HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

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CITY OF MILWAUKEE

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Single Audit

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, 2019, 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, Scattered Sites II, LLC, Olga Village, LLC, Westlawn Renaissance, LLC, Lapham Park, LLC, Westlawn Renaissance II LLC and Subsidiaries, and Holton Terrace LLC which represent 100% 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 opinions, 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, Scattered Sites II, LLC, Olga Village, LLC, Westlawn Renaissance, LLC, Lapham Park, LLC, Westlawn Renaissance II LLC and Subsidiaries, and Holton Terrace 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, Lapham Park, LLC, Westlawn Renaissance II LLC and Subsidiaries, and Holton Terrace 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, 2019 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.

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 as listed in the table of contents, which includes 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) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and 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 as listed in the table of contents, which includes 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) is 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 December 30, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Milwaukee's 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 US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause. LLP)
Milwaukee, Wisconsin
December 30, 2020

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, 2019. 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 and deferred inflows of resources, 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.

FINANCIAL ANALYSIS

Statement of Net Position

The following table reflects a condensed summary of net position (in thousands) as of December 31, 2019 and 2018:

	2019	2018
Assets		
Cash and Investments	$ 29,161	$ 16,538
Receivables	8,479	6,908
Prepaids expenses	418	2,214
Total Current Assets	38,058	25,660
Capital assets, net of depreciation	121,274	124,286
Investments with fiscal agent	3,724	3,550
Notes receivable from Component Units	94,049	78,016
Other assets	730	1,657
Total Assets	257,835	233,169
Deferred Outflows of Resources		
Deferred outflows related to pensions & OPEB	7,970	3,702
Liabilities		
Current liabilities	34,780	18,857
Long-term debt	37,271	30,067
Total Liabilities	72,051	48,924
Deferred Inflows of Resources	2,771	3,700
Net Position		
Net Investment in Capital Assets	74,765	80,857
Restricted	6,005	4,744
Unrestricted	110,214	98,646
Total Net Position	$ 190,984	$ 184,247

Financial Analysis for the Year Ended December 31, 2019 & 2018

In 2019, current assets increased approximately $12.4 million. Cash and investments increased by $12.6 million while Receivables increased by $1.6 million and Prepaid Expenses decreased by $1.7 million. Liabilities showed an increase due HACM providing some of the construction financing for the Westlawn Renaissance III, LLC and Westlawn Renaissance VI, LLC.

In 2018, current assets decreased approximately $8.6 million. Cash and investments decreased by $9.9 million while Receivables decreased by $.6 million and Prepaid Expenses increased by $1.7 million due to the prepayment of Housing Assistance Payments via ACH that settled in December but were a January expense. Liabilities showed an increase due HACM providing some of the construction financing for the Victory Manor, LLC and Westlawn Gardens Scattered Sites, LLC

Capital Assets

At year-end, the Housing Authority of the City of Milwaukee had over $339 million invested in capital assets as reflected in the following schedule. See Note II C for additional information on the Authority's capital assets.

	2019	2018
Land	$ 35,191,458	$ 35,853,139
Buildings	265,807,027	275,984,561
Furniture, Equipment-Administration	3,415,082	3,448,545
Construction in Progress	34,753,809	33,098,610
Accumulated Depreciation	(217,893,364)	(224,098,027)
Total	$ 121,274,012	$ 124,286,828

This year's major additions were:

Westlawn Gardens multi-purpose room 109	$ 54,280
Travaux buildout	$1,559,073
Construction costs for Westlawn Renaissance III, LLC and Westlawn Renaissance VI, LLC, also site infrastructure costs included in Construction In Progress	$26,424,669

Long-Term Debt Obligations

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.

Long-term debt obligations (cont.)

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 construction of affordable and market-rate housing in the City and pay the costs of issuance of the Series 2015B bonds.

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 12/31/2019
Mortgage revenue bonds	6/1/1989	12/1/2022	Varies	$ 25,000,000	$ 34,481
Mortgage revenue bonds 2015A	3/2/2015	7/1/2035	3.00%	13,635,000	12,935,000
Mortgage revenue bonds 2015B	3/2/2015	7/1/2025	0.688%	5,410,000	3,170,000
					$ 16,139,481

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:

	2019	2018
Revenues:		
Tenant revenue	$ 16,730	$ 16,554
Operating subsidies and grants	49,137	56,964
Capital contributions	13,744	8,256
Investment income	2,071	2,378
Other revenue	6,513	7,138
Gain/(Loss) on disposal of assets	1,377	(1,111)
Total revenue	89,572	90,179
Expenses:		
Housing assistance payments	34,395	36,944
Administrative and general expenses	20,539	21,500
Utilities	4,594	4,837
Maintenance	11,117	13,959
Depreciation	5,023	5,341
Interest and amortization expense	750	601
Loss on conversion of receivables to equity	5,970	-
Loss from investment in partnership	447	-
Total expense	82,835	83,182
Increase in net position	$ 6,737	$ 6,997

<u>Financial Analysis for Year Ended December 31, 2019</u>

In 2019, the Housing Authority had an overall increase in net position of $6.7 million, compared to an increase in net position of about $6.9 million in 2018.

Revenues increased by about $607,000 in 2019.

In 2019, the Housing Authority experienced a decrease in total expenses of about $347,000. Housing Assistance Payments decreased about $2,549,000 as we continue our efforts to increase lease ups in the Housing Choice Voucher Program. Administrative and general expenses decreased about 4.5% or $961,000. Maintenance costs were also down by $2.8 million.

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, however this is offset by higher than usual funding levels based on federal appropriations. While HACM developed its budget anticipating these funding allocations, unanticipated increases in operating costs including utility and water expense, and pension cost contributions 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 2019 was 80% and future funding level is projected at around 79%. This reduction could impact the ability of HACM to fully lease up to the authorized program level and could result in adjustments in services.

  To address the risk of funding instability, HACM is participating in the Rental Assistance Demonstration (RAD) Program of HUD. As of December 2019 HACM has already converted 488 public housing units in RAD. HACM will continue to evaluate the viability of conversion for the rest of the HACM public housing portfolio.

- **Local Labor Issues**
  Wage rates increased modestly in 2019, 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 that HACM is targeting has not fully recovered. HACM is now focusing their efforts on assisting residents in preparing them for homeownership as part of the HACM's self-sufficiency program. Rising construction costs have also had a negative impact on HACM's development program of new, single family, market rate homes, including rehabilitation of existing units

- **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 also allowed 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 funded capital improvements at all of HACM's highrise public housing developments and a $7.9 million competitive ARRA grant which funded accessibility improvements at the 200-unit Lapham Park development for seniors.

Factors Affecting the Financial Health of the Authority (continued)

- **Quality of Available Housing** (continued)
  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.

  In 2018, HACM had already completed construction of 90 affordable units in the development representing the first two (2) phases of the housing development plan for a total development cost of around $25mm. HACM received $1 million in LIHTC allocation to develop this phase. HACM also started construction of the 3rd phase, for 94 units with a total development cost of $35 million. HACM received a 4% LIHTC allocation of $1.35 million and obtained $15.2 million in a construction loan to finance the development of this project.

  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 "Sub-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, Finance Director, 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, Secretary-Executive Director, Housing Authority of the City of Milwaukee, 809 North Broadway, Milwaukee, Wisconsin 53202.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

STATEMENT OF NET POSITION
As of December 31, 2019

	Primary Government	Component Units	Totals
ASSETS			
Current Assets			
Cash and investments			
Unrestricted	$ 21,812,493	$ 3,030,653	$ 24,843,146
Restricted - Other	6,241,889	-	6,241,889
Restricted - Tenant security deposits	1,106,162	534,770	1,640,932
Receivables			
HUD other projects	1,491,182	-	1,491,182
Tenants - dwelling rents	603,044	414,796	1,017,840
Allowance for doubtful accounts - dwelling rents	(77,293)	-	(77,293)
Miscellaneous	3,368,223	-	3,368,223
Current portion of notes receivable from Westlawn Renaissance II	3,080,462	-	3,080,462
Current portion of notes receivable from Highland Park	2,185	-	2,185
Accrued interest	12,049	-	12,049
Prepaid items	417,954	296,247	714,201
Total Current Assets	38,058,350	4,276,466	42,334,816
Noncurrent Assets			
Restricted Assets			
Investments with Fiscal Agent	3,723,758	-	3,723,758
Other investments			
Replacement reserve	-	4,085,870	4,085,870
Affordability and operating reserve	-	3,004,920	3,004,920
Construction cash	-	95,874	95,874
Mortgage escrow deposits	-	22,189	22,189
Capital needs reserve	-	403,809	403,809
Deferred mortgage receivable	730,443	-	730,443
Capital Assets			
Land	35,191,458	7,725,220	42,916,678
Construction in progress	34,753,809	2,018,281	36,772,090
Other capital assets, net of accumulated depreciation	51,328,745	161,031,677	212,360,422
Other Assets			
Long-term interest receivable	11,965,001	-	11,965,001
Developer fee receivable	4,084,412	-	4,084,412
Investment in Carver Park	7,274,313	-	7,274,313
Notes receivable from Highland Park	2,105,570	-	2,105,570
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	9,260,761	-	9,260,761
Notes receivable from Lapham Park	19,535,097	-	19,535,097
Notes receivable from Westlawn Renaissance II	11,655,174	-	11,655,174
Notes receivable from Holton Terrace	5,160,000	-	5,160,000
RAD notes receivable	1,656,835	-	1,656,835
Tax credit fees, net	-	572,869	572,869
Total Noncurrent Assets	219,777,665	178,960,709	398,738,374
Total Assets	257,836,015	183,237,175	441,073,190
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	138,247	-	138,247
Deferred outflows related to pensions	7,832,027	-	7,832,027
Total Deferred Outflows	7,970,274	-	7,970,274

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

STATEMENT OF NET POSITION
As of December 31, 2019

	Primary Government	Component Units	Totals
LIABILITIES			
Current Liabilities			
Accounts payable	$ 5,494,078	$ 736,095	$ 6,230,173
Construction payable	-	742,896	742,896
Accrued wages and benefits	705,103	-	705,103
Other current liabilities	2,811,125	1,917,593	4,728,718
Accrued interest	286,360	275,627	561,987
Unearned revenue	-	152,928	152,928
Due to other governments	1,423,723	-	1,423,723
Construction advances	21,868,237	-	21,868,237
Current portion of bonds and notes payable	765,000	1,399,439	2,164,439
Current portion of compensated absences	320,289	-	320,289
Current portion of notes and land lease payable to primary government	-	3,082,647	3,082,647
Liabilities payable from restricted assets			
Tenant security deposits	1,106,162	534,770	1,640,932
Total Current Liabilities	34,780,077	8,841,995	43,622,072
Noncurrent Liabilities			
Development fee payable	-	4,084,412	4,084,412
Accrued interest	-	11,965,001	11,965,001
RAD notes payable	-	1,656,835	1,656,835
Long-Term Debt			
Mortgage revenue bonds payable	15,472,126	-	15,472,126
Notes payable	-	5,102,841	5,102,841
Other Liabilities			
Compensated absences	605,676	-	605,676
Total OPEB liability	9,656,780	-	9,656,780
Net pension liability	11,536,000	-	11,536,000
Notes and land lease payable to primary government	-	69,048,081	69,048,081
Total Noncurrent Liabilities	37,270,582	91,857,170	129,127,752
Total Liabilities	72,050,659	100,699,165	172,749,824
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	1,606,251	-	1,606,251
Deferred inflows related to pensions	1,165,000	-	1,165,000
Total deferred inflows	2,771,251	-	2,771,251
NET POSITION			
Net investment in capital assets	74,765,419	88,057,758	162,823,177
Restricted			
Debt service	39,697	-	39,697
Replacement reserve	2,306,592	-	2,306,592
Home ownership program	1,565,091	-	1,565,091
Housing choice voucher program	2,093,796	-	2,093,796
Unrestricted (deficit)	110,213,784	(5,519,748)	104,694,036
TOTAL NET POSITION	$ 190,984,379	$ 82,538,010	$ 273,522,389

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2019

	Primary Government	Component Units	Totals
OPERATING REVENUES			
Tenant Revenue			
Rentals	$ 16,336,835	$ 8,346,110	$ 24,682,945
Other tenant revenue	392,836	136,854	529,690
HUD PHA grant revenue	49,137,337	-	49,137,337
Other operating revenue	6,512,728	-	6,512,728
Total Operating Revenues	72,379,736	8,482,964	80,862,700
OPERATING EXPENSES			
Administrative	14,812,154	2,571,999	17,384,153
Tenant services	2,176,707	-	2,176,707
Utilities	4,594,393	1,368,429	5,962,822
Ordinary maintenance	9,460,803	3,043,185	12,503,988
Extraordinary maintenance	1,656,528	-	1,656,528
Protective services	27,271	-	27,271
Insurance premiums	1,396,066	-	1,396,066
Other general expenses	594,704	-	594,704
Casualty loss - non-capitalized	87,504	-	87,504
Payments in lieu of taxes	1,223,744	-	1,223,744
Bad debt - tenant rents	220,288	-	220,288
Housing assistance payments	34,394,592	-	34,394,592
Depreciation and amortization	5,023,000	6,477,728	11,500,728
Total Operating Expenses	75,667,754	13,461,341	89,129,095
Operating Loss	(3,288,018)	(4,978,377)	(8,266,395)
NONOPERATING REVENUES (EXPENSES)			
Syndication costs	-	(87,335)	(87,335)
Gain on involuntary conversion	-	77,816	77,816
Investment income	2,070,661	44,817	2,115,478
Loss on conversion of receivables to equity	(5,969,853)	-	(5,969,853)
Net loss from investment in partnership	(446,785)	-	(446,785)
Gain (loss) on disposal of capital assets	1,376,782	-	1,376,782
Interest expense	(750,257)	(2,323,925)	(3,074,182)
Total Nonoperating Revenues (Expenses)	(3,719,452)	(2,288,627)	(6,008,079)
Income (Loss) Before Owner Distributions and Capital Contributions	(7,007,470)	(7,267,004)	(14,274,474)
CAPITAL CONTRIBUTIONS	13,744,363	20,131,257	33,875,620
Change in Net Position	6,736,893	12,864,253	19,601,146
NET POSITION - Beginning of Year	184,247,486	69,673,757	253,921,243
NET POSITION - END OF YEAR	$ 190,984,379	$ 82,538,010	$ 273,522,389

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	Primary Government	Component Units	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants	$ 16,332,566	$ 8,158,602	$ 24,491,168
Receipts of HUD PHA grants	50,695,719	-	50,695,719
Payments to suppliers	(17,220,517)	(6,263,323)	(23,483,840)
Payments for housing assistance	(34,394,592)	-	(34,394,592)
Payments to employees	(18,683,446)	-	(18,683,446)
Other receipts	5,939,357	136,854	6,076,211
Net Cash Flows From Operating Activities	2,669,087	2,032,133	4,701,220
CASH FLOWS FOR NON-CAPITAL RELATED FINANCING ACTIVITIES			
Financing of deferred mortgages	110,494	-	110,494
Net Cash Flows From Non-Capital Related Financing Activities	110,494	-	110,494
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Federal grants for capital acquisition	13,744,363	-	13,744,363
Syndication costs	-	(87,335)	(87,335)
Acquisitions and modernization of capital assets	(479,927)	(12,472,183)	(12,952,110)
Insurance proceeds	-	268,190	268,190
Construction advances received	18,052,314	-	18,052,314
Proceeds from mortgage notes payable	-	12,887,809	12,887,809
Principal paid on mortgage revenue bonds	(769,055)	(7,761,548)	(8,530,603)
Development and financing fees paid	-	(1,204,276)	(1,204,276)
Interest paid on long-term obligations	(897,263)	(504,774)	(1,402,037)
Subscription receipts	-	6,440,306	6,440,306
Payments from (to) component units or other entities related to component units for capital acquisition	(19,893,558)	-	(19,893,558)
Net Cash Flows From Capital and Related Financing Activities	9,756,874	(2,433,811)	7,323,063
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (deposits to) withdrawals from replacement reserves	-	(294,725)	(294,725)
Net (deposits to) withdrawals from affordability reserves	-	(4,022)	(4,022)
Net (deposits to) withdrawals from operating reserves	-	(4,016)	(4,016)
Net (deposits to) withdrawals from construction cash	-	(95,874)	(95,874)
Net (deposits to) withdrawals from capital needs reserves	-	(425,998)	(425,998)
Sale of investments	(174,177)	-	(174,177)
Investment income	260,252	44,818	305,070
Net Cash Flows From Investing Activities	86,075	(779,817)	(693,742)
Net Change in Cash and Cash Equivalents	12,622,530	(1,181,495)	11,441,035
CASH AND CASH EQUIVALENTS – Beginning of Year	16,538,014	4,746,918	21,284,932
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 29,160,544	$ 3,565,423	$ 32,725,967

