

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**



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**HOUSING AUTHORITY OF BALTIMORE CITY  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioner  
Housing Authority of Baltimore City  
Baltimore, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of Housing Authority of Baltimore City (the Authority), as of and for the eighteen months ended December 31, 2019, 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.

### ***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 aggregate discretely presented component units. Those statements, which were prepared in accordance with the accounting standards issued by the Financial Accounting Standards Board, were audited by other auditors whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments only to conform the presentation of the financial statements of the discretely presented components units to accounting standards issued by the Government Accounting Standards Board. Our opinion, insofar as it relates to the amounts included for the discretely presented component units, prior to these conversion adjustments, 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 audit of Sharp-Leadenhall Rental No. 1, LP was not performed in accordance with *Government Auditing Standards*. The audits of the remaining discretely presented component units were performed in accordance with *Government Auditing Standards*.

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 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of Housing Authority of Baltimore City as of the eighteen months ended December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter Regarding a Change in Reporting Entity***

As discussed in Note 1 to the financial statements, the Authority changed reporting of the blended and discretely presented component units from the previous treatment in the prior year. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 – 16 and schedule of changes in Authority's net pension liability (asset) and related ratios, schedule of Authority's pension contributions, schedule of changes in Authority's net OPEB liability (asset), schedule of Authority's net OPEB contributions (pages 62 – 66) 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial data schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. 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*, is also presented for the purpose of additional analysis, and is not a required part of the basic financial statements.

The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 May 17, 2021, on our consideration of Housing Authority of Baltimore City'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 Housing Authority of Baltimore City'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 Housing Authority of Baltimore City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
May 17, 2021

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

As management of the Housing Authority of Baltimore City (HABC), we offer the readers of the HABC's financial statements this narrative overview and analysis of the financial activities of HABC for the eighteen month period ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the HABC's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Housing Authority of Baltimore City, 417 E. Fayette Street, Baltimore, MD 21202, or contact HABC's Executive Director, Janet Abrahams at (410) 396-3232 or the Chief Financial Officer, John Wilson at (410) 396-8303.

**Overview of 2019 Financial Statements**

HABC reports its programs and activities under the Proprietary Fund. In addition, the financial statements also present separate Fiduciary Funds which include the Other Post-Employment Benefits (OPEB) Trust and the Employee Retirement Plan. Resident Services, Inc. (RSI) and Baltimore Affordable Housing Development, Inc. (BAHD), and HABC Montpelier Housing Corporation are presented as blended component units. The Authority also has nine (9) discretely presented component units. See Note 1 for further discussion of the component units. The Management's Discussion and Analysis (MD&A) covers the Proprietary Fund only.

As of December 31, 2019, HABC's Proprietary Fund Net Position was \$649,938,999 as compared to \$583,946,365 as of June 30, 2018, which is an increase of \$65,992,634. The changes in the Net Position categories are discussed as follows:

- **Net Investment in Capital Assets** decreased by \$36,256,729 as compared to June 30, 2018. HABC capital investments are offset by reductions for depreciation expenses, fixed assets disposals, and capital debt activity. A detailed analysis of the changes in Net Investment in Capital Assets is provided in a later section.
- **Restricted Net Position** increased from June 30, 2018 by \$71,342,091. The increase was primarily due to an increase in the pension asset and restricted notes receivable.
- **Unrestricted Net Position** increased by \$30,907,272 as compared to June 30, 2018 and reflects reclassifications to restricted net position and changes as a result of operations. For the period ended December 31, 2019, the Authority reflected an increase in net position of \$65,992,634, including income of \$27,298,536 before capital contributions.

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

**Background and Overview of Agency**

***Moving to Work (MTW) Agreement***

HABC has been a Moving to Work (MTW) agency since March 2005. On December 24, 2008, HABC entered into a 10-year Amended and Restated MTW Agreement with HUD. Subsequently, HUD approved HABC's request for the extension through 2028.

MTW is a national demonstration program authorized by Congress, which gives HABC the flexibility to waive certain statutes and HUD regulations pertaining to the Public Housing Program, Capital Fund Program and Housing Choice Voucher Program (HCVP). The MTW statutory objectives include the following:

1. Reduce cost and achieve greater cost effectiveness in federal expenditures;
2. Give incentives to families with children whose heads of household are either working, seeking work, or participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and,
3. Increase housing choices for low-income families.

MTW Agencies have the flexibility to combine federal funds from the public housing operating and modernization programs and Housing Choice Voucher program into a "Single Flexibility Fund" to help better meet the purposes of the demonstration and the needs of their communities. However, MTW Agencies must still abide by all other federal rules and regulations, including the Fair Housing Act, the Civil Rights Act, labor standards, environmental rules, procurement guidelines, demolition and disposition procures and relocation regulations.

The MTW activities undertaken and/or planned by HABC are all designed to promote one or more of the above statutory objectives. Under the MTW Agreement, HABC's funding sources are separated between the MTW Funding and the Non-MTW funding programs. MTW funds contains three major funding sources: Low Rent Public Housing (LRPH), HCVP, and the Capital Fund Program (CFP) / Replacement Housing Factor Fund (RHFF). All other funding programs fall into the category of Non-MTW.

In addition to the enclosed financial information, HABC has also prepared and made available asset management project (AMP) based financial statements starting in FY 2009 utilizing HABC's internal accounting reporting system. Each funding program (MTW and Non-MTW) is accounted for separately and is reported in conformity with accounting principles generally accepted in the United States of America.

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

**Summary of the Financial Statements**

The financial statements included in this audit report are those of a special-purpose government engaged in a business-type activity including the following:

- Statement of Net Position – reports HABC's assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the residual amount reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position – reports HABC's operating and nonoperating revenues by major source, along with operating and nonoperating expenses and capital contributions.
- Statement of Cash Flows – report HABC's cash flows from operating, investing, capital and noncapital activities.

Our analysis of HABC begins in the next section. The financial statements of HABC reflect the financial results and management's goals for a fiscal period. The primary measurement of management's goals and financial results are the changes in net position.

Net position is an important measure of HABC's financial position. HABC's net position is the difference between what HABC owns (assets) and what HABC owes (liabilities). The attached analysis of entity-wide (proprietary fund) net position, revenues and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are considered regardless of when cash is received or paid. This analysis also reflects HABC's net position and their changes.

Over time, changes of HABC's net position is an indicator of its financial health. Readers need to consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of HABC's capital assets to assess the overall health of HABC.



**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

**Analysis of Statement of Net Position (Proprietary Fund Only)**

Total Net Position for the Proprietary Fund for 2019 and 2018 are \$649,938,999 and \$583,946,365, respectively. This represents an increase of \$65,992,634.

The table below further illustrates our analysis of the Statement of Net Position:

**Proprietary Fund Net Position**

	2019	Percent of Total	2018, As Restated	Percent of Total	2019 vs. 2018 Inc (Dec)
Cash and Investments	\$ 123,061,626	16.8 %	\$ 101,750,184	15.4 %	\$ 21,311,442
Net Accounts Receivable	9,517,009	1.3	4,645,907	0.7	4,871,102
Due from Government, Net	8,114,633	1.1	13,303,567	2.0	(5,188,934)
Other Current Assets	22,475,543	3.1	1,115,170	0.2	21,360,373
Net Capital Assets	324,496,926	44.4	361,298,656	54.9	(36,801,730)
Non-Current Assets	242,125,808	33.1	174,750,193	26.5	67,375,615
Deferred Outflows	630,700	0.1	1,760,108	0.3	(1,129,408)
Total Assets and Deferred Outflows	730,422,245	100.0	658,623,785	100.0	71,798,460
Current Liabilities	21,381,834	26.6	15,305,725	20.5	6,076,109
Long Term Liabilities	49,424,917	61.4	51,590,420	69.1	(2,165,503)
Deferred Inflows	9,676,495	12.0	7,781,275	10.4	1,895,220
Total Liabilities and Deferred Inflows	80,483,246	100.0	74,677,420	100.0	5,805,826
Net Investment in Capital Assets	280,078,795	43.1	316,335,524	54.2	(36,256,729)
Restricted Net Position	263,493,738	40.5	192,151,647	32.8	71,342,091
Unrestricted Net Position	106,366,466	16.4	75,459,194	12.9	30,907,272
Total Net Position	649,938,999	100.0	583,946,365	100.0	65,992,634
Total Liabilities and Net Position	\$ 730,422,245		\$ 658,623,785		\$ 71,798,460

Listed below are areas that reported major increases or decreases from June 30, 2018:

- **Total Cash and Investments** increased by \$21,311,442. The increased cash is reflective of the \$25,577,527 operating surplus, before capital contributions.
- **Net Accounts Receivable** increased by \$4,871,102. The change is a result of funding renewals for the Urban Revitalization program (HOPE VI) Choice Neighborhood Initiative (CNI) and other miscellaneous receivables for normal routing capital and replacement housing activity.
- **Other Current Assets** increased by \$21,360,373 as a result of Hollander Ridge properties which were transferred to assets held for sale in 2019.
- **Capital Assets, net of accumulated depreciation** decreased by \$36,801,730. The change in Net Capital Assets is presented with additional detail under the Analysis of Net Capital Assets section below.

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

- **Noncurrent Assets** increased \$67,375,615 as a result of additional note agreements between HABC and newly formed development entities.
- **Deferred Outflows** decreased by \$1,129,408 due to changes in expected versus actual experience and assumptions changes in the pension and OPEB plans.
- **Current Liabilities** increased by \$6,076,109 due to an increase in the accrued expenses for utilities, amounts due to the City of Baltimore as well as other vendor payments due at year-end.
- **Deferred Inflows** increased by \$1,895,220 due to changes in expected versus actual experience and assumptions changes in the pension and OPEB plans.
- **Net Position** increased by \$65,992,634. Total Unrestricted Net Position decreased \$30,907,272, and Restricted Net Position increased \$71,342,091. However, Net Investment in Capital Assets decreased \$36,256,729 as discussed in detail under the Financial Highlights section on next page.

The chart below illustrates the asset, liability and net position balances of HABC excluding Net Capital Assets and Investments in Capital Assets for the current and prior fiscal periods.

**Assets, Liabilities and Net Position  
(Excluding Capital Assets and Net Investment in Capital Assets)**



**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

The table below illustrates the Analysis of Net Capital Assets:

**Proprietary Fund Analysis of Net Capital Assets by Fiscal Years**

	FY2019	Percent of Total	FY2018	Percent of Total	2019 vs. 2018 Net Increase/ (Decrease)
Land	\$ 48,452,694	14.9 %	\$ 54,448,475	15.1 %	\$ (5,995,781)
Buildings	705,765,638	217.5	790,534,572	218.8	(84,768,934)
Equipment	9,533,944	2.9	9,740,145	2.7	(206,201)
Leasehold Improvements	1,362,601	0.4	305,220	0.1	1,057,381
Construction in Process	20,329,220	6.3	21,132,356	5.8	(803,136)
Total Capital Assets	<u>785,444,097</u>	<u>242.0</u>	<u>876,160,768</u>	<u>242.5</u>	<u>(90,716,671)</u>
Accumulated Depreciation	<u>(460,947,171)</u>	<u>(142.0)</u>	<u>(514,862,112)</u>	<u>(142.5)</u>	<u>53,914,941</u>
<b>Net Capital Assets</b>	<u><u>\$ 324,496,926</u></u>	<u><u>100.0 %</u></u>	<u><u>\$ 361,298,656</u></u>	<u><u>100.0 %</u></u>	<u><u>\$ (36,801,730)</u></u>

**Analysis of Capital Assets**

Total Net Capital Assets at December 31, 2019 and June 30, 2018 were \$324,496,926 and \$361,298,656, respectively. This represents a decrease of \$36,801,730.

