

**HOUSING AUTHORITY OF THE
CITY OF MILWAUKEE**

Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2015

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the City of Milwaukee
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Milwaukee, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Milwaukee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Carver Park Tax Credit Limited Partnership, Highland Park Community, LLC, Cherry Court Development, LLC, Convent Hill, LLC, Scattered Sites, LLC, Westlawn Renaissance, LLC, and Lapham Park, LLC, which represent 90 percent, 86 percent and 93 percent, respectively, of the assets, net position and revenues of the discretely presented component units of the Housing Authority of the City of Milwaukee. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Carver Park Tax Credit Limited Partnership, Highland Park Community, LLC, Cherry Court Development, LLC, Convent Hill, LLC, Scattered Sites, LLC, Westlawn Renaissance, LLC, and Lapham Park, LLC, is based solely 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 from material misstatement. The financial statements of Carver Park Tax Credit Limited Partnership, Highland Park Community, LLC, Cherry Court Development, LLC, Convent Hill, LLC, Scattered Sites, LLC, Scattered Sites II, LLC, Olga Village, LLC, Westlawn Renaissance, LLC, and Lapham Park, LLC, were not audited in accordance with *Government Auditing Standards*.

Auditors' Responsibility (continued)

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Milwaukee, Wisconsin, as of December 31, 2015 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Housing Authority of the City of Milwaukee adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Milwaukee's basic financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) as listed in the table of contents are presented for purposes of additional analysis and are 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2016 on our consideration of the Housing Authority of the City of Milwaukee's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Milwaukee's internal control over financial reporting and compliance.

Baker Tilly Vinchow Krause, LLP

Milwaukee, Wisconsin
August 2, 2016

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HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2015

The management's discussion and analysis hereby presented, is designed to offer the reader a narrative overview and analysis of the financial activities of the Housing Authority of the City of Milwaukee (the Authority) for year ended December 31, 2015. This discussion and analysis is designed to assist the reader in focusing on significant fiscal issues and to identify changes in the Authority's Primary Government financial position.

Financial Statement Overview

The financial statements include the primary government and the Authority's component units. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Position

The statement of net position is similar to a balance sheet in corporate accounting. The statement of net position reports all financial and capital resources for the Authority. The statement is presented in the format where assets and deferred outflows of resources minus liabilities, equals net position. Assets and liabilities are presented in order of liquidity, and are classified as current (convertible into cash within one year), and non-current. The focus of the statement of net position is to show a picture of the liquidity and health of the organization as of the end of the year.

The statement of net position (the unrestricted net position) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position is reported in three broad categories:

- Net Investment in Capital Assets – this component of net position 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.
- Restricted net position – this component of net position consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.
- Unrestricted net position – consists of net position that do not meet the definition of net position invested in capital assets, net of related debt, or restricted net position.

Statement of Revenues, Expenses and Change in Net Position

The statement of revenues, expenses, and change in net position is similar to an income statement of private corporations. This statement includes operating revenues, such as rental income and operating grants, operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income, and interest expense. The focus of the statement of revenues, expenses, and changes in net position is the change in net position. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

Statement of Cash Flows

The statement of cash flows discloses net cash provided by, or used for operating activities, investing activities, non-capital financing activities, and from capital and related financing activities. This statement also portrays the health of the Authority in that current cash flows are sufficient to pay current liabilities.

See independent auditor's report

**HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2015**

FINANCIAL ANALYSIS

Statement of Net Position

The following table reflects a condensed summary of net position (in thousands) as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets		
Cash and Investments	\$ 29,245	\$ 26,532
Receivables	2,956	2,923
Prepays expenses	<u>1,229</u>	<u>514</u>
Total Current Assets	<u>33,430</u>	<u>29,969</u>
Capital assets, net of depreciation	102,214	105,468
Investments with fiscal agent	11,075	211
Notes receivable from Component Units	61,933	62,701
Other assets	<u>12,544</u>	<u>11,026</u>
Total Assets	<u>221,196</u>	<u>209,375</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	<u>2,309</u>	<u>-</u>
Liabilities		
Current liabilities	11,546	7,788
Long-term debt	<u>25,371</u>	<u>11,108</u>
Total Liabilities	<u>36,917</u>	<u>18,896</u>
Net Position		
Net Investment in Capital Assets	95,618	99,143
Restricted	3,189	3,937
Unrestricted	<u>87,781</u>	<u>87,399</u>
Total Net Position	<u>\$ 186,588</u>	<u>\$ 190,479</u>

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**HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2015**

Financial Analysis for the Year Ended December 31, 2015 & 2014

In 2015, current assets increased by approximately \$3.5 million. While cash and investments have increased by \$2.7 million over the year, prepaid expenses have also increased by \$715 thousand primarily due to a pension contribution paid at the end of the year. Investments with the Fiscal Agent increased due to the issue of a new Series 2015 Multifamily Housing Revenue Bonds. Overall total assets and deferred outflows of resources increased by over \$14 million.

In 2014, current assets decreased by approximately \$5.3 million. While cash and investments have decreased by \$4.1 million over the year, current receivables have also decreased by \$1.6 million. Overall total assets decreased by over \$14.3 million.

Capital Assets

At year end, the Housing Authority of the City of Milwaukee had over \$335 million invested in capital assets as reflected in the following schedule. See Note II C for additional information on the Authority's capital assets.

	2015	2014
Land	\$ 35,580,163	\$ 35,609,304
Buildings	291,427,056	291,456,313
Furniture, Equipment-Administration	3,389,369	3,346,381
Construction in Progress	4,177,715	975,812
Accumulated Depreciation	<u>(232,359,861)</u>	<u>(225,919,874)</u>
Total	<u>\$ 102,214,442</u>	<u>\$ 105,467,936</u>

This year's major additions were:

Capital Improvement Projects

Major plumbing improvements at Hillside Terrace and
and site improvements at Scattered Sites North & West. \$ 138,393

Equipment Purchases 150,207

Long-Term Debt Obligations

The Authority entered into a trust indenture with Marine Trust Company regarding \$25,000,000 Single Family Mortgage Revenue Bonds (GNMA collateralized home mortgage revenue bond program) Series 1987 on December 1, 1987. The bond proceeds were used to purchase fully modified pass-through mortgage-backed securities (GNMA certificates) guaranteed by the Government National Mortgage Association. The securities are backed by qualifying mortgage loans on residences located in the City of Milwaukee originated by lenders participating in the home mortgage revenue bond program. The GNMA certificates are pledged for the payment of principal and interest on the bonds. Under the GNMA collateralized home mortgage revenue bond program, the interest payable on the bonds is equivalent to the interest earnings on the GNMA certificates plus interest earnings on investments in the various trust funds, less any fees paid. As a result, the Authority does not recognize any income or expense from the bond issue. The bonds are redeemed as mortgage payments are received. Bonds redeemed with these mortgage repayments totaled \$9,887 in 2015.

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HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2015

The Authority entered into a trust indenture with the First Bank Trust Company regarding \$25,000,000 Single Family Mortgage Revenue Bonds (GNMA collateralized home mortgage revenue bond program) Series 1989 on June 1, 1989. The terms of the indenture are similar to the terms of the 1987 Mortgage Revenue Bonds as previously described.

The Authority issued mortgage revenue bonds amounting to \$12,500,000 for Veterans Housing Programs in 2002. The purpose of the Bonds issue is to modernize the Veterans Housing Developments (Northlawn, Berryland and Southlawn). These bonds have repayment terms of 240 level monthly payments at an interest rate of 5.839%. The Bonds were retired in 2015.

In 2015 the Authority issued Multifamily Housing Revenue Bonds Series 2015A in the amount of \$13,635,000 to currently refund all outstanding Refunded Bonds (Series 2002), finance certain costs of renovation and improvements for the Authority's Berryland, Northlawn, Southlawn and Southlawn Park Housing Developments, fund the replacement reserve deposit and pay the costs of issuance of the Series 2015A and the refunding of the Refunded Bonds. The replacement reserve is required to be funded with monthly deposits of \$24,500.

Also in 2015 the Authority issued Series 2015B bonds in the amount of \$5,410,000 to finance certain costs of construction of market-rate housing in the City and pay the costs of issuance of the Series 2015B bonds.

Mortgage Revenue Bond obligations increased by \$12,288,395 in 2015, which was due to the new bond issue. See Note II E for additional information on the Authority's long-term obligations.

Mortgage Revenue Bonds	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2015
Mortgage revenue bonds	12/1/1987	1/1/2021	Varies	\$ 25,000,000	\$ 34,435
Mortgage revenue bonds	6/1/1989	12/1/2022	Varies	25,000,000	132,015
Mortgage revenue bonds 2015A	3/2/2015	7/1/2035	0.64%	13,635,000	13,635,000
Mortgage revenue bonds 2015B	3/2/2015	7/1/2035	0.688%	5,410,000	5,015,000
					<u>\$ 18,816,450</u>

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**HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2015**

Statement of Revenue, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses (in thousands) for the current and previous fiscal year:

	<u>2015</u>	<u>2014</u>
Revenues:		
Tenant revenue	\$ 17,607	\$ 17,091
Operating subsidies and grants	47,433	47,227
Capital contributions	4,108	2,017
Investment income	2,179	1,372
Other revenue	3,048	2,952
Gain/(Loss) on disposal of assets	(15)	(930)
Total revenue	<u>74,360</u>	<u>69,729</u>
Expenses:		
Housing assistance payments	33,494	34,415
Administrative and general expenses	21,694	21,943
Utilities	5,122	5,482
Maintenance	11,859	10,143
Depreciation	6,572	7,071
Interest and amortization expense	744	438
Total expense	<u>79,485</u>	<u>79,492</u>
Increase (decrease) in net position	<u>\$ (5,125)</u>	<u>\$ (9,763)</u>

Financial Analysis for Year Ended December 31, 2015

In 2015, the Housing Authority had an overall decrease in net position of \$5.1 million, compared to a decrease in net position of about \$9.7 million in 2014.

Revenues increased by about \$4.6 million in 2015, due to an increase in Tenant Revenue, Investment Income and smaller losses on disposal of assets. Also Capital Contributions increased due to the construction of the Westlawn Management/Maintenance Facility and improvements to the Milwaukee iCenter.

In 2015, the Housing Authority experienced a small decrease in total expenses of about \$7 thousand. Housing Assistance Payments decreased about \$921 thousand despite efforts to increase lease ups in the Housing Choice Voucher Program. Administrative and general expenses decreased about 1.1% or \$249 thousand, this was mostly due to decreases in Administrative Salaries, Contract Services, Tenant Services and General Expenses.

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**HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2015**

Factors Affecting the Financial Health of the Authority

▪ **Federal funding from the U.S. Department of Housing and Urban Development**

The Authority relies on HUD Operating Fund subsidy, Capital funds and special grant programs including Resident Opportunities and Self-Sufficiency (ROSS) grants to support its public housing operations. HUD funding for operating subsidy and Capital Fund is anticipated at less than full eligibility. While HACM developed its budget anticipating these funding allocations, unanticipated increases in operating costs including utility and water expense, could result in the need to adjust program services.

HACM also receives significant funding from HUD under the Section 8 Housing Choice Voucher program. HACM administers about 6,200 vouchers. Administrative fee funding for 2015 was 81% and future funding level is projected at around 86%. This reduction could impact the ability of HACM to fully lease up to the authorized program level and could result in adjustments in services.

▪ **Local Labor Issues**

Wage rates increased modestly in 2015, but fringe benefit costs, especially health insurance, continue to increase. HACM will continue to evaluate existing policies impacting employee benefits, to control long-term costs.

▪ **Local Economic Conditions**

Despite improvement in the local economy and employment rate, the housing market has not fully recovered and has had an impact on HACM's homeownership program. Significant foreclosure activity has increased the supply of available property affordable to low income buyers. HACM is now focusing their efforts on acquiring, rehabbing, selling foreclosed properties to qualified clients. However, lack of access to mortgage financing has significantly reduced home sales. Rising construction costs have also had a negative impact on HACM's development program of new, single family, market rate homes.

▪ **Utility Rates and Supply Costs**

Utility costs continue to increase despite significant investment in energy efficient modernization. Rates have increased moderately and consumption has been reduced.

▪ **Quality of Available Housing**

HACM has continued to make significant investments in the redevelopment of its public housing portfolio. HACM has received more than \$120 million in HUD HOPE VI grants to redevelop Hillside Terrace, Parklawn, Lapham Park, Townhomes at Carver Park, Highland Gardens, Highland Homes and Scattered Sites public housing. In addition, HACM received Low Income Housing Tax Credits (LIHTC) allocations to redevelop the Cherry Court elderly/disabled housing development and completed the \$20 million mixed-finance redevelopment of the Convent Hill development. An additional \$8 million tax credit allocation will also allow HACM to replace 24 obsolete scattered sites units with new energy efficient single-family homes. HACM also received a \$10.4 million HUD formula grant under the American Recovery and Reinvestment Act (ARRA) which will fund capital improvements at all of HACM's highrise public housing developments and a \$7.9 million competitive ARRA grant to fund accessibility improvements at the 200-unit Lapham Park development for seniors.

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**HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2015**

ARRA funds and LIHTC funding were also used to construct a 37-unit midrise at Olga Village. The Housing Authority was fortunate to receive over \$8 million of LIHTC in 2010 to support the redevelopment of Westlawn and new construction at Olga Village. This award of tax credits was extremely unusual and related to approximately \$30 million of disaster credits that the Wisconsin Economic Development Authority (WHEDA) received in 2010. These disaster credits are no longer available to WHEDA, so there will be fewer tax credit dollars to award to eligible projects in the future.

HACM will continue to incorporate “green” technology and universal design within all redevelopment projects.

In 2010, HACM received a \$7.6 million LIHTC allocation to redevelop the eastern half of Westlawn. The funding allowed HACM to build 250 rental units after the demolition of the 332 old public housing units. The whole redevelopment plan of the east side calls for the construction of 365 replacement units. These will be a combination of affordable and market rate units. In September 2015, HACM was awarded a \$30 million Choice Neighborhood Implementation grant by Housing and Urban Development. This neighborhood transformation initiative will leverage around \$250 million in investment in the area. HACM will continue to redevelop the west portion of the Westlawn development by constructing new mixed income housing units.

The quality and cost of housing in the private market directly impacts HACM’s Section 8 Housing Choice Voucher program. Rental rates have largely been stable, however, the availability of large units remains limited.

▪ **Continued Capital Improvement**

HACM continues to implement its 5-year Capital Fund modernization plan supported by a comprehensive Physical Needs Assessment that was completed in 2014.

▪ **Agency Performance**

HACM is a “Standard Performer” under HUD’s Public Housing Assessment System (PHAS), and a “High Performer” under the Section Eight (8) Management Assessment Program (SEMAP).

Financial Contact

The individual to be contacted regarding this report is Rick Koffarnus, Accounting Manager, of the Housing Authority of the City of Milwaukee at 414-286-5872. Specific requests may be submitted to Fernando Aniban, Chief Financial Officer or Antonio M. Pérez, Executive Director-Secretary, Housing Authority of the City of Milwaukee, 809 North Broadway, Milwaukee, Wisconsin 53202.

See independent auditor’s report

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BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
STATEMENT OF NET POSITION
As of December 31, 2015

	Primary Government	Component Units	Totals
ASSETS			
Current Assets			
Cash and investments			
Unrestricted	\$ 24,129,037	\$ 1,405,893	\$ 25,534,930
Restricted - Other	3,925,614	-	3,925,614
Restricted - Tenant security deposits	1,190,246	455,617	1,645,863
Receivables			
HUD other projects	1,653,831	-	1,653,831
PHA projects	76,118	-	76,118
Tenants - dwelling rents	372,068	387,326	759,394
Allowance for doubtful accounts - dwelling rents	(57,258)	-	(57,258)
Miscellaneous	829,703	6,415	836,118
Development fees	75,000	-	75,000
Current portion of notes receivable from Carver Park	4,346	-	4,346
Current portion of notes receivable from Highland Park	1,789	-	1,789
Accrued interest	517	-	517
Prepaid items	1,229,251	221,648	1,450,899
Total Current Assets	<u>33,430,262</u>	<u>2,476,899</u>	<u>35,907,161</u>
Noncurrent Assets			
Restricted Assets			
Cash and investments	11,075,460	-	11,075,460
Other investments			
Replacement reserve	-	1,211,168	1,211,168
Affordability and operating reserve	-	3,096,799	3,096,799
Construction escrow	-	476,145	476,145
Deferred mortgage receivable	971,579	-	971,579
Capital Assets			
Land	35,580,163	7,059,727	42,639,890
Construction in progress	4,177,715	-	4,177,715
Other capital assets, net of accumulated depreciation	62,456,564	154,796,241	217,252,805
Other Assets			
Long-term interest receivable	11,571,176	-	11,571,176
Developer fee receivable	2,422,156	-	2,422,156
Notes receivable from Carver Park	7,420,352	-	7,420,352
Notes receivable from Highland Park	2,113,853	-	2,113,853
Notes receivable from Cherry Court	8,687,203	-	8,687,203
Notes receivable from Convent Hill	6,875,874	-	6,875,874
Notes receivable from Scattered Sites	2,318,300	-	2,318,300
Notes receivable from Scattered Sites II	1,107,578	-	1,107,578
Notes receivable from Olga Village	2,363,334	-	2,363,334
Notes receivable from Westlawn Renaissance	9,089,353	-	9,089,353
Notes receivable from Lapham Park	19,535,097	-	19,535,097
Tax credit fees, net	-	717,637	717,637
Financing fees, net	-	53,737	53,737
Total Noncurrent Assets	<u>187,765,757</u>	<u>167,411,454</u>	<u>355,177,211</u>
Total Assets	<u>221,196,019</u>	<u>169,888,353</u>	<u>391,084,372</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>2,309,471</u>	<u>-</u>	<u>2,309,471</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
STATEMENT OF NET POSITION
As of December 31, 2015

	Primary Government	Component Units	Totals
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 3,292,880	\$ 584,511	\$ 3,877,391
Accrued wages and benefits	385,047	-	385,047
Other current liabilities	1,907,621	628,949	2,536,570
Accrued interest	314,415	203,086	517,501
Unearned revenue	30,285	315,596	345,881
Due to other governments	3,613,558	-	3,613,558
Current portion of bonds and notes payable	535,000	542,979	1,077,979
Current portion of compensated absences	277,086	-	277,086
Current portion of notes and land lease payable to primary government	-	6,135	6,135
Liabilities payable from restricted assets			
Tenant security deposits	1,190,246	455,617	1,645,863
Total Current Liabilities	<u>11,546,138</u>	<u>2,736,873</u>	<u>14,283,011</u>
Noncurrent Liabilities			
Development fee payable	-	2,422,156	2,422,156
Accrued interest	-	11,571,176	11,571,176
Long-Term Debt			
Mortgage revenue bonds payable	18,404,847	-	18,404,847
Notes payable	-	4,415,709	4,415,709
Other Liabilities			
Compensated absences	646,535	-	646,535
Net OPEB obligation	4,869,697	-	4,869,697
Net pension liability	1,450,000	-	1,450,000
Notes and land lease payable to primary government	-	59,510,944	59,510,944
Total Noncurrent Liabilities	<u>25,371,079</u>	<u>77,919,985</u>	<u>103,291,064</u>
Total Liabilities	<u>36,917,217</u>	<u>80,656,858</u>	<u>117,574,075</u>
NET POSITION			
Net investment in capital assets	95,618,009	97,380,201	192,998,210
Restricted			
Debt service	173,594	-	173,594
Replacement reserve	943,460	-	943,460
Home ownership program	1,814,377	-	1,814,377
Housing choice voucher program	257,294	-	257,294
Unrestricted (deficit)	<u>87,781,539</u>	<u>(8,148,706)</u>	<u>79,632,833</u>
TOTAL NET POSITION	<u>\$ 186,588,273</u>	<u>\$ 89,231,495</u>	<u>\$ 275,819,768</u>