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	Primary Government	Component Units	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	$ (3,288,018)	$ (4,978,377)	$ (8,266,395)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities			
Depreciation	5,023,000	6,477,728	11,500,728
Amortization of financing fees	-	8,811	8,811
Changes in assets, deferred outflows, liabilities and deferred inflows			
Tenant accounts receivable	(121,297)	(164,728)	(286,025)
Other accounts receivable	507,547	-	507,547
Development fees receivable	(1,888,009)	-	(1,888,009)
Prepaid expenses	1,795,842	(73,613)	1,722,229
Accounts payable	(928,712)	99,236	(829,476)
Other current liabilities	738,215	-	738,215
Accrued liabilities	187,255	683,383	870,638
Compensated absences	46,652	-	46,652
Tenant security deposits	(55,520)	73,518	17,998
Due to other governments	(2,153,109)	-	(2,153,109)
Pension liability and related deferrals	2,673,230	-	2,673,230
Unearned revenue	-	(93,825)	(93,825)
Total OPEB obligation and related deferrals	132,011	-	132,011
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 2,669,087	$ 2,032,133	$ 4,701,220
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Unrestricted	$ 21,812,493	$ 3,030,653	$ 24,843,146
Restricted - Other	6,241,889	-	6,241,889
Restricted - Tenant security deposits	1,106,162	534,770	1,640,932
TOTAL CASH AND CASH EQUIVALENTS	$ 29,160,544	$ 3,565,423	$ 32,725,967
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Mortgage notes payable converted to equity	$ -	$ 7,424,698	$ 7,424,698
Gain on involuntary conversion	$ -	$ 77,816	$ 77,816
Accrued interest payable converted to equity	$ -	$ 6,266,253	$ -
Notes receivable converted to equity	$ 7,424,698	$ -	$ 7,424,698
Accrued interest receivable converted to equity	$ 6,266,253	$ -	$ 6,266,253
Loss on conversion of receivables to equity	$ 5,969,853	$ -	$ 5,969,853
Net loss from investment in Carver Park	$ 446,785	$ -	$ 446,785

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
As of December 31, 2019

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Westlawn Renaissance II	Holton Terrace	Totals
ASSETS												
Current Assets												
Cash and investments												
Unrestricted	$ 230,330	$ 143,060	$ 124,537	$ 72,702	$ 73,515	$ 144,061	$ 9,541	$ 684,268	$ 1,018,987	$ 351,303	$ 178,349	3,030,653
Restricted - Tenant security deposits	57,643	44,538	48,543	32,585	9,528	14,239	11,165	152,768	84,047	59,450	20,264	534,770
Receivables												
Tenants - Dwelling rents	79,362	9,818	19,885	12,376	6,239	28,825	20,809	147,556	30,597	39,530	19,799	414,796
Prepaid items	30,373	23,598	39,121	-	19,056	12,232	22,974	64,615	71,297	12,981	-	296,247
Total Current Assets	397,708	221,014	232,086	117,663	108,338	199,357	64,489	1,049,207	1,204,928	463,264	218,412	4,276,466
Noncurrent Assets												
Restricted Assets												
Other investments												
Replacement reserve	132,677	907,867	506,865	219,256	268,246	288,185	290,450	981,036	466,356	24,932	-	4,085,870
Affordability and operating reserve	427,244	334,284	403,672	238,814	76,967	75,756	205,511	607,123	635,549	-	-	3,004,920
Construction cash	-	-	-	-	-	-	-	-	-	8,089	87,785	95,874
Mortgage escrow deposits	-	-	-	-	-	-	-	-	-	22,189	-	22,189
Capital needs reserve	-	-	-	-	-	-	-	-	-	-	403,809	403,809
Capital Assets												
Land	772,096	142,500	1,012,646	745,168	203,111	136,671	573,017	2,637,572	836,946	385,493	280,000	7,725,220
Construction in process	-	-	-	-	-	-	-	-	-	-	2,018,281	2,018,281
Other capital assets, net of accumulated depreciation	5,794,428	6,311,290	11,376,031	8,002,345	4,065,807	4,942,844	9,557,966	57,769,546	25,153,714	23,633,706	4,424,000	161,031,677
Other Assets												
Tax credit fees, net	-	-	11,705	18,124	7,724	-	-	348,717	34,732	88,867	63,000	572,869
Total Noncurrent Assets	7,126,445	7,695,941	13,310,919	9,223,707	4,621,855	5,443,456	10,626,944	62,343,994	27,127,297	24,163,276	7,276,875	178,960,709
Total Assets	7,524,153	7,916,955	13,543,005	9,341,370	4,730,193	5,642,813	10,691,433	63,393,201	28,332,225	24,626,540	7,495,287	183,237,175

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
As of December 31, 2019

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Westlawn Renaissance II	Holton Terrace	Totals
LIABILITIES												
Current Liabilities												
Accounts payable	$ 37,098	$ 11,760	$ 34,546	$ 20,818	$ 11,006	$ 105	$ 47,741	$ 205,430	$ 27,877	$ 208,325	$ 131,389	736,095
Construction payable	-	-	-	-	-	-	-	-	-	1,005	741,891	742,896
Other current liabilities	153,000	91,672	34,176	153,322	22,702	89,907	37,694	725,493	463,070	111,960	34,597	1,917,593
Accrued interest	-	6,823	6,441	3,834	-	-	249,092	-	-	8,009	1,428	275,627
Unearned revenue	3,673	73,632	4,619	6,308	3,637	2,419	770	19,321	24,910	10,424	3,215	152,928
Current portion of bonds and notes payable	-	1,326,506	25,170	26,291	-	-	-	-	-	21,472	-	1,399,439
Current portion of notes and land lease payable to primary government	-	2,185	-	-	-	-	-	-	-	3,080,462	-	3,082,647
Liabilities payable from restricted assets												
Tenant security deposits	57,643	44,538	48,543	32,585	9,528	14,239	11,165	152,768	84,047	59,450	20,264	534,770
Total Current Liabilities	251,414	1,557,116	153,495	243,158	46,873	106,670	346,462	1,103,012	599,904	3,501,107	932,784	8,841,995
Noncurrent Liabilities												
Development fee payable	-	-	-	-	-	-	-	-	2,196,403	1,888,009	-	4,084,412
Accrued interest	-	2,284,353	3,607,434	1,996,128	900,267	1,185,384	202,973	1,134,258	226,471	303,492	124,241	11,965,001
RAD note payable	-	793,888	198,546	-	213,122	243,914	207,365	-	-	-	-	1,656,835
Long-Term Debt												
Notes payable	-	-	779,493	814,690	-	-	1,171,894	-	-	1,872,322	464,442	5,102,841
Other Liabilities												
Notes and land lease payable to primary government	-	2,105,570	8,687,203	6,875,874	2,318,300	1,107,578	2,355,587	9,247,698	19,535,097	11,655,174	5,160,000	69,048,081
Total Noncurrent Liabilities	-	5,183,811	13,272,676	9,686,692	3,431,689	2,536,876	3,937,819	10,381,956	21,957,971	15,718,997	5,748,683	91,857,170
Total Liabilities	251,414	6,740,927	13,426,171	9,929,850	3,478,562	2,643,546	4,284,281	11,484,968	22,557,875	19,220,104	6,681,467	100,699,165
NET POSITION (DEFICIT)												
Net investment in capital assets	6,566,524	3,019,529	2,896,811	1,030,658	1,950,618	3,971,937	6,603,502	51,159,420	4,259,160	5,501,760	1,097,839	88,057,758
Unrestricted (deficit)	706,215	(1,843,501)	(2,779,977)	(1,619,138)	(698,987)	(972,670)	(196,350)	748,813	1,515,190	(95,324)	(284,019)	(5,519,748)
TOTAL NET POSITION (DEFICIT)	$ 7,272,739	$ 1,176,028	$ 116,834	$ (588,480)	$ 1,251,631	$ 2,999,267	$ 6,407,152	$ 51,908,233	$ 5,774,350	$ 5,406,436	$ 813,820	$ 82,538,010

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, 2019

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Westlawn Renaissance II	Holton Terrace	Totals
OPERATING REVENUES												
Tenant revenue												
Rentals	$ 951,329	$ 879,999	$ 820,653	$ 623,399	$ 211,300	$ 223,821	$ 286,769	$ 1,987,847	$ 1,486,992	$ 552,437	$ 321,564	$ 8,346,110
Other tenant revenue	11,460	18,020	9,476	6,388	9,002	1,102	6,024	34,694	17,903	3,770	19,015	136,854
Total Operating Revenues	962,789	898,019	830,129	629,787	220,302	224,923	292,793	2,022,541	1,504,895	556,207	340,579	8,482,964
OPERATING EXPENSES												
Administrative	306,780	239,920	213,130	93,685	84,924	98,218	94,745	655,659	476,886	200,394	107,658	2,571,999
Utilities	150,876	156,867	173,503	-	30,951	28,337	76,657	338,987	250,344	97,762	64,145	1,368,429
Ordinary maintenance	300,220	301,582	293,846	443,038	60,832	49,667	114,504	858,067	424,108	55,637	141,684	3,043,185
Depreciation and amortization	653,776	527,121	451,259	531,813	152,424	171,217	330,147	2,124,874	832,958	646,139	56,000	6,477,728
Total Operating Expenses	1,411,652	1,225,490	1,131,738	1,068,536	329,131	347,439	616,053	3,977,587	1,984,296	999,932	369,487	13,461,341
Operating Loss	(448,863)	(327,471)	(301,609)	(438,749)	(108,829)	(122,516)	(323,260)	(1,955,046)	(479,401)	(443,725)	(28,908)	(4,978,377)
NONOPERATING REVENUES (EXPENSES)												
Syndication costs	-	-	-	-	-	-	-	-	-	-	(87,335)	(87,335)
Gain on involuntary conversion	-	-	-	-	-	-	77,816	-	-	-	-	77,816
Gain from forgiveness of accrued interest	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	3,744	102	2,239	372	552	256	897	3,974	843	28,029	3,809	44,817
Interest expense	(1,711)	(307,019)	(410,747)	(267,505)	(90,029)	(159,926)	(53,578)	(401,062)	(64,077)	(444,030)	(124,241)	(2,323,925)
Total Nonoperating Revenues (Expenses)	2,033	(306,917)	(408,508)	(267,133)	(89,477)	(159,670)	25,135	(397,088)	(63,234)	(416,001)	(207,767)	(2,288,627)
Loss Before Capital Contributions	(446,830)	(634,388)	(710,117)	(705,882)	(198,306)	(282,186)	(298,125)	(2,352,134)	(542,635)	(859,726)	(236,675)	(7,267,004)
CAPITAL CONTRIBUTIONS	13,690,951	-	-	-	-	-	-	-	-	5,389,811	1,050,495	20,131,257
Change in Net Position	13,244,121	(634,388)	(710,117)	(705,882)	(198,306)	(282,186)	(298,125)	(2,352,134)	(542,635)	4,530,085	813,820	12,864,253
NET POSITION (DEFICIT) - Beginning of Year	(5,971,382)	1,810,416	826,951	117,402	1,449,937	3,281,453	6,705,277	54,260,367	6,316,985	876,351	-	69,673,757
NET POSITION (DEFICIT) - END OF YEAR	$ 7,272,739	$ 1,176,028	$ 116,834	$ (588,480)	$ 1,251,631	$ 2,999,267	$ 6,407,152	$ 51,908,233	$ 5,774,350	$ 5,406,436	$ 813,820	$ 82,538,010

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS
For the Year Ended December 31, 2019

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Westlawn Renaissance II	Holton Terrace	Totals
Cash flows from operating activities												
Receipts from tenants	$ 896,499	$ 885,067	$ 807,055	$ 596,296	$ 214,053	$ 199,569	$ 289,360	$ 1,885,176	$ 1,477,502	$ 582,781	$ 325,244	$ 8,158,602
Payments to suppliers	(767,691)	(738,456)	(693,389)	(450,723)	(174,431)	(157,960)	(287,937)	(1,724,402)	(1,081,418)	(39,415)	(147,501)	(6,263,323)
Other receipts (payments)	11,460	18,020	9,476	6,388	9,002	1,102	6,024	34,694	17,903	3,770	19,015	136,854
Net cash flows from operating activities	140,268	164,631	123,142	151,961	48,624	42,711	7,447	195,468	413,987	547,136	196,758	2,032,133
Cash flows from capital and related financing activities												
Subscription receipts	-	-	-	-	-	-	-	-	-	5,389,811	1,050,495	6,440,306
Syndication costs	-	-	-	-	-	-	-	-	-	-	(87,335)	(87,335)
Acquisitions and modernization of capital assets	(77,579)	(49,795)	(14,300)	(17,232)	(16,400)	(11,303)	(286,692)	(188,436)	(23,476)	(5,764,721)	(6,022,249)	(12,472,183)
Insurance proceeds	-	-	-	-	-	-	268,190	-	-	-	-	268,190
Proceeds from mortgage notes payable	-	-	-	-	-	-		-	-	7,213,386	5,674,423	12,887,809
Principal paid on mortgage revenue bonds	(68,020)	(48,995)	(22,700)	(24,745)	-	-	-	-	-	(7,597,088)	-	(7,761,548)
Interest paid on long-term obligations	(1,711)	(95,351)	(60,294)	(60,415)	-	-	(248)	(416)	-	(286,339)	-	(504,774)
Development and financing fees paid	-	-	-	-	-	-	-	-	-	(1,078,582)	(125,694)	(1,204,276)
Net cash flows from capital and related financing activities	(147,310)	(194,141)	(97,294)	(102,392)	(16,400)	(11,303)	(18,750)	(188,852)	(23,476)	(2,123,533)	489,640	(2,433,811)
Cash flows from investing activities												
Net (deposits to) withdrawals from construction cash	-	-	-	-	-	-	-	-	-	(8,089)	(87,785)	(95,874)
Net (deposits to) withdrawals from capital needs reserve	-	-	-	-	-	-	-	-	-	(22,189)	(403,809)	(425,998)
Net (deposits to) withdrawals from replacement reserves	(33,644)	(19,540)	(32,048)	(22,537)	(508)	(9,402)	(10,739)	(87,981)	(53,394)	(24,932)	-	(294,725)
Net (deposits to) withdrawals from affordability reserves	(1,670)	(18)	(613)	(264)	(39)	-	-	(1,418)	-	-	-	(4,022)
Net (deposits to) withdrawals from operating reserves	(1,425)	(49)	(395)	(213)	-	(38)	(411)	-	(1,485)	-	-	(4,016)
Investment income	3,744	102	2,239	373	552	256	897	3,974	843	28,029	3,809	44,818
Net cash flows from investing activities	(32,995)	(19,505)	(30,817)	(22,641)	5	(9,184)	(10,253)	(85,425)	(54,036)	(27,181)	(487,785)	(779,817)
Net Change in Cash and Cash Equivalents	(40,037)	(49,015)	(4,969)	26,928	32,229	22,224	(21,556)	(78,809)	336,475	(1,603,578)	198,613	(1,181,495)
Cash and cash equivalents – Beginning of Year	328,010	236,613	178,049	78,359	50,814	136,076	42,262	915,845	766,559	2,014,331	-	4,746,918
Cash and Cash Equivalents - End of Year	$ 287,973	$ 187,598	$ 173,080	$ 105,287	$ 83,043	$ 158,300	$ 20,706	$ 837,036	$ 1,103,034	$ 410,753	$ 198,613	$ 3,565,423

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS
For the Year Ended December 31, 2019

	Carver Park	Highland Park	Cherry Court	Convent Hill	Scattered Sites	Scattered Sites II	Olga Village	Westlawn Renaissance	Lapham Park	Westlawn Renaissance II	Holton Terrace	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:												
Operating loss	$ (448,863)	$ (327,471)	$ (301,609)	$ (438,749)	$ (108,829)	$ (122,516)	$ (323,260)	$ (1,955,046)	$ (479,401)	$ (443,725)	$ (28,908)	$ (4,978,377)
Adjustments to reconcile operating loss to net cash flows from operating activities												
Depreciation and amortization expense	653,776	527,121	451,259	531,813	152,424	171,217	330,147	2,124,874	832,958	646,139	56,000	6,477,728
Amortization of financing fees	-	1,667	1,981	903	-	-	248	416	-	3,596	-	8,811
Changes in Assets and Liabilities												
Tenant accounts receivable	(50,986)	2,326	(13,203)	(8,331)	4,943	(22,276)	4,367	(21,275)	(9,437)	(31,057)	(19,799)	(164,728)
Prepaid expenses	(5,372)	(1,466)	(14,647)	-	(1,552)	(6,274)	(7,007)	(17,913)	(6,401)	(12,981)	-	(73,613)
Accounts payable	(55,443)	(43,823)	(4,083)	(32,471)	(2,472)	(9,610)	(18,777)	(18,232)	(56,572)	209,330	131,389	99,236
Accrued liabilities	51,000	3,535	3,839	117,568	6,300	34,146	23,505	164,040	132,893	111,960	34,597	683,383
Tenant security deposits	(5,019)	(1,593)	1,027	4,807	(1,200)	1,466	(1,244)	(2,782)	4,342	53,450	20,264	73,518
Unearned revenue	1,175	4,335	(1,422)	(23,579)	(990)	(3,442)	(532)	(78,614)	(4,395)	10,424	3,215	(93,825)
Total adjustments	(64,645)	(36,686)	(28,489)	57,994	5,029	(5,990)	312	25,224	60,430	341,126	169,666	523,971
Net cash flows from operating activities	$ 140,268	$ 164,631	$ 123,142	$ 151,961	$ 48,624	$ 42,711	$ 7,447	$ 195,468	$ 413,987	$ 547,136	$ 196,758	$ 2,032,133
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION												
Unrestricted	$ 230,330	$ 143,060	$ 124,537	$ 72,702	$ 73,515	$ 144,061	$ 9,541	$ 684,268	$ 1,018,987	$ 351,303	$ 178,349	$ 3,030,653
Restricted - tenant security deposits	57,643	44,538	48,543	32,585	9,528	14,239	11,165	152,768	84,047	59,450	20,264	534,770
TOTAL CASH AND CASH EQUIVALENTS	$ 287,973	$ 187,598	$ 173,080	$ 105,287	$ 83,043	$ 158,300	$ 20,706	$ 837,036	$ 1,103,034	$ 410,753	$ 198,613	$ 3,565,423
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES												
Mortgage notes payable converted to equity	$ 7,424,698	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,424,698
Gain on involuntary conversion	-	-	-	-	-	-	77,816	-	-	-	-	77,816
Accrued interest converted to equity	6,266,253	-	-	-	-	-	-	-	-	-	-	6,266,253

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE Page

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 of the City of Milwaukee 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.

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 Anissia Robertson, the acting 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 positon; 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.

