contribute any amount up to the maximum deferrals set by the Internal Revenue Service in addition to this contribution. Employees become fully vested in employer contributions after five years of service. Contributions by the Authority to the plan for the year ended June 30, 2011, was approximately \$119,000.

### 5. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained insurance coverage from commercial insurance companies for these risks. There were no significant reductions in insurance coverage from the prior year and no amounts of settlements have exceeded insurance coverage in each of the past three years.

### 6. CONTINGENCY

The Authority has several grants from the U.S. Government. Revenue from such grants is recognized only to the extent that actual expenses incurred comply with grant terms. For government grants, revenue received in excess of expenses is shown as a liability, and expenses incurred in excess of funds collected are reflected as grants receivable.

The Authority received approximately 79% of its total revenue from the U.S. Government for the year ended June 30, 2011. Government grants are subject to final determination of allowability by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

### 7. LITIGATION

The Authority is involved in lawsuits arising in the normal course of its operations. Management is of the opinion that no material liability will result from such lawsuits outstanding as of June 30, 2011.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Financial Statements

June 30, 2011

### 8. TAX CREDIT PARTNERSHIP

During the year ended June 30, 2009, the Authority entered into a partnership to reconstruct low income and subsidized housing at one of its properties (Obery Court). The partnership will receive tax credits to finance the construction of the new building. The Authority has leased this land to the management company through a below market value ninety-eight year lease. The Authority received an upfront payment of \$225,000 for the lease of which the entire amount was deferred until operations commence on the property. During the year ended June 30, 2010, operations commenced and the Authority recognized approximately \$2,300, of revenue related to the upfront payment. At the end of the tax credit recapture period, the Authority has the right to repurchase the building based on the terms of the partnership agreement. As a result, the Authority has recorded its investment in the partnership at its basis in the partnership and has written down the investment in fixed assets to the value of the land of approximately \$1,850,000. This partnership has been included as a blended component unit in the accompanying financial statements. The members' equity of \$6,024,849, has been included in other liabilities in the accompanying statement of net assets.

During the year ended June 30, 2010, the Authority entered into a partnership to reconstruct low income and subsidized housing at another one of its properties (Annapolis Gardens). The partnership will receive tax credits to finance the construction of the new building. The Authority has leased this land to the management company through a below market value ninety-eight year lease. At the end of the tax credit recapture period, the Authority has the right to repurchase the building based on the terms of the partnership agreement. As a result, the Authority has recorded its investment in the partnership at its basis in the partnership the partnership and has written down the investment in fixed assets to the value of the land of approximately \$1,951,000.

**SUPPLEMENTARY INFORMATION**



**SB & COMPANY, LLC**  
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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

Board of Commissioners  
Housing Authority of the City of Annapolis

We have audited the accompanying statement of net assets of the Housing Authority of the City of Annapolis (the Authority) and the related statements of revenue, expenses and changes in net assets and cash flows as of and for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. 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.

**Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.



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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*SB & Company, LLC*

Hunt Valley, Maryland  
March 15, 2012



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Board of Commissioners  
Housing Authority of the City of Annapolis

**Compliance**

We have audited the Housing Authority of the City of Annapolis' (the Authority's) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major Federal programs for the year ended June 30, 2011. The Authority's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

The Authority's basic financial statements include the operations of Annapolis Community Development Partners, LLC, component unit which received Federal awards and which are not included in the accompanying schedule of expenditures of Federal awards for the year ended June 30, 2011. Our audit described below does not include the operations of the Annapolis Community Development Partners, LLC, or Obery Court Phase I, LLC, because this entity engaged another auditor to perform an audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Authority's 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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.