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HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	Primary Government	Component Units	Totals
OPERATING REVENUES			
Tenant Revenue			
Rentals	\$ 17,132,475	\$ 7,122,771	\$ 24,255,246
Other tenant revenue	474,193	197,560	671,753
HUD PHA operating grant revenue	47,382,512	-	47,382,512
Other operating revenue	3,047,232	-	3,047,232
Total Operating Revenues	68,036,412	7,320,331	75,356,743
OPERATING EXPENSES			
Administrative	17,941,921	2,441,495	20,383,416
Tenant services	1,019,024	-	1,019,024
Utilities	5,121,815	1,054,402	6,176,217
Ordinary maintenance	9,225,742	2,544,431	11,770,173
Extraordinary maintenance	2,632,150	-	2,632,150
Protective services	35,525	-	35,525
Insurance premiums	1,148,189	-	1,148,189
Other general expenses	138,472	-	138,472
Casualty loss - non-capitalized	111,461	-	111,461
Payments in lieu of taxes	1,246,075	-	1,246,075
Bad debt - tenant rents	59,484	-	59,484
Housing assistance payments	33,493,712	-	33,493,712
Depreciation and amortization	6,572,335	5,765,700	12,338,035
Total Operating Expenses	78,745,905	11,806,028	90,551,933
Operating Loss	(10,709,493)	(4,485,697)	(15,195,190)
NONOPERATING REVENUES (EXPENSES)			
Other government grants	50,899	-	50,899
Investment income	2,179,252	7,113	2,186,365
Gain (loss) on disposal of capital assets	(15,225)	-	(15,225)
Interest expense	(738,979)	(2,106,577)	(2,845,556)
Total Nonoperating Revenues (Expenses)	1,475,947	(2,099,464)	(623,517)
Income (Loss) Before Owner Distributions and Capital Contributions	(9,233,546)	(6,585,161)	(15,818,707)
OWNER DISTRIBUTIONS	-	(508)	(508)
CAPITAL CONTRIBUTIONS	4,108,427	1,192	4,109,619
Change in Net Position	(5,125,119)	(6,584,477)	(11,709,596)
NET POSITION - Beginning of Year, as restated	191,713,392	95,815,972	287,529,364
NET POSITION - END OF YEAR	\$ 186,588,273	\$ 89,231,495	\$ 275,819,768

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Primary Government	Component Units	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants	\$ 17,481,077	\$ 7,010,476	\$ 24,491,553
Receipts of HUD PHA grants	46,898,075	-	46,898,075
Payments to suppliers	(16,594,746)	(6,649,285)	(23,244,031)
Payments for housing assistance	(33,493,712)	-	(33,493,712)
Payments to employees	(17,979,096)	-	(17,979,096)
Other receipts	4,135,021	168,146	4,303,167
Net Cash Flows From Operating Activities	<u>446,619</u>	<u>529,337</u>	<u>975,956</u>
CASH FLOWS FOR NON-CAPITAL RELATED FINANCING ACTIVITIES			
Other government grants received	(958,966)	-	(958,966)
Financing of deferred mortgages	(25,040)	-	(25,040)
Net Cash Flows From Non-Capital Related Financing Activities	<u>(984,006)</u>	<u>-</u>	<u>(984,006)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Federal grants for capital acquisition	4,108,427	-	4,108,427
Acquisitions and modernization of capital assets	(3,198,657)	(244,921)	(3,443,578)
Principal paid on mortgage revenue bonds	(6,756,605)	(736,174)	(7,492,779)
Development and financing fees paid	-	(237,984)	(237,984)
Interest paid on long-term obligations	(429,929)	(570,591)	(1,000,520)
Proceeds from debt issuance/notes	19,045,000	-	19,045,000
Premium on debt	128,762	-	128,762
Subscription receipts	-	1,192	1,192
Owner distributions	-	(508)	(508)
Payments from component units or other entities related to component units for capital acquisition	530,112	-	530,112
Net Cash Flows From Capital and Related Financing Activities	<u>13,427,110</u>	<u>(1,788,986)</u>	<u>11,638,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (deposits to) withdrawals from replacement reserves	-	(236,255)	(236,255)
Net (deposits to) withdrawals from affordability reserves	-	(2,397)	(2,397)
Net (deposits to) withdrawals from operating reserves	-	107,163	107,163
Purchase of investments	(10,864,395)	-	(10,864,395)
Investment income	687,775	7,112	694,887
Net Cash Flows From Investing Activities	<u>(10,176,620)</u>	<u>(124,377)</u>	<u>(10,300,997)</u>
Net Change in Cash and Cash Equivalents	2,713,103	(1,384,026)	1,329,077
CASH AND CASH EQUIVALENTS – Beginning of Year	26,531,794	3,245,536	29,777,330
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 29,244,897</u>	<u>\$ 1,861,510</u>	<u>\$ 31,106,407</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Primary Government	Component Units	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	\$ (10,709,493)	\$ (4,485,697)	\$ (15,195,190)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities			
Depreciation	6,572,335	5,765,700	12,338,035
Amortization of financing fees	-	6,419	6,419
Changes in assets and liabilities			
Tenant accounts receivable	(70,634)	(169,773)	(240,407)
Other accounts receivable	(37,222)	-	(37,222)
Development fees receivable	312,987	-	312,987
Prepaid expenses	(714,754)	731	(714,023)
Accounts payable	1,323,826	(479,673)	844,153
Other current liabilities	312,157	-	312,157
Accrued liabilities	79,908	(136,434)	(56,526)
Compensated absences	438	-	438
Tenant security deposits	(42,279)	6,210	(36,069)
Due to other governments	2,449,555	-	2,449,555
Pension related liability, and deferrals	374,415	-	374,415
Unearned revenue	-	21,854	21,854
Net OPEB obligation	595,380	-	595,380
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 446,619	\$ 529,337	\$ 975,956
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Unrestricted	\$ 24,129,037	\$ 1,405,893	\$ 25,534,930
Restricted - Other	3,925,614	-	3,925,614
Restricted - Tenant security deposits	1,190,246	455,617	1,645,863
TOTAL CASH AND CASH EQUIVALENTS	\$ 29,244,897	\$ 1,861,510	\$ 31,106,407
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
None.			

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
As of December 31, 2015

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Totals
ASSETS										
Current Assets										
Cash and investments										
Unrestricted	\$ 49,349	\$ 47,503	\$ 114,977	\$ 21,871	\$ 28,197	\$ 148,801	\$ 21,283	\$ 542,201	\$ 431,711	\$ 1,405,893
Restricted - Tenant security deposits	63,087	44,583	46,853	27,449	8,508	12,976	10,002	162,025	80,134	455,617
Receivables										
Tenants - Dwelling rents	14,312	2,260	5,299	3,518	5,674	3,729	3,541	340,209	8,784	387,326
Miscellaneous	-	-	-	-	-	6,415	-	-	-	6,415
Prepaid items	23,293	21,278	22,602	1,125	16,533	5,526	15,333	55,499	60,459	221,648
Total Current Assets	150,041	115,624	189,731	53,963	58,912	177,447	50,159	1,099,934	581,088	2,476,899
Noncurrent Assets										
Restricted Assets										
Other investments										
Replacement reserve	76,752	121,761	216,003	133,496	64,164	44,896	55,632	276,310	222,154	1,211,168
Affordability and operating reserve	590,907	334,117	399,568	181,670	76,781	75,573	204,347	602,806	631,030	3,096,799
Construction escrow	-	-	-	-	-	-	-	476,145	-	476,145
Capital Assets										
Land	772,096	142,500	1,012,646	745,168	203,111	136,671	573,017	2,637,572	836,946	7,059,727
Other capital assets, net of accumulated depreciation	8,191,935	8,262,364	13,100,971	10,076,944	4,639,035	5,588,968	10,817,295	65,728,164	28,390,565	154,796,241
Other Assets										
Tax credit fees, net	-	21,083	35,115	42,290	18,024	-	-	547,756	53,369	717,637
Financing fees, net	1,352	9,197	12,965	6,759	-	-	8,738	14,726	-	53,737
Total Noncurrent Assets	9,633,042	8,891,022	14,777,268	11,186,327	5,001,115	5,846,108	11,659,029	70,283,479	30,134,064	167,411,454
Total Assets	9,783,083	9,006,646	14,966,999	11,240,290	5,060,027	6,023,555	11,709,188	71,383,413	30,715,152	169,888,353

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
As of December 31, 2015

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Totals
LIABILITIES										
Current Liabilities										
Accounts payable	\$ 43,262	\$ 12,374	\$ 10,459	\$ 28,759	\$ 13,310	\$ 12,060	\$ 21,217	\$ 282,066	\$ 161,004	\$ 584,511
Other current liabilities	71,643	39,938	63,833	2,080	11,286	12,194	5,250	289,836	132,889	628,949
Accrued interest	66,540	8,193	3,374	3,834	-	-	121,145	-	-	203,086
Unearned revenue	6,783	27,439	21,705	13,249	13	-	-	216,726	29,681	315,596
Current portion of bonds and notes payable	462,615	41,124	19,400	19,840	-	-	-	-	-	542,979
Current portion of notes and land lease payable to primary government	4,346	1,789	-	-	-	-	-	-	-	6,135
Liabilities payable from restricted assets										
Tenant security deposits	63,087	44,583	46,853	27,449	8,508	12,976	10,002	162,025	80,134	455,617
Total Current Liabilities	718,276	175,440	165,624	95,211	33,117	37,230	157,614	950,653	403,708	2,736,873
Noncurrent Liabilities										
Development fee payable	-	-	-	-	-	-	-	-	2,422,156	2,422,156
Accrued interest	4,780,478	1,496,691	2,336,815	1,200,431	555,580	613,312	122,834	378,135	86,900	11,571,176
Long-Term Debt										
Notes payable	-	1,460,465	869,959	913,391	-	-	1,171,894	-	-	4,415,709
Other Liabilities										
Notes and land lease payable to primary government	7,420,352	2,113,853	8,687,203	6,875,874	2,318,300	1,107,578	2,363,334	9,089,353	19,535,097	59,510,944
Total Noncurrent Liabilities	12,200,830	5,071,009	11,893,977	8,989,696	2,873,880	1,720,890	3,658,062	9,467,488	22,044,153	77,919,985
Total Liabilities	12,919,106	5,246,449	12,059,601	9,084,907	2,906,997	1,758,120	3,815,676	10,418,141	22,447,861	80,656,858
NET POSITION (DEFICIT)										
Net investment in capital assets	1,076,718	4,787,633	4,537,055	3,013,007	2,523,846	4,618,061	7,855,084	59,276,383	9,692,414	97,380,201
Unrestricted (deficit)	(4,212,741)	(1,027,436)	(1,629,657)	(857,624)	(370,816)	(352,626)	38,428	1,688,889	(1,425,123)	(8,148,706)
TOTAL NET POSITION (DEFICIT)	\$ (3,136,023)	\$ 3,760,197	\$ 2,907,398	\$ 2,155,383	\$ 2,153,030	\$ 4,265,435	\$ 7,893,512	\$ 60,965,272	\$ 8,267,291	\$ 89,231,495

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HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNITS
For the Year Ended December 31, 2015

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Totals
OPERATING REVENUES										
Tenant revenue										
Rentals	\$ 862,162	\$ 794,584	\$ 807,143	\$ 581,915	\$ 170,311	\$ 230,918	\$ 267,088	\$ 2,154,254	\$ 1,254,396	\$ 7,122,771
Other tenant revenue	20,600	18,256	21,088	10,459	3,520	4,138	7,192	80,384	31,923	197,560
Total Operating Revenues	882,762	812,840	828,231	592,374	173,831	235,056	274,280	2,234,638	1,286,319	7,320,331
OPERATING EXPENSES										
Administrative	267,615	219,906	304,009	127,074	67,002	111,729	81,491	794,085	468,584	2,441,495
Utilities	116,543	156,901	152,284	-	21,939	42,643	63,797	271,039	229,256	1,054,402
Ordinary maintenance	299,570	267,877	249,694	374,101	72,516	72,618	109,974	738,019	360,062	2,544,431
Depreciation and amortization	633,757	517,007	464,050	529,320	153,533	167,427	393,065	2,081,241	826,300	5,765,700
Total Operating Expenses	1,317,485	1,161,691	1,170,037	1,030,495	314,990	394,417	648,327	3,884,384	1,884,202	11,806,028
Operating Loss	(434,723)	(348,851)	(341,806)	(438,121)	(141,159)	(159,361)	(374,047)	(1,649,746)	(597,883)	(4,485,697)
NONOPERATING REVENUES (EXPENSES)										
Investment income	1,817	13	1,560	384	139	114	311	1,465	1,310	7,113
Interest expense	(508,602)	(280,076)	(365,309)	(252,823)	(79,989)	(118,119)	(53,650)	(378,551)	(69,458)	(2,106,577)
Total Nonoperating Revenues (Expenses)	(506,785)	(280,063)	(363,749)	(252,439)	(79,850)	(118,005)	(53,339)	(377,086)	(68,148)	(2,099,464)
Loss Before Owner Distributions and Capital Contributions	(941,508)	(628,914)	(705,555)	(690,560)	(221,009)	(277,366)	(427,386)	(2,026,832)	(666,031)	(6,585,161)
OWNER DISTRIBUTIONS	-	-	(508)	-	-	-	-	-	-	(508)
CAPITAL CONTRIBUTIONS	-	-	-	-	-	-	-	-	1,192	1,192
Change in Net Position	(941,508)	(628,914)	(706,063)	(690,560)	(221,009)	(277,366)	(427,386)	(2,026,832)	(664,839)	(6,584,477)
NET POSITION (DEFICIT) - Beginning of Year	(2,194,515)	4,389,111	3,613,461	2,845,943	2,374,039	4,542,801	8,320,898	62,992,104	8,932,130	95,815,972
NET POSITION (DEFICIT) - END OF YEAR	\$ (3,136,023)	\$ 3,760,197	\$ 2,907,398	\$ 2,155,383	\$ 2,153,030	\$ 4,265,435	\$ 7,893,512	\$ 60,965,272	\$ 8,267,291	\$ 89,231,495

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS
For the Year Ended December 31, 2015

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Totals
Cash flows from operating activities										
Receipts from tenants	\$ 903,894	\$ 807,158	\$ 815,256	\$ 579,327	\$ 166,325	\$ 224,342	\$ 266,876	\$ 1,968,526	\$ 1,278,772	\$ 7,010,476
Payments to suppliers	(747,394)	(656,045)	(709,233)	(496,783)	(158,555)	(230,745)	(248,566)	(1,920,465)	(1,481,499)	(6,649,285)
Other receipts (payments)	20,600	18,256	21,088	10,459	3,520	3,963	7,192	80,384	2,684	168,146
Net cash flows from operating activities	177,100	169,369	127,111	93,003	11,290	(2,440)	25,502	128,445	(200,043)	529,337
Cash flows from capital and related financing activities										
Subscription receipts	-	-	-	-	-	-	-	-	1,192	1,192
Owner distributions	-	-	(508)	-	-	-	-	-	-	(508)
Acquisitions and modernization of capital assets	(1,500)	(16,300)	-	-	-	-	(2,858)	(224,263)	-	(244,921)
Principal paid on mortgage revenue bonds	(131,683)	(38,462)	(18,867)	(18,729)	-	-	-	(528,433)	-	(736,174)
Interest paid on long-term obligations	(16,358)	(106,920)	(74,007)	(67,028)	-	(23,024)	(4,656)	(244,447)	(34,151)	(570,591)
Development and financing fees paid	-	-	-	-	-	-	-	-	(237,984)	(237,984)
Net cash flows from capital and related financing activities	(149,541)	(161,682)	(93,382)	(85,757)	-	(23,024)	(7,514)	(997,143)	(270,943)	(1,788,986)
Cash flows from investing activities										
Net (deposits to) withdrawals from replacement reserves	(11,991)	(10,852)	(25,670)	(17,016)	(8,908)	(8,385)	(9,297)	(79,899)	(64,237)	(236,255)
Net (deposits to) withdrawals from affordability reserves	(657)	-	(607)	(163)	(77)	-	-	(893)	-	(2,397)
Net (deposits to) withdrawals from operating reserves	(1,108)	(3)	(391)	(51)	-	(76)	(254)	109,981	(935)	107,163
Investment income	1,817	12	1,560	384	139	114	311	1,465	1,310	7,112
Net cash flows from investing activities	(11,939)	(10,843)	(25,108)	(16,846)	(8,846)	(8,347)	(9,240)	30,654	(63,862)	(124,377)
Net Change in Cash and Cash Equivalents	15,620	(3,156)	8,621	(9,600)	2,444	(33,811)	8,748	(838,044)	(534,848)	(1,384,026)
Cash and cash equivalents – Beginning of Year	96,816	95,242	153,209	58,920	34,261	195,588	22,537	1,542,270	1,046,693	3,245,536
Cash and Cash Equivalents - End of Year	<u>\$ 112,436</u>	<u>\$ 92,086</u>	<u>\$ 161,830</u>	<u>\$ 49,320</u>	<u>\$ 36,705</u>	<u>\$ 161,777</u>	<u>\$ 31,285</u>	<u>\$ 704,226</u>	<u>\$ 511,845</u>	<u>\$ 1,861,510</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS
For the Year Ended December 31, 2015

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:										
Operating loss	\$ (434,723)	\$ (348,851)	\$ (341,806)	\$ (438,121)	\$ (141,159)	\$ (159,361)	\$ (374,047)	\$ (1,649,746)	\$ (597,883)	\$ (4,485,697)
Adjustments to reconcile operating loss to net cash flows from operating activities										
Depreciation and amortization expense	633,757	517,007	464,050	529,320	153,533	167,427	393,065	2,081,241	826,300	5,765,700
Amortization of financing fees	618	2,211	2,186	988	-	-	-	416	-	6,419
Changes in Assets and Liabilities										
Tenant accounts receivable	38,830	10,340	5,471	(1,210)	(4,396)	(5,607)	768	(211,539)	(2,430)	(169,773)
Prepaid expenses	965	(3,110)	1,522	(38)	(1,510)	515	(73)	395	2,065	731
Accounts payable	(71,969)	(7,875)	(14,240)	3,442	3,391	3,634	3,369	46,867	(446,292)	(479,673)
Accrued liabilities	6,720	(2,587)	7,286	-	1,021	(7,904)	3,400	(165,000)	20,630	(136,434)
Tenant security deposits	3,025	957	2,183	2,043	506	(1,436)	(980)	(2,118)	2,030	6,210
Unearned revenue	(123)	1,277	459	(3,421)	(96)	292	-	27,929	(4,463)	21,854
Total adjustments	(22,552)	(998)	2,681	816	(1,084)	(10,506)	6,484	(303,466)	(428,460)	(757,085)
Net cash flows from operating activities	\$ 177,100	\$ 169,369	\$ 127,111	\$ 93,003	\$ 11,290	\$ (2,440)	\$ 25,502	\$ 128,445	\$ (200,043)	\$ 529,337
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION										
Unrestricted	\$ 49,349	\$ 47,503	\$ 114,977	\$ 21,871	\$ 28,197	\$ 148,801	\$ 21,283	\$ 542,201	\$ 431,711	\$ 1,405,893
Restricted - tenant security deposits	63,087	44,583	46,853	27,449	8,508	12,976	10,002	162,025	80,134	455,617
TOTAL CASH AND CASH EQUIVALENTS	\$ 112,436	\$ 92,086	\$ 161,830	\$ 49,320	\$ 36,705	\$ 161,777	\$ 31,285	\$ 704,226	\$ 511,845	\$ 1,861,510

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HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

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HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Milwaukee, Wisconsin conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to enterprise funds of governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report contains the financial information of the Housing Authority of the City of Milwaukee (the "Authority"). The Authority is a separate body, corporate, and politic, which was established by State Statute 66.40 in 1944. The Authority is directed by seven commissioners who are appointed by the Mayor and confirmed by the Common Council for staggered five-year terms.

The reporting entity for the Authority consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the Authority and is fiscally dependent on the Authority. Separately issued financial statements of all component units may be obtained from Armando Gutierrez, the executive director at the Friends of Housing Corporation, at Friends of Housing Corporation, P.O. Box 772, Milwaukee, WI 53201-0772.

Accounting principles generally accepted in the United States of America require the inclusion of a combining statement of net position and a combining statement of revenues, expenses and change in net position for all major component units be included in the Authority's basic financial statement if not presented in separate columns on the Authority's statement of net position or the statement of revenues, expenses and change in net position; however those principles do not required the inclusion of an aggregate total of cash flows for its component units on the statement of cash flows or a combining statement of cash flows for its component units if the component units issue separate standalone financial statements. As previously noted, each discretely presented component unit issues separate financial statement; however management has elected to include an aggregate total of cash flows for its component units on the statement of cash flows and a combining statement of cash flows for its component units.

Blended Component Units

Travaux, Inc.

In May 2013, the Authority formed Travaux, Inc. (Travaux). The purpose of Travaux is to provide for services outside of the Authority's portfolio while continuing to serve the Authority's modernization and development services needs during the initial years of operations. Travaux and the Authority have substantially the same governing body, management of the Authority has operational responsibility for Travaux and a financial benefit or burden relationship exists. The activity of Travaux is reported in the General Fund program of the Authority. Travaux does not issue separate financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units

Carver Park Tax Credit Limited Partnership

In February 1999, the Authority entered into a limited partnership with Friends of Housing Corporation named Carver Park, LLC (Carver Park). The Authority has a 51% ownership, while Friends of Housing corporation has 49%. During 2000, Carver Park entered into a limited partnership named Carver Park Tax Credit Limited Partnership (Partnership). The general partner of the Partnership is Carver Park with a .01% interest and equity investors are the limited partners with a 99.9% interest. The main purpose of the Partnership was to construct and operate Carver Park affordable housing development and to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code. The Partnership's operating agreement calls for the Partnership to dissolve on December 31, 2050. The information presented for the Partnership is for the fiscal years ended December 31, 2015.