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. On May 15, 2018, the Authority assumed the 99.9% interest of the limited partners. Effective May 16, 2018 the partnership consists of one general partner and one investor limited partner. 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 year ended December 31, 2019.

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 year ended December 31, 2019. The Housing Authority of the City of Milwaukee purchased the limited partner interest (Investor) in Highland Park on March 1, 2020.

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 year ended December 31, 2019.

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 year ended December 31, 2019.

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 year ended December 31, 2019.

Scattered Sites II, LLC

As of November 10, 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 year ended December 31, 2019.

Olga Village, LLC

As of August 20, 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 year ended December 31, 2019.

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 (Westlawn Renaissance), a limited liability company. Westlawn Renaissance 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. 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 is for the fiscal year ended December 31, 2019.

Lapham Park, LLC

As of October 11, 2011, the Authority incorporated Lapham Park, LLC (Lapham Park), a limited liability company. Lapham Park 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, 2019.

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

A. Reporting Entity (cont.)

Discretely Presented Component Units (cont.)

Westlawn Renaissance II LLC

As of September 6, 2016, the Housing Authority formed Westlawn Renaissance II LLC (Westlawn Renaissance II), a limited liability company. Westlawn Renaissance II is the upper tier limited liability company that owns WG Scattered Sites LLC (WG Scattered Sites) and Victory Manor LLC (Victory Manor). WG Scattered Sites and Victory Manor are collectively referred to as the lower tier entities. Financial and tax reporting for WG Scattered Sites and Victory Manor are consolidated in Westlawn Renaissance II. Victory Manor Apartments consists of 60 units in one building, with up to 33 parking spaces and is owned by Victory Manor. The unity in Victory Manor Apartments will be targeted but not restricted, to veterans. WG Scattered Sites Apartments consists of 30 single-family townhomes in 10 buildings, with up to 23 parking spaces on-site and 8 off-site, and is owned by WG Scattered Sites. Both WG Scattered Sites and Victory Manor were placed in service in 2019. The information presented for Westlawn Renaissance II is for the fiscal year ended December 31, 2019.

Holton Terrace LLC

As of June 26, 2016, the Housing Authority formed Holton Terrace LLC (Holton Terrace), a limited liability company. Holton Terrace is the owner entity responsible for acquiring, rehabilitating and operating a 120-unit low-income housing project called Holton Terrace Apartments with admission preferences for rental to seniors age sixty-two years or older or disabled persons. The project was placed in service in 2019. The information presented for Holton Terrace is for the fiscal year ended December 31, 2019.

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, 2019, there were two mixed finance development projects in progress, Westlawn Renaissance III, LLC and Merrill Park LLC. Descriptions of these projects follows:

Westlawn Renaissance III LLC

In 2017, the Housing Authority incorporated Westlawn Renaissance (WR) III LLC, a limited liability company. WR III will own and operate 2 multi-family buildings comprising of 94 affordable housing units located along W. Silver Spring St, Milwaukee WI. In 2018, the Wisconsin Housing and Economic Development (WHEDA) awarded HACM a 4% tax credit allocation of over $1.344 million to the project. The project closed and the limited partner admitted in April 2019. The estimated total development cost for this project is $35 million and is partly financed by Wisconsin Economic Development Authority (WHEDA) tax-exempt bond of about $17 million. This project is expected to be completed by February 2020. The authority's predevelopment cost and construction cost advances will be reimbursed at closing and admission of limited partner.

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

A. Reporting Entity (cont.)

Discretely Presented Component Units (cont.)

Merrill Park LLC

In 2019, the Housing Authority incorporated Merrill Park LLC, a limited liability company. Merill Park LLC will own and operate a multi-family building comprising of 120 affordable housing units located in 222 N. 33rd Street, Milwaukee WI. In 2019, the Wisconsin Housing and Economic Development (WHEDA) awarded HACM a 9% tax credit allocation of $899,840 to the project. The project closed in December 2019 and the limited partner admitted in the Partnership. The estimated total development cost for this project is $16.8 million and is partly financed by Wisconsin Economic Development Authority (WHEDA), This project is a Rental Assistance Demonstration rehabilitation project and is expected to be placed in service by December 31, 2021,

B. Financial Statements

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	Veteran's Housing Program
Housing Choice Voucher Program	General Fund

The Low Income Housing Program manages 2,668 dwelling units at the end of 2019, in 17 housing developments and approximately 330 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 5,751 units under contract at the end of 2019. 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.

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

B. Financial Statements (cont.)

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.

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.

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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.
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.

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

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

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 methods and inputs as outlined in Note II.A. 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, 2019, 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 $77,293 for the year ended December 31, 2019.

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.

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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. Investment in Partnership

The Authority accounts for its share of the operation of Carver Park following the equity method of accounting. The Authority has an equity interest in Carver Park equal to its percentage share of participation. The equity interest is reported in the statement of net position as an asset (investment in Carver Park) and the amount of change in equity interest for the year is reflected on the statement of revenues, expenses and changes in net position.

7. 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 acquisition 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 (10 - 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, Lapham Park, Westlawn Renaissance II and Holton Terrace 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	10 - 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.

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (cont.)

8. 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.

9. 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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Milwaukee Employees' Retirement System (ERS) and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Postemployment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

12. 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 total OPEB liability.

13. 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, 2019 are determined on the basis of current salary rates.

14. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (cont.)

15. 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.

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	$ 27,653,712	$ 23,512,478	Custodial credit risk
Petty cash	700	-	N/A
U.S. agencies - implicitly guaranteed	3,193,715	3,193,715	Credit, custodial credit, concentration of credit and interest rate risk
U.S. treasuries	1,934,058	1,934,058	Custodial credit and interest rate risk
LGIP	102,117	102,117	Credit risk
Total Deposits and Investments	$ 32,884,302	$ 28,742,368	

Reconciliation to financial statements	
Per statement of net position	
Current Assets	
Unrestricted cash and cash equivalents	$ 21,812,493
Other restricted - cash and cash equivalents	6,241,889
Restricted cash - tenant security deposits	1,106,162
Non-Current Assets	
Investment with fiscal agent	3,723,758
Total Deposits and Investments	$ 32,884,302

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 entities. The coverage has not been considered in computing custodial credit risk.

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

A. DEPOSITS AND INVESTMENTS (cont.)

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

> Market Value

	As of December 31, 2019			
Investment Type	Level 1	Level 2	Level 3	Total
U.S. Agencies - implicitly guaranteed	$ -	$ 3,193,715	$ -	$ 3,193,715
U.S. Treasuries	1,934,058	-	-	1,934,058
Total	$ 1,934,058	$ 3,193,715	$ -	$ 5,127,773

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, 2019, $9,239,163 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, 2019, $4,877,771 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, 2019 the Authority had $102,117 invested in the Local Government Investment Pool, which is not rated.

The Authority's investments in U.S. Agencies – implicitly guaranteed of $3,193,715 and U.S. Treasuries of $1,934,058 were rated Aaa by Moody's Investor Services and/or AA+ by Standard & Poor's as of December 31, 2019.

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, 2019, the Authority's investments are as follows:

		Maturity in years	
Investment Type	Fair Value	Less than 1 year	1 to 5 years
U.S. agencies - implicitly guaranteed	$ 3,193,715	$ 2,336,632	$ 857,083
U.S. treasuries	1,934,058	857,083	1,281,426
Total Investments	$ 5,127,773	$ 3,193,715	$ 2,138,509

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, 2019, the investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal National Mortgage Association	U.S. agency - implicitly guaranteed	25.4%
Federal Home Loan Mortgage Corporation	U.S. agency - implicitly guaranteed	26.1%
Federal Home Loan Banks	U.S. agency - implicitly guaranteed	6.9%

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, 2019 are as follows:

Component Units

CARVER PARK

	Totals
Cash and equivalents	
Unrestricted	$ 230,330
Restricted - Tenant security deposits	57,643
Other investments- Restricted	
Replacement reserve	132,677
Affordability and operating reserve	427,244
Total cash and investments	$ 847,894

HIGHLAND PARK

	Totals
Cash and equivalents	
Unrestricted	$ 143,060
Restricted - Tenant security deposits	44,538
Other investments- Restricted	
Replacement reserve	907,867
Affordability and operating reserve	334,284
Total cash and investments	$ 1,429,749

CHERRY COURT

	Totals
Cash and equivalents	
Unrestricted	$ 124,537
Restricted - Tenant security deposits	48,543
Other investments- Restricted	
Replacement reserve	506,865
Affordability and operating reserve	403,672
Total cash and investments	$ 1,083,617

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

A. Deposits and Investments (cont.)

Component Units (cont.)

CONVENT HILL

	Totals
Cash and equivalents	
Unrestricted	$ 72,702
Restricted - Tenant security deposits	32,585
Other investments- Restricted	
Replacement reserve	219,256
Affordability and operating reserve	238,814
Total cash and investments	$ 563,357

SCATTERED SITES

	Totals
Cash and equivalents	
Unrestricted	$ 73,515
Restricted - Tenant security deposits	9,528
Other investments- Restricted	
Replacement reserve	268,246
Affordability and operating reserve	76,967
Total cash and investments	$ 428,256

SCATTERED SITES II

	Totals
Cash and equivalents	
Unrestricted	$ 144,061
Restricted - Tenant security deposits	14,239
Other investments - Restricted	
Replacement reserve	288,185
Operating reserve	75,756
Total cash and investments	$ 522,241

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

A. *Deposits and Investments* (cont.)

Component Units (cont.)

OLGA VILLAGE

		Totals
Cash and equivalents		
Unrestricted	$	9,541
Restricted - Tenant security deposits		11,165
Other investments- Restricted		
Replacement reserve		290,450
Operating reserve		205,511
Total cash and investments	$	516,667

WESTLAWN RENAISSANCE

		Totals
Cash and equivalents		
Unrestricted	$	684,268
Restricted - Tenant security deposits		152,768
Other investments- Restricted		
Replacement reserve		981,036
Operating reserve		607,123
Total cash and investments	$	2,425,195

LAPHAM PARK

		Totals
Cash and equivalents		
Unrestricted	$	1,018,987
Restricted - Tenant security deposits		84,047
Other investments- Restricted		
Replacement reserve		466,356
Operating reserve		635,549
Total cash and investments	$	2,204,939

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

A. Deposits and Investments (cont.)

Component Units (cont.)

WESTLAWN RENAISSANCE II

Cash and equivalents	
Unrestricted	$ 351,303
Restricted - Tenant security deposits	59,450
Other investments- Restricted	
Replacement reserve	24,932
Construction cash	8,089
Mortgage escrow deposits	22,189
Total cash and investments	$ 465,963

HOLTON TERRACE

	Totals
Cash and equivalents	
Unrestricted	$ 178,349
Restricted - Tenant security deposits	20,264
Other investments- Restricted	
Construction cash	87,785
Capital needs reserve	403,809
Total cash and investments	$ 690,207

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

B. Restricted Assets

Following is a list of restricted assets at December 31, 2019:

	Totals
Cash and cash equivalents	
Tenant security deposits	$ 1,106,162
Replacement reserve	3,581,691
WHEDA Escrow	1,178,237
Family Self Sufficiency escrow	86,073
Housing choice voucher	2,574,913
Investments	
Debt service	39,698
Construction funds	2,505,035
Total cash and investments	11,071,809
Deferred mortgage receivable	730,443
Total restricted assets	11,802,252
Less: current amounts	(7,348,051)
Total noncurrent restricted assets	$ 4,454,201

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

C. *CAPITAL ASSETS*

Capital asset activity for the Authority for the year ended December 31, 2019, was as follows:

HOUSING AUTHORITY	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 35,853,139	$ -	$ 661,681	$ 35,191,458
Construction in progress	33,098,610	32,810,651	31,155,452	34,753,809
Total Capital Assets Not Being Depreciated	68,951,749	32,810,651	31,817,133	69,945,267
Capital assets being depreciated				
Buildings and improvements	275,984,561	1,653,354	11,830,888	265,807,027
Equipment	3,448,545	58,469	91,932	3,415,082
Total Capital Assets Being Depreciated	279,433,106	1,711,823	11,922,820	269,222,109
Total Capital Assets	348,384,855	34,522,474	43,739,953	339,167,376
Less: Accumulated depreciation for				
Buildings and improvements	(221,282,613)	(4,895,057)	11,109,382	(215,068,288)
Equipment	(2,815,414)	(127,943)	118,281	(2,825,076)
Total Accumulated Depreciation	(224,098,027)	(5,023,000)	11,227,663	(217,893,364)
Net Capital Assets Being Depreciated	55,335,079	(3,311,177)	695,157	51,328,745
Total Capital Assets, Net of Accumulated Depreciation	$ 124,286,828	$ 29,499,474	$ 32,512,290	$ 121,274,012

Construction in progress at December 31, 2019 included approximately $34,000,000 of costs incurred in connection with the Westlawn Renaissance III, V, VI, and Merrill Park projects pursuant to reimbursement agreements with the related entity.

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, 2019, was as follows:

CARVER PARK	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 772,096	$ -	$ -	$ 772,096
Capital assets being depreciated				
Land improvements	232,263	-	-	232,263
Buildings and improvements	17,051,501	-	-	17,051,501
Equipment	141,358	77,579	-	218,937
Total Capital Assets Being Depreciated	17,425,122	77,579	-	17,502,701
Total Capital Assets	18,197,218	77,579	-	18,274,797
Less: Accumulated depreciation for				
Land improvements	(224,207)	(1,310)	-	(225,517)
Buildings and improvements	(10,730,997)	(620,055)	-	(11,351,052)
Equipment	(99,293)	(32,411)	-	(131,704)
Total Accumulated Depreciation	(11,054,497)	(653,776)	-	(11,708,273)
Net Capital Assets Being Depreciated	6,370,625	(576,197)	-	5,794,428
Total Capital Assets, Net of Accumulated Depreciation	$ 7,142,721	$ (576,197)	$ -	$ 6,566,524

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, 2019, 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	47,095	-	-	47,095
Buildings and improvements	13,789,061	-	-	13,789,061
Equipment	352,391	49,795	-	402,186
Total Capital Assets Being Depreciated	14,188,547	49,795	-	14,238,342
Total Capital Assets	14,331,047	49,795	-	14,380,842
Less: Accumulated depreciation for				
Land improvements	(37,192)	(1,747)	-	(38,939)
Buildings and improvements	(7,077,260)	(502,432)	-	(7,579,692)
Equipment	(290,062)	(18,359)	-	(308,421)
Total Accumulated Depreciation	(7,404,514)	(522,538)	-	(7,927,052)
Net Capital Assets Being Depreciated	6,784,033	(472,743)	-	6,311,290
Total Capital Assets, Net of Accumulated Depreciation	$ 6,926,533	$ (472,743)	$ -	$ 6,453,790

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, 2019, 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	350,852	-	-	350,852
Buildings and improvements	16,829,819	-	-	16,829,819
Equipment	231,668	14,300	-	245,968
Total Capital Assets Being Depreciated	17,412,339	14,300	-	17,426,639
Total Capital Assets	18,424,985	14,300	-	18,439,285
Less: Accumulated depreciation for				
Land improvements	(210,388)	(17,543)	-	(227,931)
Buildings and improvements	(5,190,203)	(421,324)	-	(5,611,527)
Equipment	(204,612)	(6,539)	-	(211,151)
Total Accumulated Depreciation	(5,605,202)	(445,406)	-	(6,050,608)
Net Capital Assets Being Depreciated	11,807,137	(431,106)	-	11,376,031
Total Capital Assets, Net of Accumulated Depreciation	$ 12,819,783	$ (431,106)	$ -	$ 12,388,677

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, 2019, 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	11,052	-	14,356,248
Equipment	176,680	6,180	-	182,860
Total Capital Assets Being Depreciated	14,549,578	17,232	-	14,566,810
Total Capital Assets	15,289,459	17,232	-	15,311,978
Less: Accumulated depreciation for				
Land improvements	(21,977)	(1,636)	-	(23,613)
Buildings and improvements	(5,843,816)	(521,660)	-	(6,365,476)
Equipment	(172,901)	(2,475)	-	(175,376)
Total Accumulated Depreciation	(6,038,694)	(525,771)	-	(6,564,465)
Net Capital Assets Being Depreciated	8,510,884	(508,539)	-	8,002,345
Total Capital Assets, Net of Accumulated Depreciation	$ 9,256,052	$ (508,539)	$ -	$ 8,747,513

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, 2019, 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	8,750	-	5,677,884
Equipment	49,598	7,650	-	57,248
Total Capital Assets Being Depreciated	5,826,611	16,400	-	5,843,011
Total Capital Assets	6,029,722	16,400	-	6,046,122
Less: Accumulated depreciation for				
Land improvements	(57,353)	(5,394)	-	(62,747)
Buildings and improvements	(1,529,772)	(141,856)	-	(1,671,628)
Equipment	(40,230)	(2,599)	-	(42,829)
Total Accumulated Depreciation	(1,627,355)	(149,849)	-	(1,777,204)
Net Capital Assets Being Depreciated	4,199,256	(133,449)	-	4,065,807
Total Capital Assets, Net of Accumulated Depreciation	$ 4,402,367	$ (133,449)	$ -	$ 4,268,918

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, 2019, 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	1,875	-	6,600,403
Equipment	44,661	9,428	-	54,089
Total Capital Assets Being Depreciated	6,643,189	11,303	-	6,654,492
Total Capital Assets	6,779,860	11,303	-	6,791,163
Less: Accumulated depreciation for				
Buildings and improvements	(1,514,052)	(164,995)	-	(1,679,047)
Equipment	(26,379)	(6,222)	-	(32,601)
Total Accumulated Depreciation	(1,540,431)	(171,217)	-	(1,711,648)
Net Capital Assets Being Depreciated	5,102,758	(159,914)	-	4,942,844
Total Capital Assets, Net of Accumulated Depreciation	$ 5,239,429	$ (159,914)	$ -	$ 5,079,515

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, 2019, was as follows:

OLGA VILLAGE	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ 573,017	$ -	$ -	$ 573,017
Capital assets being depreciated				
Land improvements	508,842	-	-	508,842
Buildings and improvements	11,868,874	278,190	(239,862)	11,907,202
Equipment	320,708	8,502	-	329,210
Total Capital Assets Being Depreciated	12,698,424	286,692	(239,862)	12,745,254
Total Capital Assets	13,271,441	286,692	(239,862)	13,318,271
Less: Accumulated depreciation for				
Land improvements	(248,914)	(33,923)	-	(282,837)
Buildings and improvements	(2,339,099)	(294,125)	48,488	(2,584,736)
Equipment	(318,616)	(1,099)	-	(319,715)
Total Accumulated Depreciation	(2,906,629)	(329,147)	48,488	(3,187,288)
Net Capital Assets Being Depreciated	9,791,795	(42,455)	(191,374)	9,557,966
Total Capital Assets, Net of Accumulated Depreciation	$ 10,364,812	$ (42,455)	$ (191,374)	$ 10,130,983

In 2019, Olga Village received insurance proceeds totaling $268,190 for water damage which occurred in March 2019. This event resulted in the involuntary conversion of part of the buildings to cash proceeds to be received from Housing Enterprise Insurance Company to cover the loss. The difference between the proceeds from the insurance company and the net book value of the damaged portion of the buildings resulted in a gain on involuntary conversion of $77,816 for the year ended December 31, 2019. The total cost to replace the damaged property of the buildings and furnishings was $278,190 which was capitalized into rental property during 2019.

