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EAST HAVEN HOUSING AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2015

EAST HAVEN HOUSING AUTHORITY

JUNE 30, 2015

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## LEVITSKY & BERNEY

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS  
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### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
East Haven Housing Authority  
250 Main Street  
East Haven, Connecticut 06512

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the East Haven Housing Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 relevant to the entity'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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the East Haven Housing Authority as of June 30, 2015, and the respective changes in the financial position, and, where applicable, 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 *management's discussion and analysis* on pages 4 through 7 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 standard 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.

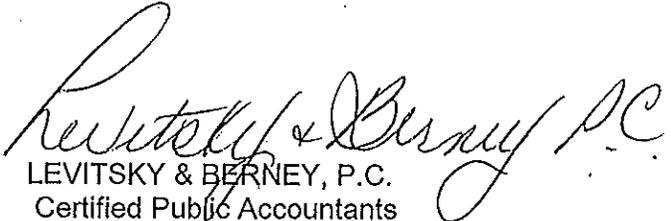
#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Haven Housing Authority's basic financial statements. The Financial Assessment Subsystem (FASS-PH) Financial Data Schedule (FDS) is not a required part of the financial statements.

The Financial Data Schedule (FDS) 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. Such 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule (FDS) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standard***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016 on our consideration of the East Haven Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Haven Housing Authority's internal control over financial reporting and compliance.

  
LEVITSKY & BERNEY, P.C.  
Certified Public Accountants

June 10, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the East Haven Housing Authority, we offer readers of the East Haven Housing Authority's financial statements this narrative overview and analysis of the financial activities of the East Haven Housing Authority for the fiscal year ended June 30, 2015.

### Financial Highlights

- The assets of the East Haven Housing Authority exceeded its liabilities at the close of the most recent fiscal year by \$50,665 (net position). This amount is considered to be restricted and may only be used to meet the Authority's ongoing obligations to citizens in need of housing assistance who are participating in the Federal Department of Housing and Urban Development's Section 8 Housing Choice Voucher Program.
- The East Haven Housing Authority's Section 8 Housing Choice Voucher Program total net position decreased by \$91,118.
- The East Haven Housing Authority continues to have no debt obligations for the fiscal year ended June 30, 2015.

In comparing the FYE 6/30/15 to the FYE 6/30/14, the statement of revenues and expenditures and changes in net position can be found on page 9 of this report.

- The program revenues for the Section 8 program increased by \$65,969. In addition, program expenses increased by \$134,431.

The overall financial position of the East Haven Housing Authority Section 8 Housing Choice Voucher Program is well depicted on page 6 of report, showing a net position of \$50,665 which is a decrease of \$91,118 in comparison to FYE 6/30/14.

## Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the East Haven Housing Authority's basic financial statements. The East Haven Housing Authority's basic financial statements comprise two components: 1) government-wide financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the East Haven Housing Authority's finances in a matter similar to a private-sector business.

The *statement of net position* presents information on all of the East Haven Housing Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the East Haven Housing Authority is improving or deteriorating.

The *statement of revenues, expenditures and changes in net position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguished functions of the East Haven Housing Authority that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the East Haven Housing Authority are general government. There are no business-type activities of the East Haven Housing Authority.

The government-wide financial statements can be found on pages 8-10 of this report.

## Financial Analysis

The net position of the Section 8 Housing Choice Voucher Fund totaled \$51 thousand. This represents a decrease in net position of \$91 thousand from the prior year. The decrease in net position in this fund is primarily the result of HUD not funding one month of payments due to the fact that the cash account had unused fraud reimbursement funds from prior year. The Executive Director and Administrative Assistant of the Housing Authority are Town of East Haven employees and Housing Authority resources are not being used to pay these individuals.