Carver Park has constructed and is operating two low-income housing apartment properties located in Milwaukee, Wisconsin, jointly called Townhomes at Carver Park. The first property (hereafter referenced as Carver I) consists of 19 buildings totaling 64 units. The second property (hereafter referenced as Carver II) consists of 16 buildings totaling 58 units. The properties were placed in service during 2001.

Highland Park Community, LLC

As of August 8, 2003, Highland Park Community, LLC (Highland Park), a limited liability company was created. The Managing Member of the Highland Park Community, LLC is Highland Park Development, LLC, which is 100% owned by the Authority, and which has a .01% interest in the Highland Park Community, LLC. The purpose of Highland Park is to construct and operate the 114 unit elderly and disabled component of the Highland Park Housing development and to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code. The tax credits are worth \$8.2 million. The property was placed in service during 2004. The information presented for Highland Park is for the fiscal years ended December 31, 2015.

Cherry Court Development, LLC

As of November 29, 2004, the Authority formed Cherry Court Development, LLC (Cherry Court), a limited liability company. The purpose of Cherry Court is to construct and operate the 120 unit elderly and disabled component of the Cherry Court Housing Development and to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are worth \$9.3 million and will be invested in the development. Total funding for the development was over \$18 million, with the balance coming from a combination of HOPE VI funding received by the Authority, other federal funds, and private financing. The property was placed in service during 2006. The information presented for Cherry Court is for the fiscal years ended December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

Convent Hill Development, LLC

As of November 17, 2005, the Authority formed Convent Hill Development, LLC (Convent Hill), a limited liability company. The purpose of Convent Hill is to construct and operate 80 low-income housing units of the Convent Hill Housing Development and to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are worth \$8.2 million and will be invested in the development. Total funding for the development was over \$16 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service during 2007. The information presented for Convent Hill is for the fiscal years ended December 31, 2015.

Scattered Sites, LLC

As of September 24, 2007, the Authority formed Scattered Sites, LLC (Scattered Sites), a limited liability company. The purpose of Scattered Sites is to construct and develop 24 scattered sites, single family homes known as the "Scattered Sites Revitalization Project" and to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are worth \$3.7 million and will be invested in the development. Total funding for the development was over \$6.5 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service in 2008. The information presented for Scattered Sites is for the fiscal years ended December 31, 2015.

Scattered Sites II, LLC

As of December 31, 2008, the Authority formed Scattered Sites II, LLC (Scattered Sites II), a limited liability company. The purpose of Scattered Sites II is to construct and develop 24 scattered sites, single family homes known as the "Scattered Sites II Revitalization Project" and to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are estimated to be worth \$5.8 million and will be invested in the development. Total funding for the development will be over \$6.8 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service in 2009. The information presented for Scattered Sites II is for the fiscal years ended December 31, 2015.

Olga Village, LLC

As of December 31, 2009, the Authority formed Olga Village, LLC (Olga Village), a limited liability company. The purpose of Olga Village is to construct and develop 37 senior and elderly units known as the "Olga Village" and to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code. Proceeds from the sale of tax credits are estimated to be worth \$7.4 million and will be invested in the development. Total funding for the development will be over \$9.7 million, with the balance coming from a combination of other federal funds and private financing. The project was placed in service in 2010. The information presented for Olga Village is for the fiscal years ended December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Units (cont.)

Westlawn Renaissance, LLC

As of November 8, 2010, the Authority formed Westlawn Renaissance, LLC, a limited liability company. Westlawn Renaissance, LLC is the owner entity for the revitalization of the eastern side of Westlawn housing development (Westlawn). In 2010, the Wisconsin Housing and Economic Development (WHEDA) awarded HACM a tax credit allocation of over \$76 million for Westlawn. The tax credit will be used for the first phase of the redevelopment which will include the eastern portion of Westlawn along W. Silver Spring Drive between 60th and 64th Streets. The funding for the development was over \$82 million with the balance coming from a combination of other federal funds and private financing. Phase I plans include replacing 332 distressed, barracks-style housing units with up to 345 housing units which will include the 250 tax credit units owned by Westlawn Renaissance, LLC. The housing units will be comprised of single family homes, duplexes, and multifamily rental housing units. Phase I plan will also include market rate home ownership and rental units. The new units will be designed for environmental sustainability and in a mixture of styles to match the architectural features of the surrounding neighborhood. The project was placed in service in 2012. The information presented for Westlawn Renaissance, LLC is for the period ended December 31, 2015.

Lapham Park, LLC

As of October 11, 2011, the Authority incorporated Lapham Park, LLC, a limited liability company. This is the owner entity for the rehabilitation of Lapham Park, a 201 unit elderly designated high rise building. Lapham Park was originally built in 1964. Lapham Park serves low-income, disabled adults and elderly individuals, many of whom are also disabled, wheelchair-bound, suffer from vision or hearing loss and show the early signs of Alzheimer's. Upon completion of the project, all 201 housing units will be handicapped accessible. Lapham Park serves as a national model of a Continuing Care Community partnership for low-income seniors. By allowing seniors to age in their community instead of transferring to more expensive nursing care, the partnership has saved approximately \$1 million in Medicaid nursing home costs annually. The total rehabilitation cost was budget at around \$33 million. The Housing Authority received about \$12 million in tax credit allocation from WHEDA for this project under the 4% tax credit program. The balance of the rehabilitation budget will be financed from HACM's capital fund program and other federal funds. The project was placed in service on various dates ranging from November 2011 to November 2012. The information presented for Lapham Park is for the fiscal year ended December 31, 2015.

The Housing Authority reports its component units (ownership entities) that were incorporated to own mixed finance developments currently under development as part of its Primary Government Operations. All inter-company transactions between the Primary Government and these Component Units are eliminated for purposes of financial statement presentations. Equity drawdown and third party loans obtained during construction period are reported under the Primary Government operations. These entities will be presented discretely as separate component units when the rental units are placed in service. As of December 31, 2015, there were no mixed finance developments in progress.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. FINANCIAL STATEMENTS

In 2014, the Authority began reporting U.S Department of Housing and Urban Development (HUD) public housing authority (PHA) operating grants as operating revenue in the statement of revenues, expenses and changes in net position. Prior to 2014, the HUD PHA operating grants had been reported as part of nonoperating revenue in the statement of revenues, expenses and changes in net position. The Authority has determined that for purposes of financial reporting the HUD subsidies for ongoing operations and housing assistance payments for each unit rented to qualified tenants are directly related to the Authority's mission and therefore are recorded as operating grant revenue.

The financial statements of the Authority include the accounts of the four programs listed below:

Low Income Housing Program
Housing Choice Voucher Program

Veteran's Housing Program
General Fund

The Low Income Housing Program manages 3,557 dwelling units at the end of 2015, in 17 housing developments and approximately 334 units of scattered sites. The U.S. Department of Housing and Urban Development (HUD) provides funding in the form of subsidies for this program.

The Housing Choice Voucher Program had approximately 5,541 units under contract at the end of 2015. The Authority provides rental assistance to low-income families under this program. HUD provides funding in the form of subsidies for this program.

In addition to the above programs, the Authority also owns and manages four housing developments which are not federally subsidized. These developments include Southlawn Park (12 units) and three Veterans Housing Developments, Northlawn, Southlawn, and Berryland consisting of 978 units. The veterans developments were constructed in 1949-1950 to meet housing needs for the area's veterans. They were financed without the use of federal funds, relying principally on revenue bonds. Veterans Housing Developments receive no subsidy from any governmental agency. Rental revenues, which are fixed by unit size, are used to pay all expenses. Applicants for these units must meet income criteria set by the Authority.

The General Fund was established in accordance with Resolution Number 896, adopted December 7, 1954. The General Fund was created to hold, invest, and disburse monies which may accrue to the Authority free and clear of all liens, charges and encumbrances as a result of its operation, management, and control of the various Veterans Housing Developments. In addition to the above, the General Fund is also used to account for all financial transactions of the Authority other than those reflected in Low Income Housing, Housing Choice Voucher, or the Veterans Housing Programs.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. FINANCIAL STATEMENTS (cont.)

In June 2012, the GASB issued statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented January 1, 2015.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Authority engages in business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the accounts of the Authority, which are organized as an enterprise fund, are used to account for the Authority's activities that are financed and operated in a manner similar to a private business enterprise. The Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses, including depreciation and amortization, are recorded when incurred.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include operating subsidies from related organization, grants, and contributions. Revenue from subsidies, grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal operations of the Authority. Operating revenues of the Authority result from exchange transactions associated with providing housing and related services and HUD PHA operating subsidies and housing assistance payments that are directly related to the Authority's mission. Operating expenses for the Authority include the cost of housing services provided, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenue includes capital grants, miscellaneous noncapital grants, investment income and other revenues not meeting the definition of operating.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As a general rule, the effect of interprogram activity has been eliminated from the business-wide financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments, except for amounts presented as restricted investments or investment with fiscal agent, with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of Authority funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The Authority has adopted an investment policy that follows all state statutes and the HUD guidelines for investment. That policy contains the following guidelines for allowable investments:

Custodial Credit Risk

Collateral is required for all Housing Authority investments except for investments held at the time the investment policy was adopted. The collateral must be on the Authority's approved list of investments.

Credit Risk and Concentration of Credit Risk

The Authority cannot have more than 50% of its investment portfolio in a single investment. There is an exception for investments that are fully collateralized by Federal Government insurance.

Interest Rate Risk

To the extent possible, the Authority will attempt to match its investments with anticipated cash flow requirements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (the Pool or LGIP), is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2015, the fair value of the Authority's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note II. A. for further information.

2. Investments with Fiscal Agent

Investments with fiscal agent are amounts placed in trust under the direction of the trustees and are available only for debt retirement or the original purpose of the borrowings.

3. Receivables

Tenant accounts receivable have been shown net of an allowance for uncollectible accounts of \$57,258 for the year ended December 31, 2015.

Grants receivable represent amounts due from federal agencies for program expenses incurred by the Authority for which reimbursement have not been made.

The Authority has significant receivables from its Component Units which are presented in the Statement of Net Position as notes receivable. The terms of these notes receivables are described in detail in the Component Unit section of Note II. E.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such agreements are required by bond agreements, grant agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

6. Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

The costs for ordinary and extraordinary maintenance and repairs are charged against income as incurred, while betterments and additions are capitalized at year end. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets, which are equipment (5 years) and buildings and site improvements (15 - 40 years). Interest expense is not capitalized on rehabilitation projects.

Rental property of Carver Park, Highland Park, Cherry Court, Convent Hill, Scattered Sites, Scattered Sites II, Olga Village, Westlawn Renaissance and Lapham Park is stated at cost. Depreciation of rental property is computed principally by the straight-line and declining balance methods based upon the following estimated useful lives of the assets:

Site Improvements	15 - 20 Years
Buildings	27.5 - 40 Years
Furnishing and equipment	5-10 Years

Construction in progress includes costs incurred for development, a portion of which may be reclassified to other assets pending future events with component units.

7. Financing and Tax Credit Fees

Financing fees are deferred and amortized on the straight-line method over the term of the debt issue. Tax credit fees are deferred and amortized on the straight-line method over the life of the tax credit compliance period of 15 years.

8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as outflow of resources (expense) until that future time.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Long-Term Obligations

All long term obligations to be repaid from business-type resources are reported as liabilities in the statements. The long-term obligations consist primarily of revenue bonds payable, compensated absences, net pension liability and net OPEB obligation.

10. Compensated Absences

Under terms of employment, employees are granted sick leave and vacation benefits in varying amounts. All vested vacation and sick leave pay is accrued when incurred and is presented as compensated absences in the financial statements. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2015 are determined on the basis of current salary rates.

11. Net Position

Net position is displayed in three components as follows:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Authority's deposits and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risk
Demand deposits	\$ 14,523,437	\$ 13,200,381	Custodial credit risk
Petty cash	700	-	N/A
US agencies - implicitly guaranteed	18,320,628	18,320,628	Credit, custodial credit, concentration of credit and interest rate risk
US agencies - explicitly guaranteed	145,073	145,073	Custodial credit and interest rate risk
US treasuries	6,329,101	6,329,101	Custodial credit and interest rate risk
LGIP	1,001,418	1,001,418	Credit risk
Total Deposits and Investments	<u>\$ 40,320,357</u>	<u>\$ 38,996,601</u>	
Reconciliation to financial statements			
Per statement of net position			
Current Assets			
Unrestricted cash and cash equivalents	\$ 24,129,037		
Other restricted - cash and cash equivalents	3,925,614		
Restricted cash - tenant security deposits	1,190,246		
Non-Current Assets			
Investment with fiscal agent	11,075,460		
Total Deposits and Investments	<u>\$ 40,320,357</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to nature of this fund, recovery of material principal losses may not be significant to individual municipalities. The coverage has not been considered in computing custodial credit risk.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority.

As of December 31, 2015, \$1,715,204 of the Authority's total bank balances were exposed to custodial credit risk as uninsured and uncollateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2015, \$24,510,940 of the Authority's investments was exposed to custodial credit risk as neither insured nor registered and held by counterparty.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

As of December 31, 2015 the Authority had \$1,001,418 invested in the Local Government Investment Pool, which is not rated.

The Authority's investments in US agencies – implicitly guaranteed of \$18,320,628 are rated Aaa by Moody's as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2015, the Authority's investments are as follows:

Investment Type	Fair Value	Maturity in years	
		Less than 1 year	1 to 5 years
US agencies - implicitly guaranteed	\$ 18,320,628	\$ 6,518,990	\$ 11,801,638
US agencies - explicitly guaranteed	145,073	-	145,073
US treasuries	6,329,101	5,223,140	1,105,961
Total Investments	<u>\$ 24,794,802</u>	<u>\$ 11,742,130</u>	<u>\$ 13,052,672</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. At December 31, 2015, the investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	US agency - implicitly guaranteed	33.4%
Federal National Mortgage Association	US agency - implicitly guaranteed	19.8%
Federal Home Loan Banks	US agency - implicitly guaranteed	14.4%

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

For financial reporting purposes, the component units consider all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the partnership due to restrictions placed on it. The risks associated with the component unit's cash and investment balances are not known. The cash balances for the component units as of December 31, 2015 are as follows:

Component Units

CARVER PARK

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 49,349
Restricted - Tenant security deposits	63,087
Other investments- Restricted	
Replacement reserve	76,752
Affordability and operating reserve	590,907
Total cash and investments	<u>\$ 780,095</u>

HIGHLAND PARK

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 47,503
Restricted - Tenant security deposits	44,583
Other investments- Restricted	
Replacement reserve	121,761
Affordability and operating reserve	334,117
Total cash and investments	<u>\$ 547,964</u>

CHERRY COURT

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 114,977
Restricted - Tenant security deposits	46,853
Other investments- Restricted	
Replacement reserve	216,003
Affordability and operating reserve	399,568
Total cash and investments	<u>\$ 777,401</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Component Units (cont.)

CONVENT HILL

Cash and equivalents	
Unrestricted	\$ 21,871
Restricted - Tenant security deposits	27,449
Other investments- Restricted	
Replacement reserve	133,496
Affordability and operating reserve	181,670
Total cash and investments	<u>\$ 364,486</u>

SCATTERED SITES

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 28,197
Restricted - Tenant security deposits	8,508
Other investments- Restricted	
Replacement reserve	64,164
Affordability and operating reserve	76,781
Total cash and investments	<u>\$ 177,650</u>

SCATTERED SITES II

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 148,801
Restricted - Tenant security deposits	12,976
Other investments - Restricted	
Replacement reserve	44,896
Operating reserve	75,573
Total cash and investments	<u>\$ 282,246</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Component Units (cont.)

OLGA VILLAGE

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 21,283
Restricted - Tenant security deposits	10,002
Other investments- Restricted	
Replacement reserve	55,632
Operating reserve	204,347
Total cash and investments	<u>\$ 291,264</u>

WESTLAWN RENAISSANCE

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 542,201
Restricted - Tenant security deposits	162,025
Other investments- Restricted	
Replacement reserve	276,310
Operating reserve	602,806
Construction escrow	476,145
Total cash and investments	<u>\$ 2,059,487</u>

LAPHAM PARK

	<u>Totals</u>
Cash and equivalents	
Unrestricted	\$ 431,711
Restricted - Tenant security deposits	80,134
Other investments- Restricted	
Replacement reserve	222,154
Operating reserve	631,030
Total cash and investments	<u>\$ 1,365,029</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

B. RESTRICTED ASSETS

Following is a list of restricted assets at December 31, 2015:

	<u>Totals</u>
Cash and cash equivalents	
Tenant security deposits	\$ 1,190,246
Replacement reserve	2,218,559
Home ownership	53,747
Family Self Sufficiency escrow	204,755
FEMA unearned revenue	1,040,150
Housing choice voucher	407,654
Investments	
Debt service	173,594
Construction funds	<u>10,902,615</u>
Total cash and investments	16,191,320
Deferred mortgage receivable	<u>971,579</u>
Total restricted assets	17,162,899
Less: current amounts	<u>(5,115,111)</u>
Total noncurrent restricted assets	<u>\$ 12,047,788</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the Authority for the year ended December 31, 2015, was as follows:

HOUSING AUTHORITY	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 35,609,304		\$ 29,141	\$ 35,580,163
Construction in progress	975,812	3,902,700	700,797	4,177,715
Total Capital Assets Not Being Depreciated	36,585,116	3,902,700	729,938	39,757,878
Capital assets being depreciated				
Buildings and improvements	291,456,313	144,138	173,395	291,427,056
Equipment	3,346,381	144,462	101,474	3,389,369
Total Capital Assets Being Depreciated	294,802,694	288,600	274,869	294,816,425
Total Capital Assets	331,387,810	4,191,300	1,004,807	334,574,303
Less: Accumulated depreciation for				
Buildings and improvements	(223,188,604)	(6,379,010)	30,874	(229,536,740)
Equipment	(2,731,270)	(193,325)	101,474	(2,823,121)
Total Accumulated Depreciation	(225,919,874)	(6,572,335)	132,348	(232,359,861)
Net Capital Assets Being Depreciated	68,882,820	(6,283,735)	142,521	62,456,564
Total Capital Assets, Net of Accumulated Depreciation	\$ 105,467,936	\$ (2,381,035)	\$ 872,459	\$ 102,214,442

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units

Capital asset activity for Carver Park for the year ended December 31, 2015, was as follows:

CARVER PARK	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 772,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,096</u>
Capital assets being depreciated				
Land improvements	227,268	-	-	227,268
Buildings and improvements	17,048,066	-	-	17,048,066
Equipment	<u>68,291</u>	<u>1,500</u>	<u>-</u>	<u>69,791</u>
Total Capital Assets Being Depreciated	<u>17,343,625</u>	<u>1,500</u>	<u>-</u>	<u>17,345,125</u>
Total Capital Assets	<u>18,115,721</u>	<u>1,500</u>	<u>-</u>	<u>18,117,221</u>
Less: Accumulated depreciation for				
Land improvements	(200,046)	(13,527)	-	(213,573)
Buildings and improvements	(8,251,096)	(619,930)	-	(8,871,026)
Equipment	<u>(68,291)</u>	<u>(300)</u>	<u>-</u>	<u>(68,591)</u>
Total Accumulated Depreciation	<u>(8,519,433)</u>	<u>(633,757)</u>	<u>-</u>	<u>(9,153,190)</u>
Net Capital Assets Being Depreciated	<u>8,824,192</u>	<u>(632,257)</u>	<u>-</u>	<u>8,191,935</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,596,288</u>	<u>\$ (632,257)</u>	<u>\$ -</u>	<u>\$ 8,964,031</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Highland Park for the year ended December 31, 2015, was as follows:

HIGHLAND PARK	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 142,500	\$ -	\$ -	\$ 142,500
Capital assets being depreciated				
Land improvements	37,500	-	-	37,500
Buildings and improvements	13,769,121	14,800	-	13,783,921
Equipment	292,346	1,500	-	293,846
Total Capital Assets Being Depreciated	14,098,967	16,300	-	14,115,267
Total Capital Assets	14,241,467	16,300	-	14,257,767
Less: Accumulated depreciation for				
Land improvements	(27,535)	(2,214)	-	(29,749)
Buildings and improvements	(5,069,539)	(501,066)	-	(5,570,605)
Equipment	(244,323)	(8,226)	-	(252,549)
Total Accumulated Depreciation	(5,341,397)	(511,506)	-	(5,852,903)
Net Capital Assets Being Depreciated	8,757,570	(495,206)	-	8,262,364
Total Capital Assets, Net of Accumulated Depreciation	\$ 8,900,070	\$ (495,206)	\$ -	\$ 8,404,864

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Cherry Court for the year ended December 31, 2015, was as follows:

CHERRY COURT	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,012,646	\$ -	\$ -	\$ 1,012,646
Capital assets being depreciated				
Land improvements	339,928	-	-	339,928
Buildings and improvements	16,829,819	-	-	16,829,819
Equipment	198,787	-	-	198,787
Total Capital Assets Being Depreciated	17,368,534	-	-	17,368,534
Total Capital Assets	18,381,180	-	-	18,381,180
Less: Accumulated depreciation for				
Land improvements	(141,636)	(16,996)	-	(158,632)
Buildings and improvements	(3,504,906)	(421,324)	-	(3,926,230)
Equipment	(162,823)	(19,878)	-	(182,701)
Total Accumulated Depreciation	(3,809,365)	(458,198)	-	(4,267,563)
Net Capital Assets Being Depreciated	13,559,169	(458,198)	-	13,100,971
Total Capital Assets, Net of Accumulated Depreciation	\$ 14,571,815	\$ (458,198)	\$ -	\$ 14,113,617

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Convent Hill for the year ended December 31, 2015, was as follows:

CONVENT HILL	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 745,168	\$ -	\$ -	\$ 745,168
Capital assets being depreciated				
Land improvements	27,702	-	-	27,702
Buildings and improvements	14,345,196	-	-	14,345,196
Equipment	171,393	-	-	171,393
Total Capital Assets Being Depreciated	14,544,291	-	-	14,544,291
Total Capital Assets	15,289,459	-	-	15,289,459
Less: Accumulated depreciation for				
Land improvements	(15,434)	(1,635)	-	(17,069)
Buildings and improvements	(3,757,242)	(521,643)	-	(4,278,885)
Equipment	(171,393)	-	-	(171,393)
Total Accumulated Depreciation	(3,944,069)	(523,278)	-	(4,467,347)
Net Capital Assets Being Depreciated	10,600,222	(523,278)	-	10,076,944
Total Capital Assets, Net of Accumulated Depreciation	\$ 11,345,390	\$ (523,278)	\$ -	\$ 10,822,112

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Scattered Sites for the year ended December 31, 2015, was as follows:

SCATTERED SITES	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 203,111	\$ -	\$ -	\$ 203,111
Capital assets being depreciated				
Land improvements	107,879	-	-	107,879
Buildings and improvements	5,669,134	-	-	5,669,134
Equipment	38,368	-	-	38,368
Total Capital Assets Being Depreciated	5,815,381	-	-	5,815,381
Total Capital Assets	6,018,492	-	-	6,018,492
Less: Accumulated depreciation for				
Land improvements	(35,777)	(5,394)	-	(41,171)
Buildings and improvements	(962,858)	(141,728)	-	(1,104,586)
Equipment	(26,752)	(3,837)	-	(30,589)
Total Accumulated Depreciation	(1,025,387)	(150,959)	-	(1,176,346)
Net Capital Assets Being Depreciated	4,789,994	(150,959)	-	4,639,035
Total Capital Assets, Net of Accumulated Depreciation	\$ 4,993,105	\$ (150,959)	\$ -	\$ 4,842,146

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Scattered Sites II for the year ended December 31, 2015, was as follows:

SCATTERED SITES II	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 136,671	\$ -	\$ -	\$ 136,671
Capital assets being depreciated				
Buildings and improvements	6,598,528	-	-	6,598,528
Equipment	24,626	-	-	24,626
Total Capital Assets Being Depreciated	6,623,154	-	-	6,623,154
Total Capital Assets	6,759,825	-	-	6,759,825
Less: Accumulated depreciation for				
Buildings and improvements	(854,599)	(164,964)	-	(1,019,563)
Equipment	(12,160)	(2,463)	-	(14,623)
Total Accumulated Depreciation	(866,759)	(167,427)	-	(1,034,186)
Net Capital Assets Being Depreciated	5,756,395	(167,427)	-	5,588,968
Total Capital Assets, Net of Accumulated Depreciation	\$ 5,893,066	\$ (167,427)	\$ -	\$ 5,725,639

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Olga Village for the year ended December 31, 2015, was as follows:

OLGA VILLAGE	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 573,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,017</u>
Capital assets being depreciated				
Buildings and improvements	12,374,858	2,858	-	12,377,716
Equipment	<u>315,478</u>	<u>-</u>	<u>-</u>	<u>315,478</u>
Total Capital Assets Being Depreciated	<u>12,690,336</u>	<u>2,858</u>	<u>-</u>	<u>12,693,194</u>
Total Capital Assets	<u>13,263,353</u>	<u>2,858</u>	<u>-</u>	<u>13,266,211</u>
Less: Accumulated depreciation for				
Buildings and improvements	(1,263,611)	(330,959)	-	(1,594,570)
Equipment	<u>(219,223)</u>	<u>(62,106)</u>	<u>-</u>	<u>(281,329)</u>
Total Accumulated Depreciation	<u>(1,482,834)</u>	<u>(393,065)</u>	<u>-</u>	<u>(1,875,899)</u>
Net Capital Assets Being Depreciated	<u>11,207,502</u>	<u>(390,207)</u>	<u>-</u>	<u>10,817,295</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,780,519</u>	<u>\$ (390,207)</u>	<u>\$ -</u>	<u>\$ 11,390,312</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Westlawn Renaissance for the year ended December 31, 2015, was as follows:

WESTLAWN RENAISSANCE	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,637,572	\$ -	\$ -	\$ 2,637,572
Capital assets being depreciated				
Land improvements	3,007,519	-	-	3,007,519
Buildings and improvements	67,983,348	11,510	-	67,994,858
Equipment	1,722,326	102,772	-	1,825,098
Total Capital Assets Being Depreciated	72,713,193	114,282	-	72,827,475
Total Capital Assets	74,880,126	114,282	-	75,465,047
Less: Accumulated depreciation for				
Land improvements	(371,149)	(150,376)	-	(521,525)
Buildings and improvements	(4,278,919)	(1,700,639)	-	(5,979,558)
Equipment	(417,762)	(180,466)	-	(598,228)
Total Accumulated Depreciation	(5,067,830)	(2,031,481)	-	(7,099,311)
Net Capital Assets Being Depreciated	67,645,363	(1,917,199)	-	65,728,164
Total Capital Assets, Net of Accumulated Depreciation	\$ 70,282,935	\$ (1,917,199)	\$ -	\$ 68,365,736

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

Component Units (cont.)

Capital asset activity for Lapham Park for the year ended December 31, 2015, was as follows:

LAPHAM PARK	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 836,946	\$ -	\$ -	\$ 836,946
Capital assets being depreciated				
Land improvements	62,060	-	-	62,060
Buildings and improvements	31,035,268	-	-	31,035,268
Equipment	415,431	-	-	415,431
Total Capital Assets Being Depreciated	31,512,759	-	-	31,512,759
Total Capital Assets	32,349,705	-	-	32,349,705
Less: Accumulated depreciation for				
Land improvements	(6,146)	(3,103)	-	(9,249)
Buildings and improvements	(2,190,269)	(776,995)	-	(2,967,264)
Equipment	(104,139)	(41,542)	-	(145,681)
Total Accumulated Depreciation	(2,300,554)	(821,640)	-	(3,122,194)
Net Capital Assets Being Depreciated	29,212,205	(821,640)	-	28,390,565
Total Capital Assets, Net of Accumulated Depreciation	\$ 30,049,151	\$ (821,640)	\$ -	\$ 29,227,511

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. NOTES RECEIVABLE

Note receivable activity for the Authority for the year ended December 31, 2015, was as follows:

Component Unit	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Carver Park	\$ 7,424,698	\$ -	\$ -	\$ 7,424,698	\$ 4,346
Highland Park	2,117,183	-	1,541	2,115,642	1,789
Cherry Court	8,687,203	-	-	8,687,203	-
Convent Hill	6,875,874	-	-	6,875,874	-
Scattered Sites	2,318,300	-	-	2,318,300	-
Scattered Sites II	1,107,578	-	-	1,107,578	-
Olga Village	2,363,334	-	-	2,363,334	-
Westlawn Renaissance	9,617,786	-	528,433	9,089,353	-
Lapham Park	19,535,097	-	-	19,535,097	-
Total Notes Receivable	<u>\$ 60,047,053</u>	<u>\$ -</u>	<u>\$ 529,974</u>	<u>\$ 59,517,079</u>	<u>\$ 6,135</u>

See Note II E. for further information on amounts due to the Authority under the component units notes payable section.

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the Authority for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Mortgage revenue bonds	\$ 6,528,055	\$ 19,045,000	\$ 6,756,605	\$ 18,816,450	\$ 535,000
Premium	-	128,762	5,365	123,397	-
Subtotal	<u>6,528,055</u>	<u>19,173,762</u>	<u>6,761,970</u>	<u>18,939,847</u>	<u>535,000</u>
Other Liabilities					
Compensated absences	923,183	438	-	923,621	277,086
Net pension liability (asset)	(274,000)	1,724,000	-	1,450,000	-
Net OPEB obligation	<u>4,274,317</u>	<u>778,959</u>	<u>183,579</u>	<u>4,869,697</u>	<u>-</u>
Subtotal	<u>4,923,500</u>	<u>2,503,397</u>	<u>183,579</u>	<u>7,243,318</u>	<u>277,086</u>
Total Long-Term Obligations	<u>\$ 11,451,555</u>	<u>\$ 21,677,159</u>	<u>\$ 6,945,549</u>	<u>\$ 26,183,165</u>	<u>\$ 812,086</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of compensated absences, net pension liability and other net employment benefits are not included in the debt service requirement schedules. The compensated absences, net pension liability and other post employment benefits will be liquidated primarily by the Authority.

Mortgage Revenue Bonds

The Authority entered into a trust indenture with the Marine Trust Company regarding \$25,000,000 Single Family Mortgage Revenue Bonds (GNMA collateralized home mortgage revenue bond program) Series 1987 on December 1, 1987. The bond proceeds were used to purchase fully modified pass-through mortgage-backed securities (GNMA certificates) guaranteed by the Government National Mortgage Association. The securities are backed by qualifying mortgage loans on residences located in the City of Milwaukee originated by lenders participating in the home mortgage revenue bond program. The GNMA certificates are pledged for the payment of principal and interest on the bonds. Under the GNMA collateralized home mortgage revenue bond program, the interest payable on the bonds is equivalent to the interest earnings on the GNMA certificates plus interest earnings on investments in the various trust funds, less any fees paid. As a result, the Authority does not recognize any income or expense from the bond issue. The bonds are redeemed as mortgage payments are received. Bonds redeemed with these mortgage repayments totaled \$9,887 in 2015. The bonds are scheduled to mature January 1, 2021. Bonds outstanding at December 31, 2015 totaled \$34,435.

The Authority entered into a trust indenture with the First Bank Trust Company regarding \$25,000,000 Single Family Mortgage Revenue Bonds (GNMA collateralized home mortgage revenue bond program) Series 1989 on June 1, 1989. The terms of this indenture are similar to the terms of the 1987 Mortgage Revenue Bonds as previously described. The bonds are scheduled to mature on December 1, 2022. Bonds payments totaled \$26,718 in 2015. Bonds outstanding at December 31, 2015 totaled \$132,015.

The entire principal outstanding on both issues has been included with the principal payment for 2021 for the 1987 Bonds and 2022 for the 1989 Bonds in the schedule of future debt payments due to the nature of the agreement between the trustee and the Authority. As principal payments on the debt are based upon mortgage repayments, current annual classification of this information is not available.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Mortgage Revenue Bonds (cont.)

The Authority issued mortgage revenue bonds amounting to \$13,635,000 for Veterans Housing Programs in 2015. The purpose of the bond issue is to currently refund the outstanding balance of the 2002 Veterans Bonds of \$6,325,000 and to finance costs of renovation and improvements to the Authority's Berryland, Northlawn, Southlawn, and Southlawn Park Housing Developments. Bond principal payments commence in 2016, with annual payments due until maturity of the bonds on July 1, 2035. Interest is due on a semi-annual basis ranging from an interest rate of 0.640-5.000%. Bonds outstanding at December 31, 2015 totaled \$13,635,000. In order to secure its obligations under the Financing Agreement, the Authority has granted to the Credit Provider a security interest in all of the Authority's rights in and to all funds and accounts created or established under the indenture subordinate in all respects to the Trustee's interest in such funds and accounts pursuant to the indenture. In addition, a replacement reserve is required to be funded with monthly deposits of \$24,500.

The Authority issued mortgage revenue bonds amounting to \$5,410,000 for Veterans Housing Programs in 2015. The purpose of the bond issue is to finance costs of construction of market-rate housing in the City of Milwaukee. Principal payments are due annually until maturity of the bonds. Interest is due on a semi-annual basis ranging from an interest rate of 0.688-3.522%. The date of maturity is June 1, 2025. Bonds outstanding at December 31, 2015 totaled \$5,015,000. In order to secure its obligations under the Financing Agreement, the Authority has granted to the Credit Provider a security interest in all of the Authority's rights in and to all funds and accounts created or established under the indenture subordinate in all respects to the Trustee's interest in such funds and accounts pursuant to the indenture.

Mortgage revenues bonds payable and promissory note at December 31, 2015, are as follows:

Mortgage Revenue Bonds	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/2015
Mortgage revenue bonds	12/01/87	01/01/21	Varies	\$ 25,000,000	\$ 34,435
Mortgage revenue bonds	06/01/89	12/01/22	Varies	25,000,000	132,015
Mortgage revenue bonds	03/01/15	07/01/35	Varies	5,410,000	5,015,000
Mortgage revenue bonds	03/01/15	07/01/35	Varies	13,635,000	13,635,000
					<u>\$ 18,816,450</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Mortgage Revenue Bonds (cont.)

Debt service requirements to maturity for the Authority are as follows:

Years	Business-Type Activities Mortgage Revenue Bonds		
	Principal	Interest	Total
2016	\$ 535,000	\$ 628,829	\$ 1,163,829
2017	540,000	623,365	1,163,365
2018	725,000	612,301	1,337,301
2019	745,000	593,956	1,338,956
2020	765,000	572,719	1,337,719
2021-2025	4,401,450	2,460,037	6,861,487
2026-2030	5,085,000	1,612,281	6,697,281
2031-2035	6,020,000	670,083	6,690,083
Totals	<u>\$ 18,816,450</u>	<u>\$ 7,773,571</u>	<u>\$ 26,590,021</u>

From time to time, the Authority has issued revenue bonds to provide assistance for private-sector entities to obtain financing for the acquisition, construction, or rehabilitation of housing units and for the retirement of existing debts associated with housing units. The bonds are secured by the property financed and are payable solely from payments received on the underlying loans. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no amounts of these revenue bonds outstanding at December 31, 2015.

Current Refunding

On March 01, 2015, the Authority issued \$13,635,000 in general obligation notes with an average coupon rate of 3.31% of which \$6,379,370 was used to refund \$6,325,000 of outstanding bonds with an average coupon rate of 5.09%. That portion of proceeds along with existing funds of the Authority were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$7,237,793 from 2015 through 2022. The cash flow requirements on the refunding bonds are \$6,660,995 from 2015 through 2022. The current refunding resulted in an economic savings (difference between the present values of the debt service payments on the old and new debt) of \$576,798.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units

Long-term obligations activity for the Component Units of the Authority for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
COMPONENT UNITS					
CARVER PARK					
Notes payable	\$ 594,298	\$ -	\$ 131,683	\$ 462,615	\$ 462,615
Notes and land lease payable to primary government	7,424,698	-	-	7,424,698	4,346
Total Carver Park	<u>\$ 8,018,996</u>	<u>\$ -</u>	<u>\$ 131,683</u>	<u>\$ 7,887,313</u>	<u>\$ 466,961</u>
HIGHLAND PARK					
Notes payable	\$ 1,538,510	\$ -	\$ 36,921	\$ 1,501,589	\$ 41,124
Notes and land lease payable to primary government	2,117,183	-	1,541	2,115,642	1,789
Total Highland Park	<u>\$ 3,655,693</u>	<u>\$ -</u>	<u>\$ 38,462</u>	<u>\$ 3,617,231</u>	<u>\$ 42,913</u>
CHERRY COURT					
Notes payable	\$ 908,226	\$ -	\$ 18,867	\$ 889,359	\$ 19,400
Notes and land lease payable to primary government	8,687,203	-	-	8,687,203	-
Total Cherry Court	<u>\$ 9,595,429</u>	<u>\$ -</u>	<u>\$ 18,867</u>	<u>\$ 9,576,562</u>	<u>\$ 19,400</u>
CONVENT HILL					
Notes payable	\$ 951,960	\$ -	\$ 18,729	\$ 933,231	\$ 19,840
Notes and land lease payable to primary government	6,875,874	-	-	6,875,874	-
Total Convent Hill	<u>\$ 7,857,563</u>	<u>\$ -</u>	<u>\$ 18,729</u>	<u>\$ 7,809,105</u>	<u>\$ 19,840</u>
SCATTERED SITES					
Notes and land lease payable to primary government	<u>\$ 2,318,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,318,300</u>	<u>\$ -</u>
SCATTERED SITES II					
Notes and land lease payable to primary government	<u>\$ 1,107,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,107,578</u>	<u>\$ -</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
OLGA VILLAGE					
Notes payable	\$ 1,171,894	\$ -	\$ -	\$ 1,171,894	\$ -
Notes and land lease payable to primary government	2,363,334	-	-	2,363,334	-
Total Olga Village	<u>\$ 3,535,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,535,228</u>	<u>\$ -</u>
WESTLAWN RENAISSANCE					
Notes and land lease payable to primary government	<u>\$ 9,617,786</u>	<u>\$ -</u>	<u>\$ 528,433</u>	<u>\$ 9,089,353</u>	<u>\$ -</u>
LAPHAM PARK					
Notes and land lease payable to primary government	<u>\$ 19,535,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,535,097</u>	<u>\$ -</u>

Carver Park Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note payable to US Bank. The loan requires monthly payments of \$6,274, including interest at 2.00% in excess of the LIBOR rate (2.25% as of December 31, 2015). The note is due October 25, 2016. The loan is collateralized by Carver I rental property.

A mortgage note payable to BMO Harris Bank, N.A. The loan requires monthly payments of \$6,011, including interest at 3.5%. The note is due November 1, 2016. The loan is collateralized by Carver II rental property.

A mortgage note (Carver I Land note) payable to the Authority, the managing member of the general partner. The loan requires annual payments of \$12,956, including interest at 5.31% to the extent of available cash flow. The note is due November 15, 2049. Accrued interest was \$68,717 as of December 31, 2015. The loan is collateralized by Carver I land.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Carver Park Mortgage Notes Payable (cont.)

A mortgage note (Carver II Land note) payable to the Authority. The loan requires annual payments of \$12,931, including interest at 5.31% to the extent of available cash flow. The note is due in November 15, 2050. Accrued interest was \$69,119 as of December 31, 2015. The loan is collateralized by Carver II land.

A mortgage note (Carver I HOPE VI note) payable to the Authority. The loan requires interest-only payments compounding at 5.31% to the extent of available cash flow. Accrued interest payable was \$2,774,795 at December 31, 2015. The note is due November 15, 2041. The loan is collateralized by Carver I rental property.

A mortgage note (Carver II HOPE VI note) payable to the Authority. The loan requires interest-only payments compounding at 5.31% to the extent of available cash flow. Accrued interest payable was \$1,867,847 at December 31, 2015. The note is due November 15, 2041. The loan is collateralized by Carver II rental property.

A mortgage note (Carver I Predevelopment note) payable to the Authority. The loan is non-interest bearing. The note is due in November 15, 2046. The loan is collateralized by Carver I rental property. There is no prepayment allowed.

A mortgage note (Carver II Predevelopment note) payable to the Authority. The loan is non-interest bearing. The note is due in November 15, 2046. The loan is collateralized by Carver II rental property. There is no prepayment allowed.

A mortgage note (Carver I Development fee note) payable to the Authority. The loan is noninterest bearing. The note is due the earlier of the sale of Carver I or in November 15, 2017. The loan is collateralized by Carver I rental property.

A mortgage note (Carver II Development fee note) payable to the Authority. The loan is non-interest bearing. The note is due the earlier of the sale of Carver II or in November 15, 2017. The loan is collateralized by Carver II rental property.

A mortgage note (Carver I AHP note) payable to the Authority. The loan is non-interest bearing. The note is due the earlier of the sale of Carver I or in November 15, 2041. The loan is collateralized by Carver I rental property.

A mortgage note (Carver II AHP note) payable to the Authority. The loan is non-interest bearing. The note is due the earlier of the sale of Carver II or in November 15, 2041. The loan is collateralized by Carver II rental property.

Interest expense on the notes payable to the Authority totaled \$478,033 for the year ended December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Carver Park Mortgage Notes Payable (cont.)