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, 2019, 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	3,014,584	-	-	3,014,584
Buildings and improvements	67,895,672	-	-	67,895,672
Equipment	1,982,720	188,438	-	2,171,158
Total Capital Assets Being Depreciated	72,892,976	188,438	-	73,081,414
Total Capital Assets	75,530,548	188,438	-	75,718,986
Less: Accumulated depreciation for				
Land improvements	(973,154)	(150,729)	-	(1,123,883)
Buildings and improvements	(11,066,005)	(1,699,606)	-	(12,765,611)
Equipment	(1,197,593)	(224,780)	-	(1,422,373)
Total Accumulated Depreciation	(13,236,752)	(2,075,115)	-	(15,311,868)
Net Capital Assets Being Depreciated	59,656,224	(1,886,677)	-	57,769,546
Total Capital Assets, Net of Accumulated Depreciation	$ 62,293,796	$ (1,886,677)	$ -	$ 60,407,118

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, 2019, 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	456,476	23,476	-	479,952
Total Capital Assets Being Depreciated	31,553,804	23,476	-	31,577,280
Total Capital Assets	32,390,750	23,476	-	32,414,226
Less: Accumulated depreciation for				
Land improvements	(18,558)	(3,103)	-	(21,661)
Buildings and improvements	(5,298,247)	(776,995)	-	(6,075,242)
Equipment	(278,462)	(48,201)	-	(326,663)
Total Accumulated Depreciation	(5,595,267)	(828,299)	-	(6,423,566)
Net Capital Assets Being Depreciated	25,958,537	(804,823)	-	25,153,714
Total Capital Assets, Net of Accumulated Depreciation	$ 26,795,483	$ (804,823)	$ -	$ 25,990,660

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

C. Capital Assets (cont.)

Component Units (cont.)

Capital asset activity for Westlawn Renaissance II for the year ended December 31, 2019, was as follows:

WESTLAWN RENAISSANCE II	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ -	$ 385,493	$ -	$ 385,493
Capital assets being depreciated				
Land improvements	-	748,418	-	748,418
Buildings and improvements	-	23,238,321	-	23,238,321
Equipment	-	313,064	-	313,064
Total Capital Assets Being Depreciated	-	24,299,803	-	24,299,803
Total Capital Assets	-	24,685,296	-	24,685,296
Less: Accumulated depreciation for				
Land improvements	-	(45,778)	-	(45,778)
Buildings and improvements	-	(526,803)	-	(526,803)
Equipment	-	(93,516)	-	(93,516)
Total Accumulated Depreciation	-	(666,097)	-	(666,097)
Net Capital Assets Being Depreciated	-	23,633,706	-	23,633,706
Total Capital Assets, Net of Accumulated Depreciation	$ -	$ 24,019,199	$ -	$ 24,019,199

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

C. *Capital Assets* (cont.)

Component Units (cont.)

Capital asset activity for Holton Terrace for the year ended December 31, 2019, was as follows:

HOLTON TERRACE	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	$ -	$ 280,000	$ -	$ 280,000
Construction in progress	-	2,018,281	-	2,018,281
Total Capital Assets Not Being Depreciated	-	2,298,281	-	2,298,281
Capital assets being depreciated				
Buildings and improvements	-	4,480,000	-	4,480,000
Total Capital Assets Being Depreciated	-	4,480,000	-	4,480,000
Total Capital Assets	-	6,778,281	-	6,778,281
Less: Accumulated depreciation for				
Buildings and improvements	-	(56,000)	-	(56,000)
Total Accumulated Depreciation	-	(56,000)	-	(56,000)
Net Capital Assets Being Depreciated	-	4,424,000	-	4,424,000
Total Capital Assets, Net of Accumulated Depreciation	$ -	$ 6,722,281	$ -	$ 6,722,281

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

D. Notes Receivable

Note receivable activity for the Authority for the year ended December 31, 2019, was as follows:

Component Unit	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Carver Park	$ 7,424,698	$ -	$ 7,424,698	$ -	$ -
Highland Park	2,109,833	-	2,078	2,107,755	2,185
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	9,260,761	-		9,260,761	-
Lapham Park	19,535,097	-	-	19,535,097	-
Westlawn Renaissance II	-	14,735,636	-	14,735,636	3,080,462
Holton Terrace	-	5,160,000	-	5,160,000	-
Total Notes Receivable	$ 59,682,678	$ 19,895,636	$ 7,426,776	$ 72,151,538	$ 3,082,647

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, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Mortgage revenue bonds	$ 16,902,098	$ -	$ 762,617	$ 16,139,481	$ 765,000
Premium	104,083	-	6,438	97,645	-
Subtotal	17,006,181	-	769,055	16,237,126	765,000
Other Liabilities					
Compensated absences	879,313	46,652	-	925,965	320,289
Net pension liability	3,974,000	7,562,000	-	11,536,000	-
Total OPEB liability	9,217,012	439,768	-	9,656,780	-
Subtotal	14,070,325	8,048,420	-	22,118,745	320,289
Total Long-Term Obligations	$ 31,076,506	$ 8,048,420	$ 769,055	$ 38,355,871	$ 1,085,289

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 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 $17,617 in 2019. Bonds outstanding at December 31, 2019 totaled $34,481.

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.

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. Principal payments are due annually 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%. Bond payments totaled $190,000 in 2019. Bonds outstanding at December 31, 2019 totaled $12,935,000. 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. Bond payments totaled $555,000 in 2019. Bonds outstanding at December 31, 2019 totaled $3,170,000. 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.

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

E. LONG-TERM OBLIGATIONS (cont.)

Mortgage Revenue Bonds (cont.)

Mortgage revenues bonds payable and promissory note at December 31, 2019, are as follows:

Mortgage Revenue Bonds	Date of Issue	Final Maturity	Interest Rates	Original Indebted-ness	Balance 12/31/2019
Mortgage revenue bonds	06/01/89	12/01/22	Varies	$ 25,000,000	$ 34,481
Mortgage revenue bonds	03/01/15	07/01/25	Varies	5,410,000	3,170,000
Mortgage revenue bonds	03/01/15	07/01/35	Varies	13,635,000	12,935,000
					$ 16,139,481

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

	Business-Type Activities Mortgage Revenue Bonds		
Years	Principal	Interest	Total
2020	$ 765,000	$ 572,719	$ 1,337,719
2021	790,000	549,707	1,339,707
2022	849,481	524,035	1,373,516
2023	845,000	494,423	1,339,423
2024	875,000	462,801	1,337,801
2025-2029	4,910,000	1,786,508	6,696,508
2030-2034	5,815,000	878,163	6,693,163
2035	1,290,000	46,763	1,336,763
Totals	$ 16,139,481	$ 5,315,119	$ 21,454,600

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, 2019.

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, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
COMPONENT UNITS					
CARVER PARK					
Notes payable	$ 68,020	$ -	$ 68,020	$ -	$ -
Notes and land lease payable to primary government	7,424,698	-	7,424,698	-	-
Total Carver Park	$ 7,492,718	$ -	$ 7,492,718	$ -	$ -
HIGHLAND PARK					
Notes payable	$ 1,374,377	$ -	$ 46,917	$ 1,327,460	$ 1,327,460
Notes and land lease payable to primary government	2,109,833	-	2,078	2,107,755	2,185
Unamortized debt costs	(2,621)	-	(1,667)	(954)	-
Total Highland Park	$ 3,484,210	$ -	$ 47,328	$ 3,434,261	$ 1,329,645
CHERRY COURT					
Notes payable	$ 832,072	$ -	$ 22,700	$ 809,372	$ 25,170
Notes and land lease payable to primary government	8,687,203	-	-	8,687,203	-
Unamortized debt costs	(6,690)	-	(1,981)	(4,709)	-
Total Cherry Court	$ 9,519,275	$ -	$ 20,719	$ 9,491,866	$ 25,170
CONVENT HILL					
Notes payable	$ 868,740	$ -	$ 24,745	$ 843,995	$ 26,291
Notes and land lease payable to primary government	6,875,874	-	-	6,875,874	-
Unamortized debt costs	(3,917)	-	(903)	(3,014)	-
Total Convent Hill	$ 7,770,062	$ -	$ 23,842	$ 7,716,855	$ 26,291
SCATTERED SITES					
Notes and land lease payable to primary government	$ 2,318,300	$ -	$ -	$ 2,318,300	$ -
SCATTERED SITES II					
Notes and land lease payable to primary government	$ 1,107,578	$ -	$ -	$ 1,107,578	$ -

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	-
Unamortized Debt Costs	(7,995)	-	(248)	(7,747)	-
Total Olga Village	$ 3,535,228	$ -	$ -	$ 3,527,481	$ -
WESTLAWN RENAISSANCE					
Notes and land lease payable to primary government	$ 9,260,761	$ -	$ -	$ 9,260,761	$ -
Unamortized Debt Costs	(13,479)	-	(416)	(13,063)	-
Total Westlawn Renaissance	$ 9,247,282	$ -	$ (416)	$ 9,247,698	$ -
LAPHAM PARK					
Notes and land lease payable to primary government	$ 19,535,097	$ -	$ -	$ 19,535,097	$ -
WESTLAWN REAISSANCE II					
Notes payable	$ -	$ 1,944,795	$ -	$ 1,944,795	$ 21,472
Notes and land lease payable to primary government	-	14,735,636	-	14,735,636	3,080,462
Unamortized Debt Costs	-	(54,597)	(3,596)	(51,001)	-
Total Westlawn Renaissance	$ -	$ 16,625,834	$ (3,596)	$ 16,629,430	$ 3,101,934
HOLTON TERRACE					
Notes payable	$ -	$ 514,423	$ -	$ 514,423	$ -
Notes and land lease payable to primary government	-	5,160,000	-	5,160,000	-
Unamortized Debt Costs	-	(112,675)	(62,694)	(49,981)	-
Total Westlawn Renaissance	$ -	$ 5,561,748	$ (62,694)	$ 5,624,442	$ -

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

E. Long-Term Obligations (cont.)

Component Units (cont.)

Carver Park Mortgage Notes Payable

A mortgage note payable to BMO Harris Bank, N.A. was paid in full during 2019.

Effective January 1, 2019, the Authority entered into a capital contribution agreement with Carver Park whereby the Authority agreed to contribute the aggregate outstanding principal balance and accrued interest of the mortgage notes payable due in consideration for an increase in its investor limited partnership capital account. All of the mortgages on these notes were satisfied on April 16, 2019.

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 $6,823 as of December 31, 2019. 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 $2,284,353 as of December 31, 2019.

Interest expense on notes payable to the Authority totaled $217,605 for the year ended December 31, 2019.

A summary of the mortgage notes payable as of December 31, 2019, are as follows:

	Balance 12/31/2019
US Bank	$ 1,327,460
HACM (Land loan)	107,755
HACM (HOPE VI loan)	2,000,000
Total Highland Park Mortgage Notes Payable	3,435,215
Less: unamortized debt issuance costs	(954)
Less: current maturities	(1,329,645)
	$ 2,104,616

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
2020	$ 1,329,645	$ 150,753	$ 1,480,398
2021	2,296	109,426	111,722
2022	2,414	109,309	111,723
2023	2,537	109,185	111,722
2024	2,667	109,055	111,722
2025-2029	15,529	543,085	558,614
2030-2034	19,929	538,685	558,614
2035-2039	2,025,576	81,505	2,107,081
2040-2044	32,823	4,791	37,614
2045	1,799	15	1,814
	$ 3,435,215	$ 1,755,809	$ 5,191,024

Cherry Court Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note payable, is due to Verve Credit Union (f/k/a First Service 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 $65,384 as of December 31, 2019. 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 $1,724,501 as of December 31, 2019. The Hope VI loan is non-recourse and collateralized by the rental property and a general business security agreement.

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 $1,817,550 as of December 31, 2019. 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 $347,904 for the year ended December 31, 2019.

A summary of the mortgage notes payable as of December 31, 2019, are as follows:

	Balance 12/31/2019
Verve Credit Union	$ 809,372
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	9,496,575
Less: unamortized debt issuance costs	(4,709)
Less: current maturities	(25,170)
	$ 9,466,696

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
2020	$ 25,170	$ 283,888	$ 309,058
2021	26,990	281,858	308,848
2022	757,212	267,273	1,024,485
2023	-	228,649	228,649
2024	-	228,649	228,649
2025-2029	-	1,143,246	1,143,246
2030-2034	-	1,143,246	1,143,246
2035-2039	-	1,143,246	1,143,246
2040-2044	-	1,143,246	1,143,246
2045-2049	8,560,208	374,088	8,934,296
2050-2054	-	44,448	44,448
2055-2056	126,995	13,334	140,329
	$ 9,496,575	$ 6,295,170	$ 15,791,745

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 $1,996,128 as of December 31, 2019.

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 $207,091 for the year ended December 31, 2019.

A summary of the mortgage notes payable as of December 31, 2019, are as follows:

	Balance 12/31/2019
Credit Union (Summit)	$ 843,995
HACM (Federal Funds loan)	5,741,537
HACM (Other Funds loan)	734,337
HACM (AHP loan)	400,000
Total Convent Hill Mortgage Notes Payable	7,719,869
Less: unamortized debt issuance costs	(3,014)
Less: current maturities	(26,291)
	$ 7,690,564

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
2020	$ 26,291	$ 217,446	$ 243,737
2021	28,362	215,444	243,806
2022	30,412	213,471	243,883
2023	758,930	211,356	970,286
2024	-	209,237	209,237
2025-2029	208,273	1,005,421	1,213,694
2030-2034	295,290	918,404	1,213,694
2035-2039	193,693	810,657	1,004,350
2040-2044	-	789,849	789,849
2045-2048	6,178,618	487,073	6,665,691
	$ 7,719,869	$ 5,078,358	$ 12,798,227

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 $890,996 as of December 31, 2019. 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 $90,029 for the year ended December 31, 2019.

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, 2019, are as follows:

	Balance 12/31/2019
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	-
	$ 2,318,300

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	$ -	$ 66,000	$ 66,000
2021	-	66,000	66,000
2022	-	66,000	66,000
2023	-	66,000	66,000
2024	-	66,000	66,000
2025-2029	-	330,000	330,000
2030-2034	-	330,000	330,000
2035-2039	-	330,000	330,000
2040-2044	-	330,000	330,000
2045-2049	-	330,000	330,000
2050-2054	-	330,000	330,000
2055-2057	2,318,300	165,000	2,483,300
	$ 2,318,300	$ 2,475,000	$ 4,793,300

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 (Hope VI Loan) payable to the Authority. The Hope VI Loan is secured by a first mortgage and accrues interest at 8.0% per annum. Principal and interest are payable to the extent of cash flow. The unpaid principal and accrued interest is due December 9, 2058. Accrued interest was $1,185,384 as of December 31, 2019.

A mortgage note (Other Federal) payable to the Authority. The Other Federal loan is secured by a second mortgage and is non-interest bearing. Principal is payable to the extent of cash flow. The unpaid principal is due May 5, 2059.

Interest expense on notes payable to the Authority totaled $159,926 for the year ended December 31, 2019.

A summary of the mortgage notes payables as of December 31, 2019, are as follows:

	Balance 12/31/2019
HACM (Hope VI loan)	$ 973,620
HACM (Other Federal loans)	133,958
Total Scattered Sites II Mortgage Notes Payable	1,107,578
Less: current maturities	-
	$ 1,107,578

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
2020	$ -	$ 77,890	$ 77,890
2021	-	77,890	77,890
2022	-	77,890	77,890
2023	-	77,890	77,890
2024	-	77,890	77,890
2025-2029	-	389,448	389,448
2030-2034	-	389,448	389,448
2035-2039	-	389,448	389,448
2040-2044	-	389,448	389,448
2045-2049	-	389,448	389,448
2050-2054	-	389,448	389,448
2055-2059	1,107,578	305,068	1,412,646
	$ 1,107,578	$ 3,031,206	$ 4,138,784

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 to the extent of available cash flow, as defined by the operating agreement. The loan shall bear interest at 1.00% annually. The unpaid principal and accrued interest is due November 24, 2049. Accrued interest was $186,335 at December 31, 2019. The loan is collateralized by a mortgage on the rental property and a general business security agreement.

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 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 $34,809 at December 31, 2019. Accrued interest on the $1,000,894 loan was $203,524 at December 31, 2019. These loans are collateralized by a mortgage on the rental property.

