

MANAGEMENT'S DISCUSSION & ANALYSIS

BENNINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

As management of the Bennington Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,274,697 (net position).
- The net position of the Authority consisted of Invested in Capital Assets in the amount of \$2,621,573, Restricted Net Position in the amount of \$0 and Unrestricted Net Position in the amount of \$653,124.
- The Authority's cash and investments at June 30, 2017 was \$753,385 representing an increase of \$168,982 from June 30, 2016.
- The Authority had intergovernmental revenues of \$2,095,238, program revenues (charges for services) and other revenues of \$907,420 and program expenses (exclusive of depreciation expense) of \$2,546,357 for the year ended June 30, 2017.
- The Authority's capital outlays for the year were \$327,532.

OVERVIEW OF THE BENNINGTON HOUSING AUTHORITY

Bennington Housing Authority was created in 1970 to provide and promote safe and sanitary housing for low-income persons residing in Bennington, Vermont. The Authority is a municipal corporation located in Bennington, Vermont and was established under Vermont Statutes Title 24, Part 2, Chapter 113.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Bennington Housing Authority's Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains the schedule of expenditures of federal awards as supplementary information in addition to the basic financial statements themselves.

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

As a single purpose enterprise fund government the Authority is permitted to issue combined entity level and fund level financial statements. These statements report financial information for each of the Authority's funds and a combined total of all funds that represents the Authority wide financial position. The following is a brief description of each financial statement.

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The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

Statement of Net Position

- The Statement of Net Position is prepared using the accrual basis of accounting and provides information relating to all financial and capital resources for the Authority as of the reporting date and related debts and other liabilities. The statement is presented in a format where assets and deferred outflows less liabilities and deferred inflows 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."
- Net position (formerly net assets) represents the cumulative effect of revenue and expenses. It is also the difference between the sum of assets and deferred outflows less the sum of liabilities and deferred inflows. Net position is reported in three broad categories:

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

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

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

Statement of Revenue Expenses and Changes in Fund Net Position

- This statement is similar to an Income Statement. This statement includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income and interest expense and capital contributions and operating transfers.
- The focus of this Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position," which is similar to Net Income or Loss.

Statement of Cash Flows

The Statement of Cash Flows shows the sources and amounts from which the Authority received cash such as income from tenants, income from grants, loans, etc. and the items and amounts for which cash was used such as payments to vendors and contractors, payments to employees, repayment of loans, etc. The statement is divided into four major sections: operating activities, non-capital financing activities, capital and related financing activities and investing activities. The statement functions down to the net increase or decrease in the Authority's cash accounts for the reporting period.

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AUTHORITY FUNDS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Business Type Funds – The Authority maintains a business type fund also called an enterprise fund. The programs supporting this fund are as follows:

Federal Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income. HUD Capital Fund Grants fund improvements for properties owned by the Authority. HUD Resident Opportunity and Supportive Services fund tenant services programs.

Housing Choice Voucher – This program accounts for leasing activities of properties that are not owned by the Authority. The Authority administers contracts with independent landlords that own property. The Authority subsidizes the family's rent through as Assistance Payment made to the landlord. The funds for these payments are provided by program grants provided by HUD. The Authority also receives an administrative fee, which is part of the grant that supports the administration of the programs.

State and Local Programs – a grant similar to the HUD ROSS grant that encourages economic self-sufficiency among the resident population.

AN OVERVIEW OF THE AUTHORITY – WIDE FINANCIAL POSITION AND OPERATIONS

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

The Authority's total assets and deferred outflows at June 30, 2017 were \$3.48 million, an increase of \$0.14 million from June 30, 2016.

The Authority's overall financial position and results of operations are presented at the end of this report.

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CAPITAL ASSETS

As of June 30, 2017, the Authority's investment in capital assets for its governmental activities was \$2,621,573 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and computer software.

Major capital asset purchases during the current fiscal year include the following:

Capital expenditures of \$327,532 were made for the improvement of the Authority's rental units.