## **Internal Control Over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, 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 Authority's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*SB & Company, LLC*

Hunt Valley, Maryland  
March 15, 2012

**HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<b>Federal Grantor/Pass-Through Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>Direct Grants</b>		
<b>U.S. Department of Housing and Urban Development</b>		
Public and Indian Housing Program:		
Locally Owned Housing		
-Operating subsidy	14.850	\$ 4,117,405
Low-Income Assistance Programs		
-Voucher (major program)	14.871	4,232,266
Modernization Grants		
-Capital Fund Program (major program)	14.872	1,783,129
- Formula Capital Grant Fund Stimulus Grant- ARRA (major program)	14.885	447,608
<b>Total Direct Grants</b>		<b><u>\$ 10,580,408</u></b>

The accompanying footnotes are an integral part of this schedule.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Notes to Schedule of Expenditures of Federal Awards

June 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the Authority are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted on the Schedule of Expenditures of Federal Awards. These programs represent all Federal award programs with fiscal 2011 cash or non-cash expenditure activities. We have evaluated the Federal financial assistance programs of the Authority for the year ended June 30, 2011, and have selected those major programs for testing. Our actual coverage was approximately 60%. The major programs tested are listed below.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Public and Indian Housing - Operating subsidy	14.850	\$ 4,117,405
Modernization Grants - Capital Fund Program	14.872	1,783,129
Modernization Grants - Formula Capital Grant		
Fund Stimulus Grant - ARRA	14.885	447,608
<b>Total Federal Awards</b>		<b>\$ 6,348,142</b>

### 2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

### 3. FINDINGS

There were no current or prior year findings.

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

### Section I- Summary of Independent Public Accountants' Results

#### Financial Statements

Type of report of independent public accountants	Unqualified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to the financial statements noted?	No

#### Federal Awards

Type of Report of Independent Public Accountants' issued on compliance for major programs	Unqualified
Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB	No

#### Identification of Major Programs:

Major Program	CFDA Number	Federal Expenditures
Public and Indian Housing - Operating subsidy	14.850	\$ 4,117,405
Modernization Grants - Capital Fund Program	14.872	1,783,129
Modernization Grants - Formula Capital Grant Fund Stimulus Grant - ARRA	14.885	447,608
<b>Total Federal Awards</b>		<b>\$ 6,348,142</b>
Threshold for distinguishing between Type A and B programs.		\$ 317,412
Did the Authority qualify as a low risk auditee?		Yes

**HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**Section II –Financial Statement Findings**

None noted.

**Section III –Federal Award Findings**

None noted.

**OTHER SUPPLEMENTAL INFORMATION**

# HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS

## Supplemental Schedule of Combining Financial Statements - Statement of Net Assets As of June 30, 2011

	Bloomsbury Square	Others	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 71,205	\$ 4,120,724	\$ 4,191,929
Cash and cash equivalents - restricted	-	693,074	693,074
Accounts receivable, net of allowance of \$12,704	102,099	427,144	529,243
Investments	-	253,122	253,122
Inventories, net of allowance of \$8,845	5,140	74,485	79,625
Interfund balances	(84,910)	84,910	-
Prepaid expenses and other current assets	4,585	93,937	98,522
<b>Total Current Assets</b>	<b>98,119</b>	<b>5,747,396</b>	<b>5,845,515</b>
<b>Non-Current Assets</b>			
Land	45,057	4,884,546	4,929,603
Building, improvements, furniture and equipment	8,342,515	54,417,151	62,759,666
Accumulated depreciation	(1,209,706)	(17,176,699)	(18,386,405)
Intangible assets, net of accumulated amortization of \$30,508	-	385,145	385,145
Deferred financing costs, net of accumulated amortization of \$1,511	-	121,722	121,722
Deferred tax credit fees, net of accumulated amortization of \$1,335	-	46,708	46,708
<b>Total Non-Current Assets, Net</b>	<b>7,177,866</b>	<b>42,678,573</b>	<b>49,856,439</b>
<b>TOTAL ASSETS</b>	<b>7,275,985</b>	<b>48,425,969</b>	<b>55,701,954</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	22,959	1,518,617	1,541,576
Accrued expenses and other liabilities	1,409	196,052	197,461
Tenants' security deposit	7,876	108,145	116,021
Accrued compensated absences	1,520	24,773	26,293
Deferred revenue	-	64,022	64,022
Current portion of notes payable	-	1,934,952	1,934,952
Miscellaneous current liabilities	-	654,651	654,651
<b>Total Current Liabilities</b>	<b>33,764</b>	<b>4,501,212</b>	<b>4,534,976</b>
<b>Non-Current Liabilities</b>			
Notes payable	20,686	8,574,347	8,595,033
Deferred lease revenue	-	220,454	220,454
Accrued compensated absences	13,679	221,392	235,071
Development fee payable	-	1,491,602	1,491,602
Unearned grant income	-	12,875,626	12,875,626
Other liabilities	-	6,024,849	6,024,849
<b>Total Non-Current Liabilities</b>	<b>34,365</b>	<b>29,408,270</b>	<b>29,442,635</b>
<b>TOTAL LIABILITIES</b>	<b>68,129</b>	<b>33,909,482</b>	<b>33,977,611</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	7,157,179	12,077,986	19,235,165
Restricted	-	1,479,172	1,479,172
Unrestricted	50,677	959,329	1,010,006
<b>TOTAL NET ASSETS</b>	<b>\$ 7,207,856</b>	<b>\$ 14,516,487</b>	<b>\$ 21,724,343</b>

**HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS**

**Supplemental Schedule of Combining Financial Statements - Statement of Revenue,  
Expenses and Changes in Net Assets  
For the Year Ended June 30, 2011**

	<u>Bloomsbury Square</u>	<u>Others</u>	<u>Total</u>
<b>Operating Revenue</b>			
Grants for operating purposes	\$ 221,131	\$ 9,247,299	\$ 9,468,430
Tenant rental income	194,862	2,160,627	2,355,489
Other income	102,924	499,394	602,318
<b>Total Operating Revenue</b>	<u>518,917</u>	<u>11,907,320</u>	<u>12,426,237</u>
<b>Operating Expenses</b>			
Administrative	137,192	3,502,305	3,639,497
Housing assistance payments	-	2,590,498	2,590,498
Tenant services	21,219	687,366	708,585
Utilities	28,134	991,228	1,019,362
Maintenance and operations	217,443	2,861,479	3,078,922
Depreciation	188,005	1,461,926	1,649,931
Asset management fee	43,988	(43,988)	-
Bad debt expense	391	61,049	61,440
<b>Total Operating Expenses</b>	<u>636,372</u>	<u>12,111,863</u>	<u>12,748,235</u>
<b>Net Operating Loss</b>	<u>(117,455)</u>	<u>(204,543)</u>	<u>(321,998)</u>
		-	
<b>Non-Operating Revenue</b>			
Investment income	190	4,299	4,489
Gain on sale of assets	-	2,974	2,974
Interest expense	(1,711)	(291,825)	(293,536)
Grants for capital purposes	-	1,320,720	1,320,720
Other income	-	846,378	846,378
<b>Total Non-Operating Revenue</b>	<u>(1,521)</u>	<u>1,882,546</u>	<u>1,881,025</u>
Change in net assets	(118,976)	1,678,003	1,559,027
Net assets, beginning of year	7,326,832	12,838,484	20,165,316
<b>Net Assets, End of Year</b>	<u>\$ 7,207,856</u>	<u>\$ 14,516,487</u>	<u>\$ 21,724,343</u>

**HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS**

**Supplemental Schedule – HUD Financial Data Schedule  
As of and for the Year Ended June 30, 2011**



180 Total Non-Current Assets	\$49,563,334	\$0	\$0	\$0	\$0	\$293,105	\$49,856,439	\$0	\$49,856,439
190 Total Assets	\$54,158,199	\$1,496,220	\$0	\$42,453	\$0	\$501,489	\$56,198,361	-\$496,407	\$55,701,954
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$1,455,328	\$5,239		\$14,834		\$15,037	\$1,490,438		\$1,490,438
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable						\$57,276	\$57,276		\$57,276
322 Accrued Compensated Absences - Current Portion	\$20,223	\$961		\$174		\$4,935	\$26,293		\$26,293
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$116,021						\$116,021		\$116,021
342 Deferred Revenues	\$5,467						\$5,467		\$5,467
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$1,934,952						\$1,934,952		\$1,934,952
344 Current Portion of Long-term Debt - Operating Borrowings									
345 Other Current Liabilities	\$194,239	\$21,055		\$2,913			\$218,207		\$218,207
346 Accrued Liabilities - Other	\$682,585	\$3,462				\$275	\$686,322		\$686,322
347 Inter Program - Due To	\$349,670			\$146,737			\$496,407	-\$496,407	\$0
348 Loan Liability - Current									
310 Total Current Liabilities	\$4,758,485	\$30,717	\$0	\$164,658	\$0	\$77,523	\$5,031,383	-\$496,407	\$4,534,976
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$3,132,468						\$3,132,468		\$3,132,468
352 Long-term Debt, Net of Current - Operating Borrowings	\$19,829,793						\$19,829,793		\$19,829,793
353 Non-current Liabilities - Other	\$6,245,303						\$6,245,303		\$6,245,303
354 Accrued Compensated Absences - Non Current	\$182,001	\$8,648				\$44,422	\$235,071		\$235,071
355 Loan Liability - Non Current									
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$29,389,565	\$8,648	\$0	\$0	\$0	\$44,422	\$29,442,635	\$0	\$29,442,635
300 Total Liabilities	\$34,148,050	\$39,365	\$0	\$164,658	\$0	\$121,945	\$34,474,018	-\$496,407	\$33,977,611
508.1 Invested In Capital Assets, Net of Related Debt	\$18,942,060					\$293,105	\$19,235,165		\$19,235,165
509.2 Fund Balance Reserved									
511.2 Unreserved, Designated Fund Balance									
511.1 Restricted Net Assets	\$0	\$1,479,172					\$1,479,172	\$0	\$1,479,172
512.1 Unrestricted Net Assets	\$1,068,089	-\$22,317	\$0	-\$122,205	\$0	\$86,439	\$1,010,006	\$0	\$1,010,006
512.2 Unreserved, Undesignated Fund Balance									
513 Total Equity/Net Assets	\$20,010,149	\$1,456,855	\$0	-\$122,205	\$0	\$379,544	\$21,724,343	\$0	\$21,724,343
600 Total Liabilities and Equity/Net Assets	\$54,158,199	\$1,496,220	\$0	\$42,453	\$0	\$501,489	\$56,198,361	-\$496,407	\$55,701,954

HOUSING AUTHORITY OF THE CITY OF ANNAPOLIS (MD001)