- **Land** decreased \$5,995,781 primarily due to the disposition of buildings to private developers as part of the Rental Demonstration program.
- **Buildings** decreased by a net amount of \$84,768,934 due to the disposition of buildings to private developers as part of the Rental Demonstration Program.
- **Construction in Process** decreased by a net amount of \$803,136 due to capitalizations exceeding current year additions.
- **Accumulated Depreciation** decreased by \$53,914,941 due to an increase in current year depreciation expense of \$22,946,634 offset by accumulated depreciation removed for properties conveyed as part of the Rental Demonstration Program.

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

**Analysis of Entity-Wide Revenues /Statement of Activities)**

HABC administered the following programs with their respective revenues during 2019:

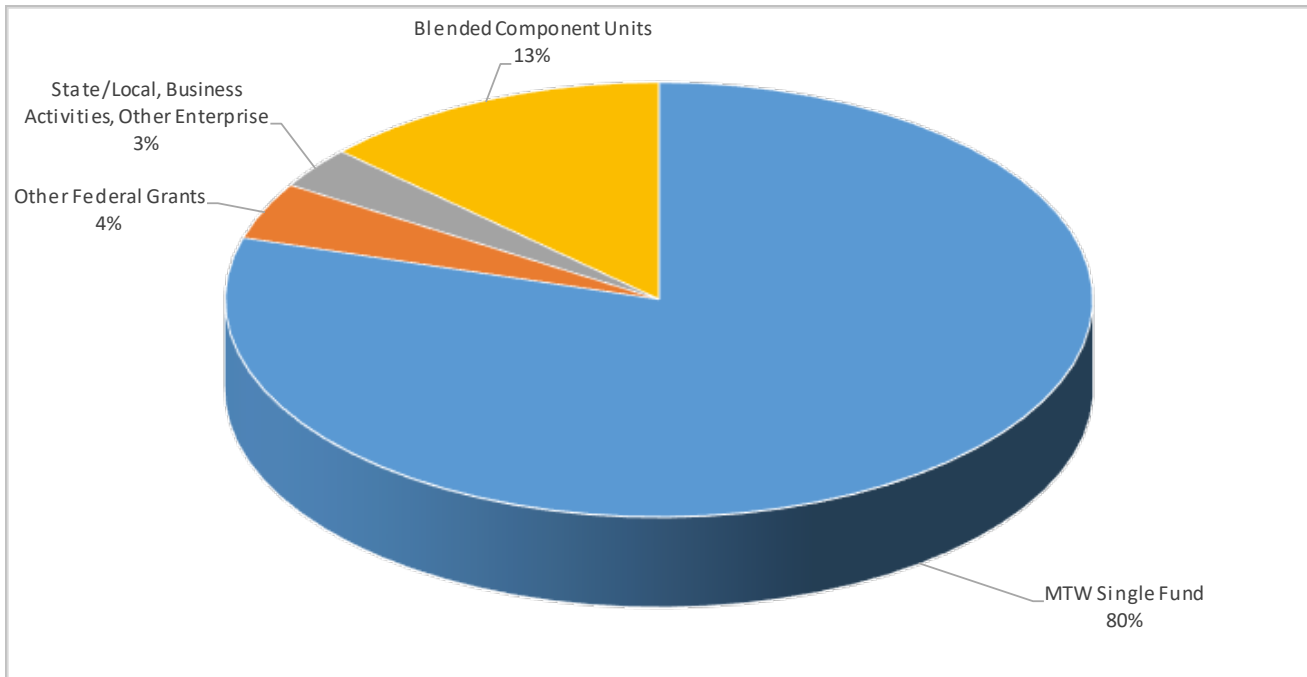
**Proprietary Fund FY 2019 Revenue by Programs**

		<u>Total Revenue</u>
<b>MTW Programs</b>		
Low Rent Public Housing	\$ 143,129,580	
Section 8 Housing Choice Voucher Program	<u>337,318,829</u>	
<b>Total MTW Revenue</b>		\$ 480,448,409
<b>Non-MTW Programs</b>		
Section 8 Housing Choice Voucher Program		8,136,321
Mod. Rehabilitation		538,686
Single Room Occupancy/Other HCVP		851,765
Business Activities		5,258,932
State and Local		12,830,676
Job Plus Initiative Program Total		660,395
ROSS		1,022,510
Self Insurance Fund		59,317
Blended Component Units		<u>77,252,771</u>
<b>Total Non-MTW Programs Revenue</b>		<u>106,611,373</u>
<b>Total Operating Revenues</b>		<b>587,059,782</b>
 <i>Per Statements of Revenues, Expenses and Changes in Net Position</i>		
<b>Operating revenues</b>		<b>587,059,782</b>
Gain on Disposal of Fixed Assets	(29,582,011)	
Interest Income	1,995,096	
Capital Grants	<u>38,694,098</u>	
<b>Total Non-Operating Revenues</b>		<u>11,107,183</u>
<b>Total Proprietary Fund Revenues</b> <b>(Agrees with Line 70000 of the FDS)</b>		<u><u>\$ 598,166,965</u></u>

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

The diagram below illustrates the percentage of revenues generated from these programs by HABC during FY 2019.

**Proprietary Fund Revenue Percentages by Programs**



Revenues were \$598,166,965 in FY 2019 compared to total revenues of \$377,506,701 in FY 2018. Listed below are areas that reported major increases or decreases from FY 2018:

- **Dwelling rental revenue** increased \$8,356,444, primarily due to the Authority reporting additional funding earned during the 18-month conversion period.
- **HUD Subsidies** increased by a net amount of \$154,098,639. HUD subsidies increased as a consequence of the 18-month conversion period and additional funding renewals for redevelopment grants. The funding proration for Public Housing operating subsidies and utilization of Housing Choice Voucher units were also higher in the current fiscal period.
- **Charges for Services and/or Other Income** increased \$71,686,162 due to reclassification of notes receivable and loss of miscellaneous income due to conversion of RAD sites.
- **Capital Grants** increased by \$12,485,338. HABC's primary source of Capital Grants revenue is HUD's Capital Fund Program. The increase in Capital Grants revenue is primarily due to an increase in capital fund outlays. Capital Grants revenues are matched dollar for dollar directly to capital expenditures from HABC's Capital Fund, Replacement Factor Funds & HOPE VI Program.
- **Gain (Loss) on disposal of assets** decreased by \$29,828,492 due to the disposal/disposition of Public Housing properties as part of the Rental Demonstration Program. The loss reflects the residual value after the sale is offset by seller promissory notes.

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

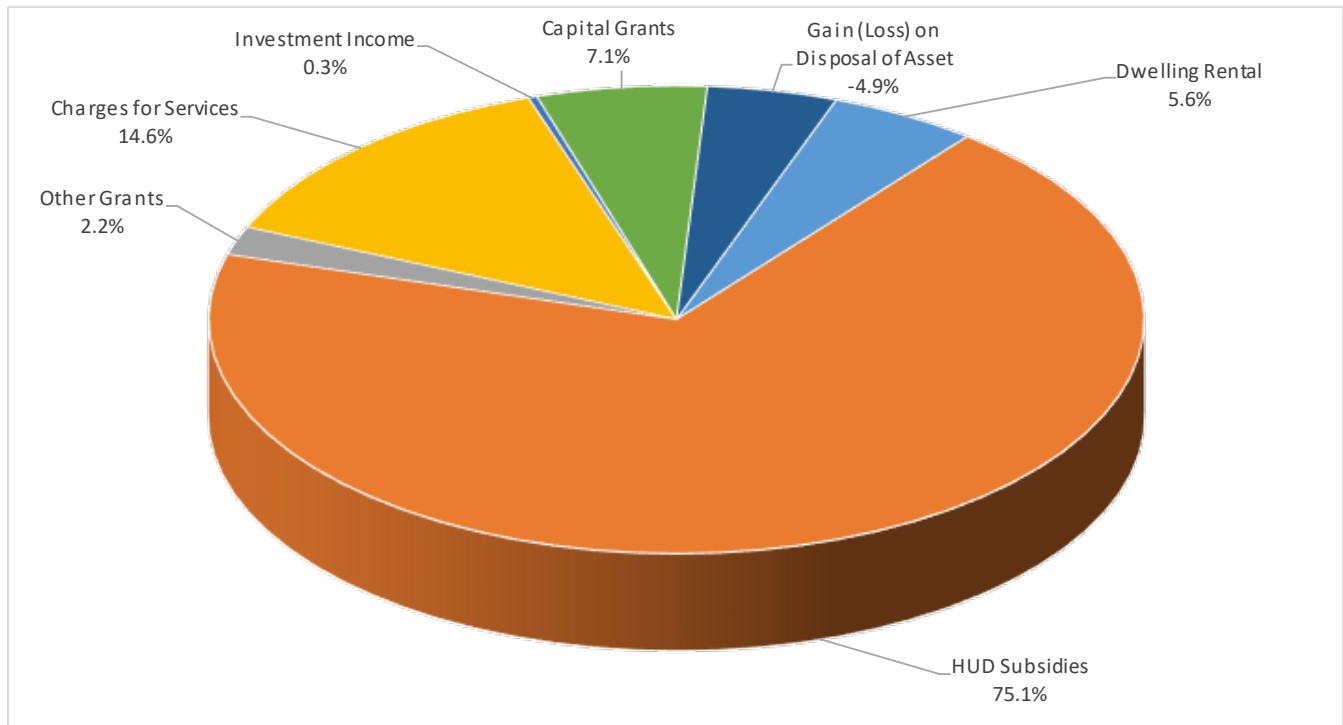
The table below presents an analysis of total revenues by major revenue category:

**Proprietary Fund by Major Revenue Category**

	2019	Percent of Total	2018, As Restated	Percent of Total	2019 vs. 2018 Net Increase/ (Decrease)
Rental	\$ 33,755,249	5.6 %	\$ 25,398,805	6.7 %	\$ 8,356,444
HUD Subsidies	452,184,504	75.6	298,085,865	79.0	154,098,639
Other Grants	13,036,062	2.2	10,330,114	2.7	2,705,948
Other Income	88,083,967	14.7	16,397,805	4.3	71,686,162
Operating Revenue	<u>587,059,782</u>	<u>98.1</u>	<u>350,212,589</u>	<u>92.8</u>	<u>236,847,193</u>
Investment Income	1,995,096	0.3	838,871	0.2	1,156,225
Capital Grants	38,694,098	6.5	26,208,760	6.9	12,485,338
Gain (loss) on disposal of asset	(29,582,011)	(4.9)	246,481	0.1	(29,828,492)
Non-Operating Revenue	<u>11,107,183</u>	<u>1.9</u>	<u>27,294,112</u>	<u>7.2</u>	<u>(16,186,929)</u>
Total Revenue	<u>\$ 598,166,965</u>	<u>100.0 %</u>	<u>\$ 377,506,701</u>	<u>100.0 %</u>	<u>\$ 220,660,264</u>

The diagram below illustrates the percentage of revenues generated from each major revenue category by HABC during FY 2019.