**Section 8 Housing Choice Voucher Program**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
<b>Assets</b>				
Cash	\$ 50,665	141,783	(91,118)	(64%)
<b>Total Assets</b>	<u>\$ 50,665</u>	<u>141,783</u>	<u>(91,118)</u>	<u>(64%)</u>
<b>Liabilities</b>				
Accounts Payable	\$ -	-	-	-
<b>Total Liabilities</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Restricted Net Position	\$ 50,665	141,783	(91,118)	(64%)
<b>Total Net Position</b>	<u>\$ 50,665</u>	<u>141,783</u>	<u>(91,118)</u>	<u>(64%)</u>
<b>Operating Revenues</b>				
HUD Funding:				
Housing Assistance	\$ 458,890	452,994	5,896	1%
Portability	695,392	628,225	67,167	11%
Rental & Other	7,508	14,602	(7,094)	49%
<b>Total Operating Revenues</b>	<u>\$ 1,161,790</u>	<u>1,095,821</u>	<u>65,969</u>	<u>6%</u>
<b>Operating Expenses</b>				
Housing Assistance Payments	\$ 1,170,476	1,037,496	132,980	13%
Administrative Fees	70,876	72,047	(1,171)	(2%)
Professional & Other Fees	13,568	17,799	(4,231)	(24%)
Other Expenses	1,457	5,809	(4,352)	(75%)
<b>Total Operating Expenses</b>	<u>\$ 1,256,377</u>	<u>1,133,151</u>	<u>123,226</u>	<u>12%</u>
<b>Excess of Revenues Over (Under) Operating Expenses</b>	<u>\$ (94,587)</u>	<u>(37,330)</u>	<u>(57,257)</u>	<u>(153%)</u>
<b>Other Financing Resources</b>				
Fraud Recovery Payment From Prior Year	<u>3,469</u>	<u>-</u>	<u>3,469</u>	<u>100%</u>
<b>Excess of Operating Revenue and Other Financing Resources Over (Under) Operating Expenses</b>	<u>\$ (91,118)</u>	<u>(37,330)</u>	<u>(53,788)</u>	<u>(144%)</u>
Net Position, Beginning of Year	<u>141,783</u>	<u>179,113</u>	<u>(37,330)</u>	<u>(21%)</u>
Net Position, End of Year	<u>\$ 50,665</u>	<u>141,783</u>	<u>(91,118)</u>	<u>(64%)</u>

During 2015, the reason for the change in revenue was an increase in Housing Assistance Payments funding for the fiscal year ending June 30, 2015. This current year funding is determined by HUD in the prior year based on enrollment in the program in that year. There was an increase in portability in received in Fiscal Year 2015 as compared to Fiscal Year 2014. During Fiscal Year 2015, the average number of portability-in vouchers issued during the year was approximately 62, as opposed to Fiscal Year 2014 when the average number of portability-in vouchers issued was 57.

Salvatore Brancati  
Executive Director

EXHIBIT A

EAST HAVEN HOUSING AUTHORITY

STATEMENT OF NET POSITION  
JUNE 30, 2015

		Section 8 Housing Choice Voucher Program
<b>ASSETS</b>		
Cash	\$	50,665
Total Assets	\$	<u>50,665</u>
<b>LIABILITIES</b>		
Liabilities:		
	\$	<u>-</u>
Total Liabilities	\$	<u>-</u>
Net Position		
Restricted	\$	<u>50,665</u>
Total Liabilities and Net Position	\$	<u>50,665</u>

*The notes to the financial statement are an integral part of this statement.*

**EAST HAVEN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Section 8 Housing Choice Voucher Program</u>
<b>Operating Revenues:</b>	
Department of Housing and Urban Development Funding:	
Housing Assistance	\$ 458,890
Portability	695,392
Rental and Other	10,977
<b>Total Operating Revenues</b>	<b>\$ <u>1,165,259</u></b>
<b>Operating Expenses:</b>	
Housing Assistance Payments	\$ 1,170,476
Administrative Fees	70,876
Payroll Expenses	-
Professional Fees and Other Fees	13,568
Other Expenses	1,457
<b>Total Operating Expenses</b>	<b>\$ <u>1,256,377</u></b>
<b>Excess of Operating Revenues and Other   Financing Resources Over (Under)   Operating Expenses</b>	<b>\$ (91,118)</b>
<b>Net Position - July 1, 2014</b>	<b><u>141,783</u></b>
<b>Net Position - June 30, 2015</b>	<b>\$ <u><u>50,665</u></u></b>

*The notes to the financial statement are an integral part of this statement.*

EXHIBIT C

EAST HAVEN HOUSING AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

	Section 8 Housing Choice Voucher Program
<b>Cash Flows From (To) Operating Activities:</b>	
Cash Received From HUD for Operations	\$ 458,890
Cash Received From Portability	695,392
Cash Paid For Housing Assistance	(1,170,476)
Cash Paid For Other Services	(85,901)
Cash Received from Other Sources	10,977
<b>Total Cash Flows From Operating Activities</b>	<b>\$ (91,118)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$ (91,118)</b>
<b>Cash and Cash Equivalents - Corrected Beginning</b>	<b>141,783</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 50,665</b>

*The notes to the financial statements are an integral part of this statement.*

**EAST HAVEN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies**

Reporting Entity

East Haven Housing Authority is a governmental agency located in the Town of East Haven, Connecticut whose responsibilities are the administration of a housing rental program for eligible individuals. The following program comprises the East Haven Housing Authority:

**Section 8 Housing Choice Voucher Program**

The Section 8 Housing Choice Voucher Program assists 40 units, for a total of 480 unit months, with rental assistance. The rental units are provided by various landlords within the Town of East Haven. The tenants pay a percentage of their monthly rent based upon their income levels. The balance of their rents are paid through Department of Housing and Urban Development (H.U.D.) Section 8 housing assistance funds for which the East Haven Housing Authority serves as the administrator.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the East Haven Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Authority are described below.