A summary of the mortgage notes payable as of December 31, 2015, are as follows:

<u>Carver Park</u>	<u>Balance 12/31/2015</u>
US Bank	\$ 198,109
BMO Harris Bank, N.A.	264,506
HACM (Carver I Land note)	213,195
HACM (Carver II Land note)	214,322
HACM (Carver I HOPE VI note)	2,649,224
HACM (Carver II HOPE VI note)	1,738,463
HACM (Carver I Predevelopment note)	704,970
HACM (Carver II Predevelopment note)	504,524
HACM (Carver I Development fee note)	500,000
HACM (Carver II Development fee note)	500,000
HACM (Carver I AHP note)	200,000
HACM (Carver II AHP note)	200,000
Total Carver Park Mortgage Notes Payable	7,887,313
Less: Current maturities	(466,961)
	<u>\$ 7,420,352</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 466,961	\$ 317,921	\$ 784,882
2017	1,000,000	299,126	1,299,126
2018	-	294,890	294,890
2019	-	290,352	290,352
2020	-	285,491	285,491
2021-2025	36,548	1,399,129	1,435,677
2026-2030	47,339	1,389,278	1,436,617
2031-2035	61,315	1,377,311	1,438,626
2036-2040	4,511,650	1,361,812	5,873,462
2041-2045	1,312,357	301,436	1,613,793
2046-2050	451,143	15,361	466,504
	<u>\$ 7,887,313</u>	<u>\$ 7,332,107</u>	<u>\$ 15,219,420</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Highland Park Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note payable to US Bank, the investor member. The loan requires monthly payments of \$11,294, including interest at 6.39%. The note is due July 1, 2020. The loan is nonrecourse and collateralized by rental property. Accrued interest was \$8,194 as of December 31, 2015. The loan agreement with U.S. Bank requires the company to not make distributions to the members if immediately prior to or after such distribution, the debt service coverage ratio would be less than 1.0.

A mortgage note (Land loan) payable to the Authority. The land loan requires monthly payments of \$627 including interest at 5.0%. The note is due March 31, 2045. The land loan is nonrecourse and collateralized by the land and a general business security agreement.

A mortgage note (Hope VI loan) payable to the Authority. The loan accrues interest at 5.21% compounded annually. Principal and interest are payable to the extent of available cash flow. The Hope VI loan is due August 31, 2035. The Hope VI loan is nonrecourse and collateralized by the rental property and a general business security agreement. Accrued interest was \$1,496,690 as of December 31, 2015.

Interest expense on notes payable to the Authority totaled \$179,138 for the year ended December 31, 2015.

A summary of the mortgage notes payable as of December 31, 2015, are as follows:

	Balance 12/31/2015
US Bank	\$ 1,501,589
HACM (Land loan)	115,642
HACM (HOPE VI loan)	<u>2,000,000</u>
Total Highland Park Mortgage Notes Payable	3,617,231
Less: current maturities	<u>(42,913)</u>
	<u><u>\$ 3,574,318</u></u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Highland Park Mortgage Notes Payable (cont.)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ 42,913	\$ 203,645	\$ 246,558
2017	45,711	200,802	246,513
2018	48,691	197,773	246,464
2019	51,866	194,546	246,412
2020	1,322,318	567,553	1,889,871
2021-2025	15,529	545,895	561,424
2026-2030	19,929	542,291	562,220
2031-2035	2,026,576	86,132	2,112,708
2036-2040	38,844	10,730	49,574
2041-2045	4,854	3,209	8,063
	<u>\$ 3,617,231</u>	<u>\$ 2,552,576</u>	<u>\$ 6,169,807</u>

Cherry Court Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note, (f/k/a First Service) loan is due to Verve Credit Union. The loan requires monthly payments of \$6,752, including interest at 7.0%. The note is due in September 10, 2022. The mortgage note is nonrecourse and collateralized by rental property including assignment of rents and leases thereon.

A mortgage note (Land loan) payable to the Authority. The Land loan accrues interest at 7.0% per year, compounded annually. Principal and interest are payable to the extent of available cash flow. The unpaid principal and accrued interest is due June 19, 2056. Accrued interest was \$19,769 as of December 31, 2015. The Land loan is non-recourse and collateralized by the rental property and a general business security agreement.

A mortgage note (Hope VI loan) payable to the Authority. The Hope VI loan accrues interest at 5.32% compounded annually. Principal and interest are payable to the extent of available cash flow. The unpaid principal and accrued interest is due June 19, 2046. Accrued interest was \$1,073,585 as of December 31, 2015. The Hope VI loan is non-recourse and collateralized by the rental property and a general business security agreement.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Cherry Court Mortgage Notes Payable (cont.)

A mortgage note (Other federal funds loan) payable to the Authority. The Other federal funds loan accrues interest at 2.0% per year, compounded annually. Principal and interest are payable to the extent of available cash flow. The unpaid principal and accrued interest is due June 19, 2046. Accrued interest was \$1,242,944 as of December 31, 2015. The loan is non-recourse and collateralized by the rental property and a general business security agreement.

A mortgage note (AHP loan) payable to the Authority. The AHP loan is non-interest bearing. Principal is payable to the extent of available cash flow. The unpaid principal is due June 19, 2046. The loan is non-recourse and collateralized by the rental property and a general business security agreement.

Interest expense on notes payable to the Authority totaled \$300,962 for the year ended December 31, 2015.

A summary of the mortgage notes payable as of December 31, 2015, are as follows:

	Balance 12/31/2015
Verve Credit Union (f/k/a First Service)	\$ 889,359
HACM (Land loan)	126,995
HACM (HOPE VI loan)	1,751,667
HACM (Other federal funds loan)	6,328,541
HACM (AHP)	480,000
Total Cherry Court Mortgage Notes Payable	9,576,562
Less: current maturities	(19,400)
	<u>\$ 9,557,162</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Cherry Court Mortgage Notes Payable (cont.)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ 19,400	\$ 290,231	\$ 309,631
2017	20,800	288,642	309,442
2018	22,300	287,117	309,417
2019	23,900	285,482	309,382
2020	25,600	283,888	309,488
2021-2025	776,177	1,235,078	2,011,255
2026-2030	-	1,143,246	1,143,246
2031-2035	-	1,143,246	1,143,246
2036-2040	-	1,143,246	1,143,246
2041-2045	-	1,143,246	1,143,246
2046-2050	8,561,390	154,328	8,715,718
2051-2055	-	44,448	44,448
2056	126,995	4,445	131,440
	<u>\$ 9,576,562</u>	<u>\$ 7,446,643</u>	<u>\$ 17,023,205</u>

Convent Hill Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note payable to Summit Credit Union (Summit). The Summit loan requires monthly payments of \$7,064 including interest at 7.0%. The note is due August 10, 2023. The loan collateralized by a mortgage on the rental property and an assignment of rents and leases, thereon. Prepayment of the mortgage is subject to a prepayment premium.

A subordinated mortgage note (Federal Funds loan) payable to the Authority. The Federal Funds loan accrues interest at 2.75% per annum, compounded annually. Principal and interest are payable to the extent of available cash flow. The unpaid principal and accrued interest are due on February 1, 2048. The loan is guaranteed by the manager and collateralized by a subordinated mortgage on the rental property and a general business security agreement. Prepayment is allowed under the terms of the mortgage note. Interest accrued was \$1,200,431 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Convent Hill Mortgage Notes Payable (cont.)

A subordinated mortgage note (Other Funds loan) payable to the Authority. The Other Funds loan is non-interest bearing. Principal is payable to the extent of available cash flow. The unpaid principal is due on February 1, 2048. The loan is guaranteed by the manager and collateralized by a subordinated mortgage on the rental property and a general business security agreement. Prepayment is allowed under the terms of the mortgage note.

A subordinated mortgage note (AHP loan) payable to the Authority. The AHP loan will be non-interest bearing. Principal will be payable to the extent of available cash flow, as defined in the operating agreement. The unpaid principal will be due February 1, 2048. The loan will be guaranteed by the manager and collateralized by a subordinated mortgage on the rental property and a general business security agreement. Prepayment will be allowed under the terms of the mortgage note.

Interest expense on notes payable to the Authority totaled \$185,795 for the year ended December 31, 2015.

A summary of the mortgage notes payable as of December 31, 2015, are as follows:

	Balance 12/31/2015
Credit Union (Summit)	\$ 933,231
HACM (Federal Funds loan)	5,741,537
HACM (Other Funds loan)	734,337
HACM (AHP loan)	400,000
Total Convent Hill Mortgage Notes Payable	7,809,105
Less: current maturities	(19,840)
	<u>\$ 7,789,265</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Convent Hill Mortgage Notes Payable (cont.)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ 19,840	\$ 223,654	\$ 243,494
2017	21,462	222,084	243,546
2018	23,014	220,591	243,605
2019	24,677	218,990	243,667
2020	26,290	217,445	243,735
2021-2025	157,521	1,056,173	1,213,694
2026-2030	223,329	990,365	1,213,694
2031-2035	316,636	897,057	1,213,693
2036-2040	124,014	956,334	1,080,348
2041-2045	-	789,849	789,849
2046-2048	6,872,322	171,134	7,043,456
	<u>\$ 7,809,105</u>	<u>\$ 5,963,676</u>	<u>\$ 13,772,781</u>

Scattered Sites Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note (Federal Funds loan) payable to the Authority. The Federal Funds loan accrues interest at 3.0% per annum. Principal and interest is payable to the extent of cash flow. The unpaid principal and accrued interest is due September 25, 2057. Accrued interest was \$546,309 as of December 31, 2015. The Federal Funds loan is recourse and collateralized by the rental property and a general business security agreement. Prepayment will be allowed under the terms of the mortgage note.

A subordinated mortgage note (Other Funds loan) payable to the Authority. The Other Funds loan is non-interest bearing. Principal is payable to the extent of available cash flow. The unpaid principal is due September 25, 2057. The Other Funds loan is recourse and collateralized by the rental property and a general business security agreement.

Interest expense on notes payable to the Authority totaled \$79,989 for the year ended December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Scattered Sites Mortgage Notes Payable (cont.)

A summary of the mortgage notes payables as of December 31, 2015, are as follows:

	Balance 12/31/2015
HACM (Federal Funds loan)	\$ 2,200,000
HACM (Other Funds loan)	118,300
Total Scattered Sites Mortgage Notes Payable	2,318,300
Less: current maturities	-
	<u>\$ 2,318,300</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ -	\$ 66,000	\$ 66,000
2017	-	66,000	66,000
2018	-	66,000	66,000
2019	-	66,000	66,000
2020	-	66,000	66,000
2021-2025	-	330,000	330,000
2026-2030	-	330,000	330,000
2031-2035	-	330,000	330,000
2036-2040	-	330,000	330,000
2041-2045	-	330,000	330,000
2046-2050	-	330,000	330,000
2051-2055	-	330,000	330,000
2056-2057	2,318,300	99,000	2,417,300
	<u>\$ 2,318,300</u>	<u>\$ 2,739,000</u>	<u>\$ 5,057,300</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Scattered Sites II Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note (Other Federal loan) payable to the Authority. The Other Federal loan is secured by a third mortgage and is non-interest bearing. Principal is payable to the extent of cash flow. The unpaid principal and accrued interest is due January 1, 2059. Accrued interest was \$613,312 as of December 31, 2015.

A mortgage note (Hope VI loan) payable to the Authority. The Hope VI loan is secured by a second mortgage and accrues interest at 8.0% per annum. Principal and interest is payable to the extent of cash flow. The unpaid principal and accrued interest is due January 1, 2059.

Interest expense on notes payable to the Authority totaled \$118,119 for the year ended December 31, 2015.

A summary of the mortgage notes payables as of December 31, 2015, are as follows:

	Balance 12/31/2015
HACM (Other Federal loans)	\$ 973,620
HACM (Hope VI loan)	133,958
Total Scattered Sites Mortgage Notes Payable	1,107,578
Less: current maturities	-
	<u>\$ 1,107,578</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Scattered Sites II Mortgage Notes Payable (cont.)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ -	\$ 77,890	\$ 77,890
2017	-	77,890	77,890
2018	-	77,890	77,890
2019	-	77,890	77,890
2020	-	77,890	77,890
2021-2025	-	389,448	389,448
2026-2030	-	389,448	389,448
2030-2035	-	389,448	389,448
2036-2040	-	389,448	389,448
2041-2045	-	389,448	389,448
2046-2050	-	389,448	389,448
2051-2055	-	389,448	389,448
2056-2059	1,107,578	227,178	1,334,756
	<u>\$ 1,107,578</u>	<u>\$ 3,342,762</u>	<u>\$ 4,450,340</u>

Olga Village Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note (Long Term Construction Loan) payable to the Authority. The principal and accrued interest outstanding on the note shall be paid from time to time to the extent of available cash flow, as defined by the operating agreement. The loan shall bear interest at 1.00% annually. Accrued interest was \$99,669 at December 31, 2015.

Mortgage notes payable of \$171,000 and \$1,000,894 with United Community Center, Inc, maturing November 9, 2051. The principal and accrued interest outstanding on the notes shall be paid from time to time to the extent of available cash flow, as defined by the operating agreement. The loans shall bear interest at the rate of 2.50%. Accrued interest on the \$171,000 loan was \$17,709 at December 31, 2015. Accrued interest on the \$1,000,894 loan was \$103,435 at December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Olga Village Mortgage Notes Payable (cont.)

A mortgage note (Additional Funds loan) payable to the Authority. The principal and accrued interest outstanding on the note shall be paid from time to time to the extent of available cash flow, as defined by the operating agreement. The loan shall bear interest at the rate of 1.00%. Accrued interest was \$8,774 at December 31, 2015.

Interest expense on notes payable to the Authority totaled \$23,633 for the year ended December 31, 2015.

A summary of the mortgage notes payables as of December 31, 2015, are as follows:

	Balance 12/31/2015
HACM (Long Term Construction Loan)	\$ 2,166,726
United Community Center (Roof Note)	196,608
United Community Center (Other Funds Note)	171,000
HACM (Additional Funds loan)	1,000,894
Total Olga Village Mortgage Notes Payable	3,535,228
Less: current maturities	-
	<u>\$ 3,535,228</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ -	\$ 54,002	\$ 54,002
2017	-	54,002	54,002
2018	-	54,002	54,002
2019	-	54,002	54,002
2020	-	54,002	54,002
2021-2025	-	270,010	270,010
2026-2030	-	270,010	270,010
2031-2035	-	270,010	270,010
2036-2040	-	270,010	270,010
2041-2045	-	270,010	270,010
2046-2050	2,166,726	246,537	2,413,263
2051	1,368,502	27,754	1,396,256
	<u>\$ 3,535,228</u>	<u>\$ 1,894,353</u>	<u>\$ 5,429,581</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Westlawn Renaissance Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note (Land loan) payable to the Authority. Monthly payments of \$6,733 including interest beginning January 10, 2013 are paid from available cash flow. The loan matures on June 15, 2051. The loan shall bear interest at the rate of 4.05% compounded annually. Prepayment is allowed anytime without penalty. The loan is collateralized by a mortgage on the rental property, including the assignment of rents thereon and a general business security agreement. Accrued interest was \$68,805 at December 31, 2015.

A construction and term loan (Long Term Construction loan) payable to the Authority. The principal and accrued interest outstanding on the note shall be paid from available cash flows. The loan shall bear interest at the rate of 4% through the date the second installment of equity is received from the investor member and at the greater of 4% or the long term AFR in effect at the time the second installment of equity is received. The loan matures on June 15, 2051. Prepayment is allowed anytime without penalty. The loan is collateralized by a mortgage on a rental property, including the assignment of rents thereon and a general business security agreement. Accrued interest was \$309,330 at December 31, 2015.

Interest expense on notes payable to the Authority totaled \$378,135 for the year ended December 31, 2015.

A summary of the mortgage notes payable as of December 31, 2015, are as follows:

	Balance 12/31/2015
HACM (Land Loan)	\$ 1,610,911
HACM (Long Term Constuction Loan)	<u>7,478,442</u>
Total Westlawn Renaissance Mortgage Notes Payable	9,089,353
Less: current maturities	<u>-</u>
	<u><u>\$ 9,089,353</u></u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Westlawn Renaissance Mortgage Notes Payable (cont.)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ -	\$ 372,506	\$ 372,506
2017	-	372,506	372,506
2018	-	372,506	372,506
2019	-	372,506	372,506
2020	-	372,506	372,506
2021-2025	-	1,862,532	1,862,532
2026-2030	-	1,862,532	1,862,532
2031-2035	-	1,862,532	1,862,532
2036-2040	-	1,862,532	1,862,532
2041-2045	-	1,862,532	1,862,532
2046-2050	-	1,811,321	1,811,321
2051	9,089,353	201,774	9,291,127
	<u>\$ 9,089,353</u>	<u>\$ 13,188,287</u>	<u>\$ 22,277,640</u>

Lapham Park Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note (Long Term Construction loan) payable to the Authority. The principal and interest on the note shall be paid from time to time to the extent of available cash flow. The loan shall bear interest at the rate of 0.19% through the date the second installment of equity is received from the investor member and non-interest bearing thereafter. The loan matures on February 29, 2052. The loan is collateralized by a mortgage on the rental property and a general business security agreement.

A mortgage note (AHP loan) payable to the Authority. The principal and interest on the note shall be paid from time to time to the extent of available cash flow. Interest accrues at a rate equal to the long term annual Applicable Federal rate in effect for the month in which the loan is made (2.60%). The loan matures on February 29, 2052. The loan is collateralized by a mortgage on the rental property and a general business security agreement. Accrued interest was \$26,163 at December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

Component Units (cont.)

Lapham Park Mortgage Notes Payable (cont.)

Interest expense on notes payable to the Authority totaled \$8,721 for the year ended December 31, 2015.

A summary of the mortgage notes payables as of December 31, 2015, are as follows:

	Balance 12/31/2015
HACM (Long Term Construction Loan)	\$ 19,199,657
HACM (AHP Loan)	335,440
Total Lapham Park Mortgage Notes Payable	19,535,097
Less: current maturities	-
	<u>\$ 19,535,097</u>

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2016	\$ -	\$ 8,721	\$ 8,721
2017	-	8,721	8,721
2018	-	8,721	8,721
2019	-	8,721	8,721
2020	-	8,721	8,721
2021-2025	-	43,607	43,607
2026-2030	-	43,607	43,607
2031-2035	-	43,607	43,607
2036-2040	-	43,607	43,607
2041-2045	-	43,607	43,607
2046-2050	-	43,607	43,607
2051-2052	19,535,097	17,443	19,552,540
	<u>\$ 19,535,097</u>	<u>\$ 322,693</u>	<u>\$ 19,857,790</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

F. NET POSITION

Net position reported on the statement of net position at December 31, 2015, includes the following:

Net Investment in Capital Assets	
Land	\$ 35,580,163
Construction in progress	4,177,715
Other capital assets, net of accumulated depreciation	62,456,564
Less: long-term debt outstanding	(18,939,847)
Plus: unspent debt proceeds	12,176,964
Plus: noncapital debt proceeds	166,450
Total Net Investment in Capital Assets	<u>95,618,009</u>
Restricted	
Debt service	173,594
Replacement reserve	943,460
Home ownership program	1,814,377
Housing Choice Voucher program	257,294
Total Restricted	<u>3,188,725</u>
Unrestricted	<u>87,781,539</u>
Total Net Position	<u>\$ 186,588,273</u>

Included in unrestricted net position of the general fund program are amounts designated for future property acquisition from the component units after the tax compliance period has ended. These amounts totaled approximately \$73,585,000 at December 31, 2015.

G. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and implementation of GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of the restatement are as follows:

Net Position - December 31, 2014 (as reported)	\$ 190,479,506
Add: Net pension asset	274,000
Add: Deferred outflows related to pensions	959,886
Net position - December 31, 2014 (as restated)	<u>\$ 191,713,392</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION

A. RETIREMENT PLAN

Plan Description – The Authority makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined pension plan, on behalf of all eligible Authority employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 789 North Water Street, Suite 300, Milwaukee, WI 53202.

Funding Policy – For general employees participating prior to January 1, 2014, they are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5% of their annual pensionable income, and for general employee, participating on or after January 1, 2014, they are required to contribute 4% of their annual pensionable income. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute 5.5% of their earnable compensation for pension benefits. The Authority's contributions to the System for the year ended December 31, 2015 was \$1,531,395, respectively, equal to the required contributions on behalf of the plan members for each year.