**Proprietary Fund Revenue Percentages by Major Revenue Category**



**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

**Analysis of Entity-Wide Expenses (Proprietary Fund Only)**

**HABC administers the following programs and the related expenses during FY 2019:**

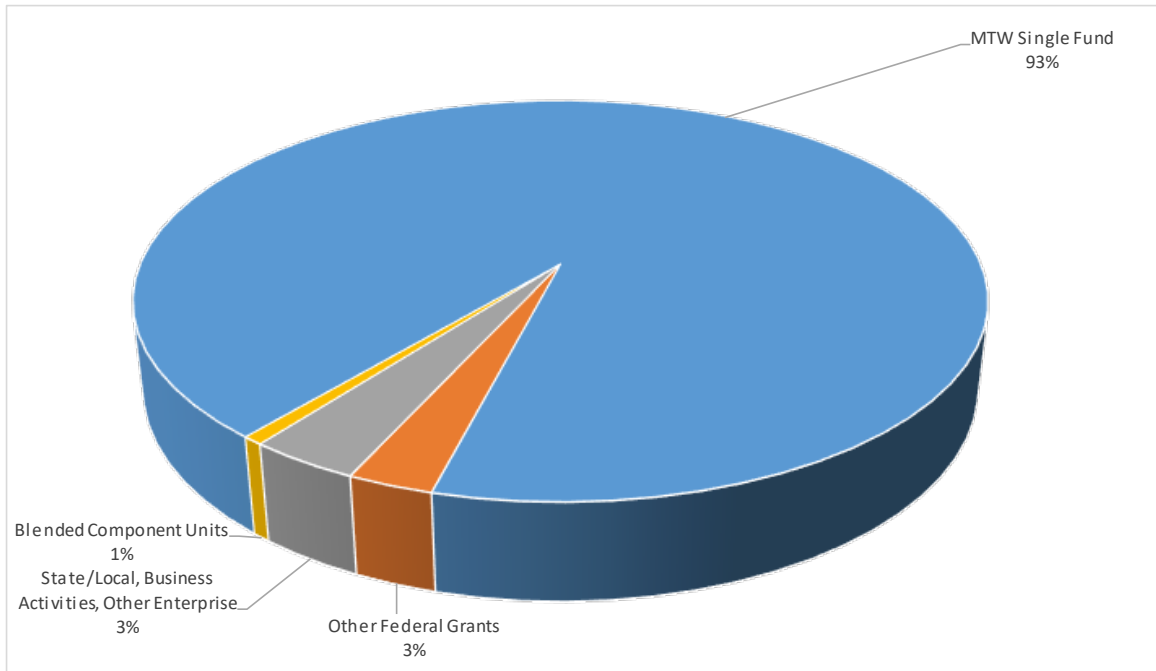
**Proprietary Fund FY 2019 Expenses by Programs**

		<u><b>Total Expenditures</b></u>
<b>MTW Programs</b>		
Low Rent Public Housing	\$ 131,071,314	
Section 8 Housing Choice Voucher Program	<u>341,044,884</u>	
<b>Total MTW Expense</b>		\$ 472,116,198
<b>Non-MTW Programs</b>		
Section 8 Housing Choice Voucher Program		8,138,345
Mod. Rehabilitation		521,924
Single Room Occupancy/Other HCVP		818,984
Business Activities		5,545,776
State & Local		12,671,036
Job Plus Initiative Program Total		660,395
HOPE VI		2,680,138
CDBG		250,000
ROSS		1,021,676
Self Insurance		124,986
Blended Component Units		<u>3,448,191</u>
<b>Total Non-MTW Programs Expense</b>		<u>35,881,451</u>
<b>Total Operating Expenses</b>		<b>507,997,649</b>
 <i>Per Statements of Revenues, Expenses and Changes in Net Position</i>		
<b>Operating Expense</b>		<b>507,997,649</b>
Depreciation Expense	22,946,634	
Extraordinary Maintenance	<u>1,230,048</u>	
<b>Total Non-Operating Revenues</b>		<u><b>24,176,682</b></u>
<b>Total Proprietary Fund Expenses</b>		
<b>(Agrees with Line 90000 of the FDS)</b>		<u><u><b>\$ 532,174,331</b></u></u>

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

The diagram below illustrates the percentage of expenses generated from these programs by HABC during FY 2019.

**Proprietary Fund Expenses by Programs in FY 2019**



The table below presents an analysis of total proprietary fund expenses by major expense category:

**Proprietary Fund by Major Expense Category**

	2019	Percent of Total	2018, As Restated	Percent of Total	2019 vs. 2018 Net Increase/ (Decrease)
Administrative	\$ 62,408,891	11.7 %	\$ 49,218,547	13.5 %	\$ 13,190,344
Tenant Services	7,610,990	1.4	4,650,132	1.3	2,960,858
Utilities	24,619,268	4.6	20,693,380	5.7	3,925,888
Maintenance	61,659,310	11.6	46,720,296	12.8	14,939,014
Protective Services	1,463,178	0.3	1,132,100	0.3	331,078
Housing Assistance Payments	323,267,192	60.7	204,240,886	56.0	119,026,306
Other Operating Expenses	22,745,959	4.3	12,192,732	3.3	10,553,227
Expenses before Depreciation	503,774,788	94.7	338,848,073	92.9	164,926,715
Extraordinary Maintenance	1,230,048	0.2	613,194	0.2	616,854
Casualty Losses	1,311,125	0.2	-	-	1,311,125
Interest Expense	2,911,736	0.5	1,927,013	0.5	984,723
Depreciation	22,946,634	4.3	23,496,666	6.4	(550,032)
<b>Total Expenses</b>	<b>\$ 532,174,331</b>	<b>100.0 %</b>	<b>\$ 364,884,946</b>	<b>100.0 %</b>	<b>\$ 167,289,385</b>

*The above chart excludes other financing sources as identified in the entity-wide financials.*



**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

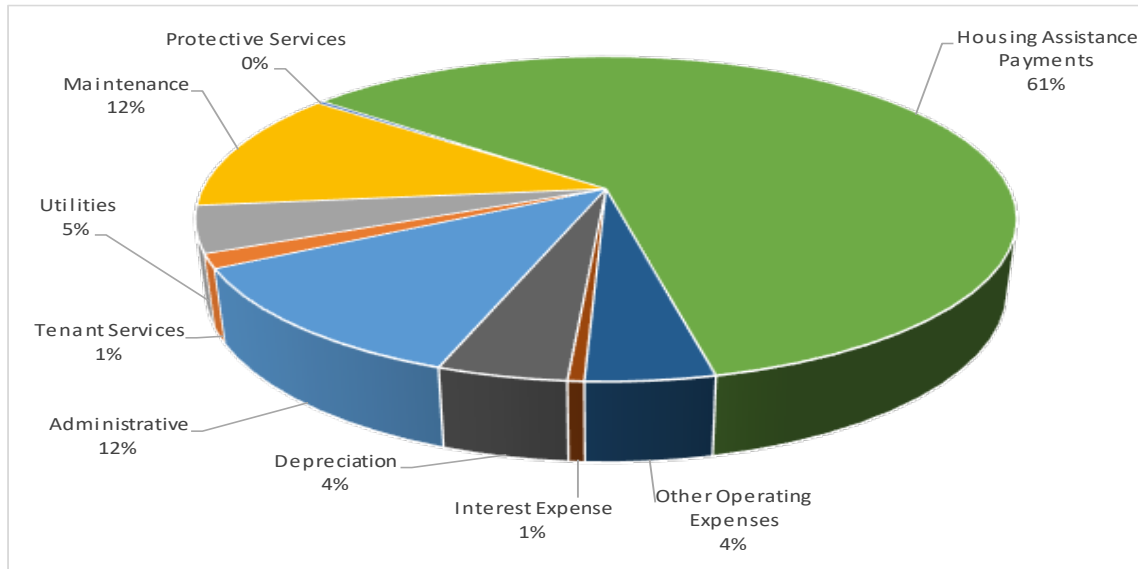
Total Proprietary Fund expenses were \$532,174,331 in FY 2019 and \$364,884,946 in FY 2018. The Proprietary Fund consists of all HABC programs and activities excluding the Pension Trust, OPEB Trust, and the discretely presented component units. Total expenses decreased by \$167,289,385 as discussed in further detail below:

- **Administrative** expenses increased by \$13,190,344 due to increase in salaries, benefits and predevelopment costs. Total administrative expenses include office expenses, legal expenses, service contracts, consulting fees, staff training and implementation of electronic processes. The increase also reflects additional expenses as a result of the 18-month conversion year.
- **Tenant Services** increased by \$2,960,858 due to a combination of increase relocation expense and allocated salaries and benefits as a result of hiring additional Office of Resident Services staff to handle the supportive service needs of the residents. The increase also reflects additional expenses as a result of the 18-month conversion year.
- **Utilities** increased by \$3,925,888. Utility expenses increased due to an increase in billing rates. The increase also reflects additional expenses as a result of the 18-month conversion year. As a share of total costs, utilities have decreased due to a decrease in housing units as a result of RAD conversions.
- **Maintenance** increased by \$14,939,014. Maintenance labor and benefits increased due to HABC's vested time to enhance vacancy reduction efforts. The increase also reflects additional expenses as a result of the 18-month conversion year.
- **Housing Assistance Payments (HAP)** increased by \$119,026,306 due to increased utilization and a reflection of additional expenses as a result of the 18-month conversion year.
- **Other Operating Expenses** increased by \$10,553,227 primarily due to additional months of subsidy payments made to both Non-owned partnership properties managed by third party companies and to Baltimore Regional Housing Partnership (BRHP) to administer PCD and Remedial vouchers. HABC recognizes this as a pass-through expense. The increase also reflects additional insurance premium payments made to the providers as a result of 18-month conversion year.

**HOUSING AUTHORITY OF BALTIMORE CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

The diagram below illustrates HABC's Proprietary Fund expenses by major category during FY 2019:

**Proprietary Fund Expenses by Category in FY 2019**



**Future Events**

**Assets Held for Sale**

On January 21, 2019, BAHD received approval to sell the Hollander Ridge properties. The 94 scattered site units are properties made up of land and building improvements. These properties were sold subsequent to the end of the fiscal period on April 30, 2020.

**Arbor Oaks and Townes of Terraces**

On July 15, 2020, BAHD purchased the limited partner interest of Arbor Oaks and Townes of Terraces and became the majority owner/sole member for these properties.

Please contact John Wilson, Chief Financial Officer at 410-396-8303 for any questions on this document.