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 to the extent of available cash flow, as defined by the operating agreement. The loan shall bear interest at the rate of 1.00%. The unpaid principal and accrued interest is due November 9, 2051. Accrued interest was $16,638 at December 31, 2019. The loan is collateralized by a mortgage on the rental property.

Interest expense on notes payable to the Authority totaled $23,633 for the year ended December 31, 2019.

A summary of the mortgage notes payables as of December 31, 2019, are as follows:

	Balance 12/31/2019
HACM (Long Term Construction Loan)	$ 2,166,726
HACM (Additional Funds loan)	196,608
United Community Center (Roof Note)	171,000
United Community Center (Other Funds Note)	1,000,894
Total Olga Village Mortgage Notes Payable	3,535,228
Less: unamortized debt issuance costs	(7,747)
Less: current maturities	-
	$ 3,527,481

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	$ -	$ 54,002	$ 54,002.00
2021	-	54,002	54,002
2022	-	54,002	54,002
2023	-	54,002	54,002
2024	-	54,002	54,002
2025-2029	-	270,010	270,010
2030-2034	-	270,010	270,010
2035-2039	-	270,010	270,010
2040-2044	-	270,010	270,010
2045-2049	2,166,726	268,205	2,434,931
2050-2051	1,368,502	60,089	1,428,591
	$ 3,535,228	$ 1,678,344	$ 5,213,572

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 $203,759 at December 31, 2019.

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% compounded annually. 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 $930,499 at December 31, 2019.

Interest expense on notes payable to the Authority totaled $400,646 for the year ended December 31, 2019.

A summary of the mortgage notes payable as of December 31, 2019, are as follows:

	Balance 12/31/2019
HACM (Land Loan)	$ 1,610,911
HACM (Long Term Constuction Loan)	7,649,850
Total Westlawn Renaissance Mortgage Notes Payable	9,260,761
Less: unamortized debt issuance costs	(13,063)
Less: current maturities	-
	$ 9,247,698

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
2020	$ -	$ 372,506	$ 372,506
2021	-	372,506	372,506
2022	-	372,506	372,506
2023	-	372,506	372,506
2024	-	372,506	372,506
2025-2029	-	1,862,532	1,862,532
2030-2034	-	1,862,532	1,862,532
2035-2039	-	1,862,532	1,862,532
2040-2044	-	1,862,532	1,862,532
2045-2049	-	1,836,927	1,836,927
2050-2051	9,260,761	548,675	9,809,436
	$ 9,260,761	$ 11,698,261	$ 20,959,022

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 $61,051 at December 31, 2019.

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 $8,722 for the year ended December 31, 2019.

A summary of the mortgage notes payables as of December 31, 2019, are as follows:

	Balance 12/31/2019
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	-
	$ 19,535,097

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	$ -	$ 8,721	$ 8,721
2021	-	8,721	8,721
2022	-	8,721	8,721
2023	-	8,721	8,721
2024	-	8,721	8,721
2025-2029	-	43,607	43,607
2030-2034	-	43,607	43,607
2035-2039	-	43,607	43,607
2040-2044	-	43,607	43,607
2045-2049	-	43,607	43,607
2050-2052	19,535,097	26,164	19,561,261
	$ 19,535,097	$ 287,804	$ 19,822,901

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

E. Long-Term Obligations (cont.)

Component Units (cont.)

Westlawn Renaissance II Mortgage Notes Payable

Mortgage notes payable consist of the following:

Victory Manor

A mortgage note payable to WHEDA. Monthly payments of $3,938 including interest at 5.9% beginning October 1, 2019. The loan matures on August 31, 2054. Prepayment is allowed with penalty as defined in the note. The loan is collateralized by a mortgage on the rental property and assignment of leases and rents thereon; nonrecourse; subject to a prepayment penalty as defined in the note. Unamortized debt issuance costs associated with this note totaled $26,404 as of December 31, 2019.

A mortgage note (Land loan) payable to the Authority. The principal and accrued interest outstanding on the note shall be paid from available cash flows. The loan matures on March 30, 2067. The loan shall bear interest at the rate of 2.78% 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 $18,348 at December 31, 2019.

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 2.45% compounded annually. The loan matures on March 30, 2057. 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 $210,702 at December 31, 2019.

A construction and term loan (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 2.45% through the date the second installment of equity is received from the investor member and non-interest bearing thereafter. The loan matures on March 30, 2057. Prepayment is allowed anytime without penalty. The loan is collateralized by a mortgage on the rental property and a general business security agreement. Accrued interest was $31,421 as of December 31, 2019.

Interest expense on notes payable to the Authority totaled $243,360 for the year ended December 31, 2019.

WG Scattered Sites

A mortgage note payable to WHEDA. Monthly Payments of $5,821 including interest at 4.5% beginning October 1, 2019. The loan matures on August 31, 2054. The loan is collateralized by a mortgage on the rental property and assignment of leases and rents thereon; nonrecourse; subject to a prepayment penalty as defined in the note. Unamortized debt issuance costs associated with this note totaled $24,597 as of December 31, 2019.

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

E. Long-Term Obligations (cont.)

Component Units (cont.)

Westlawn Renaissance II Mortgage Notes Payable (cont.)

WG Scattered Sites (cont.)

A mortgage note (Land loan) payable to the Authority. The principal and accrued interest outstanding on the note shall be paid from available cash flows. The loan matures on March 30, 2067. The loan shall bear interest at the rate of 2.78% 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 $8,974 at December 31, 2019.

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 1.65% compounded annually. The loan matures on March 30, 2057. 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 $34,047 at December 31, 2019.

A construction and term loan (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 is non-interest bearing. The loan matures on September 30, 2019. Prepayment is allowed anytime without penalty. The loan is collateralized by a mortgage on the rental property and a general business security agreement.

WG Scattered Sites has entered into an amended construction and term note with HACM in the amount of $1,805,704. The Principal balance of the loan shall be reduced to $1,295,948 upon return of the deposit associated with the WHEDA bonds. Annual payments, including interest at 1.65%, are to be made from available cash flow as defined in the operating agreement. All unpaid principal and interest is due March 30, 2057, and the loan is collateralized by a third mortgage on the project's rental property and a general business agreement. Prepayment is allowed any time. No draws have been made on this loan as of December 31, 2019.

WG Scattered Sites had two short-term tax-exempt bonds with WHEDA (WHEDA Bond #2 and Bond #3) in amounts not to exceed $2,550,000 and $955,000, respectively. These loans required monthly interest-only payments at 3% and 3.5%, respectively. The outstanding balances of these loans were paid in full in August 2019. The loans were collateralized by a first mortgage on the projects rental property and assignment of leases and rents thereon.

Interest expense on notes payable to the Authority totaled $37,275 for the year ended December 31, 2019.

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

E. Long-Term Obligations (cont.)

Component Units (cont.)

Westlawn Renaissance II Mortgage Notes Payable (cont.)

A summary of the mortgage notes payables as of December 31, 2019, are as follows:

	Balance 12/31/2019
Victory Manor	
WHEDA Loan	$ 718,434
HACM (Land loan)	240,000
HACM (Contruction and term loan)	5,422,200
HACM (Contruction and term loan)	2,659,705
WG Scattered Sites	
WHEDA Loan	1,226,361
HACM (Land loan)	116,100
HACM (Contruction and term loan)	3,217,169
HACM (Contruction and term loan)	3,080,462
Total Westlawn Renaissance II Mortgage Notes Payable	16,680,431
Less: unamortized debt issuance costs	(51,001)
Less: current maturities	(3,101,934)
	$ 13,527,496

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	$ 3,101,934	$ 407,448	$ 3,509,382
2021	22,554	355,539	378,093
2022	23,691	354,402	378,093
2023	24,887	353,206	378,093
2024	26,144	351,949	378,093
2025-2029	151,963	1,738,501	1,890,464
2030-2034	194,676	1,695,789	1,890,465
2035-2039	249,625	1,641,099	1,890,724
2040-2044	320,543	1,569,921	1,890,464
2045-2049	412,011	1,478,454	1,890,465
2050-2054	497,229	1,360,816	1,858,045
2055-2059	11,299,074	614,450	11,913,524
2060-2064	-	49,498	49,498
2065-2067	356,100	22,274	378,374
	$ 16,680,431	$ 11,993,346	$ 28,673,777

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

E. Long-Term Obligations (cont.)

Component Units (cont.)

Holton Terrace Mortgage Notes Payable

Mortgage notes payable consist of the following:

A mortgage note payable to Associated Bank. The loan requires monthly interest-only payments at the 30-day LIBOR plus 235 basis points (4.12% at December 31, 2019). The note is due July 1, 2021. The loan is collateralized by a mortgage on rental property and an assignment of leases and rents thereon. Unamortized debt issuance costs associated with the note totaled $37,633 as of December 31, 2019.

A mortgage note payable to WHEDA not to exceed $1,200,000. The loan requires monthly interest payments until the conversion date in July 2021. At this time, monthly principal payments are required sufficient to achieve a DSCR of 1.20 to 1.0, and interest payments are required beginning August 2021 at a rate of 5.9%. The loan is collateralized by a mortgage on the rental property and assignment of leases and rents thereon. The loan is nonrecourse, prepayment is not allowed prior to conversion, and is subject to a prepayment penalty as defined in the note. Unamortized debt issuance costs associated with the note totaled $12,348 as of December 31, 2019.

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 5%. The loan matures on July 8, 2069. The loan is collateralized by a mortgage on the rental property and a general business security agreement. Accrued interest was $9,479 at December 31, 2019.

A mortgage note 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 of 5%. The loan matures on July 8, 2069. The loan is collateralized by a mortgage on the rental property and a general business security agreement. Accrued interest was $114,762 at December 31, 2019.

Interest expense on notes payable to the Authority totaled $124,241 for the year ended December 31, 2019.

A summary of the mortgage notes payables as of December 31, 2019, are as follows:

	Balance 12/31/2019
Associated Bank	$ 257,124
WHEDA	257,299
HACM (Long Term Construction Loan)	400,000
HACM (Other Notes)	4,760,000
Total Holton Terrace Mortgage Notes Payable	5,674,423
Less: unamortized debt issuance costs	(49,981)
	$ 5,624,442

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

E. Long-Term Obligations (cont.)

Component Units (cont.)

Holton Terrace Mortgage Notes Payable (cont.)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
2020	$ -	$ 282,814	$ 282,814
2021	258,244	278,430	536,674
2022	2,341	273,018	275,359
2023	2,483	272,876	275,359
2024	2,634	272,725	275,359
2025-2029	15,767	1,361,029	1,376,796
2030-2034	21,161	1,355,634	1,376,795
2035-2039	28,402	1,348,394	1,376,796
2040-2044	38,119	1,338,706	1,376,825
2045-2049	51,162	1,325,633	1,376,795
2050-2054	68,668	1,308,128	1,376,796
2055-2059	25,442	1,291,175	1,316,617
2060-2064	-	1,290,000	1,290,000
2065-2069	5,160,000	1,161,000	6,321,000
	$ 5,674,423	$ 13,159,562	$ 18,833,985

F. Construction Advances

Westlawn Renaissance III LLC (WR III) has entered into a loan agreement with the Wisconsin Housing and Economic Development Authority for the construction of a 2 multi-family buildings totaling 94 units. The Authority is overseeing the construction project. Accordingly, WR III has directed the lender to disburse construction draws directly to the Authority. The construction advances and the related capital assets will be transferred from the Authority to WR III upon completion of the project, which is expected to take place in 2020 The interest rate on the loans ranges from is 3.0%-5.6%. The maximum amount that WR III can draw on the loan is $17,000,000. The construction advances in this project totaled $14,691,293 at December 31, 2019. This amount is included as part of the Construction Advances together with other HACM advances to other projects totaling $21,868,237 as of December 31, 2019.

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

G. Net Position

Net position reported on the statement of net position at December 31, 2019, includes the following:

Net Investment in Capital Assets	
Land	$ 35,191,458
Construction in progress	34,753,809
Less: amounts classified as construction in progress for the Westlawn Renaissance II, V and VI projects	(34,086,081)
Other capital assets, net of accumulated depreciation	51,328,745
Less: long-term debt outstanding	(16,139,481)
Less: Pemium	(97,645)
Plus: unspent debt proceeds	3,780,134
Plus: noncapital debt proceeds	34,480
Total Net Investment in Capital Assets	74,765,419
Restricted	
Debt service	39,697
Replacement reserve	2,306,592
Home ownership program	1,565,091
Housing Choice Voucher program	2,093,796
Total Restricted	6,005,176
Unrestricted	110,213,784
Total Net Position	$ 190,984,379

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 $88,212,000 at December 31, 2019.

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, 2019 were $772,027, equal to the required contributions on behalf of the plan members for each year.

At December 31, 2019, the Authority reported a liability of $11,536,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actual valuation as of January 1, 2018 rolled forward to December 31, 2018. 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, 2018, the Authority's proportion was 0.08616277% which was a decrease of 0.02346859% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the authority recognized pension expense of $3,653,489.

NOTE III – OTHER INFORMATION

A. *RETIREMENT PLAN* (cont.)

At December 31, 2019, the authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 284,000	$ 628,000
Changes in assumptions	4,114,000	2,000
Net differences between projected and actual earnings on pension plan investments	2,662,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	535,000
Employer contributions subsequent to the measurement date	772,027	-
Total	$ 7,832,027	$ 1,165,000

$772,027 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 subsequent year. 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/(Inflows) of Resources, Net
2020	$ 2,235,678
2021	1,645,852
2022	1,068,516
2023	944,954
Thereafter	-

NOTE III – OTHER INFORMATION

A. Retirement Plan (cont.)

Actuarial assumptions. The last actuarial valuation was performed as of January 1, 2018, and the amounts were used to roll-forward the total pension liability to the plan's year-end December 31, 2018, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial valuation date	January 1, 2018
Measurement Date of Net Pension Liability	December 31, 2018
Actuarial cost method	Entry age normal-Level Percentage of Pay
Amortization method	Level percent of payroll, closed
Asset Valuation method	5-year smoothing of difference between expected return on actuarial value and actual return on market value
Actuarial Assumptions:	
Investment rate of return and discount rate	7.50% per annum, compounded annually
Projected Salary increases	General City 2.5%-5.5%
Inflation Assumption	2.50%
Cost of living Adjustments	Vary by Employee Group as explained in summary of plan provisions
Mortality Table	Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table, using 111% of rates for males and 110% of rates for females, projected generationally with Scale MP-2016. Disabled mortality rates are based on the RP-2014 Disability Mortality Table, using 102% of rates for males and 98% of rates for females, projected generationally with Scale MP-2016 was used. Active mortality rates are based on RP-2014 Employee Mortality Table, projected generationally using Scale MP-2016.
Experience Study	The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2012- December 31, 2016.

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, 2018, are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Rate of Return
Public Equity	47.00%	7.30%
Fixed Income & Cash	25.00%	3.10%
Real Estate	7.70%	5.60%
Real Assets	3.30%	4.50%
Private Equity	8.00%	10.60%
Absolute Return	9.00%	2.90%
	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 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 7.5 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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

The sensitivity analysis as of December 31, 2019 follows:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liabiltiy	$ 18,044,000	$ 11,536,000	$ 6,120,000

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.

NOTE III – OTHER INFORMATION

B. POSTEMPLOYMENT HEALTHCARE PLAN

The Authority administers a single-employer defined contribution healthcare plan ("the Retiree Health Plan"). 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75.

At December 31, 2019, the Authority had 166 active members and 27 inactive plan members or beneficiaries currently receiving benefits.

The Authority's total OPEB liability of $9,656,780 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Discount rate	3.75%
Inflation	2.75%
Salary increases	3.00% per year
Healthcare cost trend rates	Medicare Supplement Plans – 4.50% Non-Medicare Plans- 5.00%
Retirees' share of benefit Related costs	75% of premiums

The discount rate was based on 20-Year Municipal GO AA Index as of each measurement date.

Mortality rates were based on the RP-2000 Employees Mortality Table and the RP-2000 Healthy Annuitant Mortality Table.

NOTE III – OTHER INFORMATION (cont.)

B. POSTEMPLOYMENT HEALTHCARE PLAN (cont.)

	Total OPEB Liability
Balance at December 31, 2018	$ 9,217,012
Changes for the year:	
Service cost	437,590
Interest on the Total OPEB liability	355,484
Benefit payments	(353,306)
Net changes	439,768
Balance at December 31, 2019	$ 9,656,780

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB of the Authority as well as what the Authority's total OPEB would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

	1% Decrease (2.75%)	Current Discount (3.75%)	1% Increase (4.75%)
Total OPEB Liability	$ 10,829,204	$ 9,656,780	$ 8,689,984

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Assumption	1% Increase
Total OPEB Liability	$ 8,584,411	$ 9,656,780	$ 10,978,739

NOTE III – OTHER INFORMATION (cont.)

B. Postemployment Healthcare Plan (cont.)

For the year ended December 31, 2019, the Authority recognized OPEB expenses of $485,317. At December 31, 2019, the Authority reported deferred inflows of resources related to OPEB from the following sources:

	Deferred outlows of resources	Deferred inflows of resources
Differences between expected and actual non-investment experience	$ -	$ 1,606,251
Changes in assumptions or other inputs	138,247	-
Total	$ 138,247	$ 1,606,251

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows/(Inflows) of Resources, Net
2020	$ (307,757)
2021	(307,757)
2022	(307,757)
2023	(307,757)
Thereafter	(236,976)

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 977 members in HARRG. Total premiums paid in 2019 by the members were approximately $37.1 million. The Authority’s share of the premiums in 2019 were $355,139, 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 958 members. Total premiums paid in 2019 by the members were approximately $65.7 million. The Authority’s share of the premiums was $519,427 in 2019 for property and builders’ risk insurance. The Authority’s maximum insurance coverage is $436,867,687 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.