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2018 fiscal year:

The Authority prepared its budget for fiscal year 2018 with no expected significant adjustments in revenue or expenses from the prior year's budget except for a nominal inflationary factor and the knowledge that the operating subsidy for the Low Rent Program is expected to be decreased from the prior year funding of 90% to an expected 87.5% proration of the CY 2017 Operating fund. The Authority budgeted admin fee revenue of the Housing Choice Voucher Program at 77%, which is a decrease from the prior fiscal year of 80%. In addition to the admin fee proration, the Authority budgeted HAP expenses at 100% of its CY 2016 HAP funding.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

None anticipated at this time.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Bennington Housing Authority, Willow Road, Bennington, VT 05201, or call (802) 442-8000.

BENNINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Statement of Net Position
June 30, 2017 and 2016

	2017	2016	Increase (Decrease)	Percent Change
Current Assets	\$ 863,152	\$ 702,602	\$ 160,550	22.85%
Capital Assets, Net of Depreciation	<u>2,621,573</u>	<u>2,641,507</u>	<u>(19,934)</u>	-0.75%
Total Assets and Deferred Outflows	<u>\$ 3,484,725</u>	<u>\$ 3,344,109</u>	<u>\$ 140,616</u>	4.20%
Current Liabilities	<u>\$ 210,028</u>	<u>\$ 178,247</u>	<u>\$ 31,781</u>	17.83%
Total Liabilities and Deferred Inflows	<u>210,028</u>	<u>178,247</u>	<u>31,781</u>	17.83%
Net Position:				
Invested in Capital Assets, Net of Debt	2,621,573	2,641,507	(19,934)	-0.75%
Restricted	-	1,632	(1,632)	-100.00%
Unrestricted	<u>653,124</u>	<u>522,723</u>	<u>130,401</u>	24.95%
Total Net Position	<u>\$ 3,274,697</u>	<u>\$ 3,165,862</u>	<u>\$ 108,835</u>	3.44%

The Authority's combined net position increased by \$108,835 from a year ago. This represents an increase of 3.44%. This decrease is a combination of three components of net position: 1) Invested in capital assets, net of debt – a decrease of \$19,934, 2) Restricted net position – a decrease of \$1,632 and 3) Unrestricted net position – an increase of \$130,401.

The increase (decrease) in invested in capital assets, net of debt consists of the following items:

Capital grants received and expended	\$ 261,167
Capital purchases from operations	66,365
Depreciation expense	<u>(347,466)</u>
Net increase (decrease) in invested in capital assets	<u>\$ (19,934)</u>

The increase (decrease) in restricted net position consists of the following items:

Restricted Revenue - HCV	\$ 1,038,205
Restricted Expenses - HCV	<u>(1,039,837)</u>
Net increase (decrease) in restricted net position	<u>\$ (1,632)</u>

The increase (decrease) in unrestricted net position consists of the following items:

Revenues and operating grants (excluding restricted revenue and capital)	\$ 1,703,286
Expenses (excluding depreciation and restricted expenses)	<u>(1,506,520)</u>
Capital purchases from operations	<u>(66,365)</u>
Net increase (decrease) in unrestricted net position	<u>\$ 130,401</u>

Narrative of Material Changes on the Statement of Net Position

The increase in current assets is related to the increase in cash. The Authority's cash balance increased due to a net operating gain for the period.

The increase in current liabilities is due to an increase in Accounts Payable <= 90 Days as a result of an increase in unpaid vendors at year end due to the timing of when expense are incurred and paid.