**HOUSING AUTHORITY OF BALTIMORE CITY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2019**

**ASSETS**

	<u>Primary Government</u>	<u>Discrete Component Units</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents - Unrestricted	\$ 72,877,782	\$ 1,015,020
Cash and Cash Equivalents - Restricted	12,924,109	6,894,037
Accounts Receivable, Net	9,517,009	334,985
Due from Governments, Net	8,114,633	-
Unrestricted Investments	12,687,463	17,616
Restricted Investments	4,055,169	-
Assets Held for Sale	19,403,407	-
Other Current Assets	3,072,136	328,286
Total Current Assets	142,651,708	8,589,944
 <b>NONCURRENT ASSETS</b>		
Unrestricted Investments	15,538,723	-
Restricted Investments	4,978,380	-
Notes Receivable, Net of Allowance	218,972,081	-
Capital Assets, Net	324,496,926	61,447,933
Investments in Joint Ventures	6,414,905	-
Other Noncurrent Assets	-	331,013
Net Pension Asset	5,060,718	-
Net OPEB Asset	11,678,104	-
Total Noncurrent Assets	587,139,837	61,778,946
Total Assets	729,791,545	70,368,890
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Employer-Related Pension Activities	329,192	-
Employer-Related OPEB Activities	301,508	-
Total Deferred Outflows of Resources	630,700	-
Total Assets and Deferred Outflows of Resources	\$ 730,422,245	\$ 70,368,890

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF BALTIMORE CITY  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2019**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

	Primary Government	Discrete Component Units
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 2,286,351	\$ 1,048,193
Accrued Liabilities	9,306,925	12,173,844
Accrued Compensated Absences	997,072	-
Due to Other Governmental Agencies	1,507,494	-
Current Portion of Long-Term Debt - Operating Borrowings	1,904,615	-
Tenant Security Deposits	401,891	242,314
Unearned Revenue	1,427,833	12,720
Notes and Capital Lease Payable, Current	2,460,183	227,156
Other Current Liabilities	1,089,470	443,795
Total Current Liabilities	21,381,834	14,148,022
<b>NONCURRENT LIABILITIES</b>		
Notes and Capital Lease Payable, Less Current Portion	46,087,758	66,897,235
Noncurrent Liabilities - Other	1,232,539	3,746,718
Accrued Compensated Absences, Less Current Portion	2,104,620	-
Total Noncurrent Liabilities	49,424,917	70,643,953
Total Liabilities	70,806,751	84,791,975
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unamortized Pension Net Difference	403,237	-
Unamortized OPEB Net Difference	9,273,258	-
Total Deferred Inflows of Resources	9,676,495	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	280,078,795	(5,676,458)
Restricted Net Position	263,493,738	11,246
Unrestricted Net Position	106,366,466	(8,757,873)
Total Net Position	649,938,999	(14,423,085)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 730,422,245	\$ 70,368,890

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF BALTIMORE CITY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

	Primary Government	Discrete Component Units
<b>OPERATING REVENUES</b>		
Rent	\$ 33,517,433	\$ 7,710,287
Rent - Other	237,816	-
HUD PHA operating grants	452,184,504	-
Other Governmental Grants	13,036,062	6,226,505
Fraud recovery	64,698	-
Other revenue	88,019,269	1,439,774
Total Operating Revenues	587,059,782	15,376,566
<b>OPERATING EXPENSES</b>		
Administration and General	62,408,891	3,903,834
Housing Operations and Tenant Services	122,321,566	12,763,358
Housing Assistance Payments	323,267,192	-
Total Operating Expenses	507,997,649	16,667,192
<b>OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	79,062,133	(1,290,626)
<b>DEPRECIATION</b>	22,946,634	5,239,498
<b>TOTAL OPERATING INCOME (LOSS)</b>	56,115,499	(6,530,124)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Loss on Sale of Assets	(29,582,011)	-
Investment Income	1,995,096	57,397
Extraordinary maintenance	(1,230,048)	-
Nonoperating Revenues (Expenses), Net	(28,816,963)	57,397
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	27,298,536	(6,472,727)
<b>CONTRIBUTIONS</b>		
HUD Capital Contributions	38,694,098	-
<b>CHANGE IN NET POSITION</b>	65,992,634	(6,472,727)
Net Position - Beginning of Year, As Restated	583,946,365	(7,950,358)
<b>NET POSITION - END OF YEAR</b>	\$ 649,938,999	\$ (14,423,085)

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF BALTIMORE CITY  
STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITIES  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

	Business-Type Activities
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Dwelling Rentals	\$ 33,631,846
HUD and Other Government Grants	466,835,230
Other Receipts	88,083,967
Payments for Salaries and Benefits	(74,332,165)
Payments for Administrative and General	(46,607,570)
Payments for Housing Operations and Tenant Services	(79,280,480)
Payments to Landlords and Resident Benefits	(323,267,192)
Net Cash Provided by Operating Activities	65,063,636
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Increase in Investments in Joint Ventures	197,968
Sale (Purchase) of Investments	27,881,529
Interest Income	1,995,096
Disbursement of Notes Receivable	(61,776,980)
Net Cash Used by Investing Activities	(31,702,387)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Expenditures for Capital Assets, Net	(25,688,776)
Disposition of Capital Assets	1,562,654
Payment on Bonds Payable	1,263,746
Capital Contribution from HUD	38,694,098
Net Cash Provided by Financing Activities	15,831,722
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	49,192,971
Cash and Cash Equivalents - Beginning of Period	36,608,920
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	\$ 85,801,891
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR TO AMOUNTS IN THE STATEMENT OF NET POSITION</b>	
Cash and Cash Equivalents	\$ 72,877,782
Cash and Cash Equivalents - Restricted	12,924,109
Total	\$ 85,801,891

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF BALTIMORE CITY  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUND  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
USED BY OPERATING ACTIVITIES**

Operating Income	\$ 56,115,499
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	22,946,634
Effects of Changes in Operating Assets and Liabilities, Net of Business Combination and Noncash Items:	
Accounts Receivable, Net	(4,871,102)
Due to/from Other governmental Agencies, Net	5,960,472
Assets Held for Sale	(12,234,248)
Other Assets	(1,956,966)
Accounts Payable	(841,159)
Accrued Liabilities	1,641,290
Tenant Security Deposits	401,891
Unearned Revenue	735,386
Accrued Compensated Absences	(1,151,556)
Deferred Outflow or Resources	1,129,408
Pension Asset	866,336
OPEB Asset	(6,662,939)
Other Noncurrent Liabilities	1,089,470
Deferred Inflows of Resources	1,895,220
Net Cash Provided by Operating Activities	<u>\$ 65,063,636</u>

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF BALTIMORE CITY  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2019**

	<u>OPEB Trust</u>	<u>Employee Retirement Plan</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ -
Accounts Receivable	47,824	-
Investments	44,246,347	47,349,763
Accrued Interest Receivable	-	-
	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 44,294,171</u>	<u>\$ 47,349,763</u>
<b>LIABILITIES AND FIDUCIARY NET POSITION</b>		
<b>LIABILITIES</b>		
Due to HABC	\$ 2,973,579	\$ 10,122
<b>NET POSITION HELD IN TRUST</b>	<u>41,320,592</u>	<u>47,339,641</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 44,294,171</u>	<u>\$ 47,349,763</u>

See accompanying Notes to Financial Statements.



**HOUSING AUTHORITY OF BALTIMORE CITY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2019**

	OPEB Trust <u>2019</u>	Employee Retirement Plan <u>2019</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ -	\$ 2,609,788
Plan Members	-	232,699
Total Contributions	<u>-</u>	<u>2,842,487</u>
Investment Earnings:		
Interest and Dividends, Less Investment Expense	<u>3,079,665</u>	<u>4,193,831</u>
Total Additions	3,079,665	7,036,318
<b>DEDUCTIONS</b>		
Benefit Payments	2,813,124	4,225,529
Premiums Paid to Insurance Companies	-	-
Administrative Expenses	<u>15,827</u>	<u>158,668</u>
Total Deductions	<u>2,828,951</u>	<u>4,384,197</u>
<b>TRANSFER TO HABC</b>	<u>-</u>	<u>(10,122)</u>
<b>CHANGE IN NET POSITION</b>	250,714	2,641,999
Total Net Position - Beginning of Period	<u>41,069,878</u>	<u>44,697,642</u>
<b>TOTAL NET POSITION - END OF PERIOD</b>	<u><u>\$ 41,320,592</u></u>	<u><u>\$ 47,339,641</u></u>

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Housing Authority of Baltimore City (HABC or the Authority) is a governmental, public corporation created in 1937 under federal and state housing laws. HABC develops, maintains and manages low-rent housing and administers Housing Assistance Payments Programs (Section 8) for low-income citizens, including handicapped and elderly residents, of Baltimore City (the City). These activities are subsidized by the U.S. Department of Housing and Urban Development (HUD) and other grantors. In addition, HABC performs a variety of related functions, including social services for public housing residents, and emergency housing repairs. These functions are funded through grants and contracts.

Pursuant to state law, HABC is governed by a Board of Commissioners, which consists of five commissioners who are appointed to staggered terms by the Mayor of Baltimore City. The Board of Commissioners is vested with the statutory powers of HABC and establishes HABC's policies, which are implemented and administered under the direction of an Executive Director, who is hired by the Board of Commissioners. Customarily, the Commissioner of the Baltimore City Department of Housing and Community Development (HCD), who is appointed by the Mayor, also had served as the HABC Executive Director. HABC and HCD previously operated under the branding of "Baltimore Housing." As a result of the Mayor's directive to split the combined functions of the agencies, effective July 1, 2017, HABC and HCD have taken actions to separate the HABC and HCD departments that operated in dual capacities. Most noticeably, HABC and HCD are now led by separate individuals. Although HABC and HCD continue to collaborate on matters involving housing and community development, HABC is not a component unit of the City.

HABC has been a Moving to Work (MTW) agency since 2005. MTW is a national demonstration program established by Congress that allows public housing agencies to develop and implement innovative and flexible solutions to local housing needs. HABC is one of 39 agencies nationwide to be given broad latitude to establish locally determined policies and procedures outside of the HUD regulatory framework. On December 24, 2008, HUD executed a 10-year Amended and Restated MTW Agreement with HUD with the term ending June 30, 2018. On April 4, 2016, HUD approved HABC's request for an extension of the MTW agreement through 2028.

In determining how to define the reporting entity, management of HABC has considered all potential component units. The decision to include component units in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. These include financial accountability, imposition of will, financial burden or benefit to the primary organization, and financial accountability as a result of fiscal dependency.

HABC determined, based on the criteria above, that the entities described below should be presented as either blended component units or discretely presented component units in HABC's financial statements.

**HOUSING AUTHORITY OF BALTIMORE CITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

**Blended Component Units**

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These component units are blended with the primary government as the Authority is the sole member or owns 100% of each listed below:

- **Resident Services, Incorporated (RSI)** was organized as a nonprofit corporation separate from HABC to sponsor and implement social service, employment and training programs/initiatives, community service projects, and charitable work that promotes health and self-sufficiency among, and improves the quality of life for, public housing and other low-income residents in Baltimore City.
- **Baltimore Affordable Housing Development, Inc. (BAHD)** was organized as a nonprofit corporation separate from HABC to own, operate, and take steps necessary or convenient to develop or otherwise undertake housing projects in the area of operation of HABC.
- **HABC Montpelier Housing Corporation (the Corporation)** was formed as a corporation for the purpose of developing and operating a rental housing projects for low-income tenants in Baltimore City. HABC has a 100% ownership interest in the Corporation.