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 for Carver I 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 $230,623 as of December 31, 2019.

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 Carver I 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 $196,621 as of December 31, 2019.

On May 15, 2018, the Authority purchased and was assigned the investor limited partner and special limited partner interests in the partnership. Under the assignment agreement, the assignors were allocated losses during the year through April 30, 2018 and the assignee was allocated losses after April 30, 2018. In connection with the purchase, the former investor limited partner’s and former special limited partner’s equity balance at April 30, 2018 was transferred to the new limited partner. The net effect of the transfer on equity was $0.

Carver Park had two mortgage notes payable totaling $1,000,000 that are due the earlier of the sale of Carver I and Carver II or January 1, 2019. Effective January 1, 2019, the Authority entered into a capital contribution agreement with the Carver Park partnership whereby the Authority agreed to contribute the aggregate outstanding principal balance and accrued interest of the mortgage notes payable due to the Authority in consideration for an increase in its investor limited partnership capital account. All of the mortgages on these notes were satisfied on April 16, 2019.

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 $132,677 as of December 31, 2019.

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 $89,119 as of December 31, 2019. As part of the RAD conversion, the affordability reserve was required to be terminated and deposited into the replacement reserve.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

Highland Park (cont.)

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, was to be administered in accordance with the R&O Agreement and utilized primarily to fund operating deficits. Upon termination of the R&O Agreement as part of the RAD conversion, the operating reserve is to be administered for the purposes for which it was established, subject to the consent of the investor member. The operating reserve was $245,165 as of December 31, 2019.

Highland Park and the Authority entered into a RAD Conversion Commitment with HUD where the public housing units were converted to Section 8 project based-vouchers effective June 1, 2018. Highland Park entered into a Project Based Voucher Housing Assistance Payments contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 46 of the units. The HAP contract is effective June 1, 2018 and has an initial term of 20 years set to expire May 31, 2038. Gross rental income under the HAP contract represents approximately 47% of residential rental income (excluding rooftop lease income) for the year ended December 31, 2019. Highland Park and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

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 increased to $200 in June 2010 and $250 in June 2015. In connection with the RAD conversion, the operating agreement was amended to require monthly installments of $2,375. The amendment to the operating agreement also required that $725,275 of the RAD loan proceeds received in 2018 be deposited into the replacement reserve. These funds were included in the operating cash account as of December 31, 2019 and transferred to the replacement reserve account in March 2019. The amendment to the operating agreement also required that the balance of the Affordability Reserve be transferred to the replacement reserve. 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 $907,867 as of December 31, 2019.

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 $28.75 per unit in 2018. The management fees incurred under this agreement totaled $36,053 for the year ended December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

*E. **Commitments and Contingencies*** (cont.)

Component Units (cont.)

Highland Park (cont.)

Highland Park entered into a non-cancelable operating lease agreement with Verizon Wireless to rent a portion of its rooftop space to install telecommunications equipment. The lease requires an annual lease payment of $30,500 commencing in 2017 which is to increase 4% each year. The lease expires October 2022. The lease includes five remaining five year options to renew. Highland Park entered into a noncancellable operating lease agreement with T-Mobile to rent a portion of its rooftop space for the operations of antenna systems and telecommunications equipment. The lease requires an annual lease payment of $31,500 commencing upon construction and installation, which began in 2019. Annual rent payments increase 4% each year. The lease expires five year after commencement. The lease includes five remaining five year options to renew. Rooftop lease income included in rental income totaled $62,300 for the year ended December 31, 2019. Future minimum rental income under the rooftop lease is $66,079, $68,722, $62,194, and $36,850 for the years 2020, 2021, 2022 and 2023 respectively.

As disclosed in Note II.E, Highland Park's U.S. Bank mortgage note payable is due in July 2020. As shown in the accompanying financial statements, Highland Park does not have sufficient cash or reserves and is not generating enough operating cash flow to repay this note when due. Management of Highland Park has evaluated this condition and plans to extend the maturity date of the mortgage note prior to its maturity, which would alleviate this uncertainty.

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, were restricted for the benefit of the public housing units to cover shortfalls in the event operating subsidy funds were not available. As part of the RAD conversion, the affordability reserve was required to be terminated and deposited into the replacement reserve.

The operating agreement required Cherry Court to fund an operating reserve in the amount of $145,000. The operating reserve, including interest thereon, is to be utilized primarily to fund operating deficits. Withdrawals may be made only upon the approval of the special member. The operating reserve balance was $158,184 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

Cherry Court (cont.)

The operating agreement requires Cherry Court to fund a replacement reserve annually in the initial amount of $21,000 which increased 3% per year. In connection with the RAD conversion, the operating agreement was amended to require annual deposits equal to $250 per unit per year, increasing by 3% per year. In addition, the RAD conversion commitment required an additional deposit of $198,546 which was funded by RAD replacement reserve loan proceeds received in 2018. The amendment to the operating agreement and the RAD conversion commitment also required that the balance of the affordability reserve be transferred to the replacement reserve. 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 $506,865 as of December 31, 2019.

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 $2,420 through November 2021. The lease includes four successive five year options to renew with a ten percent increase in rent for each renewal. The company entered into a lease with another third party starting September 2016 to lead ground space for a cellular tower. The lease requires annual payments of $5,500 through August 2021. The lease includes four successive five year options to renew with a three percent increase in rent for each renewal. Rental income earned under these leases totaled $34,540 for the year ended December 31, 2019. Future minimum rental income for these leases is $34,540 for the year 2020 and $30,287 for 2021.

Cherry Court and the Authority entered into a Rental Assistance Demonstration (RAD) Conversion Commitment with HUD in April 2017 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective November 30, 2017. Cherry Court entered into a Project Based Voucher Housing Assistance Payments (HAP) Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 70 of the units. These units have been designated for elderly families under the contract. The HAP contract is effective December 1, 2017 and has an initial term of 20 years set to expire December 31, 2037. Rental revenue under the HAP contract represents approximately 48% of rental income for the year ended December 31, 2019. Cherry Court and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

Convent Hill

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 established an affordability reserve in the initial amount of $129,000. These reserve funds, including interest thereon, were restricted for the benefit of the public housing units to cover shortfalls in the event operating subsidy funds are not available. As part of the RAD conversion, the affordability reserve was required to be terminated and deposited into the replacement reserve. The affordability reserve balance was $131,854 as of December 31, 2019.

The R&O agreement and operating agreement required for Convent Hill to fund an operating reserve in the initial amount of $105,000. Withdrawals are restricted to cover operating deficits. 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 $106,960 as of December 31, 2019.

The R&O agreement required Convent Hill to fund a replacement reserve annually in the amount of $16,000 which increased 3% per year. In connection with the RAD conversion, the operating agreement was amended to require annual deposits equal to $250 per year, increasing by 3% per year. The amendment to the operating reserve and the RAD conversion commitment also required that the balance of the affordability reserve be transferred to the replacement reserve. 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 $219,256 as of December 31, 2019.

Convent Hill and the Authority entered into a Rental Assistance Demonstration (RAD) Conversion Commitment with HUD in July 2017 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective July 1, 2018. Convent Hill entered into a Project Based Voucher Housing Assistance Payments (HAP) Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 42 of the units. The HAP contract is effective July 1, 2018 and has an initial term of 20 years set to expire June 30, 2038. Rental revenue under the HAP contract represents approximately 50% of rental income for the year ended December 31, 2019. Convent Hill and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

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. These reserve funds, including interest thereon, 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 $76,967 as of December 31, 2019.

The R&O Agreement and operating agreement require Scattered Sites to fund a replacement reserve annually in the initial amount of $300 per unit. The annual deposit requirement increases 3% per year. In connection with the RAD conversion, the operating agreement was amended to require annual deposits of $9,394, increasing 3% per year. In addition, the amendment required that $175,826 of the RAD loan proceeds received in 2018 be deposited into the replacement reserve. 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 $268,246 as of December 31, 2019.

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.

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Scattered Sites (cont.)

Scattered Sites and the Authority entered into a Rental Assistance Demonstration (RAD) Conversion Commitment with HUD in January 2018 as amended in October 2018, pursuant to which the public housing units were converted to Section 8 project based-vouchers effective December 1, 2018. Scattered Sites entered into a Project Based Voucher Housing Assistance Payments (HAP) Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 24 of the units. The HAP contract is effective December 1, 2018 and has an initial term of 20 years set to expire November 30, 2038. Rental revenue under the HAP contract represents approximately 52% of rental income for the year ended December 31, 2019. Scattered Sites and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

Scattered Sites II

Scattered Sites II entered into 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. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Scattered Sites II is obligated to certify tenant eligibility.

Under provisions of the R&O Agreement and operating agreement, Scattered Sites II has established an operating reserve in the initial amount of $75,000. These reserve funds, including interest thereon, are restricted to help meet operating expenses and debt service which exceed available operating revenues. Withdrawals may be made upon approval of the special member. The operating reserve balance was $75,756 as of December 31, 2019.

The R&O Agreement and operating agreement requires Scattered Sites II to fund a replacement reserve annually in the initial amount of $300 per unit. The annual deposit requirement increases 3% per year. In connection with the RAD conversion, the operating agreement was amended to require that $206,866 of the RAD loan proceeds received in 2018 be deposited into the replacement reserve. 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 investor member or the special member. The replacement reserve balance was $288,185 at December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

Scattered Sites II (cont.)

The Authority entered into a cooperation agreement with the City of Milwaukee whereby any low-rent housing development 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. Scattered Sites II is subject to the same agreement with respect to its public housing units.

Scattered Sites II and the Authority entered into a Rental Assistance Demonstration (RAD) Conversion Commitment with HUD in January 2018 as amended in October 2018, pursuant to which the public housing units were converted to Section 8 project based-vouchers effective December 1, 2018. Scattered Sites II entered into a Project Based Voucher Housing Assistance Payments (HAP) Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 24 of the units. The HAP contract is effective December 1, 2018 and has an initial term of 20 years set to expire November 30, 2038. Rental revenue under the HAP contract represents approximately 47% of rental income for the year ended December 31, 2019. Scattered Sites II and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income.

Olga Village

Olga Village 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, 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. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. Olga Village is obligated to certify tenant eligibility.

The R&O Agreement and operating agreement required Olga Village to fund a replacement reserve based upon $250 per unit per year commencing in 2011. This amount increased by 10% on the fifth anniversary in 2016. In connection with the RAD conversion, the operating agreement was amended to require annual deposits of $9,250 payable in monthly installments of $771 effective June 1, 2018. The amendment to the operating agreement also required $142,822 of the balance in the authority subsidy reserve held by the Authority to be deposited into the replacement reserve. 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 $290,450 at December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

Olga Village (cont.)

The R&O Agreement and operating agreement require Olga Village to establish and maintain an operating reserve with a minimum balance of $200,000. If the balance is less than the minimum, Olga Village shall deposit funds from cash flow into the reserve in the priority as set for the in the operating agreement. Upon termination of the R&O agreement in connection with the RAD conversion discussed, the operating agreement continues to require that funds from the operating reserve be used to fund operating deficits with the consent of the investor member and the Authority. Funds from the operating reserve may be used to fund operating deficits with the consent of the investor member. The operating reserve balance was $205,511 at December 31, 2019.

The Authority established an authority subsidy reserve solely for the benefit of the public housing units in the amount of $150,000. As part of the RAD conversion, the operating agreement was amended to require $142,822 of the reserve be transferred into the replacement reserve and the balance of $7,178 used to pay RAD closing costs. To make the transfer, the Authority and Olga Village executed the RAD loan (subsidy reserve note payable) discussed below. Upon transfer, the reserve was terminated.

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 (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. Olga Village is subject to the same agreement with respect to the public housing units.

Olga Village leases the senior community center to United Community Center, Inc. In lieu of monthly base rent, the tenant shall operate and maintain the senior community center including utilities, repairs, maintenance, and real estate taxes.

Olga Village and the Authority entered into a RAD Conversion Commitment with HUD in April 2017 and as amended in April 2018, pursuant to which the public housing units were converted to Section 8 project based-vouchers effective June 1, 2018. Olga Village entered into a Project Based Voucher Housing Assistance Payments Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 37 of the units. The HAP contract is effective June 1, 2018 and has an initial term of 20 years set to expire May 31, 2038. Gross rental income under the HAP contract represents approximately 44% of rental income for the year ended December 31, 2019. Olga Village and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

NOTE III – OTHER INFORMATION (cont.)

*E. **Commitments and Contingencies*** (cont.)

Component Units (cont.)

Westlawn Renaissance

Westlawn Renaissance has entered into an operating 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. In connection with the RAD conversion, the operating agreement was amended to require deposits of $350 per unit per year, increasing by 3% every June 1 thereafter. In addition, the RAD conversion commitment required an additional deposit of $420,875, of which $339,343 was funded by additional proceeds from the Authority construction and term loan. The replacement reserves shall be used to fund repairs, capital expenditures, and other costs as approved by the investor member. The replacement reserve balance was $981,036 at December 31, 2019.

The operating agreement requires Westlawn Renaissance to establish an operating reserve of at least $600,000. 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 $607,123 as of December 31, 2019.

Westlawn Renaissance entered into a management agreement with an unaffiliated entity. Under this agreement, Westlawn Renaissance is obligated to pay a management fee equal to $24.50 per unit per month. The management fees incurred under this agreement totaled $70,125 for the year ended December 31, 2019.

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.

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Westlawn Renaissance (cont.)

Westlawn Renaissance and the Authority entered into a RAD Conversion Commitment with HUD in April 2017 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective November 30, 2017. Westlawn Renaissance entered into a Project Based Voucher Housing Assistance Payments Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 64 of the units. Forty-seven of these units have been designated for elderly families under the contract. The HAP contract is effective December 1, 2017 and has an initial term of 20 years set to expire December 31, 2037. Rental revenue under the HAP contract represents approximately 46% of rental income for the year ended December 31, 2019. Westlawn Renaissance and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

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 (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 generating housing units.

Lapham Park

Lapham Park has entered into an operating agreement with the Authority. 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. In connection with the RAD conversion, the operating agreement was amended to require deposits of $334 per year, increasing by June 1 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 $466,356 as of December 31, 2019.

The operating agreement requires Lapham Park to establish an operating reserve of at least $628,000. 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 $635,549 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

Lapham Park *(cont.)*

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 $27.00 per unit per month. The management fees incurred under this agreement totaled $59,697 for the year ended December 31, 2019.

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. Lapham Park is obligated to certify tenant eligibility.

Lapham Park and the Authority entered into a RAD Conversion Commitment with HUD in November 2017 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective May 1, 2018. Lapham Park entered into a Project Based Voucher Housing Assistance Payments Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 131 of the units. The HAP contract is effective May 1, 2018 and has an initial term of 20 years set to expire April 30, 2038. Gross rental income under the HAP contract represents approximately 46% of residential rental income (excluding rooftop lease income) for the years ended December 31, 2019. Lapham Park and the

Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

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 two 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.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

***Lapham Park** (cont.)*

Lapham Park entered into a non-cancelable operating lease agreement with T-Mobile to rent a portion of its rooftop space for the maintenance and operation of telecommunications equipment. The lease requires an annual lease payment of $27,000 commencing in 2017 which is to increase 4% each year. The lease expires April 2022. The lease includes five remaining five year options to renew. Rooftop lease income included in rental income totaled $63,385 for the year ended December 31, 2019. Future minimum rental income under the rooftop leases is $65,531, $31,181, $10,529 for the years 2020, 2021, and 2022 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.

Westlawn Renaissance II

Westlawn Renaissance II entered into an operating agreement with the Authority. Provisions of the operating agreement required Westlawn Renaissance II to fund a replacement reserve for Victory Manor and WG Scattered Sites in an initial amount of $16,000 and $9,000, respectively. Commencing on July 1, 2019, monthly deposits are required in an amount of $300 per unit per year for the first year increasing by 3% each anniversary of the replacement reserve commencement date. The replacement reserve shall be used to fund capital improvements and repairs as approved by the investor member. The replacement reserve balance was $24,932 at December 31, 2019.

The operating agreement requires Westlawn Renaissance II to establish and maintain an operating reserve for Victory Manor and WG Scattered Sites with minimum balances of $200,000 and $130,000, respectively. If the balance is less than the minimum, Westlawn Renaissance II shall deposit funds from cash flow into the reserve in the priority as set for the in the operating agreement. The reserve shall be maintained through the 15 year tax credit compliance period. Upon the 3 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. On the eleventh anniversary of the completion date, and each year thereafter, the required balance in the operating reserve may be reduced in accordance with the operating agreement. The operating reserves have not been funded as of December 31, 2019.

The lower tier entities of Westlawn Renaissance II entered into management agreements with an unaffiliated entity. Under these agreements, Westlawn Renaissance II is obligated to pay a management fee equal to $25.50 per unit per month. The management fees incurred under this agreement totaled $27,540 for the year ended December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Westlawn Renaissance II (cont.)

The lower tier entities of Westlawn Renaissance II entered into a Land Use Restriction Agreement with WHEDA as a condition to receiving financing and an allocation of low-income housing tax credits. Under these agreements, the lower tier entities of Westlawn Renaissance II 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 the lower tier entities of Westlawn Renaissance II fail 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 II is obligated to certify tenant eligibility.

The lower tier entities entered into LURAs with WHEDA as condition to obtaining financing. The agreements with WHEDA place occupancy restrictions on rents charged and the minimum set aside of units occupied by targeted individual or families whose income meets the requirements as described in the LURAs. The agreements expire when the WHEDA loans are paid in full.

The Authority anticipates entering 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 II is subject to the same agreement with respect to the public housing units.