BENNINGTON HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
HUD Operating Subsidies	\$ 1,834,071	\$ 1,753,867	\$ 80,204	4.6%
Tenant Revenue – Rents and Other	880,302	804,885	75,417	9.4%
HUD Capital Grants	261,167	170,371	90,796	53.3%
Other Revenues	26,701	39,293	(12,592)	-32.0%
Investment Income	<u>417</u>	<u>291</u>	<u>126</u>	43.3%
Total Revenue	<u>3,002,658</u>	<u>2,768,707</u>	<u>233,951</u>	8.4%
Expenses				
Housing Assistance Payments	1,039,837	959,191	80,646	8.4%
Maintenance	493,352	539,645	(46,293)	-8.6%
Administrative	427,436	413,609	13,827	3.3%
Utilities	410,535	414,743	(4,208)	-1.0%
Depreciation	347,466	405,429	(57,963)	-14.3%
Insurance Expenses	95,175	73,435	21,740	29.6%
General Expenses	<u>80,022</u>	<u>77,338</u>	<u>2,684</u>	3.5%
Total Expenses	<u>2,893,823</u>	<u>2,883,390</u>	<u>10,433</u>	0.4%
(Decrease) Increase in Net Position	<u>\$ 108,835</u>	<u>\$ (114,683)</u>	<u>\$ 223,518</u>	-194.9%
Net Position, Beginning of Year	<u>3,165,862</u>	<u>3,280,545</u>	<u>(114,683)</u>	-3.5%
Net Position, End of Year	<u>\$ 3,274,697</u>	<u>\$ 3,165,862</u>	<u>\$ 108,835</u>	3.4%
This statement excludes HAP Port In Revenue and Expenses of			FY 2017	<u>\$ 900</u>
			FY 2016	<u>\$ 7,884</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Highlights of the Authority's Statement of Revenues and Expenses

The Authority's total revenues increased by 8.4% from fiscal year 2016 to 2017. The Authority's expenses increased by 0.40% from fiscal year 2016 to 2017. During the current fiscal year, the Authority noted the following significant changes:

- HUD capital grants increased 53.3% as compared to the prior year as a result of increased modernization projects started during the fiscal year.
- Other income decreased 32.0% as compared to the prior year as a result of the Authority earning less revenue from non-dwelling income sources related to its public housing properties.
- Investment income increased 43.3% as compared to the prior year as a result of a larger average cash balance invested during FY 2017 as compared to FY 2016.
- Depreciation expense decreased by 14.3% due to a decrease in depreciable assets during FY 2017 as compared to FY 2016.
- Insurance expense increased by 29.6% due to an increase in insurance premiums on the Authority's policies.

BASIC FINANCIAL STATEMENTS

BENNINGTON HOUSING AUTHORITY

STATEMENT OF NET POSITION

June 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents - Note 4	\$	685,095
Restricted cash and cash equivalents - Notes 4 & 5		68,290
Accounts receivable, net - Note 6		58,382
Prepaid expenses and other current assets		51,385
Total Current Assets		<u>863,152</u>

Noncurrent Assets:

Capital assets, net of accumulated depreciation - Note 7		<u>2,621,573</u>
Total Noncurrent Assets		<u>2,621,573</u>

Total Assets 3,484,725

LIABILITIES

Current Liabilities:

Accounts payable		57,155
Accounts payable, other government		46,999
Accrued wages and current portion of compensated absences		29,914
Other current liabilities		2,594
Unearned revenue		5,076
Tenant security deposits		68,290
Total Current Liabilities		<u>210,028</u>

Total Liabilities 210,028

NET POSITION

Net investment in capital assets		2,621,573
Unrestricted (deficit)		<u>653,124</u>

Total Net Position \$ 3,274,697

BENNINGTON HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2017

OPERATING REVENUES	
HUD grants and contributions	\$ 1,834,071
Tenant rental income	880,302
Other revenue	<u>26,701</u>
Total Operating Revenues	<u>2,741,074</u>
OPERATING EXPENSES	
Housing assistance payments	1,039,837
Repair and maintenance	493,352
Administration	427,436
Utilities	410,535
Depreciation expense	347,466
Insurance expense	95,175
Other general expenses	<u>80,022</u>
Total Operating Expenses	<u>2,893,823</u>
Operating Loss	<u>(152,749)</u>
NONOPERATING REVENUES	
Interest and investment revenue	<u>417</u>
Total Nonoperating Revenues	<u>417</u>
Loss before Capital Contributions and Transfers	<u>(152,332)</u>
CAPITAL CONTRIBUTIONS & TRANSFERS	
HUD capital grants and contributions	<u>261,167</u>
Total Capital Contributions and Transfers	<u>261,167</u>
Change in Net Position	108,835
Net Position - Beginning of Year	<u>3,165,862</u>
Net Position - End of Year	<u>\$ 3,274,697</u>

BENNINGTON HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

HUD grants	\$ 1,833,032
Receipts from tenants	845,958
Other operating receipts	24,948
Payments to employees	(564,313)
Payments to suppliers	<u>(1,904,695)</u>