The Authority and BAHD have also created other affiliate entities whose sole purpose is to assist in the development and construction of affordable housing. Each of the entities formed is the General Partner of the associated Limited Partnership. The operations of the entities listed below are included within "Other Entities" in Note 17.

BAHD Affiliate	HABC Affiliate
1234 McEldery	HABC Allendale RAD Corporation
Allendale RAD, LLC	HABC Ambrose Housing Corporation
Arbor Oaks RAD, LLC	HABC Barclay Rental 1 Housing Corporation
BE Mason RAD, LLC	HABC Bel-Park Tower RAD Corporation
Bel-Park Tower RAD, LLC	HABC Bernard E. Mason Apartments RAD Corporation
Brentwood RAD, LLC	HABC Brentwood RAD Corporation
Broadway Overlook RAD, LLC	HABC Broadway Housing Corporation
Chase House RAD, LLC	HABC Chase House RAD Corporation
Ellerslie RAD, LLC	HABC Flag Housing Corporation
Flag House I LP, LLC	HABC Flag II Housing Corporation
Flag House II LP, LLC	HABC Hillside Housing Corporation
Govans Manor RAD, LLC	HABC Hollins House RAD Corporation
Heritage Crossing RAD, LLC	HABC Lakeview Tower RAD Corporation
Hillside Park RAD, LLC	HABC Lexington Housing Corporation
Hollander Thompson, LLC	HABC McCulloh Extension RAD Corporation
Hollins House RAD, LLC	HABC Mt. Pleasant Housing Corporation
J. Van Story Branch RAD, LLC	HABC Murphy/Julian Housing Corporation
Lakeview Tower RAD, LLC	HABC Orchard Ridge Rental 1 Housing Corporation
Lexington Terrace RAD, LLC	HABC Orchard Ridge Rental 2 Housing Corporation
McCulloh RAD, LLC	HABC Orchard Ridge Rental 3 Housing Corporation
Monument East RAD, LLC	HABC Pleasant View Gardens Senior Building RAD Corporation
ODH Phase 2, LLC	HABC Pleasant View Gardens Townhomes RAD Corporation
Primrose Place RAD, LLC	HABC Primrose Place RAD Corporation
PV Gardens Senior RAD, LLC	HABC Reservoir Hill Housing Corporation
PV Gardens Townhomes RAD, LLC	HABC Sharp-Leadenhall Housing Corporation
Rosemont Tower RAD, LLC	HABC Westover Housing Corporation
Somerset RAD, LLC	HABC Wyman House RAD Corporation
Wyman House RAD, LLC	

**HOUSING AUTHORITY OF BALTIMORE CITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

**Discretely Presented Component Units**

The following entities are for-profit, limited partnerships or limited liability companies created for the redevelopment and management of the affordable housing developments. Each of the entities below have a year-end of December 31, 2019. The Authority's blended component units have a minority interest as the general partner for each respective entity. The Authority has outstanding notes receivables, ground leases and other related party transactions with the entity. Management has determined that based on the significant relationship with the entities listed below, omitting them from the financial reporting entity would be misleading. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore, are shown as discretely presented component units:

- **Flag House Rental I, LP** owns and operates a 124-unit rental housing project known as Albemarle Square for low- and moderate-income families.
- **Flag House Rental II, LP** owns and operates a 58-unit rental housing project known as Albermarle Square II for low- and moderate-income families.
- **MPV Associates LP** owns and operates a 212-unit rental housing project known as Arbor Oaks of Baltimore for low- and moderate-income families.
- **Homewood LP** owns and operates a 72-unit scattered site rental housing project known as Barclay Phase I for low- and moderate-income families.
- **Reservoir Hill Housing, LLC** owns and operates a 64-unit rental housing project for low- and moderate-income families.
- **Sharp-Leadenhall Rental No. 1, LP** owns and operates a 31-unit scattered site rental housing project known as Sharp-Leadenhall Mixed Finance Development Phase I for low- and moderate-income families.
- **St. Ambrose LP** owns and operates a 30-unit rental housing project for low- and moderate-income families.
- **Lexington Terrace Townhomes, LP** owns and operates a 203-unit rental housing project for low- and moderate-income families.
- **Conifer Cooks Lane Associates, LLC** owns and operates a 108-unit rental housing project known as West Hills Square for low- and moderate-income families. HABC provides operating subsidy for 11 units.

**Basis of Presentation**

The financial statements of HABC have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) as applied to local governmental units. The basic financial statements (i.e. the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows for the proprietary fund) report information on all of the activities of HABC except for its discretely presented component units and fiduciary activities. Separate fund financial statements are provided for the component unit and fiduciary funds.

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting and Measurement Focus**

The basis of accounting for HABC is determined by measurement focus. The flow of economic resources measurement focus and the accrual basis of accounting are used to account for HABC's resources. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. All assets and liabilities associated with the operation of these funds are included on the statements of net position.

HABC's operating activities are maintained in accordance with the principles of enterprise fund accounting to ensure the observance of limitations and restrictions on the resources available. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate GASB and American Institute of Certified Public Accountants (AICPA) guidance into GASB authoritative literature. HABC has elected not to follow any Financial Accounting Standards Board (FASB) guidance not included in GASB 62.

HABC reports fiduciary funds which include the other postemployment benefits (OPEB) trust fund and the Employee Retirement Plan. The OPEB trust fund and Employee Retirement Plan account for the assets held in trust by HABC for the beneficiaries of the plans. The fiduciary funds (OPEB Trust and Employee Retirement Plan) are separate legal entities from HABC. Separate statements are included for the fiduciary funds as shown in the table of contents.

**Budget**

Under the terms of the MTW Agreement, HABC is required to submit to HUD an Annual Plan summarizing planned activities and budgets for sources and uses of funds. HABC's Board of Commissioners formally adopts the MTW Annual Plan, which includes all program budgets on a basis consistent with U.S. GAAP. The Executive Director has the authority to transfer budget authorizations among categories.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For statement of cash flows reporting purposes, cash and cash equivalents include cash on hand, demand deposits, equity in highly liquid cash and investments, certificates of deposit, and repurchase agreements with initial maturities of three months or less.

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Statutes authorize HABC to invest in obligations of the U.S. Treasury, repurchase agreements, certificates of deposit and certain other investments allowed by HUD and in accordance with general depository agreements. These investments are carried at fair value based upon quoted market prices. HABC classifies its investments as current or noncurrent based on the maturity dates. Short-term investments have maturities within one year.

**Accounts Receivable**

Accounts receivable consist of payments due from HUD and related affiliates, rent payments from tenants and other miscellaneous receivables arising from the normal course of operations. A reserve for uncollectible accounts is established based on management's estimates.

**Notes Receivable**

A significant portion of notes receivable represent loans to related-party owner-entities and developers for development projects. HABC subordinated these loans in conjunction with financing arrangements related to the development of mixed-income, multi-family rental communities. Such loans are interest-bearing and are payable from cash flow from the property owned by each respective project. Such loans are typically funded from CDBG Development, HOPE VI, and Capital Fund grants, representing a significant portion of the construction costs associated with the HABC-assisted component of the mixed-income rental property. Interest and principal on these loans are subordinated and are contingent on cash flow from the property; however, interest income is accrued as it occurs. Based on the status of the previous mixed financing projects and the contingent nature of the payments, management elected to establish an allowance which represents the full value of the notes, except for \$12,686,734 as of December 31, 2019 that HABC intends to collect.

The agreements between HABC and the respective affiliated entities state that HABC will collect on the receivables if the affiliated entities have positive cash flows. Since these affiliated entities depend on HABC to subsidize their operations through operating subsidies, management assesses the likelihood of collection and believes that positive cash flows for these entities in the future are remote, and therefore, collections on these notes' receivable are doubtful.

Notes receivable also includes amounts reported on the BAHD blended component unit financial statements. These notes represent agreements for the purchase of properties under HUD's Rental Assistance Demonstration Program (RAD). Under this program, public housing agencies leverage public and private debt and equity to reinvest in the public housing stock. Public housing is sold to a third party responsible for rehabilitation, and then transitioned to a Section 8 platform under a long-term contract to ensure the project remains as affordable housing. Such loans are interest-bearing and are payable from cash flow from the property owned by each respective project. Such loans are typically funded from multiple sources representing a significant portion of the purchase price of the property. Interest and principal on these loans are subordinated and are contingent on cash flow from the property. At December 31, 2019, notes receivable due to BAHD totaled \$206,285,347.

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**DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets include property held for and under development, operating properties, and fixed assets used in operations that cost \$5,000 or more and have an estimated useful life of at least one year. Donated capital assets are recorded at the estimated acquisition value on the date received.

HABC capitalizes costs associated with properties held for and under development, including interest costs during the construction period. The carrying amount of such properties does not exceed the estimated net realizable value.

Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed under the straight-line method over the following estimated useful lives:

Structures and Improvements	15 to 25 Years
Equipment	5 to 7 Years

Proceeds from the disposal of capital assets are recognized in the period received. Proceeds from the sale of property acquired or significantly improved with HUD or state funds are refunded to HUD or the state as required by contract or retained and used for special purposes as approved by HUD.

**Compensated Absences**

The total accumulated universal leave (incorporating vacation and sick) is accrued in the period earned as this cost is to be funded with current resources. Employees earn universal leave at rates ranging from 24 days per year for the first six years of service up to a maximum of 36 days per year after 19 years of service. The maximum universal leave accrual is 200 days. Upon termination, employees are paid for any accumulated universal leave.

**Net Position**

Certain assets including cash and investments may be classified in restricted net position on the statements of net position because their use is restricted for specific purposes. It is HABC's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Net position is displayed in three components:

*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. HABC has unspent bond proceeds (see Note 8) restricted for capital improvement purposes in accordance with an energy conservation lease. As these bond proceeds directly relate to the capital assets and bonds payable, they are included in this category to properly match the assets with related debt.

**HOUSING AUTHORITY OF BALTIMORE CITY**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position (Continued)**

*Restricted Net Position:* This component of net position consists of restricted resources when constraints are placed on the resource by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. This also includes investments in joint ventures.

*Unrestricted Net Position:* This component of net position consists of resources that do not meet the definition of "net investment in capital assets" or restricted net position."

**Taxes**

Under federal, state and City laws, HABC is exempt from income, property, and excise taxes. Housing authorities are, however, required to make payments in lieu of taxes (PILOT) in accordance with the provisions of their Cooperation Agreement with local taxing authorities. Under its Cooperation Agreement with the City, HABC must pay the City the lesser of 10 percent of its net shelter rent or the approximate full real property taxes. Net shelter rent is defined as the excess of rental income over total utilities expense, net of energy performance contract (EPC) debt service.

During fiscal years 2019, PILOT expense was \$72,319 with \$2,729 receivable and \$199,534 payable.

**Grants**

HABC receives reimbursement from various grantors for the cost of sponsored projects, including administrative costs. Grant revenues are recognized in the period in which the associated costs are incurred.

**Capital Contributions**

Capital contributions are grants awarded by HUD under various capital development and improvement programs including HOPE VI, Capital Fund Programs, Demolition or Disposition Transitional Funding (formerly known as Replacement Housing Factor Fund), and Up-Front Grant. Grant expenditures under these programs are based on actual capital project costs incurred. Interest incurred during the construction phase is included as part of the capitalized amount of construction in progress or capitalized costs.