At December 31, 2015, the Authority reported a liability of \$1,450,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions of benefit terms occurred between the actuarial date and the measurement date. The Authority's proportion of the net pension liability was based on the authority's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Authority's proportion was 1.278258400% which was a decrease of .001631200% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the authority recognized pension expense of \$1,344,301.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION

A. RETIREMENT PLAN (cont.)

At December 31, 2015, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes in assumptions	-
Net differences between projected and actual earnings on pension plan investments	1,304,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-
Employer contributions subsequent to the measurement date	1,005,471
Total	<u>\$ 2,309,471</u>

\$1,005,471 reported as deferred outflows related to pension resulting from the System employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31,	Deferred Outflows of Resources
2016	\$ 326,000
2017	326,000
2018	326,000
2019	326,000
2020	-
Thereafter	-

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION

A. RETIREMENT PLAN (cont.)

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2014, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2014, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	January 1, 2014
Measurement Date of Net Pension Liability	December 31, 2014
Actuarial cost method	Entry age normal-Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The differences between projected and actual earning are amortized over a closed period of five years.
Asset Valuation method	Fair Market Value
Actuarial Assumptions:	8.25% for calendar years through 2017, and 8.50% beginning with calendar year 2018
Investment rate of return and discount rate	General City 3.0%-7.5%
Projected Salary increases	3.00%
Inflation Assumption	Vary by Employee Group as explained in summary of plan provisions
Cost of living Adjustments	
Mortality Table	For regular retirees and for survivors, the RP-2000 Combined Mortality Table projected nine years using Scale AA. Future generational rates are projected from 2009 based on Scale AA. For duty and ordinary disability retirees, use the RP-2000 Disability Mortality Table. For death in active service, the rates are similar to those used for regular retirees and survivors with a 6-year setback. The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2007-December 31, 2011.
Experience Study	

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION

A. RETIREMENT PLAN (cont.)

Long-term expected rate of return—the long-term expected rate of return on pension plan investments was determined using Callan Associates' 10 year geometric capital market projections. Projected long term rates of return for each major asset class in the Retirement System's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Class	Policy	Actual	Long-term Expected Rate of Return
Domestic Equity	28.0%	30.1%	7.60%
International Equity	20.0%	20.8%	7.80%
Global Equity	10.0%	7.1%	7.70%
Fixed Income/Cash	28.0%	26.8%	3.60%
Real Estate	7.0%	7.6%	8.00%
Private Equity	2.0%	2.4%	8.50%
Absolute Return	5.0%	5.2%	5.25%
	100%	100%	

Discount Rate – The discount rate used to measure the total pension liability was 8.49 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 8.49 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the authority's proportionate share of the net pension liability calculated using the discount rate of 8.49 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.49 percent) or 1 – percentage-point higher (9.49 percent) than the current rate:

	1% Decrease (7.49%)	Current Discount (8.49%)	1% Increase (9.49%)
Authority's proportionate share of the net pension liability (asset)	\$ 8,363,000	\$ 1,450,000	\$ (4,603,000)

Additional Financial Information for the ERS- For additional information regarding ERS's financial statements and audit report, please visit the ERS web site at <http://www.cmers.com/About-Us/Reports.htm>.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION

B. POSTEMPLOYMENT HEALTHCARE PLAN

The Authority administers postemployment health care benefits through and non-contributory single-employer defined benefit healthcare plan covering eligible employees. The plan provides medical insurance benefits to eligible retirees and their spouses through the Authority's group medical insurance plan, which covers both active and retired members. Benefits provisions are established through collective bargaining agreements. The eligibility requirements and the amount of the benefit vary based on retiree's position, years of service and age at retirement. If eligible, the retiree may receive medical insurance benefits until they are Medicare eligible. The plan is administered by the Authority and does not issue a stand alone financial report.

Membership in the plan consisted of 16 retirees receiving benefits and 179 active plan members at January 1, 2013, the date of the latest actuarial valuation.

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the Authority and the union or for non-union employees between the Authority and the employee. The required contribution is based on a pay-as-you-go basis. For fiscal year 2015, the Authority contributed \$183,579, of which the entire amount went to pay benefits for the people currently using the plan

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the Retirement Health Plan:

Annual required contribution	\$ 761,308
Interest on net OPEB obligation	188,567
Adjustment to annual required contribution	<u>(170,916)</u>
Annual OPEB cost (expense)	778,959
Contributions made	<u>(183,579)</u>
Increase in net OPEB obligation	595,380
Net OPEB obligation - beginning of year	<u>4,274,317</u>
Net OPEB obligation - end of year	<u>\$ 4,869,697</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

B. POSTEMPLOYMENT HEALTHCARE PLAN (cont.)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 700,449	32%	\$ 3,786,498
12/31/2014	738,550	34%	4,274,317
12/31/2015	778,959	32%	4,869,697

The funded status as of January 1, 2013, the most recent actuarial valuation date was 0 percent funded. The actuarial accrued liability for benefits was \$6,731,967 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,731,967. The covered payroll (annual payroll of active employees covered by the plan) was \$10,597,651 and the ratio of the UAAL to the covered payroll was 64%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to a rate of 4.5 percent after seven years. The actuarial value of the plan assets was not determined because there were no plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using a 30 year open level percentage of payroll amortization method. The amortization period at December 31, 2015 was 30 years.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles, as detailed below. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

The Authority is a member of the Housing Authority Risk Retention Group (HARRG), which provides general liability, property, public official and lead-based paint insurance to participating public housing authorities throughout the United States. There are 937 members in HARRG. Total premiums paid in 2015 by the members were approximately \$31.2 million. The Authority's share of the premiums in 2015 were \$350,748, for general liability, public official and lead-based paint insurance. The Authority's maximum insurance coverage ranges from \$500,000 for lead-based paint to \$5 million for commercial liability. Management believes that the number of outstanding claims and potential claims outstanding do not materially affect the financial position of the Authority. The Authority is also a member of the Housing Authority Property Insurance Group (HAPI), which provides property insurance to participating public housing authorities throughout the United States. HAPI has 935 members. Total premiums paid in 2015 by the members were approximately \$54.9 million. The Authority's share of the premiums was \$493,212 in 2015 for property and builders' risk insurance. The Authority's maximum insurance coverage is \$447,194,427 for property. Management believes that the number of outstanding claims and potential claims outstanding does not materially affect the financial position of the Authority.

D. LITIGATION

There are several pending lawsuits in which the Authority is involved. Management believes that the potential claims against the Authority resulting from such litigation will not materially affect the financial position of the Authority.

E. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred.

The Authority has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units

Carver Park

Carver Park entered into a Land Use Restriction Agreements with the Wisconsin Housing and Economic Development Authority (WHEDA) as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Carver Park must continuously comply with Section 42 and other applicable sections of the Internal Revenue Code (IRC). The agreement places occupancy restrictions on rents and the minimum percent of units that shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Carver Park fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the partners may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor limited partner. Carver Park is obligated to certify tenant eligibility.

In connection with the Affordable Housing Program (AHP) notes with the Authority, Carver Park entered into AHP Recapture Agreements. Provisions of these agreements require the partnership to rent 27 and 24 units to low-income persons and 27 and 24 units to very-low income persons in Carver I and Carver II, respectively.

Under provisions of the Regulatory & Operating Agreements (R&O) and the partnership agreement, Carver Park was obligated to fund an affordability reserve in the amounts of \$91,000 and \$74,000 from the fourth equity installment from the investor limited partner for Carver 1 and Carver II, respectively. Withdrawals are generally restricted to cover shortfalls in operating subsidy and may be made only upon the approval of the Authority. The affordability reserve was \$220,089 as of December 31, 2015.

The R&O Agreements and partnership agreement also provided for Carver Park to fund an operating reserve in the amounts of \$144,000 and \$134,000 from the fourth equity installment from the investor limited partner for Carver 1 and Carver II, respectively. Withdrawals are restricted to cover insufficient cash flow from the non-public housing units and may be made only upon the approval of the Authority. The operating reserve was \$370,818 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Carver Park (cont.)

Carver Park is required to maintain deposits in the affordability, operating and authority reserves equal to two times the public housing shortfall, excluding the operating subsidy payments for the prior year. If at any time the aggregate balance in these reserves falls below that level, the project shall notify the Authority in writing regarding the deficit and request the Authority restore the reserve shortfall up to the minimum balance. The reserve shortfall must be deposited into the authority reserve. If at any time following the achievement of an occupancy rate of 97% the aggregate balance of the affordability, operating, and authority reserves exceeds three times the public housing shortfall, excluding the operating subsidy payments for the prior year plus six months of development operating expenses and certain conditions are met as defined in the R&O Agreements, the project shall notify the Authority of its right to withdraw such reserve excess from the authority reserve.

The R&O Agreements and partnership agreement also provide for Carver Park to fund a replacement reserve in 12 equal monthly installments totaling \$250 per unit per year. The replacement reserve shall be used for the purpose of replacing capital assets or providing capital improvements. Withdrawals may be made only upon the approval of the Authority. The replacement reserve balance was \$76,752 as of December 31, 2015.

Highland Park

Highland Park entered into a Land Use Restriction Agreement with WHEDA as a condition to receiving allocations of low-income housing tax credits. Under this agreement, Highland Park must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Highland Park fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Highland Park is obligated to certify tenant eligibility.

Under provisions of the R&O Agreement and operating agreement, Highland Park is obligated to fund an affordability reserve in the amount of \$80,000. Withdrawals are restricted to cover insufficient cash flow from the public housing units. The affordability reserve was \$89,074 as of December 31, 2015.

The R&O Agreement and operating agreement provide for Highland Park to fund an operating reserve in the amount of \$220,000. The operating reserve, including interest thereon, is to be administered in accordance with the R&O Agreement and utilized primarily to fund operating deficits. Withdrawals are restricted to cover insufficient cash flow from the non-public housing units and to cover insufficient cash flow from the public housing units if the balance in the affordability reserve is less than \$1. Withdrawals may be made only upon the approval of the investor member. The operating reserve was \$245,043 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Highland Park (cont.)

The R&O Agreement and operating agreement also provide for Highland Park to fund a replacement reserve in 12 equal monthly installments of \$175 per unit per year. The monthly installment increases to \$200 in June 2010 and \$250 on the tenth anniversary date. The replacement reserve shall be used to fund repairs, capital expenditures, and other costs as approved by the Authority and the investor member. The replacement reserve balance was \$121,761 as of December 31, 2015.

If at any time the aggregate balance of the affordability and operating reserves is below \$200,000 due to withdrawals to fund operating subsidy shortfalls, the project shall notify the Authority in writing regarding the deficit and request the Authority restore the reserve shortfall up to the minimum balance. The reserve must be deposited into the affordability reserve. If at any time following the achievement of an occupancy rate of 97% the aggregate balance of the affordability and operating reserves exceed \$300,000 and certain conditions are met as defined in the R&O agreement, the company shall use the excess funds to make a payment on the Authority (HOPE VI) mortgage note payable.

Highland Park entered into a management agreement with an unaffiliated entity. Under this agreement, Highland Park is obligated to pay a management fee equal to \$27.50 per unit in 2015. The management fees incurred under this agreement totaled \$36,936 for the year ended December 31, 2015.

Cherry Court

Cherry Court entered into a Land Use Restriction Agreement with WHEDA as a condition to receiving allocations of low-income housing tax credits. Under this agreement, Cherry Court must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Cherry Court fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Cherry Court is obligated to certify tenant eligibility.

Under provisions of the R&O Agreement and operating agreement, Cherry Court has established an affordability reserve in the initial amount of \$224,000. These reserve funds, including interest thereon, are restricted for the benefit of the public housing units to cover shortfalls in the event operating subsidy funds are not available. However, if in any month, operating expenses exceed operating income for the public and non-public housing units, the operating reserve is exhausted, and payments are due on the permanent first mortgage, funds from this reserve may be withdrawn to cover such amounts due. Withdrawals from this reserve require consent of the special member. The affordability reserve was \$242,992 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Cherry Court (cont.)

The R&O Agreement and operating agreement provide for Cherry Court to fund an operating reserve in the amount of \$145,000. The operating reserve, including interest thereon, is to be administered in accordance with the R&O Agreement and utilized primarily to fund operating deficits. Withdrawals are restricted to cover insufficient cash flow from the non-public housing units and to cover insufficient cash flow from the public housing units if the balance in the affordability reserve is less than \$1. Withdrawals may be made only upon the approval of the special member. The operating reserve balance was \$156,576 as of December 31, 2015.

The R&O Agreement and operating agreement require Cherry Court to fund a replacement reserve annually in the amount of \$21,000. The annual deposit increases 3% per year. The replacement reserve shall be used for the purpose of replacing capital assets or providing capital improvements. Withdrawals may be made only upon the approval of the Authority and the special member. The replacement reserve balance was \$216,003 as of December 31, 2015.

If at any time the aggregate balance of the affordability and operating reserves is below \$250,000 due to withdrawals to fund operating subsidy shortfalls, the project shall notify the Authority in writing regarding the deficit and request the Authority restore the reserve shortfall up to the minimum balance. The reserve shortfall must be deposited into the affordability reserve. If at any time following the achievement of an occupancy rate of 97% the aggregate balance of the affordability and operating reserves exceed \$365,000 and certain conditions are met as defined in the R&O Agreement, the company shall use the excess funds from the operating reserve to make a payment on the Authority mortgage notes payable.

Cherry Court has entered into a lease with a third party to lease ground space for the purpose of constructing, maintaining, and operating a cellular tower. The lease requires monthly payments of \$2,200 through November 2016. The lease includes four successive five year options to renew with a ten percent increase in rent for each renewal. The lease was renewed for another five years, effective November 2011. Rental income earned under the lease totaled \$26,400 for the year ended December 31, 2015. Future minimum rental income under this lease is \$24,200 for the year 2016.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Convent Hill

The Authority, as plaintiff, filed a complaint against the architect and construction contractor of the building to redress claims of negligent design and construction. The U.S. Department of Housing and Urban Development authorized the initiation of this litigation in March 2013. The complaint was amended to also include the company; Convent Hill Retail, LLC; FOH, LLC; and Convent Hill Gardens Limited Partnership as plaintiffs (the parties). The parties entered into a litigation funding agreement effective June 2013. Under this agreement, Convent Hill was responsible for a maximum of \$56,000 of costs and expenses associated with the litigation which was to be paid solely with funds from the operating reserve. Litigation costs in excess of this amount are the obligation of the Authority. Litigation costs incurred totaled \$56,000 as of December 31, 2013 and were paid to the Authority during 2014 with funds from the operating reserve. The case is ongoing and the amount of any recoveries from the claim is not determinable.

In conjunction with the litigation funding agreement, an amendment to the operating agreement requires the manager to fund operating deficits in the form of operating deficit loans from June 2013 through December 2018. These operating deficit loans may not exceed the lesser of the aggregate amount of operating reserves used to pay litigation costs related to the complaint against the architect and construction contractor or \$56,000. Operating deficit loans made shall be unsecured, bear interest at 6% per annum, and be repayable solely from cash flow and capital transactions as defined in the operating agreement. There have been no operating deficit loans made to the company as of December 31, 2015.

Convent Hill entered into a Land Use Restriction Agreement with WHEDA as a condition to receiving allocations of low-income housing tax credits. Under this agreement, Convent Hill must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units that shall be occupied by individuals or families whose income meets the requirement set under IRC Section 42. If Convent Hill fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Convent Hill is obligated to certify tenant eligibility.

Under provisions of the R&O agreement and the operating agreement, Convent Hill has established an affordability reserve in the initial amount of \$129,000. Withdrawals are restricted to cover shortfalls in the event operating subsidies as defined in the R&O agreement and as approved by the special member. However, if in any month, operating expenses exceed operating income for the public and non-public housing units, the operating reserve is exhausted, and payments are due to the permanent first mortgage, funds from this reserve may be withdrawn to cover such amounts due. The affordability reserve balance was \$131,707 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Convent Hill (cont.)

The R&O agreement and operating agreement required for Convent Hill to fund an operating reserve in the initial amount of \$105,000. The operating reserve, including interest thereon, is to be administered in accordance with the R&O agreement and utilized primarily to fund operating deficits. Withdrawals are restricted to cover insufficient cash flow from the non-public housing units and to fund insufficient cash flow from the public housing units if the balance in the affordability reserve is less than \$1. If a withdrawal would cause the balance of the reserve to be less than \$50,000, approval of the special member is needed. The operating reserve was \$50,563 as of December 31, 2015.

The R&O agreement and operating agreement also provide for Convent Hill to fund a replacement reserve annually in the amount of \$16,000. The required annual deposits increases 3% per year. The replacement reserve shall be used for working capital needs, improvements, replacements, and other contingencies as determined in the reasonable discretion of the manager. Withdrawals may be made only upon the approval of the Authority and the special member. The replacement reserve balance was \$133,496 as of December 31, 2015.

If at any time the aggregate balance of the affordability and operating reserves is below \$160,274 due to withdrawals to fund operating subsidy shortfalls, the project shall notify the Authority in writing regarding the deficit and request the Authority restore the reserve shortfall up to the minimum balance. The reserve shortfall must be deposited into the affordability reserve. If at any time following the achievement of an occupancy rate of 97% the aggregate balance of the affordability and operating reserves exceed \$234,000 and certain conditions are met as defined in the R&O Agreement, the company shall use the excess funds from the operating reserve to make a payment on the Authority mortgage notes payable.

Convent Hill entered into a management agreement with Friends of Housing Corporation (Friends). Under this agreement, the Convent Hill is obligated to pay a management fee equal to \$27.00 per unit in 2015 not to exceed 6% of gross annual income. The management fees incurred under this agreement totaled \$24,960 for the year ended December 31, 2015. Included in accrued expenses on the statement of net position are accrued management fees of \$2,080 as of December 31, 2015. The management agent is also paid an administrative fee related to application review, home visits and completing the tenant income certification related to certifying tenant compliance.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Scattered Sites

Scattered Sites entered into a Land Use Restriction Agreement with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Scattered Sites must continuously comply with Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirement set under IRC Section 42. If Scattered Sites fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Scattered Sites is obligated to certify tenant eligibility.

Under provisions of the R&O agreement and operating agreement, Scattered Sites established an affordability and operating reserve in the initial amount of \$75,000. Withdrawals are restricted to help meet operating expenses and debt service of Scattered Sites in the event operating subsidy funds are not available. The affordability and operating reserve balance was \$76,781 as of December 31, 2015.

If at any time the aggregate balance of the affordability and operating reserve is below \$51,370 due to withdrawals to fund operating subsidy shortfalls, Scattered Sites shall notify the Authority in writing regarding the deficit and request the Authority restore the reserve shortfall up to the minimum balance.

The R&O Agreement and operating agreement require Scattered Sites to fund a replacement reserve annually in the initial amount of \$7,200. The annual deposit requirement increases 3% per year. The replacement reserve shall be used for the purpose of replacing capital assets or providing capital improvements. Withdrawals may be made only upon the approval of the Authority and investor member. The replacement reserve balance was \$64,164 as of December 31, 2015.

Scattered Sites has entered into a management agreement with Friends. Under this agreement, Scattered Sites is obligated to pay a management fee equal to \$37.50 per unit per month for 2015, not to exceed 9% of gross annual income collected. The management fees incurred under this agreement totaled \$10,418 for the year ended December 31, 2015. Friends is also paid an administrative fee related to application review, home visits and completing the tenant income certification related to certifying tenant compliance.

The Authority entered into a cooperation agreement with the City of Milwaukee whereby any low-rent housing developed by the Authority receiving federal assistance from the United States of America shall make annual payments in lieu of taxes in an amount equal to 10% of the shelter rent. Shelter rent is defined as the total of all rents charged to tenants less the cost of utilities. Since all the units in the project are public housing units, Scattered Sites is subject to the same agreement.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Scattered Sites II

Scattered Sites II signed a Land Use Restriction Agreement with WHEDA as a condition to receiving an allocation of low-income housing tax credits from WHEDA. Under this agreement, Scattered Sites II must continuously comply with Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Scattered Sites II fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns.

Scattered Sites II has entered into a declaration of restrictive covenants with the Authority which requires the company to develop, operate, and maintain the project in accordance with all requirements applicable to public housing. Scattered Site II must comply with applicable public housing requirements for a 40 year period. Such period shall be extended for ten years after the end of the last public housing agency fiscal year for which operating fund assistance is provided by the Authority on behalf of the project, or as otherwise required by law.

Scattered Sites II is required to establish and maintain an operating reserve to meet operating expenses and debt service which exceed operating revenues. Upon the second equity installment, \$75,000 was deposited into the operating reserve. Disbursements from the reserve require approval by the special member. Upon the expiration of the compliance period, the remaining funds may be released assuming no events of default as defined by the operating agreement. The operating reserve balance was \$75,573 as of December 31, 2015.

Scattered Sites II is required to establish and maintain a replacement reserve for the purpose of replacing capital assets or providing capital improvements. Deposits to the reserve will be no less than \$300 per unit and shall increase by at least 3% per annum. Disbursements from the reserve shall be made in accordance with approved budgets or written approval from the Authority or special member. Upon sale of the property, amounts remaining in the reserve will remain with the property. The replacement reserve balance was \$44,896 at December 31, 2015. The replacement reserve is properly funded as of December 31, 2015.

Property management fees are incurred pursuant to a management fee agreement based on an initial management fee of \$48 per month, but in no month shall the fee exceed 8% of gross rents collected. Additionally, the management agent will charge \$35 per application reviewed, \$50 per home visit conducted and \$60 per tenant income certification. The term of the agreement will continue for successive terms of one year unless terminated by either party. Total management fees incurred were \$13,478 for the year ended December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Olga Village

Olga Village signed a Land Use Restriction Agreement with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Olga Village must continuously comply with Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Olga Village fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns.

Olga Village has entered into a regulatory and operating agreement with the Authority which requires Olga Village to operate and maintain the project in accordance with all requirements applicable to public housing. Olga Village must comply with applicable public housing requirements for a 40 year period. Such period shall be extended for ten years after the end of the last public housing agency fiscal year for which operating fund assistance is provided by the Authority on behalf of the project, or as otherwise required by law.