Net cash provided by operating activities 234,930

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

HUD capital grants	261,167
Acquisitions of capital assets	<u>(327,532)</u>

Net cash used in capital and related financing activities (66,365)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	<u>417</u>
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Net cash provided by investing activities 417

Net increase in cash and cash equivalents 168,982

Cash and cash equivalents at beginning of year 584,403

Cash and cash equivalents at end of year \$ 753,385

Reconciliation of operating loss to net cash provided by operating activities:

Operating Loss	\$ (152,749)
Adjustments:	
Depreciation	347,466
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, tenants	(21,685)
(Increase) decrease in accounts receivable, HUD	(1,039)
(Increase) decrease in prepaid expenses and other current assets	31,156
(Decrease) increase in accounts payable	23,506
(Decrease) increase in accounts payable, other government	7,985
(Decrease) increase in compensated absences and accrued wages	(1,513)
(Decrease) increase in tenant security deposits	4,494
(Decrease) increase in unearned operating revenue	<u>(2,691)</u>

Net cash provided by operating activities \$ 234,930

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 – ORGANIZATION

The Bennington Housing Authority (the Authority) was incorporated under the laws of the State of Vermont. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate income families and elderly individuals.

The Authority maintains its accounting records by program and operates the following programs:

Low Rent Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Authority's financial statements include the accounts of all of the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

B. Basis of Presentation and Accounting

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34") and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"). GASB 34 and GASB 63 require the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. GASB 34 requires the Authority to include Management's Discussion and Analysis as part of the Required Supplementary Information. GASB 63 requires the Authority to report deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The Authority's primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidies revenue is recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Grants received in advance of expenditures are recorded as a liability until earned.

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation and Accounting – (Continued)

New Accounting Standard Adopted

During 2017, the Authority adopted the following accounting standards:

GASB 72, *Fair Value Measurement and Application*. GASB 72 provides guidance on determining fair value measurement and the applicable disclosure requirements. This statement requires disclosures to be made about fair value measurement, the level of fair value hierarchy and valuation techniques. GASB 72 also requires donated capital assets to be measured at acquisition value.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, improves financial reporting and comparability of financial statement information among governments by providing clear guidance on how to apply financial reporting guidance. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, is effective for financial statements for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There was no impact to the Authority's financial statements as a result of implementing this statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 82, *Pension Issues*, will address certain issues that have been raised regarding GASB Statements No. 67, No. 68, and No. 73. The requirements of this statement are effective for periods beginning after June 15, 2017.

The Authority's management is currently evaluating these new standards to determine what impact they will have on the Authority.

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and other debt securities that are readily convertible into cash and purchased with original maturities of three-months or less. Also included in cash equivalents are non-negotiable certificates of deposits, recorded at cost in accordance with GASB 31.

E. Accounts Receivable

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually. See Note 6 for details of accounts receivable and allowances at year end.

F. Capital Assets

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land and Building Improvements	20 years
Furniture, Equipment and Machinery	5-10 years

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Compensated Absences

The Authority's policy allows employees to earn 12 days of sick time and 10-18 days of vacation leave each year depending on longevity. Employees are permitted to accumulate and carry over to the next fiscal period no more than 72 days of sick leave and up to 30 days of unused vacation time. Upon separation from the Authority for any reason, employees will be reimbursed for all unused vacation time but not any unused sick time. Total accrued compensated absences at June 30, 2017 aggregated \$21,511.

H. Operating Revenues and Expenses

GASB 34 paragraph 102 requires governments to establish a policy that defines operating revenues and expenses. The Authority uses the criteria prescribed in GASB 9 paragraphs 17 and 18 for cash flows to determine operating revenues and expenses. Operating revenue includes operating grants and subsidies, rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

NOTE 3 – NET POSITION: RESTRICTED

Restrictions on net position are those restrictions set by HUD related to the Housing Choice Voucher Program to be used for future HAP payments. At June 30, 2017, the Authority held no such funds.

NOTE 4 – CASH AND INVESTMENT DEPOSITS

GASB standards require that cash and investment deposits with financial institutions be classified into one of the following four categories:

Category A – Insured

Category B – Collateralized, with securities held by the entity or by its agent in the entity's name.