**Deferred Inflows and Outflows of Resources**

Deferred inflows of resources, reported after total liabilities, is defined by GASB as an acquisition of net position that applies to future periods. The revenue is recognized in the applicable future period(s). The Authority has two items that are required to be reported in this category related to the deferred inflow from pension and OPEB activities. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



**HOUSING AUTHORITY OF BALTIMORE CITY**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows and Outflows of Resources (Continued)**

Deferred outflows of resources, reported after total assets, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Authority has two items that are required to be reported in this category related to the deferred outflow from pension and OPEB activities.

**Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from its fiduciary net position have been determined on the same bases as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

**Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from its fiduciary net position have been determined on the same bases as they are reported by the pension system. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The pension system reports investments at fair value.

**Reclassifications**

Certain reclassifications have been made to the prior year's financial statements to conform with the current year presentation. The reclassifications had no effect on net position or changes thereon.

**Change in Reporting Entity**

The Authority obtained approval from its Board of Commissioners and from HUD to change its fiscal year end from a June 30th based fiscal year end to a calendar year basis. To facilitate the change, the Authority extended the fiscal year ended June 30, 2019 by six months to December 31, 2019. The change in fiscal year-end was intended to add clarity and transparency to reporting of its affiliated component units that report on a calendar year basis. With the change of the Authority's fiscal year-end, the reporting period for the Authority presented herein is an eighteen-month reporting period ended December 31, 2019, and a two-year reporting period ended December 31, 2019 for its discretely presented component units.

**HOUSING AUTHORITY OF BALTIMORE CITY  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Prior Period Adjustment – Change in Reporting Entities**

Management changed the reporting entity by including components previously reported as discretely presented component units at July 1, 2018 to being presented as blended component units as of July 1, 2018. Also, entities were classified as discretely presented component units that were previously disregarded. The beginning net positions of the business-type activities and discretely presented component units have been restated in order to retroactively apply the change in reporting entities as shown below:

	Primary Government	Discrete Component Units
Net Position July 1, 2018, as Previously Stated	\$ 419,435,365	\$ 164,511,000
Change in Reporting Entity	164,511,000	(172,461,358)
Net Position July 1, 2018, as Restated	<u>\$ 583,946,365</u>	<u>\$ (7,950,358)</u>

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

At December 31, 2019, the aggregate carrying amount of HABC's deposits (Proprietary Fund) were \$85,801,891 and the bank balance was \$87,319,363. All deposits with financial institutions are held by regularly organized state or national banks insured by the Federal Deposit Insurance Corporation (FDIC) which are required to hold government security collateral in HABC's name for any amount in excess of federal deposit insurance limits. HABC's deposits were under-collateralized by \$30,514,943 at December 31, 2019.

**Investments – Proprietary Funds**

Proprietary fund investments are in U.S. Treasuries or U.S. Agency securities, which have a maturity of one year or more. The fair market values of those investments are shown in the table below:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	S&P Ratings	Moody's Ratings	Percentage of Total Investments
U.S. Treasuries	\$ 19,015,708	\$ 12,515,378	\$ 6,500,330	N/A	Aaa	51.0%
Federal Home Loan Bank	10,337,291	4,227,254	6,110,037	AA+	Aaa	27.7%
Federal Farm Credit Bank	7,906,736	-	7,906,736	AA+	Aaa	21.2%
Total Investments	<u>\$ 37,259,735</u>	<u>\$ 16,742,632</u>	<u>\$ 20,517,103</u>			

*Fair Value Measurements:* The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 such as prices for similar assets; Level 3 inputs are significant unobservable inputs.

**HOUSING AUTHORITY OF BALTIMORE CITY  
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**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments – Proprietary Funds (Continued)**

At December 31, 2019, fair value of proprietary fund investments is as follows:

Investment Type	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. Treasuries	\$ 19,015,708	\$ 19,015,708	\$ -
Federal Home Loan Bank	10,337,291	-	10,337,291
Federal Farm Credit Bank	7,906,736	-	7,906,736
Total Investments by Fair Value Level	<u>\$ 37,259,735</u>	<u>\$ 19,015,708</u>	<u>\$ 18,244,027</u>

**Investments – Fiduciary Funds**

Fiduciary fund investments are in debt and equity securities, which have a maturity of one year or more. The fair market values of those investments are shown in the table below:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	S&P Ratings	Moody's Ratings	Percentage of Total Investments
Debt Securities	\$ 25,554,669	\$ 25,329,228	\$ 225,441	AAA to BBB-	Aaa to Baa3	27.9%
Equity Securities	66,041,441	66,041,441	-	N/A	N/A	72.1%
Total Investments	<u>\$ 91,596,110</u>	<u>\$ 91,370,669</u>	<u>\$ 225,441</u>			

At December 31, 2019, fair value of fiduciary fund investments is as follows:

Investment Type	Fair Value	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt Securities	\$ 25,554,669	\$ 25,554,669	\$ -
Equity Securities	66,041,441	66,041,441	-
Total Investments by Fair Value Level	<u>\$ 91,596,110</u>	<u>\$ 91,596,110</u>	<u>\$ -</u>

**Investment Rate Risk**

Fair value fluctuates with interest rates and increasing interest rates could cause fair value to decline below original cost. To limit HABC's exposure to fair value losses arising from increasing interest rates, HABC's investment policy limits the term of investment maturities to remain sufficiently liquid to enable HABC to meet all operating requirements which might be reasonably anticipated. HABC's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude HABC from having to sell investments below original cost for that purpose. The investments at December 31, 2019 met HABC's investment policy as of that date.

**HOUSING AUTHORITY OF BALTIMORE CITY  
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**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Credit Risk/Concentration of Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy of HABC follows the investment guidelines published by HUD in *Financial Management Handbook* (7475.1REV). These guidelines permit investments in the following types of investments: direct U.S. obligations, U.S. agency obligations, and money market mutual funds. HABC follows federal rules and regulations on concentration of credit risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, HABC will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party as of December 31, 2019. HABC has adopted investment guidelines to conform to HUD depository agreements and to permit investments which are backed by the full faith and credit of the U.S. Government, a U.S. Government Agency, or those issued by a Government-sponsored agency.

Restricted cash is restricted for various HUD programs and for application of available funds to projects allowed under the MTW Agreement.

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable consist of rent payments due from tenants and other miscellaneous receivables arising from the normal course of operations.

Tenants and Landlords	\$ 2,880,968
OPEB and Pension	2,983,701
RAD Settlements	2,171,999
Pass Through State Grants	1,364,499
Other Receivables	1,399,747
Total Accounts Receivable	<u>10,800,914</u>
Less: Allowance for Doubtful Accounts	<u>(1,283,905)</u>
Accounts Receivable, Net	<u><u>\$ 9,517,009</u></u>

**HOUSING AUTHORITY OF BALTIMORE CITY  
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**NOTE 4 DUE FROM/TO GOVERNMENTAL AGENCIES**

The amounts due from/to other government agencies as of December 31, 2019 are listed in the tables below:

<u>Government Agency</u>	<u>Due From</u>	<u>Due To</u>	<u>Net Amount Due From</u>
U.S. Department of Housing and Urban Development*	\$ 4,912,713	\$ 666,049	\$ 4,246,664
Portability Provisions**	-	8,694	(8,694)
City of Baltimore***	3,201,920	832,751	2,369,169
Total	<u>\$ 8,114,633</u>	<u>\$ 1,507,494</u>	<u>\$ 6,607,139</u>

\* Expenses from Capital Fund Program (CFP), HOPE VI, Section 8, and ROSS Grants

\*\* Amounts due to other agencies under the portability provisions of the HCV program

\*\*\* Payments in Lieu of Taxes and an amount advanced by the City of Baltimore for inter-government activities

Management has evaluated all amounts due from other government agencies and determined that no reserve for doubtful accounts is necessary.

**NOTE 5 NOTES RECEIVABLE**

As part of the financing arrangements under the HOPE VI revitalization grants, HABC issues notes receivable to developers of the projects. Sources of funds for these loans are various HOPE VI grants and the Fairfield reformulation grants from HUD. The loans are established for a HUD-approved amount and funds are drawn by the developer as approved. The terms of these notes' receivable vary, with interest generally at 0.25% - 1.0%, with repayment due 40 years from the date of the agreement, unless there is a default, at which time payment is due on demand. Some of the loan terms have interest rates based on the federal rates at the time disbursements are made to the borrower.

HABC also issues second mortgage loans under the HOPE VI program for individuals and/or families. Sources of funding for these mortgages are various HOPE VI grants. These mortgages assist individuals in purchasing homes within the City. The mortgages require repayment in full if the borrower does not live in the residence for a minimum of 10 years, or at the time of sale/lease/ default by the borrower. Most of the mortgages allow a reduction of up to \$20,000 of the total mortgage on a prorated basis starting in year six: of the mortgage. Interest rates for the mortgages are 0% unless default occurs, at which time the rate increases to 6%.

HABC entered into a reserve pledge agreement in 1998 with the Lexington Terrace Limited Partnership to benefit the Townes at the Terraces project, a low-income housing project. The terms of the agreement set aside funds from the development fee payable to HABC under the Public and Indian Housing program. The funds are maintained in an interest-bearing reserve account. The partnership may request funds from the account if it experiences an operating deficit during the project. Any funds remaining in the account at the end of the project period will be returned to HABC.

**HOUSING AUTHORITY OF BALTIMORE CITY**  
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**NOTE 5 NOTES RECEIVABLE (CONTINUED)**

Based on the status of the previous mixed-financing projects and the contingent nature of the payments, management elected to establish an allowance for the full value of the notes except the ones for which HABC deems to be collectible. The agreements between HABC and the respective affiliated entities state that HABC will collect on the receivables if the affiliated entities have positive cash flows. Since these affiliated entities depend on HABC to subsidize their operations through operating subsidies, management believes that positive cash flows for these entities in the future are remote, and therefore, collections on these notes receivable are doubtful.

HABC has the following notes receivable outstanding as of December 31, 2019:

<u>Description</u>	<u>Amount</u>
Broadway II LP	\$ 16,922,753
Lexington Terrace Townhouses/Senior Housing LP	
Senior Housing LP	15,262,568
Homewood LP	9,161,312
Flag House Courts Project, Flaghouse Rental	
Phases I and II	8,805,914
O'Donnell Heights Association	7,280,879
Reservoir Hill Housing, LLC	5,257,235
Orchard Ridge LP	4,338,948
Affordable Housing Initiative	3,537,836
Special Mobility Program	2,967,500
Sharp Leadenhall Rental No 1 LLC	3,097,568
Milltowne Association	2,022,870
Albermarle Square Affordable House	1,676,988
LRG, LLC	1,132,436
Barclay Square LP	887,078
Artaban Apt, Bailey Capital Funds	420,000
4300 Liberty LLC	300,000
Clarksview LLC	240,000
241 W. Chase St.	210,000
Telesis-Barclay	185,805
Baltimore Community Development, LLC	150,000
City Arts II Limited	90,000
Homes for Odenton, LP	350,000
NEDs	600,603
Brian Henderson	15,000
Total Notes Receivable	<u>84,913,293</u>
Less: Allowance	<u>(72,226,559)</u>
Notes Receivable, Net	<u><u>\$ 12,686,734</u></u>

**HOUSING AUTHORITY OF BALTIMORE CITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 NOTES RECEIVABLE (CONTINUED)**

As part of the financing arrangements under HUD's RAD program, BAHD issues notes receivable to purchasers of the projects sold. These notes are effectively "seller notes" to allow purchases of the property and transition to Section 8 under long-term contracts. The terms of these notes receivable vary, with interest generally based on long-term applicable federal rates established by the Internal Revenue Service with repayment due 40 years from the date of the first payment due date, unless there is a default. Interest rates approximated 2.57% during the fiscal year ended December 31, 2019. Payments are payable from cash flow of the property.