The Authority is required to maintain a subsidy reserve that will be funded by the Authority with the second capital installment in the amount of \$150,000. The subsidy reserve will be paid solely from construction-period interest payments made on the Authority's loan and will be further funded from debt service payments made to the Authority or from cash flow. Olga Village may access this reserve as provided in the regulatory agreement. Funds held in the subsidy reserve constitute funds of the Authority and will be held and applied solely for the benefit of the public housing units. The reserve was funded by the Authority as of December 31, 2015.

Olga Village is required to establish and maintain a replacement reserve to fund repairs, capital expenditures and other costs approved by the investor member in an annual operating budget. The reserve will be funded with the third capital installment in the amount of \$8,500. Beginning on the first day of the first month following the lease-up period but no later than January 1, 2011, Olga Village will make monthly deposits in the amount of \$250 per unit per year. This amount will increase by 10% on each fifth anniversary thereafter. A minimum balance equal to at least six monthly installments of the annual replacement reserve is required to be maintained. Disbursements from the reserve will be made in accordance with approved budgets or written approval from the investor member. The replacement reserve balance was \$55,632 at December 31, 2015 and is properly funded.

Olga Village is required to establish and maintain an operating reserve to meet operating expenses and debt service which exceed operating revenues. An operating reserve of at least \$200,000 will be funded with the fourth capital contribution. In addition, Olga Village will fund the operating reserve from cash, as defined by the operating agreement, in order to maintain a balance of at least \$200,000. Disbursements from the reserve require approval by the investor member. Upon the expiration of the lease-up and operating deficit periods and with the consent of the investor member, Olga Village may use the funds for any Olga Village purpose. The operating reserve balance was \$204,347 at December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Westlawn Renaissance

Westlawn Renaissance has entered into an R&O Agreement with the Authority. Provisions of the agreement require Westlawn Renaissance to fund a replacement reserve in the initial amount of \$75,000 upon receipt of the second installment of equity from the investor member. Commencing on June 1, 2013, monthly deposits are required in an amount equal to \$300 per unit per year for the first year, increasing by 3% each twelve-month period thereafter. The replacement reserve shall be used to fund repairs, capital expenditures, and other costs as approved by the Authority and the investor member. The replacement reserve balance was \$276,310 as of December 31, 2015.

The R&O Agreement and operating agreement requires Westlawn Renaissance to establish an operating reserve of at least \$600,000, to be funded on the date of receipt of the second installment of equity from the investor member. Funds from the operating reserve may be used to pay for operating or other expenses with the consent of the investor member. Westlawn Renaissance is required to fund the operating reserve from available cash flow as defined in the operating agreement, in order to maintain a balance at all times of \$600,000. The reserve shall be maintained throughout the 15 year tax credit compliance period. Upon the three year anniversary of the achievement of stabilized occupancy, as defined in the operating agreement, any excess amounts in the operating reserve shall be released to pay applicable principal and interest on the mortgage notes payable due to the Authority. Beginning June 2024, and each year thereafter, the required balance in the operating reserve may be reduced in accordance with the operating agreement. The operating reserve balance was \$602,806 as of December 31, 2015.

The investor member has requested that a portion of its second equity installment in the amount of \$476,146 be escrowed to cover approximately 150% of the current balance owed on two contracts with respect to construction work performed to ensure protection against the creation of liens by the parties to the aforementioned contracts. An additional \$109,981 was placed in a construction escrow to cover the balance owed on a construction contract. In 2015, the additional \$109,981 was released from escrow to pay the balance owed on the construction contract.

Westlawn Renaissance entered into a management agreement with an unaffiliated entity. Under this agreement, the company is obligated to pay a management fee equal to \$24.25 per unit per month. The management fees incurred under this agreement totaled \$75,750 for the year ended December 31, 2015.

Westlawn Renaissance entered into a Land Use Restriction Agreement with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Westlawn Renaissance must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Westlawn Renaissance fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Westlawn Renaissance is obligated to certify tenant eligibility.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Westlawn Renaissance (cont.)

The Authority had entered into a cooperation agreement with the City of Milwaukee whereby any low-rent housing developed by the Authority receiving federal assistance from the United States of America shall make annual payments in lieu of taxes (PILOT) in an amount equal to 10% of the shelter rent. Shelter rent is defined as the total of all rents charged to tenants less the cost of utilities. Westlawn Renaissance is subject to the same agreement with respect to the public housing units.

Lapham Park

Lapham Park has entered into an R&O Agreement with the Authority and a loan agreement with WHEDA. Provisions of the agreements require Lapham Park to fund a replacement reserve in an initial amount of \$60,300 upon receipt of the second installment of equity from the investor member. Commencing on June 1, 2013, monthly deposits are required in an amount equal to \$300 per unit per year for the first year, increasing by 3% each twelve-month period thereafter. The replacement reserve shall be used to fund repairs, capital expenditures, and other costs as approved by the Authority and the investor member. The replacement reserve balance was \$222,154 as of December 31, 2015.

The R&O Agreement and operating agreement requires Lapham Park to establish an operating reserve of at least \$628,000, to be funded on the date of receipt of the second installment of equity from the investor member. Funds from the operating reserve may be used to pay for operating or other expenses with the consent of the investor member. Lapham Park is required to fund the operating reserve from available cash flow as defined in the operating agreement, in order to maintain a balance at all times of \$628,000. The reserve shall be maintained throughout the 15 year tax credit compliance period. Upon the three year anniversary of the achievement of stabilized occupancy, as defined in the operating agreement, any excess amounts in the operating reserve shall be released to pay applicable principal and interest on the mortgage notes payable due to the Authority. Beginning June 2024, and each year thereafter, the required balance in the operating reserve may be reduced in accordance with the operating agreement. The operating reserve balance was \$631,030 as of December 31, 2015.

Lapham Park entered into a management agreement with an unaffiliated entity. Under this agreement, Lapham Park is obligated to pay a management fee equal to \$26.75 per unit per month. The management fees incurred under this agreement totaled \$63,315 for the year ended December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Lapham Park (cont.)

Lapham Park entered into Land Use Restriction Agreements with WHEDA as a condition to receiving the bonds payable and an allocation of low-income housing tax credits. Under this agreement, Lapham Park must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If Lapham Park fails to comply with this agreement or with the IRC, the bonds payable become immediately due and payable; Lapham Park may be ineligible for low-income housing tax credits; and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company is obligated to certify tenant eligibility.

The Authority had entered into a cooperation agreement with the City of Milwaukee whereby any low-rent housing developed by the Authority receiving federal assistance from the United States of America shall make annual payments in lieu of taxes (PILOT) in an amount equal to 10% of the shelter rent. Shelter rent is defined as the total of all rents charged to tenants less the cost of utilities. Lapham Park is subject to the same agreement with respect to its public housing units.

Lapham Park entered into a Declaration of Condominium agreement to form Lapham Park Condominium. Under the agreement, the building was divided into five units which are occupied by the project.

The Authority had a non-cancelable operating lease agreement with Verizon Wireless to rent a portion of its rooftop space for antenna systems and storage areas for communication transmitters. In February 2012, the Authority assigned its interest in the lease to Lapham Park. Payments on the lease increase 4% each year. The lease expires December 31, 2020. The lease includes three remaining five year option to renew.

Rooftop lease income included in rental income totaled \$29,219 for the year ended December 31, 2015. Future minimum rental income under the rooftop lease is \$30,387, \$31,603, \$32,867, \$34,182 and \$35,549 for the years 2016, 2017, 2018, 2019 and 2020, respectively.

In connection with the AHP note with the Authority, the project must comply with certain affordability requirements outlined in an AHP Subsidy Agreement between the Authority and the Federal Home Loan Bank.

F. ECONOMIC DEPENDENCY

The Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Authority operates at a loss prior to receiving contributions and grants from HUD.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS

Approximately one tenth of the individuals who work for the Authority are employees of the City of Milwaukee. Wages and related fringe benefits are paid by the City of Milwaukee and reimbursed by the Authority. Wages and related fringe benefits reimbursed to the City by the Authority were approximately \$4,381,303 in 2015. In addition, during 2015 the Authority paid the City approximately \$528,682, for administrative services and overhead expenses. The liability as of year-end totaled \$439,714 is included in accounts payable as of December 31, 2015.

In accordance with an agreement with the City of Milwaukee, the Authority makes PILOT to the City equal to 10% of the Authority's net shelter rental income. The PILOT for 2015, paid in 2016 was \$1,246,075 and is included in accrued liabilities as of December 31, 2015.

Component Units

Carver Park

Carver Park entered into a management agreement with Friends, a member of the general partner, for a management fee equal to \$29.00 per unit during 2015. The management fees incurred under this agreement totaled \$44,652 for the year ended December 31, 2015.

The partnership agreement provides for Carver Park to pay an annual asset management fee to the investor limited partner in the base amount of \$5,000 as annually adjusted by the Consumer Price Index (CPI). Asset management fees incurred were \$6,720 for the year ended December 31, 2015. Accrued asset management fees were \$38,147 as of December 31, 2015.

Carver Park has entered into R&O Agreements with the Authority. Provisions of the R&O Agreements require Carver Park to maintain 27 and 24 units as public housing units in Carver I and Carver II, respectively. Carver Park shall use its best efforts to achieve and maintain tiers of persons with income of 30%, 50%, and 60% of county median incomes residing in the public housing units. With regards to the public housing units, the Authority is to pay operating subsidies to Carver Park equal to the difference between rents received from tenants residing in the public housing units and operating expenses for those units. The agreements expire on December 31, 2041. Operating subsidies totaling \$122,084 were earned for the year ended December 31, 2015. Included in accounts payable on the balance sheets are operating subsidy payables of \$25,289 as of December 31, 2015.

The Authority is to be paid authority oversight fees to cover its asset management responsibilities in administering the operating subsidy in the amounts of \$27,000 and \$24,000 for Carver I and Carver II, respectively. The Authority will forego the authority oversight fee to the extent of any public housing shortfall. Authority oversight fees totaled \$0 for the year ended December 31, 2015. Accrued authority oversight fees were \$33,496 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Highland Park

Highland Park is obligated to pay an annual asset cumulative management fee to the investor member in the amount of \$5,000, which is payable from cash flow as defined in the operating agreement. Accrued asset management fees were \$5,000 as of December 31, 2015.

The Authority is required to jointly and severally fund all operating deficits for the 36 month period after the breakeven date and achievement of permanent loan closing in the form of an operating deficit advance, with a maximum cumulative operating deficit advance of \$300,000. The guarantee amount reduces to \$150,000 on the second anniversary of achievement of the operating deficit requirements. The guarantee further reduces to zero on the third anniversary of achievement of the operating deficit requirements. Operating deficit advances bear interest at 8%. There has been no operating deficit advances made to Highland Park as of December 31, 2015.

The Authority has also guaranteed the amount of the low-income housing tax credits to be generated by the project. Total operating deficit and tax credit and guarantees shall not exceed the cumulative amount of \$1,000,000.

Highland Park has entered into a R&O Agreement with the Authority. Provisions of the agreement require Highland Park to maintain 46 units as public housing units. With regards to the public housing units, the Authority is to pay operating subsidies to Highland Park equal to primarily the allowable expense level determined by HUD annually, less rents received from tenants residing in the public housing units. The agreement will expire upon the latest to occur of the expiration of the minimum period during which the public housing is required by law to be operated as such, the expiration of 40 years from the date of first occupancy (November 2044), and repayment of the subordinated mortgage note payable to the Authority. Operating subsidies totaling \$116,328 were incurred during the year ended December 31, 2015. Operating subsidy payables were \$0 as of December 31, 2015.

The Authority is to be paid an authority oversight fee to cover its asset management responsibilities in administering the operating subsidy in the amounts of \$46,000. The Authority will forego the authority oversight fee to the extent of any public housing shortfall. Highland Park did not incur oversight fees for the period ended December 31, 2015. Accrued authority oversight fees were \$34,938 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Cherry Court

Cherry Court entered into a management agreement with Friends. Under this agreement, Cherry Court is obligated to pay a monthly management fee equal to \$27.50 per unit for 2015, not to exceed 6% of gross annual income. The management fees incurred under this agreement totaled \$38,880 for the year ended December 31, 2015. Friends is also paid an administrative fee related to application review, home visits, and completing the tenant income certification related to certifying tenant compliance.

Cherry Court is obligated to pay the investor member an annual cumulative asset management fee of \$3,500. The asset management fee shall increase annually by 3% and is only payable from cash flow. Asset management fees incurred were \$4,565 for the year ended December 31, 2015.

The Authority has guaranteed the amount of the low-income housing tax credits to be generated by the project. Total operating deficit and tax credit guarantees shall not exceed the cumulative amount of \$300,000.

Cherry Court has entered into a R&O Agreement with the Authority. Provisions of the agreement require Cherry Court to maintain 70 units as public housing units. With regards to the public housing units, the Authority is to pay operating subsidies to Cherry Court equal to primarily the allowable expense level determined by HUD annually, less rents received from tenants residing in the public housing units. The agreement will expire upon the latest to occur of the expiration of the minimum period during which the public housing is required by law to be operated as such, the expiration of 40 years from the date of first occupancy (August 2046), and repayment of the subordinated mortgage notes payable to the Authority.

Operating subsidies totaling \$172,621 were incurred during the year ended December 31, 2015. Included in accounts receivable on the statement of net position are operating subsidy receivables of \$1,197 as of December 31, 2015.

The Authority is to be paid an authority oversight fee to cover its asset management responsibilities in administering the operating subsidy in the amounts of \$70,000. The Authority will forego the authority oversight fee to the extent of any public housing shortfall. Authority oversight fees totaled \$63,833 for the year ended December 31, 2015. Accrued authority oversight fees were \$63,833 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Convent Hill

Convent Hill is obligated to pay the investor member or its affiliate an annual asset management fee in the initial amount \$3,500. Such fee shall be paid quarterly and shall be cumulative to the extent not paid in full in any quarter. The asset management fee shall increase annually by 3%. Asset management fees incurred were \$4,178 for the year ended December 31, 2015. Accrued asset management fees were \$0 as of December 31, 2015.

The Authority has guaranteed the amounts of the low income housing tax credits to be generated by the project. Total tax credit guarantees shall not exceed \$100,000.

Convent Hill has entered into an R&O Agreement with the Authority. Provisions of the agreement require Convent Hill to maintain 42 units as public housing units. With regards to the public housing units, the Authority is to pay operating subsidies to Convent Hill equal to primarily the allowable expense level determined by HUD annually, less rents received from tenants residing in the public housing units. The agreement will expire upon the latest to occur of the expiration of the minimum period during which the public housing is required by law to be operated as such, the expiration of 40 years from the date of first occupancy (October 2047), and repayment of the subordinated mortgage notes payable to the Authority. Operating subsidies totaling \$137,979 were earned during the year ended December 31, 2015. Included in accounts payable on statement of net position are operating subsidy payables of \$24,249 as of December 31, 2015.

Convent Hill entered into a Declaration of Condominium agreement (Declaration) with Convent Hill Retail, LLC; FOH, LLC; and Convent Hill Gardens Limited Partnership to form Convent Hill Condominium Association, Inc. (Association). Under the agreement, the building was divided into six units, one of which is occupied by the project. The Declaration specifies that the project's percentage interest in general common elements (i.e. the building, roof, and foundation, mechanical rooms, driveways, and sidewalks) is 59.99%. The Declaration specifies that the project's percentage interest in limited common elements specific to the residential units only (includes computer room, lobby, community room, laundry facilities, kitchen, outdoor terraces etc.) is 68.17%. The project's percentage interest in limited common elements specific to the residential units and the office unit (includes corridors and electrical rooms) is 65.7%.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Convent Hill (cont.)

The Board of Directors of the Association shall annually adopt a budget of common expenses and assess each unit accordingly. The assessments for these common expenses are payable in monthly installments and are based on the limited common elements percentages identified in the previous paragraph. However, if and to the extent the Board determines that usage or benefit of any particular common expense varies among the units, the board may allocate such differential common expenses to individual units based on the Board's best estimate. Included in the common expenses are costs such as utilities, landscaping, shared labor and materials, janitorial services, insurance, garbage and recycling services, elevator and the office telephone. Condominium fees totaled \$307,343 for the year ended December 31, 2015.

Scattered Sites

Scattered Sites entered into a development services agreement with the Authority. The agreement provides for Scattered Sites to pay a development fee totaling \$700,000 to the Authority. The portion of the fee not paid under this agreement will bear interest at the long term applicable federal rate (8%) in effect on the Placement in Service date, compounded annually. Development fee payable was paid off in 2009. Accrued interest on the development fee was \$9,271 as of December 31, 2015.

Scattered Sites is obligated to pay the special member or its affiliate an annual asset management fee in the initial amount of \$3,500. Such fee shall be cumulative to the extent not paid in full in any year. The asset management fee shall increase annually by 3%. Asset management fees incurred were \$4,305 for the year ended December 31, 2015. Accrued asset management fees were \$4,305 as of December 31, 2015.

Scattered Sites has entered into an R&O Agreement with the Authority. Provisions of the agreement require Scattered Sites to maintain 24 units as public housing units. With regards to the public housing units, the Authority is to pay operating subsidies to Scattered Sites equal to primarily the allowable expense level determined by HUD annually, less rents received from tenants residing in the public housing units. The agreement will expire upon the latest to occur of the expiration of the minimum period during which the public housing is required by law to be operated as such, the expiration of 40 years from the date of first occupancy (October 2047), and repayment of the Authority's mortgage notes payable. Operating subsidies totaling \$78,567 were earned during the year ended December 31, 2015. Included in accounts payable on the statement of net position are operating subsidy payables of \$10,284 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Scattered Sites II

In accordance with the operating agreement, the managing member agrees to fund any operating deficits incurred by Scattered Sites II at any time during the three years after the stabilized operations date. Any funds advanced shall be repaid, without interest, in accordance to the cash flow provisions. As of December 31, 2015, no amounts were due to the managing member.

In accordance with the operating agreement, Scattered Sites II will pay an annual fee of \$3,500 to the special member or its affiliate for an annual review of the operations of the company and sites. If there is not sufficient cash flow, any portion of the fee which is not paid shall accrue without interest until there is sufficient cash flow.

In accordance with the operating agreement, Scattered Sites II is obligated to pay the manager an annual fee of \$7,500 for its overview of the management of Scattered Sites II and the sites effective January 1, 2010. Such fee will be paid on a monthly basis in arrears and will be cumulative to the extent not paid in full in any year. The fee shall increase annually by 3% of Scattered Sites II management fee for the preceding year. Scattered Sites II management fees were \$8,694 for the year ended December 31, 2015. Scattered Sites II management fee will be paid, without interest, from available cash flows. Accrued management fees as of December 31, 2015 were \$8,694.

Olga Village

Property management fees are incurred pursuant to a management fee agreement based on an initial management fee of \$23 per unit per month, but in no event will the annual manage fee agreement exceed 6% of the annual gross revenues. The term of the agreement will continue for successive terms of one year unless terminated by either party. Total management fees incurred for the year ended December 31, 2015 were \$10,212.

In accordance with the operating agreement, the managing member agrees to fund any operating deficits incurred by Olga Village at any time during the three years after the stabilized operations date. The stabilized operations date was September 30, 2011. The manager's obligation under this guaranty shall be limited to a maximum amount of \$600,000. Any funds advanced shall be repaid, without interest, in accordance to the cash flow provisions. As of December 31, 2015, no amounts were due to the manager.

In accordance with the operating agreement, Olga Village will pay an annual fee equal to \$1,850 to its investor member. The fee shall increase by 10% on each fifth anniversary. If sufficient cash flow does not exist, any portion of the fee which is not paid shall accrue without interest until there is sufficient cash flow. As of December 31, 2015, there were accrued asset management fees of \$1,850.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Olga Village (cont.)

In accordance with the operating agreement and development services agreement, Olga Village is obligated to pay the Authority, the developer, an aggregate fee of \$1,026,952 in exchange for their services, which had been paid in full. The deferred developer fee included interest at the long-term applicable federal rate (3.86%) in effect on the completion date (August 30, 2011), compounding annually with payment no later than the twelfth anniversary of the completion date. Accrued interest on the deferred developer fee was \$14,391 as of December 31, 2015 and is included in accrued interest on the balance sheet.

Olga Village had accounts payable to the Authority and Friends of Housing, both related parties, totaling \$21,217 as of December 31, 2015. The amounts relate to expenses paid on Olga Village's behalf by the related parties for reimbursable expenses, including payroll, maintenance, and insurance. The balance is non-interest bearing and due on demand.

All units have been designated as public housing units under the regulatory and operating agreement between Olga Village and the Authority. Pursuant to the agreement, Olga Village receives operating subsidies toward the payment of operational costs of the public housing units. According to the agreement, Olga Village shall submit a yearly operating budget to the Authority for approval at least 90 days before commencement of the subsidy fiscal year. Based on this operating budget, the Authority shall pay, in monthly expenses for such period and budgeted public housing units income. Annually, there is to be a review of related project income and expenses, and a true-up adjustment is made to recognize additional amounts due to the Authority or to Olga Village. The true-up adjustment is recognized into earnings when received or paid. As of December 31, 2015, Olga Village received operating subsidies from the Authority in the amount of \$129,094.