Category C – Collateralized, with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category D – Non-collateralized (Includes any bank balance collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.)

The Authority has adopted HUD's Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, (category A, B or C) by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4 – CASH AND INVESTMENT DEPOSITS – (Continued)

Custodial Credit Risk – Cash Deposits

In the case of cash deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk, except ensuring that it follows the HUD regulations for federal deposits as detailed in a prior paragraph. At June 30, 2017, the Authority's cash deposits of \$753,385 were fully insured or collateralized.

The Authority notes that in accordance with GASB 40, the disclosures for all types of cash deposits with a financial institution, whether categorized as cash and cash equivalents or as investments are the same and have been reported and disclosed accordingly in the previous section of the note.

NOTE 5 – RESTRICTIONS ON CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's restricted cash and cash equivalents balance consists of funds of \$68,290 restricted for tenant security deposits. This amount supports a corresponding liability.

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a detail listing of receivables for the Authority including the applicable allowances for uncollectible accounts at June 30, 2017.

<u>Category of Receivable</u>	<u>Amount</u>
HUD	\$ 1,039
Tenants	96,709
Gross Receivables	97,748
Allowance - Tenants	(39,366)
Net Receivables	<u>\$ 58,382</u>

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets and related accumulated depreciation.

	<u>6/30/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2017</u>
Capital assets not being depreciated				
Land	\$ 112,999	\$ -	\$ -	\$ 112,999
Construction in Progress	<u>266,869</u>	<u>327,533</u>	<u>(66,366)</u>	<u>528,036</u>
Total capital assets not being depreciated	<u>379,868</u>	<u>327,533</u>	<u>(66,366)</u>	<u>641,035</u>
Other Capital Assets				
Buildings	12,439,772	66,366	-	12,506,138
Furniture, equipment & machinery	<u>223,879</u>	<u>-</u>	<u>-</u>	<u>223,879</u>
Total other capital assets	<u>12,663,651</u>	<u>66,366</u>	<u>-</u>	<u>12,730,017</u>
Less accumulated depreciation				
Buildings	10,225,756	332,831	-	10,558,587
Furniture, equipment & machinery	<u>176,257</u>	<u>14,635</u>	<u>-</u>	<u>190,892</u>
Total accumulated depreciation	<u>10,402,013</u>	<u>347,466</u>	<u>-</u>	<u>10,749,479</u>
Capital Assets Net	<u>\$ 2,641,506</u>	<u>\$ 46,433</u>	<u>\$ (66,366)</u>	<u>\$ 2,621,573</u>
Depreciation expense was charged to:				
Low Rent		<u>\$ 347,466</u>		

NOTE 8 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. The Authority makes a payment in lieu of taxes equal to 10% of rental income charged less utility expenses annually for all of its properties constructed with and funded by HUD. The payment in lieu of taxes for the year ended June 30, 2017 aggregated \$42,375.

NOTE 9 – RETIREMENT PLANS

The Authority provides a Simplified Employee Pension (SEP) plan in accordance with IRC section 408(k) for all eligible employees. An eligible employee is any employee who: (1) is at least 21 years old, (2) has performed service for the Authority, however short, in at least 3 of the preceding 5 years, and (3) has received at least \$450 in compensation. The Authority contributed an amount equal to 7% of each employee's annual compensation to the plan for the year ended June 30, 2017, and accounts for pension costs as incurred. Pension expense for the year ended June 30, 2017 was \$38,373.

BENNINGTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 10 – RISK MANAGEMENT

Litigation

The Authority is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Authority.

Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 11 – IMPAIRMENT OF CAPITAL ASSETS

Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2017.

NOTE 12 – ECONOMIC DEPENDENCY

The Authority's federal programs are economically dependent on grants and annual contributions from HUD. These programs operate at a loss prior to receiving these grants and contributions.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Authority procured general contracting services from a vendor owned and operated by an immediate relative of a key employee of the Authority. For the year ended June 30, 2017, the Authority made payments to that vendor in the amount of \$243. During the same period the Authority also paid \$2,010 to a commissioner for trash pick-up and lawn mowing at one of the Authority's public housing properties.