The Authority is comprised of individual proprietary funds which are described below. The Authority is responsible for its debt and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Intergovernmental revenues grants and similar items are recognized as soon as all eligible requirements imposed by the provider have been met. Payments received prior to meeting the eligible requirements are recorded as unearned revenue.

The Authority and its funds are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchanges and exchange-like transactions are recognized when the exchange takes place.

**EAST HAVEN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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The Authority follows all pronouncements of the Governmental Accounting Standards Board, and in accordance with Statement No. 20 of the Governmental Accounting Standards Board "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. Accordingly, under the PHA's election, it must apply all GASB pronouncements and the following pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principle's Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Principles. The enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principle ongoing operations. The principal operating revenues of all the Authority's enterprise funds are governmental grants used for maintaining and operating low income housing assistance programs. Operating expenses for these enterprise funds include administrative expense, utilities and maintenance of housing units and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority reports the following major proprietary funds:

- Section 8 Housing Choice Voucher Program

Assets, Liabilities, and Net Position

**Cash and cash equivalents**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

**Receivables and payables**

Accounts receivable 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 identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (noncurrent portion of interfund loans).

**EAST HAVEN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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**Capital assets**

Capital assets, which would include property, and equipment, are stated at cost with a capitalization threshold of \$5,000. Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets being constructed over a period of time are classified as construction in progress. No depreciation is computed on these assets until they are complete and placed into service.

The Authority did not own or purchase property or equipment during the fiscal year with the criteria to capitalize.

**Net position**

In the financial statements, net position is classified in the following categories:

The *restricted net position* represents external restrictions imposed by creditors, grantors, contributors and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Section 8 Housing Choice Voucher Program net position was restricted for future housing assistance payments.

The *unrestricted net position* represents net assets of the Authority which are not restricted for any project or other purpose.

**Use of estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Budgets**

Individual program budgets where applicable are presented and approved by the U.S. Department of Housing and Urban Development.

**Note 2 - Deposits and Investments**

The cash and investing activity within the Authority is the responsibility of the Executive Director. The types of investments allowed are not specified within the Authority's governing documents.

At June 30, 2015, East Haven Housing Authority's carrying amount of cash on deposit with banks totaled \$50,665. The bank balances of these accounts amounted to \$91,745, which was fully insured by Federal Deposit Insurance Corporation.

The Authority had no investments at June 30, 2015.

**EAST HAVEN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

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**Note 3 - Commitments and Contingencies**

Lawsuits

The management and legal counsel of the East Haven Housing Authority has stated that there is no material litigation pending regarding the East Haven Housing Authority.

Contracts

**Management Contract – Imagineers, LLC**

The Housing Authority contracted with Imagineers, LLC, on a monthly basis. Imagineers, LLC provides professional management services for the East Haven Housing Authority's Section 8 Housing Choice Voucher Program.

H.U.D. funds are received by the Housing Authority and subsequently disbursed to Imagineers, LLC with amounts based on Imagineers, LLC's invoices submitted to the Housing Authority. Housing Assistance amounts are disbursed to Imagineer's, LLC as a reimbursement of actual payments made by Imagineers, LLC on behalf of program recipients.

**Note 4 – Subsequent Events**

Subsequent events were evaluated through June 10, 2016 which was the date that the financial statements were available to be issued. There were no subsequent events noted.



## LEVITSKY & BERNEY

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### 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

Board of Commissioners  
East Haven Housing Authority  
East Haven, CT 06512

We have audited in accordance with the 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 governmental activities of the East Haven Housing Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the East Haven Housing Authority's basic financial, and have issued our report thereon dated June 10, 2016.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the East Haven Housing 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Haven Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Haven Housing 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 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 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.

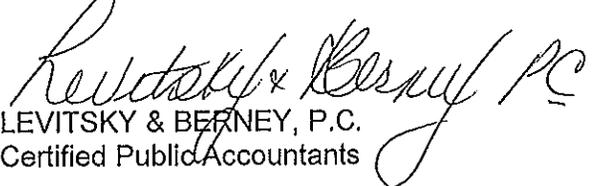
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

#### Compliance and Other Matters

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

#### Purpose of 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.

  
LEVITSKY & BERNEY, P.C.  
Certified Public Accountants

June 10, 2016