ANNAPOLIS, MD

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	14.853 Public Housing_Tenant Opportunities Program	2 State/Local	14.885 Formula Capital Fund Stimulus Grant	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$2,910,976			\$17,789			\$2,928,765		\$2,928,765
70400 Tenant Revenue - Other	\$30,421						\$30,421		\$30,421
70500 Total Tenant Revenue	\$2,941,397	\$0	\$0	\$17,789	\$0	\$0	\$2,959,186	\$0	\$2,959,186
70600 HUD PHA Operating Grants	\$4,962,140	\$4,232,266			\$29,178		\$9,223,584		\$9,223,584
70610 Capital Grants	\$754,644				\$418,430	\$39,447	\$1,212,521		\$1,212,521
70710 Management Fee						\$483,108	\$483,108	-\$483,108	\$0
70720 Asset Management Fee						\$94,800	\$94,800	-\$94,800	\$0
70730 Book Keeping Fee						\$66,473	\$66,473	-\$66,473	\$0
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue						\$644,381	\$644,381	-\$644,381	\$0
70800 Other Government Grants				\$100,538			\$100,538		\$100,538
71100 Investment Income - Unrestricted	\$4,426						\$4,426		\$4,426
71200 Mortgage Interest Income	\$0						\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery									
71500 Other Revenue	\$1,492,727	\$225		\$51,593		\$156,142	\$1,700,687		\$1,700,687
71600 Gain or Loss on Sale of Capital Assets	\$2,273					\$701	\$2,974		\$2,974
72000 Investment Income - Restricted									
70000 Total Revenue	\$10,157,607	\$4,232,491	\$0	\$169,920	\$447,608	\$840,671	\$15,848,297	-\$644,381	\$15,203,916
91100 Administrative Salaries	\$845,415	\$117,279			\$29,178	\$441,980	\$1,433,852		\$1,433,852
91200 Auditing Fees	\$33,305	\$2,500		\$2,076		\$800	\$38,681		\$38,681
91300 Management Fee	\$483,108						\$483,108	-\$483,108	\$0
91310 Book-keeping Fee	\$66,473						\$66,473	-\$66,473	\$0
91400 Advertising and Marketing	\$87,473					\$0	\$87,473		\$87,473
91500 Employee Benefit contributions - Administrative	\$502,001	\$23,880		\$82		\$173,342	\$699,305		\$699,305
91600 Office Expenses	\$565,233	\$14,728		\$17		\$66,225	\$646,203		\$646,203
91700 Legal Expense	\$98,216						\$98,216		\$98,216
91800 Travel	\$15,043						\$15,043		\$15,043
91810 Allocated Overhead	\$0						\$0		\$0
91900 Other	\$407,004						\$407,004		\$407,004
91000 Total Operating - Administrative	\$3,103,271	\$158,387	\$0	\$2,175	\$29,178	\$682,347	\$3,975,358	-\$549,581	\$3,425,777
92000 Asset Management Fee	\$94,800						\$94,800	-\$94,800	\$0
92100 Tenant Services - Salaries	\$455,097						\$455,097		\$455,097
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services	\$39,551						\$39,551		\$39,551
92400 Tenant Services - Other	\$129,217			\$56,593		\$2,441	\$188,251		\$188,251
92500 Total Tenant Services	\$623,865	\$0	\$0	\$56,593	\$0	\$2,441	\$682,899	\$0	\$682,899
93100 Water	\$303,069					\$404	\$303,473		\$303,473
93200 Electricity	\$478,864					\$27,727	\$506,591		\$506,591
93300 Gas	\$196,818					\$7,235	\$204,053		\$204,053



10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In							\$0	\$0	\$0
10094 Transfers between Project and Program - Out							\$0	\$0	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$262,807	\$938,023	-\$32,424	\$40,728	\$418,430	-\$68,542	\$1,559,022	\$0	\$1,559,022
11020 Required Annual Debt Principal Payments	\$220,000	\$0	\$0	\$0	\$0	\$0	\$220,000	\$0	\$220,000
11030 Beginning Equity	\$19,328,912	\$430,182	\$0	-\$162,933	\$0	\$569,160	\$20,165,321	\$0	\$20,165,321
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$418,430	\$88,650	\$32,424		-\$418,430	-\$121,074	\$0	\$0	\$0
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Severance Benefits Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity		-\$22,317					-\$22,317		-\$22,317
11180 Housing Assistance Payments Equity		\$1,479,172					\$1,479,172		\$1,479,172
11190 Unit Months Available	10519	4268	0	50		0	14837	0	14837
11210 Number of Unit Months Leased	10064	3023	0	50		0	13137	0	13137
11270 Excess Cash	-\$866,265						-\$866,265		-\$866,265
11610 Land Purchases	\$0					\$0	\$0		\$0
11620 Building Purchases	\$536,370					\$39,477	\$575,847		\$575,847
11630 Furniture & Equipment - Dwelling Purchases	\$0					\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0					\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$699,923					\$0	\$699,923		\$699,923
11660 Infrastructure Purchases	\$0					\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$334,400					\$0	\$334,400		\$334,400
13901 Replacement Housing Factor Funds	\$0					\$0	\$0		\$0