NOTE 14 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through March 22, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

BENNINGTON HOUSING AUTHORITY

**SUPPLEMENTAL FINANCIAL DATA SCHEDULE
June 30, 2017**

FDS Line Item	Description	AMP 01	Housing Choice Vouchers	Eliminations	Total
111	Cash - Unrestricted	606,566	78,529	-	685,095
114	Cash - Tenant Security Deposits	-	-	-	68,290
100	Total Cash	674,856	78,529	-	753,385
122	Accounts Receivable - HUD Other Projects	-	1,039	-	1,039
126	Accounts Receivable - Tenants	96,709	-	-	96,709
126.1	Allowance for Doubtful Accounts - Tenants	(39,366)	-	-	(39,366)
128	Fraud Recovery	20,778	17,316	-	38,094
128.1	Allowance for Doubtful Accounts - Fraud	(20,778)	(17,316)	-	(38,094)
120	Total Receivables, Net of Allowances for Doubtful Accounts	57,343	1,039	-	58,382
142	Prepaid Expenses and Other Assets	48,229	3,156	-	51,385
150	Total Current Assets	780,428	82,724	-	863,152
161	Land	205,849	-	-	205,849
162	Buildings	12,413,288	-	-	12,413,288
164	Furniture, Equipment & Machinery - Administration	199,060	24,819	-	223,879
166	Accumulated Depreciation	(10,724,660)	(24,819)	-	(10,749,479)
167	Construction in Progress	528,036	-	-	528,036
160	Total Capital Assets, Net of Accumulated Depreciation	2,621,573	-	-	2,621,573
180	Total Non-Current Assets	2,621,573	-	-	2,621,573
290	Total Assets and Deferred Outflow of Resources	3,402,001	82,724	-	3,484,725
312	Accounts Payable <= 90 Days	53,177	3,978	-	57,155
321	Accrued Wage/Payroll Taxes Payable	7,428	975	-	8,403
322	Accrued Compensated Absences - Current Portion	19,186	2,325	-	21,511
333	Accounts Payable - Other Government	46,999	-	-	46,999
34.1	Tenant Security Deposits	68,290	-	-	68,290
342	Unearned Revenue	5,076	-	-	5,076
345	Other Current Liabilities	2,594	-	-	2,594
310	Total Current Liabilities	202,750	7,278	-	210,028
350	Total Non-Current Liabilities	-	-	-	-
300	Total Liabilities	202,750	7,278	-	210,028

See Independent Auditors' Report

BENNINGTON HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
June 30, 2017

FDS Line Item	Description	AMP 01	Housing Choice Vouchers	Eliminations	Total
508.4	Net Investment in Capital Assets	2,621,573	-	-	2,621,573
512.4	Unrestricted Net Position	571,678	75,446	-	653,124
513	Total Equity - Net Assets / Position	3,199,251	75,446	-	3,274,697
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	3,402,001	82,724	-	3,484,725
70300	Net Tenant Rental Revenue	869,974	-	-	869,974
70400	Tenant Revenue - Other	10,328	-	-	10,328
70500	Total Tenant Revenue	880,302	-	-	880,302
70600	HUD PHA Operating Grants	665,087	1,168,984	-	1,834,071
70610	Capital Grants	261,167	-	-	261,167
71100	Investment Income - Unrestricted	417	-	-	417
71400	Fraud Recovery	-	1,753	-	1,753
71500	Other Revenue	24,763	1,085	-	25,848
70000	Total Revenue	1,831,736	1,171,822	-	3,003,558
91100	Administrative Salaries	127,518	46,927	-	174,445
91200	Auditing Fees	5,950	2,550	-	8,500
91500	Employee Benefit contributions - Administrative	74,845	26,878	-	101,723
91600	Office Expenses	44,009	36,139	-	80,148
91700	Legal Expense	37,268	-	-	37,268
91800	Travel	2,050	502	-	2,552
91900	Other	12,540	10,260	-	22,800
91000	Total Operating - Administrative	304,180	123,256	-	427,436
92100	Water	90,509	-	-	90,509
92200	Electricity	173,085	-	-	173,085
92300	Gas	2,953	-	-	2,953
92400	Fuel	129,238	-	-	129,238
92500	Labor	14,750	-	-	14,750
92000	Total Utilities	410,535	-	-	410,535
94100	Ordinary Maintenance and Operations - Labor	157,929	-	-	157,929
94200	Ordinary Maintenance and Operations - Materials and Other	66,722	-	-	66,722
94300	Ordinary Maintenance and Operations Contracts	157,865	-	-	157,865