The lower tier entities of Westlawn Renaissance II and the Authority entered into a RAD Conversion Commitment with HUD in December 2016 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective April 1, 2017. The lower tier entities of Westlawn Renaissance II entered into a Project Based Voucher Housing Assistance Payments Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 44 of the units in Victory Manor and 18 units in WG Scattered Sites. The HAP contract is effective April 1, 2017 and has an initial term of 20 years set to expire February 28, 2037. Gross rental income under the HAP contract represents approximately 67% of rental income for the year ended December 31, 2019. The lower tier entities of Westlawn Renaissance II and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

NOTE III – OTHER INFORMATION (cont.)

E. Commitments and Contingencies (cont.)

Component Units (cont.)

Holton Terrace

Holton Terrace has entered into an operating agreement with the Authority. Provisions of the agreements require Holton Terrace to fund a replacement reserve in an initial amount of $60,000 upon no later than the Second Capital Contribution date, December 1, 2020. Holton Terrace is then required to make annual deposits equal to $500 per unit per year for the first year, increasing by 3% per year. The replacement reserve shall be used to replace capital assets or provide capital improvements. The replacement reserve balance was not funded as of December 31, 2019.

The operating agreement requires Holton Terrace to establish an operating reserve of at least $398,500 no later than the second capital contribution date, December 1, 2020. Funds from the operating reserve are to be used primarily to fund operating deficits. Withdrawals may be made only upon the approval of the special member. The operating reserve balance was not funded as of December 31, 2019.

The operating agreement requires Holton Terrace to establish a capital needs reserve in an initial amount of $400,000. The account shall be held by WHEDA, and withdrawals are subject to the special member's consent. Any amounts remaining in the reserve after the compliance period shall be released as net cash flow, as defined in the operating agreement. The capital needs reserve balance was $403,809 as of December 31, 2019.

Holton Terrace entered into Land Use Restriction Agreements with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, Holton Terrace 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 Holton Terrace fails to comply with this agreement or with the IRC, Holton Terrace 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. Holton Terrace is obligated to certify tenant eligibility.

The Authority had entered into a lease with a third party to lease ground space for the purpose of constructing, maintaining, and operating a cellular tower. Concurrent with the sale of the property to Holton Terrace, the Authority assigned its interest in the lease to Holton Terrace. The lease requires annual payments of $31,500 through November 2022, increasing by 4% each annual anniversary of the commencement date. The lease includes five successive five year options to renew. Rental income earned under this lease totaled $17,066 for the year ended December 31, 2019. Future minimum rental income for this lease is $34,298, $35,669, and $30,709 for the years 2020, 2021, and 2022, respectively.

Holton Terrace entered into a management agreement with an unaffiliated entity. Under this agreement, Holton Terrace is obligated to pay a management fee equal to $27.50 per unit per month. The management fees incurred under this agreement totaled $22,117 for the year ended December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

Component Units (cont.)

Holton Terrace *(cont.)*

Holton Terrace and the Authority entered into a Rental Assistance Demonstration (RAD) Conversion Commitment with HUD in July 2019 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective September 1, 2019. Scattered Sites entered into a Project Based Voucher Housing Assistance Payments (HAP) Contract with the Authority whereby the Authority agrees to make housing assistance payments to the project for 120 of the units. These units have been designated for elderly or disabled families under the contract. The HAP contract is effective September 1, 2019 and has an initial term of 20 years set to expire September 1, 2039. Rental revenue under the HAP contract represents approximately 28% of rental income for the year ended December 31, 2019. Holton Terrace and the Authority entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

The authority entered into a payment in lieu of taxes (PILOT) agreement with the City of Milwaukee, based on the determination that the property is exempt from taxation under the Wisconsin statutes. The PILOT is to be 10% of the difference between rental income collected from the tenants and the utilities of the property through the term of the agreement. Holton Terrace is subject to the same agreement with respect to the low-income housing units. PILOT totaled $12,480 for the year ended December 31, 2019.

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.

NOTE III – OTHER INFORMATION (cont.)

G. Related Party Transactions

Eleven 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 $3,263,592 in 2019. In addition, during 2019 the Authority paid the City approximately $465,522, for administrative services and overhead expenses. The liability as of year-end totaled $194,325 is included in accounts payable as of December 31, 2019.

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 2019, paid in 2020 was $1,223,744 and is included in accrued liabilities as of December 31, 2019.

Component Units

Carver Park

Carver Park entered into a management agreement with Friends of Housing Corporation ("Friends"), a member of the general partner, for a management fee equal to $30.00 per unit during 2018. The management fees incurred under this agreement totaled $46,116 for the year ended December 31, 2019.

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 $231,602 were earned for the year ended December 31, 2019. Included in accounts payable on the balance sheets are operating subsidy payables of $0 as of December 31, 2019. Included in accounts receivable on the statement of net position are operating subsidy receivables of $51,239 as of December 31, 2019.

Carver Park is obligated to pay the Authority an annual 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 $51,000 for the year ended December 31, 2019. Accrued authority oversight fees were $153,000 as of December 31, 2019.

Accounts payable includes amounts due to the Authority for reimbursement of expenses paid on behalf of Carver Park totaling $13,203 as of December 31, 2019.

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 $20,000 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Highland Park (cont.)

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, 2019.

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 is obligated to pay the Authority an authority oversight fee to cover its asset management responsibilities in administering the operating subsidy in the amounts of $46,000. Highland Park did not incur oversight fees for the period ended December 31, 2019. Accrued authority oversight fees included in accrued expenses were $34,938 as of December 31, 2019.

Highland Park entered into a RAD loan note payable to the Authority. The note is non-interest bearing and unsecured. The note is due April 23, 2038. The balance of the note payable was $793,888 as of December 31, 2019.

Included in Highland Park accounts payable are amounts totaling $5,797 as of December 31, 2019 due to the Authority for expenses paid on Highland Park's behalf including RAD conversion costs and maintenance costs.

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Highland Park (cont.)

On March 1, 2020, Highland Park Development, LLC and Travaux, Inc purchased and were assigned 99.98% and 0.01%, respectively, of the investor member's interest in Highland Park. Under the transfer and assignment agreement, the investor member will be allocated losses through February 29, 2020 and the managing members will be allocated losses after February 29, 2020.

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 $28.00 per unit for 2019, not to exceed 6% of gross annual income. The management fees incurred under this agreement totaled $36,360 for the year ended December 31, 2019. 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 $5,138 for the year ended December 31, 2019.

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 an 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. Included in accounts payable of the statement of net position are operating subsidies payable of $23,767 as of December 31, 2019. The R&O Agreement was terminated November 30, 2017 upon conversion of the public housing units to Section 8 assistance under the RAD program.

Cherry Court entered into a RAD replacement reserve loan note payable to the Authority. The note is non-interest bearing and unsecured. Payments on the note may be made to the extent of available cash flow. The note is due December 31, 2037. The balance of the note payable was $198,546 as of December 31, 2019.

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. The asset management fee shall increase annually by 3% and is payable from cash flow. Asset management fees incurred were $4,702 for the year ended December 31, 2019. Accrued asset management fees included in accrued expenses were $4,702 as of December 31, 2019.

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 $0 were recognized during the year ended December 31, 2019. Included in accounts payable on statement of net position are operating subsidy payables of $8,725 as of December 31, 2019.

The termination of the R&O agreement was executed May 25, 2018 and effective July 1, 2018, upon conversion of the public housing units to Section 8 assistance under the RAD program.

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%.

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 $362,802 for the year ended December 31, 2019. Included in accrued expenses are amounts due to the Association totaling $127,102 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Convent Hill (cont.)

Convent Hill has entered into a management agreement with Friends. Under this agreement, Convent Hill is obligated to pay a management fee equal to $27.00 per unit not to exceed 6% of gross annual income. The management fees incurred under this agreement totaled $23,680 for the year ended December 31, 2019. Friends is also paid an administrative fee related to application review, home visits and completing the tenant income certification related to certifying tenant compliance.

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, 2019.

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 $4,845 for the year ended December 31, 2019. Accrued asset management fees were $9,271 as of December 31, 2019.

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 $0 were earned during the year ended December 31, 2019. Included in accounts payable on the statement of net position are operating subsidy payables of $8,563 as of December 31, 2019.

The termination of the R&O agreement was executed October 30, 2018 and effective December 1, 2018 upon conversion of the public housing units to Section 8 assistance under the RAD program.

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 2018, not to exceed 9% of gross annual income collected. The management fees incurred under this agreement totaled $10,032 for the year ended December 31, 2019. Friends is also paid an administrative fee related to application review, home visits and completing the tenant income certification related to certifying tenant compliance.

NOTE III – OTHER INFORMATION (cont.)

G. Related Party Transactions (cont.)

Component Units (cont.)

Scattered Sites (cont.)

Scattered Sites entered into a RAD replacement reserve loan note payable to the Authority. The note is non-interest bearing and recourse to the manager. Payments on the note may be made to the extent of available cash flow. The note is due September 25, 2057. The balance of the note payable was $213,122 as of December 31, 2019.

Scattered Sites II

Scattered Sites II is obligated to pay the special member or its affiliate an annual asset management fee in the initial amount of $3,500, which is payable from cash flow as defined in the operating agreement. Such fee shall be cumulative to the extent not paid in full in any year. Asset management fees incurred were $3,500 for the year ended December 31, 2019. Accrued asset management fees were $10,500 as of December 31, 2019.

Scattered Sites II is obligated to pay the manager an annual management fee in the initial amount of $7,500. Such fee shall be payable to the extent of available cash flow and increase annually by 3%. Scattered Sites II management fees incurred were $9,787 for the year ended December 31, 2019. Accrued management fees were $44,806 as of December 31, 2019.

Scattered Sites II has entered into a management agreement with Friends. Under this agreement, the company is obligated to pay a management fee equal to $46 per unit per month not to exceed 8% of gross annual income collected. The management fees incurred were $12,672 for the year ended December 31, 2019. Friends is also paid an administrative fee related to application review, home visits and completing the tenant income certification related to certifying tenant compliance.

Scattered Sites II entered into a RAD replacement reserve loan note payable to the Authority. The note is non-Interest bearing and recourse to the manager. Payments on the note may be made to the extent of available cash flow. The note is due May 5, 2059. The balance of the note payable was $243,914 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Olga Village

Olga Village is obligated to pay an annual cumulative asset management fee in the initial amount of $1,850 to an affiliate of the investor member commencing in 2011, increasing 10% every fifty anniversary. The annual fee is payable from cash flow, as defined in the operating agreement. Asset Management fees incurred were $2,035 for the year ended December 31, 2019. Accrued asset management fees were $8,140 as of December 31, 2019.

Olga Village entered into a development services agreement with the Authority. The agreement provided for Olga Village to pay a development fee totaling $1,026,952 to the Authority and a portion of the fee not paid under this agreement bore interest at the long-term applicable federal rate (3.86%) in effect on the completion date, compounded annually. The remaining principal balance of the development fee was paid off during 2014. Accrued interest on the development fee was $10,759 as of December 31, 2019.

Olga Village had accounts payable to the Authority totaling $15,246 as of December 31, 2019. The amounts relate to expenses paid on Olga Village's behalf by the Authority for reimbursable expenses, including RAD conversion costs, maintenance costs, and insurance. The balance is non-interest bearing and due on demand.

Olga Village has entered into a management agreement with Friends. Under this agreement, the company is obligated to pay a management fee equal to $24.75 per unit per month not to exceed 6% of gross annual income collected. The management fees incurred under this agreement totaled $10,073 for the year ended December 31, 2019. Friends is also paid an administrative fee related to application review, home visits and completing the tenant income certification related to certifying tenant compliance.

Olga Village entered into a RAD loan note payable to the Authority in the amount of $57,365. The note is non-interest bearing and unsecured. The note is due April 23, 2038. The company entered into a RAD loan (subsidy reserve note payable) to the Authority in the amount of $150,000. The note is non-interest bearing and unsecured. The note is due April 23, 2038. The balance of the notes payable was $207,365 at December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

G. Related Party Transactions (cont.)

Component Units (cont.)

Westlawn Renaissance

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 totaled $12,500 for the year ended December 31, 2019. Included in other current liabilities are accrued asset management fees totaling $12,500 as of December 31, 2019.

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, 2019. Included in other current liabilities are accrued company management fees totaling $112,500 as of December 31, 2019.

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. There were no operating subsidies earned during the year ended December 31, 2019. Included in accounts payable is an operating subsidy payable of $10,042 as of December 31, 2019. The R&O Agreement was terminated November 30, 2017 upon conversion of the public housing units to Section 8 assistance under the RAD program.

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, 2019. Included in other current liabilities are accrued authority oversight fees totaling $300,000 as of December 31, 2019.

Included in Westlawn Renaissance accounts payable are amounts totaling $100,000 as of December 31, 2019 due to the Authority for storm water facilities management and expenses paid on Westlawn Renaissance's behalf including RAD conversion costs, maintenance costs and case manager services.

NOTE III – OTHER INFORMATION (cont.)

G. Related Party Transactions (cont.)

Component Units (cont.)

Lapham Park

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 totaled $10,452 for the year ended December 31, 2019. Included in accrued expenses are accrued asset management fees totaling $20,904 as of December 31, 2019.

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. Lapham Park management fees incurred totaled $30,150 for the year ended December 31, 2019. Included in other current liabilities are accrued company management fees totaling $211,050 as of December 31, 2019.

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 $0 were earned during the year ended December 31, 2019. Included in accounts payable are operating subsidy payables of $19,636 as of December 31, 2019.

The termination of the R&O agreement was executed March 29, 2018 and effective May 1, 2018, upon conversion of the public housing units to Section 8 assistance under the RAD program.

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 totaled $36,001 for the year ended December 31, 2019. Included in other current liabilities are accrued authority oversight fees totaling $104,887 as of December 31, 2019.

Lapham Park entered into a development agreement with the manager member, 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 $2,196,403 as of December 31, 2019. Interest expense incurred on the development fee payable totaled $55,355 for the year ended December 31, 2019. Accrued interest totaled $165,420 as of December 31, 2019.

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Westlawn Renaissance II

Westlawn Renaissance II is obligated to pay an annual asset management fee commencing in 2019 and continuing until the expiration of the compliance period to the investor member in the initial amount of $75 per credit unit, increasing 3% annually. The annual fee is payable from cash flow, as defined in the operating agreement. Asset Management fees incurred were $6,300 for the year ended December 31, 2019. Accrued asset management fees were $6,300 as of December 31, 2019.

The lower tier entities of Westlawn Renaissance II entered into a development services agreement with the managing member. The agreement provided for the lower tier entities to pay a development fee of $1,338,140 and $1,618,939 for Victory Manor and WG Scattered Sites, respectively. The entire fee has been earned and capitalized into the cost of the rental property as of December 31, 2019. The total fee is to be paid from capital contributions and project cash flow as set forth in the operating agreement. In the event the entire development fees have not been paid by the thirteenth anniversary of the completion date, as defined in the agreement, the managing member shall immediately make a capital contribution to Westlawn Renaissance II sufficient to satisfy the remaining unpaid portion of the fee. The development fee payable was $1,888,009 as of December 31, 2019.

For the 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 $176,000 and $118,000 for Victory Manor and WG Scattered Sites, respectively. 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 II as of December 31, 2019.

In connection with the development of projects, Victory Manor and WG Scattered Sites entered into construction contracts with an affiliate of the manager member in the amount of $12,792,346 and $7,289,083, respectively. Profit and overhead earned on the contract was $268,419 as of December 31, 2019.

The operating agreement provides for Westlawn Renaissance II to pay an annual company management fee to the managing member in the initial amount of $4,500 and $2,250 for Victory Manor and WG Scattered Sites, respectively, commencing in 2019. The company management fees are to increase 3% annually. The fee is payable out of operating cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Company management fees accrued and incurred were $6,750 as of December 31, 2019.

After the expiration of the fifteen year compliance period, Westlawn Renaissance II may not sell the projects to any third party that has made a bona fide purchase offer, without first offering the Authority the right of first refusal to purchase the property. Westlawn Renaissance II shall offer the property to the manager member at a price equal to the sum of the outstanding debt plus an amount sufficient to enable Westlawn Renaissance II to make liquidation distributions pursuant to the operating agreement.

NOTE III – OTHER INFORMATION (cont.)

G. RELATED PARTY TRANSACTIONS (cont.)

Component Units (cont.)

Westlawn Renaissance II (cont.)

During the year ended December 31, 2019, the Authority advanced funds to the Victory Manor and WG Scattered Sites to cover debt service payments and development expenses until development funds are received. These advances are non-interest bearing. These advances totaled $171,151 as of December 31, 2019.

Holton Terrace

Holton Terrace is obligated to pay an annual cumulative asset management fee to the special member in the amount of $6,000 commencing in 2019 and increasing by 3% annually. Fees are payable solely from available cash flow as defined in the operating agreement. There were no asset management fees incurred for the year ended December 31, 2019.

The operating agreement requires the managing member to fund operating deficits occurring after the period of Stabilized Occupancy, as defined in the operating agreement. This is to continue until the balance in the Operating Reserve is $398,500. Any operating deficit advances shall be treated as a loan and bear interest at 5%. Operating deficit advances are repayable from available cash flow as defined in the operating agreement. There were no operating deficit advance loans made to Holton Terrace as of December 31, 2019.

In connection with the development of the project, Holton Terrace entered into a construction contract with an affiliate of the manager member in the amount of $4,740,793. Profit and overhead earned on the contract was $84,657 as of December 31, 2019.

Included in Lapham Park accounts payable are amounts totaling $40,917 as of December 31, 2019 due to the Authority for expenses paid on Holton Terrace's behalf.

Holton Terrace entered into a development services agreement with the Authority. The agreement provided for Holton Terrace to pay a development fee totaling $798,200 to the Authority. The Authority has earned $325,000 of this fee as of December 31, 2019. This amount has been capitalized into construction in process. The remaining fee shall be earned upon the placement in service of 100% of the project units. It is anticipated that the development fee will be paid from proceeds of capital contributions made by the investor member and cash flow as set forth in the operating agreement. In the event the entire development fee has not been paid by the end of the tax credit compliance period, the managing member shall immediately make a capital contribution to Holton Terrace sufficient to satisfy the remaining unpaid portion of the fee.