BAHD has the following notes receivable outstanding at December 31, 2019:

<u>Description</u>	<u>Amount</u>
TCB McCulloh Apartments LLC	\$ 25,979,642
Rosemont Tower, LLC	17,580,962
Van Story Branch Apartments LLC	17,390,346
Wyman House LLC	13,568,241
LVTE LLC	13,499,822
Monument East Apartments LLC	13,318,422
BE Mason LLC	12,915,957
GM Maryland LLC	12,782,744
Homes for Mt. Vernon LP (Chase)	12,186,612
BBT, LLC	9,868,781
New Brentwood LP	9,849,590
Ellerslie LP	9,209,674
Allendale Apartments LP	8,136,048
Primrose Place Apartments, LLC	7,594,678
PVG Townhomes LLC	6,416,363
Hollins House LLC	6,100,000
Somerset Extension LP	5,064,849
Heritage Crossing II LP	2,934,616
1234 McElderry	1,888,000
Total Notes Receivable	<u><u>\$ 206,285,347</u></u>

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 CAPITAL ASSETS**

A summary of the changes in HABC's capital assets is as follows:

	As Restated Balance 6/30/2018	Additions	Disposals	Transfers	Balance 12/31/19
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 54,448,475	\$ 1,176,251	\$ (7,172,032)	\$ -	\$ 48,452,694
Construction in Progress	21,132,356	20,937,288	(2,769,632)	(18,970,792)	20,329,220
Total Nondepreciable Capital Assets	75,580,831	22,113,539	(9,941,664)	(18,970,792)	68,781,914
<b>Depreciable Capital Assets:</b>					
Buildings	790,534,572	72,115	(103,811,841)	18,970,792	705,765,638
Equipment	9,740,145	963,433	(1,169,634)	-	9,533,944
Leaseholds	305,220	1,309,641	(252,260)	-	1,362,601
Total Depreciable Capital Assets	800,579,937	2,345,189	(105,233,735)	18,970,792	716,662,183
<b>Accumulated Depreciation:</b>					
Buildings	(9,640,545)	(248,345)	2,133,983	-	(7,754,907)
Equipment	(505,221,567)	(22,698,289)	74,727,592	-	(453,192,264)
Total Accumulated Depreciation	(514,862,112)	(22,946,634)	76,861,575	-	(460,947,171)
Net Depreciable Capital Assets	285,717,825	(20,601,445)	(28,372,160)	18,970,792	255,715,012
Net Capital Assets	<u>\$ 361,298,656</u>	<u>\$ 1,512,094</u>	<u>\$ (38,313,824)</u>	<u>\$ -</u>	<u>\$ 324,496,926</u>

Construction-in-progress is the cost incurred on open development projects or on major capital improvement projects under the CFP and EPC. These projects were at various stages of completion as of December 31, 2019. Projects are not reclassified to other capital asset categories until the project is closed out and depreciation expense begins when projects are placed in service.

**NOTE 7 LONG-TERM LIABILITIES**

A summary of the changes in HABC's long-term liabilities is as follows:

	Balance 6/30/18	Additions	Reductions	Balance 12/31/19	Due Within One Year
Other Noncurrent Liabilities	\$ 1,232,539	\$ -	\$ -	\$ 1,232,539	\$ -
Compensated Absences	4,253,246	1,245,199	(2,396,753)	3,101,692	997,072
Total	<u>\$ 5,485,785</u>	<u>\$ 1,245,199</u>	<u>\$ (2,396,753)</u>	<u>\$ 4,334,231</u>	<u>\$ 997,072</u>



**HOUSING AUTHORITY OF BALTIMORE CITY  
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**NOTE 8 BONDS, NOTES, AND CAPITAL LEASE PAYABLE**

Long-term debt is summarized as follows:

	Balance 6/30/18	Additions	Reductions	Balance 12/31/19	Due Within One Year
EPC Bonds	\$ 44,585,000	\$ -	\$ (2,895,000)	\$ 41,690,000	\$ 2,150,000
EPC Bonds - Draw Downs	-	2,388,994	-	2,388,994	281,702
Broadway Overlook	4,225,678	-	(95,868)	4,129,810	-
Line of Credit	-	1,904,615	-	1,904,615	1,904,615
DHCD	256,627	-	(13,088)	243,539	6,177
Baltimore City Comm. Dev. Fin. Corp.	121,505	-	(25,907)	95,598	22,304
	<u>\$ 49,188,810</u>	<u>\$ 4,293,609</u>	<u>\$ (3,029,863)</u>	<u>\$ 50,452,556</u>	<u>\$ 4,364,798</u>
Total Long-Term Debt					

**Bonds Payable**

In conjunction with the energy performance contract, the Authority issued \$52,190,000 in Series 2010A Federally Taxable-Build America Bonds and \$845,000 in Series 2010B Tax-Exempt Bonds on March 31, 2010. Interest rates on the Series 2010A bonds range from 3.66% to 6.5% with the final maturity on January 1, 2032. The interest rate on the 2010 Series B bonds was 1.25% and the bonds matured on July 1, 2013. The bonds were issued in connection with the acquisition of a lease for certain capital improvements to HABC properties related to energy conservation. The Build America Bond program provided subsidies from the U.S. Treasury as reflected in reduced interest rates to offset some interest costs associated with the bonds.

Future maturities of bonds payable at December 31, 2019 are as follows:

Year Ending December 31	Principal	Interest	Treasury Subsidy	Net Debt Service
2020	\$ 2,150,000	\$ 2,603,487	\$ (911,220)	\$ 3,842,267
2021	2,350,000	2,482,564	(868,897)	3,963,667
2022	2,555,000	2,348,252	(821,888)	4,081,364
2023	2,780,000	2,195,521	(768,432)	4,207,089
2024	3,125,000	2,013,307	(704,657)	4,433,650
2025-2029	18,925,000	6,776,957	(2,371,935)	23,330,022
2029-2031	9,805,000	817,704	(286,196)	10,336,508
Total	<u>\$ 41,690,000</u>	<u>\$ 19,237,792</u>	<u>\$ (6,733,225)</u>	<u>\$ 54,194,567</u>

**HOUSING AUTHORITY OF BALTIMORE CITY**  
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**NOTE 8 BONDS, NOTES, AND CAPITAL LEASE PAYABLE (CONTINUED)**

**Notes and Capital Lease Payable**

*EPC Draw Down Note*

On April 27, 2018, the Authority (Lessee) entered into Energy Performance Contract 2nd phase with TD Equipment Finance, Inc. the assignee of Grant Capital Management, Inc. (Lessor). The note is a variable interest-rate note for \$10,183,537 and has a maturity of 15 years. As of December 31, 2019, \$2,388,994 has been disbursed from the Escrow Fund. Subsequently, the Authority requested an extension to the Acquisition period. The revised lease agreement was approved October 15, 2020, with no change in the note balance or payoff terms.

*Broadway Overlook*

Effective June 24, 2002, HABC entered into a loan agreement to finance the Broadway Overlook revitalization project. The funding for this project is an interest-bearing line of credit with SunTrust Bank for \$3,000,000. On August 11, 2017, the Authority amended the loan with SunTrust Bank with the balance increasing to \$4,129,810 with a fixed annual interest rate of 2.58%. Payments shall be made commencing on August 11, 2018, based off of net cash flow arising from an HABC affiliate. A balloon payment sufficient to pay the entire outstanding indebtedness of principal, interest, and accrued interest shall be made on August 10, 2047. The balance outstanding at December 31, 2019 was \$4,391,770 of which the principal was \$4,129,810 and the accrued interest payable was \$261,960.

*Line of Credit*

BAHD has a revolving line of credit promissory note with the Harbor Bank of Maryland. The maximum stated principal amount of the note is \$3,000,000. The note bears interest annually at a variable rate of "one year LIBOR" plus 2.0% adjusted annually. Per the agreement, BAHD is to pay monthly interest payments. As of December 31, 2019, the outstanding balance of the line of credit totaled \$1,904,615.

*Montpelier*

Effective February 12, 1997, HABC entered into two loan agreements to finance the Montpelier revitalization project as follows:

The first note is a variable interest 40-year note with the Department of Housing and Community Development (DHCD) of the State of Maryland for \$399,000. Interest on the note was 0% for the construction period and 2% for the remainder of the term. Payments are to be made initially from surplus cash as defined in the agreement and then from other cash. The balance outstanding at December 31, 2019 was \$243,539.

The second note is a 20-year, 7.5% interest note with the Baltimore Community Development Financing Corporation for \$300,000. This note matures on the earlier of 20 years after the construction completion date or March 1, 2017, whichever is earlier. The balance outstanding at December 31, 2019 was \$95,598.

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**NOTE 8 BONDS, NOTES, AND CAPITAL LEASE PAYABLE (CONTINUED)**

Future maturities of notes and leases payable at December 31, 2019 are as follows:

Year Ending December 31	Principal	Interest
2020	\$ 2,214,798	\$ 426,443
2021	443,809	409,234
2022	496,974	389,335
2023	560,072	367,179
2024	542,332	315,120
2025-2029	192,992	1,266,336
2030-2034	30,885	288,838
2035-2039	30,885	13,952
2040-2044	30,885	10,864
2045-2049	4,160,695	7,775
2050-2054	30,885	4,687
2055-2059	27,344	2,673
Total	<u>\$ 8,762,556</u>	<u>\$ 3,502,436</u>

**NOTE 9 RESTRICTED NET POSITION**

Components of restricted net position by program consist of the following:

	2019
Pension Asset	\$ 11,678,104
OPEB Asset	5,060,718
Self-Insurance Fund	16,661,474
Notes Receivable	218,972,081
Investments in Joint Ventures	6,414,905
Reserves and Miscellaneous Restrictions	4,706,456
Total	<u>\$ 263,493,738</u>

**NOTE 10 CAPITAL GRANTS**

Contributed capital grants are recorded as nonoperating revenue.

Certain new construction and rehabilitation projects are being funded through contributions from the Community Development Administration (CDA) and the City. If development costs exceed the CDA-approved capital assistance, the excess will be contributed by the City. Repayment of the CDA capital assistance and payment of interest is not required unless an event of default occurs, as defined in the agreements.

As of December 31, 2019, management believes that HABC was in compliance with all applicable covenants. There are additional operating covenants which apply when the projects begin operations.