BENNINGTON HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE
June 30, 2017

FDS Line Item	Description	AMP 01	Housing Choice Vouchers	Eliminations	Total
94500	Employee Benefit Contributions - Ordinary Maintenance	92,694	-	-	92,694
94000	Total Maintenance	475,210	-	-	475,210
96110	Property Insurance	44,754	-	-	44,754
96130	Workmen's Compensation	12,562	1,873	-	14,435
96140	All Other Insurance	33,557	2,429	-	35,986
96100	Total Insurance Premiums	90,873	4,302	-	95,175
96200	Other General Expenses	-	173	-	173
96210	Compensated Absences	17,838	3,421	-	21,259
96300	Payments in Lieu of Taxes	42,375	-	-	42,375
96400	Bad debt - Tenant Rents	16,215	-	-	16,215
96000	Total Other General Expenses	76,428	3,594	-	80,022
96900	Total Operating Expenses	1,357,226	131,152	-	1,488,378
97000	Excess of Operating Revenue over Operating Expenses	474,510	1,040,670	-	1,515,180
97100	Extraordinary Maintenance	18,142	-	-	18,142
97300	Housing Assistance Payments	-	1,039,837	-	1,039,837
97350	HAP Portability-In	-	900	-	900
97400	Depreciation Expense	347,466	-	-	347,466
90000	Total Expenses	1,722,834	1,171,889	-	2,894,723
10010	Operating Transfer In	60,000	-	(60,000)	-
10020	Operating Transfer Out	(60,000)	-	60,000	-
10100	Total Other financing Sources (Uses)	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	108,902	(67)	-	108,835
11030	Beginning Equity	-	-	-	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	3,090,349	75,513	-	3,165,862
11170	Administrative Fee Equity	-	75,446	-	75,446
11190	Unit Months Available	2,340	2,131	-	4,471
11210	Number of Unit Months Leased	2,324	2,131	-	4,455
11270	Excess Cash	416,347	-	-	416,347
11620	Building Purchases	261,167	-	-	261,167

BENNINGTON HOUSING AUTHORITY

STATEMENT OF ACTUAL MODERNIZATION COSTS – UNCOMPLETED
 June 30, 2017

Project:	VT36P009501-13	VT36P009501-14	VT36P009501-15	VT01P009501-16
Modernization Funds Approved	\$ 272,797	\$ 261,975	\$ 287,085	\$ 299,469
Modernization Funds Expended	<u>225,041</u>	<u>192,002</u>	<u>224,070</u>	<u>112,791</u>
Excess of Modernization Funds Approved	<u>\$ 47,756</u>	<u>\$ 69,973</u>	<u>\$ 63,015</u>	<u>\$ 186,678</u>
Modernization Funds Advanced	\$ 222,090	\$ 196,903	\$ 224,070	\$ 112,371
Modernization Funds Expended	<u>225,041</u>	<u>192,002</u>	<u>224,070</u>	<u>112,791</u>
Excess of Modernization Funds Advanced	<u>\$ (2,951)</u>	<u>\$ 4,901</u>	<u>\$ -</u>	<u>\$ (420)</u>

BENNINGTON HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

	<u>CFDA Number</u>	<u>Direct Award</u>	<u>Pass-Through Agency</u>	<u>Amounts Provided to Sub-recipients</u>	<u>Federal Financial Assistance Expenditures</u>
Department of Housing and Urban Development					
Low Rent Public Housing	14.850	Yes	N/A	\$ -	\$ 605,087
Public Housing Capital Fund Program	14.872	Yes	N/A	-	321,167
Tenant-based Voucher Cluster:					
Housing Choice Voucher Program	14.871	Yes	N/A	-	1,168,984
Total Tenant-based Voucher Cluster				-	<u>1,168,984</u>
Total Department of Housing and Urban Development				-	<u>2,095,238</u>
Total All Programs				-	<u>\$ 2,095,238</u>