NOTE III – OTHER INFORMATION (cont.)

G. Related Party Transactions (cont.)

Component Units (cont.)

Holton Terrace (cont.)

Holton Terrace has granted the Authority on option to purchase the project or the investor members' interests after the close of the ten year credit period. The purchase price under the project option is the greater of an amount sufficient to pay all debts and liabilities of Holton Terrace or the fair market value. Under the membership interest option, the purchase price is the greater of the fair market value or an amount sufficient to pay amounts due and owing to the investor member or the special investor member.

After the expiration of the fifteen year compliance period, Holton Terrace may not sell the project to any third party that has made a bona fide purchase offer, without first offering the Authority the right of first refusal to purchase the property. Holton Terrace shall offer the property to the managing member at the greater of a price equal to the sum of Holton Terrace's outstanding debt plus and amount sufficient to enable Holton Terrace to make liquidation distributions pursuant to the operating agreement of fair market value.

H. Subsequent Event

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the Authority. As of the audit opinion date, the Authority's evaluation of the effects of these events is ongoing; however, based on current information we believe this situation will impact declines in revenues and collection of receivables.

The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

NOTE III – OTHER INFORMATION (cont.)

I. Effect of New Accounting Standards on Current-Period Financial Statement

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

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance,* with the exception of Statement No. 87, which was postponed by one and a half years. 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 CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -
RETIREE BENEFITS PLAN
For the Year Ended December 31, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 437,590	$ 408,154
Interest	355,484	413,951
Differences between expected and actual experience	-	(2,279,731)
Changes of assumptions	-	196,213
Benefit payments	(353,306)	(301,450)
Net Change in Total OPEB Liability	439,768	(1,562,863)
Total OPEB Liability - Beginning	9,217,012	10,779,875
Total OPEB Liability - Ending	$ 9,656,780	$ 9,217,012
Covered-employee payroll	$ 9,815,812	$ 10,640,578
Total OPEB liability as a percentage of covered-employee payroll	98.38%	86.62%

Notes to Schedule:

1. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.
2. The Authority is required to present the last ten fiscal years data, however the standard allows the Authority to present as many years as are available until ten fiscal years are presented.
3. The Authority implemented GASB Statement No. 75 in fiscal year 2018. Information prior to fiscal year 2018 in not available.
4. Benefit changes. There were no changes of benefit terms in 2019.
5. Changes of assumptions. None.
6. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay for related benefits.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Employes' Retirement System of the City of Milwaukee
For the Year Ended December 31, 2019

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 the Total Pension Liability
12/31/15	1.278258400%	$ 1,450,000	$ 6,772,000	21.41%	97.76%
12/31/16	1.166164300%	4,904,000	6,248,000	78.49%	98.20%
12/31/17	1.123111400%	4,786,000	6,559,000	72.97%	91.98%
12/31/18	1.096313690%	3,974,000	6,326,000	62.82%	93.70%
12/31/19	0.861627700%	11,536,000	4,949,000	233.10%	78.71%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Employes' Retirement System of the City of Milwaukee
For the Year Ended December 31, 2019

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%
12/31/16	931,049	931,049	-	6,248,000	14.90%
12/31/17	900,100	900,100	-	6,559,000	13.72%
12/31/18	980,257	980,257	-	6,326,000	15.50%
12/31/19	772,027	772,027	-	4,949,000	15.60%

See independent auditors' report and accompanying notes to required supplementary information.

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, 2019

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Combining Adjustments	Totals
ASSETS						
Current Assets						
Cash and investments						
Unrestricted	$ 6,393,558	$ 9,434,071	$ 2,450,797	$ 3,534,067	$ -	$ 21,812,493
Restricted - Other	86,073	3,581,691	2,574,125	-	-	6,241,889
Restricted - Tenant security deposits	581,894	520,068	-	4,200	-	1,106,162
Receivables						
HUD other projects	979,862	-	984	510,336	-	1,491,182
Tenants - dwelling rents	430,399	172,645	-	-	-	603,044
Allowance for doubtful accounts - dwelling rents	(54,849)	(22,444)	-	-	-	(77,293)
Miscellaneous	667,271	300	31,741	2,668,911	-	3,368,223
Due from other programs	12,326,383	3,000,000	-	-	(15,326,383)	-
Current portion of notes receivable from Westlawn Renaissance II	-	-	-	3,080,462	-	3,080,462
Current portion of notes receivable from Highland Park	-	-	-	2,185	-	2,185
Accrued interest	1,289	-	-	10,760	-	12,049
Prepaid items	131,077	70,915	66,457	149,505	-	417,954
Total Current Assets	21,542,957	16,757,246	5,124,104	9,960,426	(15,326,383)	38,058,350
Noncurrent Assets						
Restricted Assets						
Investments with Fiscal Agent	-	2,505,035	788	1,217,935	-	3,723,758
Deferred mortgage receivable	609,821	-	-	120,622	-	730,443
Capital Assets						
Land	31,807,944	2,759,342	-	624,172	-	35,191,458
Construction in progress	181,483	11,391	-	34,560,935	-	34,753,809
Other capital assets, net of accumulated depreciation	39,929,719	5,154,202	-	6,244,824	-	51,328,745
Other Assets						
Long term interest receivable	10,378,978	-	-	1,586,023	-	11,965,001
Developer fee receivable	-	-	-	4,084,412		4,084,412
Investment in Carver Park	6,075,833	-	-	1,198,480	-	7,274,313
Notes receivable from Highland Park	2,000,000	-	-	105,570	-	2,105,570
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	2,166,726	-	-	196,608	-	2,363,334
Notes receivable from Westlawn Renaissance	7,649,850	-	-	1,610,911	-	9,260,761
Notes receivable from Lapham Park	19,199,657	-	-	335,440	-	19,535,097
Notes receivable from Westlawn Renaissance II	8,639,369	-	-	3,015,805	-	11,655,174
Notes receivable from Holton Terrace	400,000	-	-	4,760,000	-	5,160,000
RAD notes receivable	1,293,713	-	-	363,122	-	1,656,835
Total Noncurrent Assets	145,262,416	10,429,970	788	64,084,491	-	219,777,665
Total Assets	166,805,373	27,187,216	5,124,892	74,044,917	(15,326,383)	257,836,015
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to OPEB	33,016	-	29,218	76,013	-	138,247
Deferred outflows related to pensions	1,870,453	-	1,655,285	4,306,289	-	7,832,027
Total Deferred Outflows	1,903,469	-	1,684,503	4,382,302	-	7,970,274

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

COMBINING SCHEDULE OF NET POSITION - PRIMARY GOVERNMENT
As of December 31, 2019

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Combining Adjustments	Totals
LIABILITIES						
Current Liabilities						
Accounts payable	$ -	$ -	$ 9,885	$ 5,484,193	$ -	$ 5,494,078
Accrued wages and benefits	33,181	-	14,499	657,423	-	705,103
Other current liabilities	473,636	253,717	324,847	1,758,925	-	2,811,125
Accrued interest	-	286,360	-	-	-	286,360
Due to other governments	582,554	641,190	-	199,979	-	1,423,723
Due to other programs	-	-	-	15,326,383	(15,326,383)	-
Construction advances	3,690,000	-	-	18,178,237	-	21,868,237
Current portion of bonds and notes payable	-	765,000	-	-	-	765,000
Current portion of compensated absences	-	-	-	320,289	-	320,289
Liabilities payable from restricted assets						
Tenant security deposits	581,894	520,068	-	4,200	-	1,106,162
Total Current Liabilities	5,361,265	2,466,335	349,231	41,929,629	(15,326,383)	34,780,077
Noncurrent Liabilities						
Long-Term Debt						
Mortgage revenue bonds payable	-	15,437,645	-	34,481	-	15,472,126
Other Liabilities						
Compensated absences	-	-	-	605,676	-	605,676
Net pension liability	2,705,863	-	2,502,824	6,327,313	-	11,536,000
Total OPEB liability	2,528,494	-	1,841,959	5,286,327	-	9,656,780
Total Noncurrent Liabilities	5,234,357	15,437,645	4,344,783	12,253,797	-	37,270,582
Total Liabilities	10,595,622	17,903,980	4,694,014	54,183,426	(15,326,383)	72,050,659
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to OPEB	470,427	-	289,262	846,562	-	1,606,251
Deferred inflows related to pensions	341,196	-	209,799	614,005	-	1,165,000
Total Deferred Inflows of Resources	811,623	-	499,061	1,460,567	-	2,771,251
NET POSITION						
Net investment in capital assets	71,919,146	(4,497,577)	-	7,343,850	-	74,765,419
Restricted						
Debt service	-	-	-	39,697	-	39,697
Replacement reserve	-	2,306,592	-	-		2,306,592
Home ownership program	1,444,469	-	-	120,622	-	1,565,091
Housing choice voucher program	-	-	2,093,796	-	-	2,093,796
Unrestricted	83,937,982	11,474,221	(477,476)	15,279,057	-	110,213,784
TOTAL NET POSITION	$ 157,301,597	$ 9,283,236	$ 1,616,320	$ 22,783,226	$ -	$ 190,984,379

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, 2019

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Combining Adjustments	Totals
OPERATING REVENUES						
Tenant revenue						
Rentals	$ 9,139,255	$ 7,197,580	$ -	$ -	$ -	$ 16,336,835
Other tenant revenue	289,128	103,708	-	-	-	392,836
Total Tenant Revenue	9,428,383	7,301,288	-	-	-	16,729,671
HUD PHA grant revenue	9,933,100	-	39,196,575	7,662	-	49,137,337
Other Revenue						
Other revenue	3,537,096	75,912	334,285	2,565,435	-	6,512,728
Management Fees	-	-	-	3,901,253	(3,901,253)	-
Fees for Services	-	-	-	2,187,428	(2,187,428)	-
Bookkeeping Fees	-	-	-	296,070	(296,070)	-
Total Other Revenues	3,537,096	75,912	334,285	8,950,186	(6,384,751)	6,512,728
Total Operating Revenues	22,898,579	7,377,200	39,530,860	8,957,848	(6,384,751)	72,379,736
OPERATING EXPENSES						
Administrative	8,484,408	1,636,432	4,210,943	4,677,694	(4,197,323)	14,812,154
Tenant services	1,963,685	92,545	3,423	117,054	-	2,176,707
Utilities	3,657,314	855,931	625	80,523	-	4,594,393
Ordinary maintenance	6,280,526	1,340,322	9,635	4,017,748	(2,187,428)	9,460,803
Extraordinary maintenance	1,207,393	444,058	-	5,077	-	1,656,528
Protective services	26,777	-	-	494	-	27,271
Insurance premiums	756,865	248,009	108,993	282,199	-	1,396,066
Other general expenses	77,917	6,262	14,447	496,078	-	594,704
Casualty loss - non-capitalized	77,995	-	2,395	7,114	-	87,504
Payments in lieu of taxes	582,554	641,190	-	-	-	1,223,744
Bad debt - tenant rents	199,863	15,599	-	4,826	-	220,288
Housing assistance payments	-	-	34,394,592	-	-	34,394,592
Depreciation expense	4,234,419	425,916	-	362,665	-	5,023,000
Total Operating Expenses	27,549,716	5,706,264	38,745,053	10,051,472	(6,384,751)	75,667,754
Operating Income (Loss)	(4,651,137)	1,670,936	785,807	(1,093,624)	-	(3,288,018)

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, 2019

	Low-Income Housing Program	Veterans Housing Program	Housing Choice Voucher Program	General Fund	Combining Adjustments	Totals
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	$ 1,524,121	$ 190,736	$ 16	$ 355,788	$ -	$ 2,070,661
Loss on conversion of receivables to equity	(4,986,290)	-	-	(983,563)	-	(5,969,853)
Net loss from investment in partnership	(373,175)	-	-	(73,610)	-	(446,785)
Gain (loss) on disposal of capital assets	(4,961,635)	-	-	6,338,417	-	1,376,782
Interest expense	-	(576,923)	-	(173,334)	-	(750,257)
Total Nonoperating Revenues (Expenses)	(8,796,979)	(386,187)	16	5,463,698	-	(3,719,452)
Income (Loss) Before Transfers and Capital Contributions	(13,448,116)	1,284,749	785,823	4,370,074	-	(7,007,470)
CAPITAL CONTRIBUTIONS	13,208,104	-	-	536,259	-	13,744,363
Change in Net Position	(240,012)	1,284,749	785,823	4,906,333	-	6,736,893
NET POSITION - Beginning of Year	157,541,609	7,998,487	830,497	17,876,893	-	184,247,486
NET POSITION - END OF YEAR	$ 157,301,597	$ 9,283,236	$ 1,616,320	$ 22,783,226	$ -	$ 190,984,379

SINGLE AUDIT

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through ID Number	Beginning Balance 1/1/2019	Grant Funds Received	Grant Funds Expensed	Ending Balance 12/31/2019
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Section 8 Project - Based Cluster						
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	N/A	$ (11,544)	$ 19,205	$ 31,733	$ 984
CDBG - Entitlement Grants Cluster						
Passed through City of Milwaukee						
Community Development Block Grants/Entitlement Grants	14.218	N/A	-	474,270	774,270	300,000
Public and Indian Housing	14.850	N/A	(35,496)	6,159,872	6,195,368	-
Resident Opportunity and Supportive Services	14.870	N/A	29,309	177,860	171,169	22,618
Housing Voucher Cluster						
Section 8 Housing Choice Vouchers	14.871	N/A	-	39,164,842	39,164,842	-
Public Housing Capital Fund	14.872	N/A				
2013 Fiscal Year			-	508,629	508,629	-
2014 Fiscal Year			-	511,830	511,830	-
2015 Fiscal Year			-	1,463,082	1,463,082	-
2016 Fiscal Year			-	1,482,785	2,014,374	531,589
2017 Fiscal Year			311,806	1,670,937	1,359,131	-
2018 Fiscal Year			2,660,824	4,405,268	2,225,343	480,899
2019 Fiscal Year			-	2,939,914	3,031,122	91,208
Total Public Housing Capital Fund			2,972,630	12,982,445	11,113,511	1,103,696
HOPE VI Cluster						
Choice Neighborhoods Implementation Grant	14.889	N/A	-	6,376,247	6,376,247	-
Jobs-Plus Pilot Initiative Program	14.895	N/A	-	119,290	177,230	57,940
Juvenile Reentry Assistance Program	14.897	N/A	47,625	47,625	-	-
Total U.S. Department of Housing and Urban Development			3,002,524	65,521,656	64,004,370	1,485,238
U.S. DEPARTMENT OF LABOR						
Passed through Employ Milwaukee						
Youthbuild	17.279	H0036-HACMYB-240-15-8110 M1	-	15,033	15,033	-
Total Federal Awards			$ 3,002,524	$ 65,536,689	$ 64,019,403	$ 1,485,238

See accompanying notes to Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
For the Year Ended December 31, 2019

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, 2019. 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 – INDIRECT COST RATE

The Housing Authority of the City of Milwaukee has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

NOTE 5 – 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, 2018.

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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 30, 2020. 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, Scattered Sites II, LLC, Olga Village, LLC, Westlawn Renaissance, LLC, Lapham Park, LLC, Westlawn Renaissance II, LLC and Subsidiaries, and Holton Terrace, 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, Lapham Park, LLC, Westlawn Renaissance II, LLC and Subsidiaries, and Holton Terrace, 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.

Internal Control over Financial Reporting (continued)

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

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.*

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
December 30, 2020

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

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

Report on Compliance for the 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 the Authority's major federal program for the year ended December 31, 2019. The Authority's major federal program is identified in the summary of auditors' 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 the Authority's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the 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 the major federal program for the year ended December 31, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
December 30, 2020

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	unmodified			
Internal control over financial reporting				
Material weakness(es) identified?	X	yes		no
Significant deficiency(ies) identified?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Type of auditor's report issued on compliance for major programs:	unmodified			
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?		yes	X	no
Auditee qualified as low-risk auditee?				
Federal programs	X	yes		no
Dollar threshold used to distinguish between Type A and Type B programs				
Federal	$ 1,920,582			

Identification of major federal programs

CFDA NUMBER(S)	**Name of Federal Program or Cluster**
	Housing Voucher Cluster
14.871	Section 8 Housing Choice Vouchers

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Section II: Financial Statement Findings

Finding 2019-001: Missing Key Controls Surrounding New or Non-routine Transactions

Criteria: A system of internal control should be in place that provides reasonable assurance that year-end financial statements, including new or non-routine transactions, are complete and accurate.

Condition: Certain controls over new or non-routine transactions are not currently in place. As a result, there is a risk that erroneous transactions or misstatements could occur and not be detected and corrected by management. A material journal entry was discovered during the course of the audit related to new and / or non-routine transactions.

Cause: The Authority did not have all material transactions recorded prior to the audit, specifically noting items that were considered new or non-routine transactions and certain year-end adjustments.

Effect: The Authority's financial records may be materially misstated before the annual audit is completed.

Recommendation: The Authority should develop an action plan to ensure all material year-end adjustments are recorded by Authority staff prior to audit fieldwork. Account reconciliations, specifically the reconciliation of inter-program activity and the recording of equity interest in component units, should be prepared timely throughout the year.

Views of Responsible Officials: The Housing Authority does have some internal controls over all journal entries, they are reviewed by the Finance Director and approved. For future new material and non-routine transactions (like the conversion of Carver Park), the Housing Authority will consult with the auditors as needed for the best way to record these material transactions when they occur. This was the first tax credit property the Housing Authority had purchased from the investor partner. We will also plan on reviewing notes receivable and payable balances that are to be eliminated for financial reporting more frequently to ensure they are fully recorded.

Section III: Federal Awards Findings and Questioned Costs

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