Westlawn Renaissance

Westlawn Renaissance entered into a development agreement with the manager member, which provides for the payment of a development fee of the lesser of \$9,224,569 or the amount allowed by WHEDA. The development fee was limited to \$8,345,451 and has been capitalized into the cost of the buildings. The fee is to be paid from capital contributions and project cash flow as set forth in the operating agreement. All unpaid amounts at the time of the project completion date shall bear interest at the long-term AFR as of the date of completion (2.4%), compounded annually. The balance of the development fee payable and related accrued interest was paid in full in 2014.

Westlawn Renaissance is obligated to pay an annual cumulative asset management fee to the investor member in the amount of \$12,500 commencing in 2013. Asset management fees incurred and accrued totaled \$12,500 for the year ended December 31, 2015. Included in other current liabilities are accrued asset management fees totaling \$12,500 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Westlawn Renaissance (cont.)

Westlawn Renaissance is obligated to pay an annual cumulative company management fee to the manager in the amount of \$37,500 commencing in 2013. Such fee is payable only from cash flow, and shall be paid pursuant to the terms of the operating agreement. Company management fee incurred and accrued totaled \$37,500 for the year ended December 31, 2015. Included in other current liabilities are accrued company management fees totaling \$37,500 as of December 31, 2015.

For the subsequent 60 month period following the achievement of stabilized occupancy, the manager member is required to fund all operating deficits in the form of an operating deficit advance, with a maximum cumulative operating deficit advance of \$870,000. The operating deficit obligation period will be extended if the Westlawn Renaissance is not achieving certain occupancy rates as defined in the operating agreement and/or the operating reserve is not fully funded. Any operating deficit advances shall be treated as a loan and be non-interest bearing. Operating deficit advances are repayable from available cash flow as defined in the operating agreement. There were no operating deficit advance loans made to Westlawn Renaissance as of December 31, 2015.

Westlawn Renaissance has entered into an R&O Agreement with the Authority. Provisions of the agreement require Westlawn Renaissance to maintain 64 units as public housing units. The Authority is to pay operating subsidies to Westlawn Renaissance equal to primarily the allowable expense level determined by HUD annually, less rents received from tenants residing in the public housing units. The agreement will expire upon the latest to occur of the expiration of the minimum period during which the public housing is required by law to be operated as such, the expiration of 40 years from the date of first occupancy (February 2052), or repayment of the subordinated mortgage notes payable to the Authority. Operating subsidies totaling \$251,512 were earned during the year ended December 31, 2015. There were \$30,619 in accounts receivable on the statement of net position as an operating subsidy receivable as of December 31, 2015. Included in accounts payable are operating subsidy payables of \$0 as of December 31, 2015.

Westlawn Renaissance is obligated to pay the Authority an annual cumulative authority oversight fee in the amount of \$100,000 commencing in 2013 and every year thereafter. Authority oversight fee incurred totaled \$100,000 for the year ended December 31, 2015. Included in other current liabilities are accrued authority oversight fees totaling \$100,000 as of December 31, 2015.

Included in accounts receivable are amounts due from Lapham Park, LLC (Lapham), an affiliated project, totaling \$142,160 as of December 31, 2015, for Lapham operating expenses paid by the Westlawn Renaissance in error. These amounts were repaid on January 5, 2016.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Lapham Park

Included in accounts payable are amounts due to Westlawn Renaissance LLC (Westlawn) , an affiliated project, totaling \$142,160 as of December 31, 2015 for operating expenses paid by Westlawn in error. These amounts were repaid to Westlawn on January 5, 2016,

For the 36 month period following the achievement of stabilized occupancy, the manager member is required to fund all operating deficits in the form of an operating deficit advance, with a maximum cumulative operating deficit advance of \$628,000. The operating deficit obligation period will be extended if Lapham Park is not achieving certain occupancy rates as defined in the operating agreement and/or the operating reserve is not fully funded. Any operating deficit advances shall be treated as a loan and be non-interest bearing. Operating deficit advances are repayable from available cash flow as defined in the operating agreement. There were no operating deficit advance loans made to Lapham Park as of December 31, 2015.

Lapham Park is obligated to pay an annual cumulative asset management fee to the investor member in the amount of \$52 per credit unit (\$10,452) commencing in 2013. Asset management fee incurred and accrued totaled \$10,452 for the year ended December 31, 2015.

Lapham Park is obligated to pay an annual cumulative company management fee to the manager in the amount equal to \$150 per credit unit (\$30,150) commencing in 2013. The fee is payable only from available cash flow as defined in the operating agreement. Company management fees incurred totaled \$30,150 for the year ended December 31, 2015. Included in accrued expenses are accrued company management fees totaling \$90,450 as of December 31, 2015.

Lapham Park has entered into an R&O Agreement with the Authority. Provisions of the agreement require Lapham Park to maintain 131 units as public housing units. With regard to the public housing units, the Authority is to pay operating subsidies to Lapham Park equal to primarily the allowable expense level determined by HUD annually, less rents received from tenants residing in the public housing units. The agreement will expire upon the latest to occur of the expiration of the minimum period during which the public housing is required by law to be operated as such, the expiration of 40 years from the date of first occupancy (November 2051), and repayment of the subordinated mortgage notes payable to the Authority. Operating subsidies totaling \$250,297 were earned during the year ended December 31, 2015. Included in accounts payable are operating subsidy payables of \$2,105 as of December 31, 2015.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Lapham Park (cont.)

Lapham Park is obligated to pay the Authority an annual cumulative authority oversight fee in the amount of \$30,150 commencing in 2013 and increasing by 3% every year thereafter. Authority oversight fee incurred and accrued totaled \$31,987 for the year ended December 31, 2015.

Lapham Park entered into a development agreement with the manager, which provides for the payment of a development fee of \$3,009,701. The entire fee has been capitalized into the cost of the buildings and is to be paid from capital contributions and project cash flow as set forth in the operating agreement. All unpaid amounts at the time of the project completion date shall bear interest at the long-term AFR as of the date of completion (2.4%), compounded annually. In the event the entire development fee has not been paid within 13 years of the date of completion of the project, the unpaid fee and accrued interest shall be paid by the manager member as a development fee advance which is only repayable from available cash flow. Development fee payable was \$2,422,159 as of December 31, 2015. Interest expense incurred on the development fee payable totaled \$60,737 for the year ended December 31, 2015. Accrued interest totaled \$60,737 as of December 31, 2015.

H. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENT

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pensions Plans*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FUNDING PROGRESS As of and for the Year Ended December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Postemployment Health Care Plan						
1/1/2013	\$ -	\$ 6,731,967	\$ 6,731,967	0%	\$ 10,597,651	64%
1/1/2010	-	6,983,526	6,983,526	0%	10,503,022	66%
1/1/2007	-	4,680,700	4,680,700	0%	7,833,500	60%

Note: The Authority is required to present the above information for the three most recent actuarial studies.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Employees' Retirement System of the City of Milwaukee As of and for the Year Ended December 31, 2015

Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Covered Payroll
12/31/15	1.278258400%	\$ 1,450,000	\$ 6,772,000	21.41%	97.76%

SCHEDULE OF EMPLOYER CONTRIBUTIONS Employees' Retirement System of the City of Milwaukee As of and for the Year Ended December 31, 2015

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 1,005,471	\$ (1,005,471)	\$ -	\$ 9,562,255	10.51%

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2015

FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE (SYSTEM)

The amounts presented in relation to the schedule of employer's proportionate share of the net pension liability and the schedule of employer contributions represents the specific data of the Authority. The Information was derived using a combination of the employer's contribution data along with data provided by the System in relation to the Authority as a whole.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in ERS.

Change of assumptions. There were no changes in the assumptions.

The Authority is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING SCHEDULE OF NET POSITION - PRIMARY GOVERNMENT
As of December 31, 2015

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Totals
ASSETS					
Current Assets					
Cash and investments					
Unrestricted	\$ 3,628,003	\$ 7,010,716	\$ 528,395	\$ 12,961,923	\$ 24,129,037
Restricted - Other	258,502	2,218,559	408,403	1,040,150	3,925,614
Restricted - Tenant security deposits	725,030	458,537	-	6,679	1,190,246
Receivables					
HUD other projects	1,633,564	-	5,649	14,618	1,653,831
PHA projects	-	-	76,118	-	76,118
Tenants - dwelling rents	253,631	116,956	-	1,481	372,068
Allowance for doubtful accounts - dwelling rents	(41,847)	(15,204)	-	(207)	(57,258)
Miscellaneous	423,959	-	-	405,744	829,703
Development fees	-	-	-	75,000	75,000
Current portion of notes receivable from Carver Park	-	-	-	4,346	4,346
Current portion of notes receivable from Highland Park	-	-	-	1,789	1,789
Accrued interest	517	-	-	-	517
Prepaid items	413,164	102,324	146,530	567,233	1,229,251
Total Current Assets	<u>7,294,523</u>	<u>9,891,888</u>	<u>1,165,095</u>	<u>15,078,756</u>	<u>33,430,262</u>
Noncurrent Assets					
Restricted Assets					
Cash and investments	-	10,901,866	-	173,594	11,075,460
Deferred mortgage receivable	816,025	-	-	155,554	971,579
Capital Assets					
Land	32,366,649	2,692,850	-	520,664	35,580,163
Construction in progress	3,111,140	1,018,097	-	48,478	4,177,715
Other capital assets, net of accumulated depreciation	56,323,801	1,113,589	-	5,019,174	62,456,564
Other Assets					
Long term interest receivable	9,965,622	-	-	1,605,554	11,571,176
Developer fee receivable	-	-	-	2,422,156	2,422,156
Notes receivable from Carver Park	5,597,181	-	-	1,823,171	7,420,352
Notes receivable from Highland Park	2,000,000	-	-	113,853	2,113,853
Notes receivable from Cherry Court	8,080,208	-	-	606,995	8,687,203
Notes receivable from Convent Hill	5,741,537	-	-	1,134,337	6,875,874
Notes receivable from Scattered Sites	-	-	-	2,318,300	2,318,300
Notes receivable from Scattered Sites II	-	-	-	1,107,578	1,107,578
Notes receivable from Olga Village	-	-	-	2,363,334	2,363,334
Notes receivable from Westlawn Renaissance	7,478,442	-	-	1,610,911	9,089,353
Notes receivable from Lapham Park	19,199,657	-	-	335,440	19,535,097
Total Noncurrent Assets	<u>150,680,262</u>	<u>15,726,402</u>	<u>-</u>	<u>21,359,093</u>	<u>187,765,757</u>
Total Assets	<u>157,974,785</u>	<u>25,618,290</u>	<u>1,165,095</u>	<u>36,437,849</u>	<u>221,196,019</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	-	-	-	2,309,471	2,309,471

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING SCHEDULE OF NET POSITION - PRIMARY GOVERNMENT
As of December 31, 2015

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Totals
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ 17,433	\$ 3,275,447	\$ 3,292,880
Accrued wages and benefits	135,318	11,522	48,867	189,340	385,047
Other current liabilities	552,142	612,344	156,758	586,377	1,907,621
Accrued interest	-	314,415	-	-	314,415
Unearned revenue	30,285	-	-	-	30,285
Due to other governments	1,421,318	1,140,416	-	1,051,824	3,613,558
Current portion of bonds and notes payable	-	535,000	-	-	535,000
Current portion of compensated absences	-	-	-	277,086	277,086
Liabilities payable from restricted assets					
Tenant security deposits	725,030	458,537	-	6,679	1,190,246
Total Current Liabilities	2,864,093	3,072,234	223,058	5,386,753	11,546,138
Noncurrent Liabilities					
Long-Term Debt					
Mortgage revenue bonds payable	-	18,238,397	-	166,450	18,404,847
Other Liabilities					
Compensated absences	-	-	-	646,535	646,535
Net pension liability	-	-	-	1,450,000	1,450,000
Net OPEB liability	-	-	-	4,869,697	4,869,697
Total Noncurrent Liabilities	-	18,238,397	-	7,132,682	25,371,079
Total Liabilities	2,864,093	21,310,631	223,058	12,519,435	36,917,217
NET POSITION					
Net investment in capital assets	91,801,590	(1,771,897)	-	5,588,316	95,618,009
Restricted					
Debt service	-	-	-	173,594	173,594
Replacement reserve	-	943,460	-	-	943,460
Home ownership program	1,658,823	-	-	155,554	1,814,377
Housing choice voucher program	-	-	257,294	-	257,294
Unrestricted	61,650,279	5,136,096	684,743	20,310,421	87,781,539
TOTAL NET POSITION	\$ 155,110,692	\$ 4,307,659	\$ 942,037	\$ 26,227,885	\$ 186,588,273

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
For the Year Ended December 31, 2015

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Combining Adjustments	Totals
OPERATING REVENUES						
Tenant revenue						
Rentals	\$ 10,174,817	\$ 6,882,140	\$ -	\$ 75,518	\$ -	\$ 17,132,475
Other tenant revenue	364,061	109,014	-	1,118	-	474,193
Total Tenant Revenue	10,538,878	6,991,154	-	76,636	-	17,606,668
HUD PHA operating grant revenue	10,860,680	-	36,399,125	122,707	-	47,382,512
Other Revenue						
Other revenue	1,629,682	135,563	563,245	718,742	-	3,047,232
Management Fees	-	-	-	3,569,970	(3,569,970)	-
Fees for Services	-	-	-	2,892,005	(2,892,005)	-
Bookkeeping Fees	-	-	-	356,205	(356,205)	-
Total Other Revenues	1,629,682	135,563	563,245	7,536,922	(6,818,180)	3,047,232
Total Operating Revenues	23,029,240	7,126,717	36,962,370	7,736,265	(6,818,180)	68,036,412
OPERATING EXPENSES						
Administrative	10,045,374	1,936,140	2,936,016	6,950,566	(3,926,175)	17,941,921
Tenant services	912,196	-	36,528	70,300	-	1,019,024
Utilities	4,252,989	772,337	-	96,489	-	5,121,815
Ordinary maintenance	7,563,781	1,326,811	6,005	3,221,150	(2,892,005)	9,225,742
Extraordinary maintenance	2,000,873	618,047	-	13,230	-	2,632,150
Protective services	27,450	747	280	7,048	-	35,525
Insurance premiums	688,672	202,193	91,177	166,147	-	1,148,189
Other general expenses	109,010	-	22,091	7,371	-	138,472
Casualty loss - non-capitalized	64,305	28,455	16,553	2,148	-	111,461
Payments in lieu of taxes	621,318	618,082	-	6,675	-	1,246,075
Bad debt - tenant rents	19,948	39,432	-	104	-	59,484
Housing assistance payments	-	-	33,493,712	-	-	33,493,712
Depreciation expense	5,525,164	716,603	-	330,568	-	6,572,335
Total Operating Expenses	31,831,080	6,258,847	36,602,362	10,871,796	(6,818,180)	78,745,905
Operating Income (Loss)	(8,801,840)	867,870	360,008	(3,135,531)	-	(10,709,493)

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT
For the Year Ended December 31, 2015

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Combining Adjustments	Totals
NONOPERATING REVENUES (EXPENSES)						
Other government grants	\$ 50,899	\$ -	\$ -	\$ -	\$ -	\$ 50,899
Investment income (loss)	1,418,080	300,781	25	460,366	-	2,179,252
Gain (loss) on disposal of capital assets	(3,826)	-	-	(11,399)	-	(15,225)
Interest expense	-	(725,289)	-	(13,690)	-	(738,979)
Total Nonoperating Revenues (Expenses)	<u>1,465,153</u>	<u>(424,508)</u>	<u>25</u>	<u>435,277</u>	<u>-</u>	<u>1,475,947</u>
Income (Loss) Before Transfers and Capital Contributions	(7,336,687)	443,362	360,033	(2,700,254)	-	(9,233,546)
CAPITAL CONTRIBUTIONS	4,058,175	-	-	50,252	-	4,108,427
TRANSFERS IN	-	-	-	126,000	(126,000)	-
TRANSFERS OUT	<u>(126,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,000</u>	<u>-</u>
Change in Net Position	(3,404,512)	443,362	360,033	(2,524,002)	-	(5,125,119)
NET POSITION - Beginning of Year, as restated	<u>158,515,204</u>	<u>3,864,297</u>	<u>582,004</u>	<u>28,751,887</u>	<u>-</u>	<u>191,713,392</u>
NET POSITION - END OF YEAR	<u>\$ 155,110,692</u>	<u>\$ 4,307,659</u>	<u>\$ 942,037</u>	<u>\$ 26,227,885</u>	<u>\$ -</u>	<u>\$ 186,588,273</u>

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SINGLE AUDIT

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2015

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Beginning Balance 12/31/2015</u>	<u>Grant Funds Received</u>	<u>Grant Funds Expensed</u>	<u>Ending Balance 12/31/2015</u>
MAJOR FEDERAL AWARD PROGRAMS					
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Public and Indian Housing	14.850	\$ -	\$ 8,483,987	\$ 8,483,987	\$ -
Capital Fund Program					
Public Housing Capital Fund	14.872				
2011 Fiscal Year		1,181,717	1,700,000	518,283	-
2012 Fiscal Year		14,528	454,313	1,422,810	983,025
2013 Fiscal Year		35,705	931,867	1,282,178	386,016
2014 Fiscal Year		13,562	106,266	92,704	-
2015 Fiscal Year		-	2,284,924	2,284,924	-
Total Capital Fund Program		<u>1,245,512</u>	<u>5,477,370</u>	<u>5,600,899</u>	<u>1,369,041</u>
Section 8 Housing Choice Vouchers	14.871	-	36,365,643	36,365,643	-
Total Major Federal Award Programs		<u>1,245,512</u>	<u>50,327,000</u>	<u>50,450,529</u>	<u>1,369,041</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2015

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Beginning Balance 12/31/2015</u>	<u>Grant Funds Received</u>	<u>Grant Funds Expensed</u>	<u>Ending Balance 12/31/2015</u>
NONMAJOR FEDERAL AWARD PROGRAMS					
U.S. DEPARTMENT OF HOMELAND SECURITY					
Public Assistance Grants - FEMA	97.036	(1,040,150)	(1,040,150)	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Capital Fund Community Facilities	14.890	-	530,284	792,452	262,168
Section 8 Moderate Rehabilitation SRO	14.249	-	27,833	33,482	5,649
Resident Opportunity and Supportive Services	14.870	-	197,503	214,476	16,973
Total Federal Awards		<u>\$ 205,362</u>	<u>\$ 50,042,470</u>	<u>\$ 51,490,939</u>	<u>\$ 1,653,831</u>

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of the Housing Authority of the City of Milwaukee (the Authority) under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 – COGNIZANT AGENCY

The U.S. Department of Housing and Urban Development (HUD) has been designated as the federal cognizant agency for the Authority.

NOTE 4 – STATUS OF PRIOR YEAR FINDINGS

There were no findings of noncompliance identified as Federal Award Findings and Questioned Costs in the Report on Federal Awards for the year ended December 31, 2014.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Commissioners
Housing Authority of the City of Milwaukee
Milwaukee, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Milwaukee (the Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 2, 2016. Our report includes a reference to other auditors who audited the financial statements of Carver Park Tax Credit Limited Partnership, Highland Park Community, LLC, Cherry Court Development, LLC, Convent Hill, LLC, Scattered Sites, LLC, Westlawn Renaissance, LLC, and Lapham Park, LLC as described in our report on the Authority's financial statements. The financial statements of Carver Park Tax Credit Limited Partnership, Highland Park Community, LLC, Cherry Court Development, LLC, Convent Hill, LLC, Scattered Sites, LLC, Scattered Sites II, LLC, Olga Village, LLC, Westlawn Renaissance, LLC, and Lapham Park, LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

To the Board of Commissioners
Housing Authority of the City of Milwaukee

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

Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly Vinson Krauss, LLP

Milwaukee, Wisconsin
August 2, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditors' Report

To the Board of Commissioners
Housing Authority of the City of Milwaukee
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Milwaukee's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

To the Board of Commissioners
Housing Authority of the City of Milwaukee

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Baker Tilly Vinson Kroun, LLP

Milwaukee, Wisconsin
August 2, 2016

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2015

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	unmodified		
Internal control over financial reporting			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards

Internal control over major programs			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported	

Type of auditor's report issued on compliance for major programs:	unmodified
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Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance?	_____ yes	<u> X </u> no
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Auditee qualified as low-risk auditee?		
Federal programs	<u> X </u> yes	_____ no

Dollar threshold used to distinguish between Type A and Type B programs	
Federal	\$ 1,544,728

Identification of major federal programs

CFDA NUMBER(S)

14.850
14.872
14.871

Name of Federal Program or Cluster

Public and Indian Housing
Public Housing Capital Fund
Section 8 Housing Choice Vouchers

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2015

Section II: Financial Statement Findings

There were no findings required to be reported in accordance with Generally Accepted Government Auditing Standards.

Section III: Federal Awards Findings and Questioned Costs

There were no findings or questioned costs required to be reported related to federal awards.