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**NOTE 11 LAND LEASE**

HABC entered into ground lease agreements with several limited partnerships that have constructed or are in the process of constructing rental home projects. The terms of the leases vary from 55 years to 99 years with an annual rent of \$1. The units must be used for public housing and are subject to public housing requirements. If at any time during the lease the public housing requirements are not met, the tenant is deemed to be in default and the lease is voided.

**NOTE 12 EMPLOYEE RETIREMENT PLANS**

**Retirement Plan**

Plan Description

The Housing Authority of Baltimore City Retirement and 457 Plan Committee (the Committee) oversees and administers the Retirement Plan for the employees of the Housing Authority of Baltimore City (the Plan) a single-employer employee retirement plan for all full-time employees. The Board of Commissioners of the Authority has the authority to modify or amend the provisions of the Plan. The Plan is a money purchase pension plan with both defined minimum benefits and defined contribution aspects. For most permanent participants, the accumulated contributions plus earnings provide a greater benefit than the minimum benefit defined under the Plan. Therefore, most eligible participants withdraw the contributions and interest to which they are entitled upon separation from HABC.

Benefits Provided

HABC changed the pension vesting schedule effective July 1, 2009. To receive HABC's contributions, employees must complete three years of continuous service to be considered fully "vested." If an employee leaves prior to completing three years of continuous service, all of HABC's contributions will be forfeited. If an employee leaves after completing three years of continuous service, the employee will receive the account balance of all of HABC's contributions. An employee 60 or older may retire with full minimum monthly defined benefits, if age plus years of service is 85 or greater. The full minimum benefit includes service the participant would have at the normal retirement date at age 65. An employee may retire with reduced monthly-defined benefits at age 55 with 10 years of service. In both situations, the accumulated contributions plus earnings can be taken as an alternative benefit. Under the Plan, the defined minimum annual benefit is 1.5% of the employee's final average compensation multiplied by years of service, for employees hired before October 26, 1991, who did not elect to withdraw their prior required contributions. For participants hired on or after October 26, 1991, or who elected to withdraw their prior required contributions, the defined minimum annual benefit is 1% of final average compensation multiplied by years of service. Final average compensation is the average base rate of pay for the five highest consecutive years of service out of the last 10 years before age 65. For the full minimum benefit, base rates of pay for years between actual retirement date and normal retirement date are assumed to be equal to base rate of pay at actual retirement date. The final average pay used to calculate the defined minimum annual benefits are frozen as of December 31, 2012. Employees who were hired on or after October 1, 2012, are not entitled to the Plan's minimum benefits.

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**NOTE 12 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Retirement Plan (Continued)**

Benefits Provided (Continued)

As of December 31, 2019 (date of most recent valuation), the retirement plan membership consisted of:

Active Participants	579
Terminated Participants Entitled to Future Benefits	124
Total	703

Funding Policy

For employees hired between July 1, 1984 and October 26, 1991, or those hired before July 1, 1984 who did not make the one-time election in 1991 to withdraw the value of the mandatory employee contribution account, HABC contributed 10% consisting of a 6% employer base contribution which is self-directed and a 4% pick up of the employee contribution which is invested in the fixed fund. For employees hired after October 26, 1991, or who were hired before July 1, 1984 and made a one-time election in 1991 to withdraw the value of the mandatory employee contribution account, HABC's policy is to contribute 6% of basic compensation: a 2% employer base contribution which is invested in the fixed fund and a 4% employer contribution which is self-directed. Employees may make voluntary post-tax contributions to the plan of 1% to 10% of pay. Total voluntary employee contributions to the Plan for the fiscal period ended December 31, 2019, were \$232,699. HABC's contributions to the plan were \$2,583,451 for the fiscal period ended December 31, 2019. For employees hired on or after October 1, 2012, HABC's policy is to contribute 3% of the employee's base pay to the Plan. The Authority will also match dollar-for-dollar any employee contributions to the Plan up to a maximum of 3% of base pay.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Committee. It is the policy of the Committee to pursue an investment strategy whose primary objectives are the generation of current income and safety and stability of principal. The Plan's policy is to hold no securities issued by the City, the state of Maryland or any other related entity. Assets held for the defined benefit portion of the Plan are invested in a pension fixed fund with the following allocations:

<u>Asset Class</u>	Target Allocation
Domestic Fixed Income	Total 100.00 %

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**NOTE 12 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Retirement Plan (Continued)**

Rate of Return

For the eighteen months ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 11.61%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset) of the Authority

The components of the net pension liability (asset) of the Plan at December 31, 2019 were as follows

Pension Benefit Liability:	
Vested	\$ 41,981,621
Nonvested	307,424
Total Pension Benefit Liability	<u>42,289,045</u>
Plan Fiduciary Net Position	<u>47,349,763</u>
Authority's Net Pension Asset	<u><u>\$ 5,060,718</u></u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.97%
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Actuarial Assumptions

The total pension asset was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 %
Salary Increases	3.0 %
Investment Rate of Return	3.5 %

Mortality rates were based on the RP-2014 Generational Mortality Table projected with Scale MP-2018 mortality improvement.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for a 5-year period.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation.

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**NOTE 12 EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Retirement Plan (Continued)**

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class as of December 31, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Nominal Return	Long-Term Expected Real Rate of Return
Fixed Income:		
Cash (Government)	2.6 %	0.3 %
Cash (LIBOR)	3.2	0.9
TIPS	3.4	1.1
Core U.S. Fixed Income (Market Duration)	3.5	1.2
Long Duration Bonds - Government/ Credit	3.7	1.4
Long Duration Bonds - Credit	4.2	1.9
Long Duration Bonds - Government	3.1	0.8
High Yield Bonds	5.0	2.6
High Yield Bonds - Fallen Angels	6.8	4.4
Bank Loans	5.8	3.4
Non-U.S. Developed Bond (0% Hedged)	2.7	0.4
Non-U.S. Developed Bond (50% Hedged)	2.9	0.6
Non-U.S. Developed Bond (100% Hedged)	3.0	0.7
Short Duration Bonds - Government	2.7	0.4
Short Duration Bonds - Credit	3.4	1.1
Intermediate Duration Bonds - Government	2.8	0.5
Intermediate Duration Bonds - Credit	3.7	1.4
Convertible Bonds	5.8	3.4
STRIPS (25 Duration)	3.0	-
Emerging Markets Bonds (Sov. USD)	5.0	2.6
Emerging Market Bonds (Corporate USD)	4.9	2.5
Emerging Market Bonds (Sov. Local)	6.4	4.0

All investments held by the pension plan were classified as Level 1 and Level 2 investments in accordance with GASB No. 72.

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**NOTE 12 EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Retirement Plan (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 3.50%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 3.50% as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage point lower (2.50%) or one-percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total Pension Liability	\$ 43,967,336	\$ 42,289,045	\$ 41,475,282
Plan Fiduciary Net Position	47,349,763	47,349,763	47,349,763
Authority's Net Pension Asset	<u>\$ (3,382,427)</u>	<u>\$ (5,060,718)</u>	<u>\$ (5,874,481)</u>

For the period ended December 31, 2019, HABC recognized pension expense of \$3,130,687.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 79,373
Changes of Assumptions	-	323,864
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	329,192	-
Total	<u>\$ 329,192</u>	<u>\$ 403,237</u>



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**NOTE 12 EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Retirement Plan (Continued)**

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**  
**(Continued)**

There are no deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in the expense as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 141,100
2021	(115,438)
2020	(371,372)
2023	136,078
2024	135,587
Thereafter	-

**Reconciliation of Net Pension Liability**

Shown below are details regarding the total pension liability, plan fiduciary net position, and net pension asset for the measurement period from June 30, 2018 to December 31, 2019.

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (c) = (a) - (b)</u>
Balance Recognized at July 1, 2018	\$ 38,770,588	\$ 44,697,642	\$ (5,927,054)
Changes Recognized for the Fiscal Year			
Service Cost	3,545,880	-	3,545,880
Interest on the Total Pension Liability	2,030,966	-	2,030,966
Changes of Benefit Terms	1,095,014	-	1,095,014
Differences Between Expected and Actual Experience	718,742	-	718,742
Changes of Assumptions and Funding Method Change	512,052	-	512,052
Contributions from the Employer	-	2,609,788	(2,609,788)
Contributions from the Employee	-	232,699	(232,699)
Net Investment Income	-	4,193,831	(4,193,831)
Benefit Payments	(4,225,529)	(4,225,529)	-
Administrative Expense	(158,668)	(158,668)	-
Net Changes	<u>3,518,457</u>	<u>2,652,121</u>	<u>866,336</u>
Balance Recognized at December 31, 2019	<u>\$ 42,289,045</u>	<u>\$ 47,349,763</u>	<u>\$ (5,060,718)</u>

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**NOTE 12 EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Deferred Compensation Plan**

HABC offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a defined contribution plan consisting entirely of employee voluntary pretax deferrals and investment income on those deferrals. The plan, available to all regular full-time Authority employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

As of December 31, 2019, the number of participants in the plan was:

Active Participants	262
Terminated Participants Entitled to Future Benefits	<u>73</u>
Total	<u><u>335</u></u>

**Death Benefits**

For eligible current employees, HABC provides a lump-sum death benefit payment. The cost of this benefit is expensed when paid and was \$25,001 as of December 31, 2019.

**NOTE 13 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The HABC OPEB Trust provides certain health care benefits including healthcare, prescription drug, dental, vision, and life insurance to qualified retired employees and their dependents. Substantially all employees who retire or are disabled directly from HABC become eligible for these benefits. The postretirement benefits plan is a cost-sharing plan that finances hospital, medical, dental, and prescription insurance for eligible retirees and their dependents. Vision insurance is currently provided to eligible retirees and their dependents at no cost to the retiree. General information regarding the plans and their benefits is described in HABC's summary plan descriptions. Plan documents govern the provisions of the benefit plans. There were 225 retirees and beneficiaries receiving benefits and 400 active plan members at May 1, 2017, the date of the latest census data used in the actuarial valuation. The census data has adjusted for employees' election to retire using HABC's Voluntary Retirement Program.

The Authority made certain changes to the other postemployment benefits policy effective July 1, 2012. The new policy does not change benefits for current retirees or active employees who met the eligibility requirements for retirement as of November 1, 2006. Active employees who were not eligible for retirement as of November 1, 2006 are eligible for OPEB benefits, but effective January 1, 2013, HABC ended contributions to annual cost increases in health and welfare benefits. In addition, the Authority discontinued the partial funding of benefits for retirees who were not eligible for retirement as of November 1, 2006, and their dependents once they obtain Medicare eligibility status. Employees hired on or after July 1, 2012, are not eligible for retiree health and welfare benefits from the Authority.

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**NOTE 13 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Contributions**

The Plan is a contributory plan in which HABC, and the retired members and beneficiaries contribute, based on actuarial valuation, certain amounts toward the current cost of healthcare benefits.

**Funding Status and Funding Progress**

As of December 31, 2019, the most recent actuarial valuation, the total OPEB liability was \$29,642,488 and the actuarial plan assets were \$41,320,592; therefore, the net OPEB asset was \$11,678,104. The actuarial valuation of the Plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts regarding the funded status of the plan and the annual required contributions (ARC) of HABC and other participating agencies are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

In fiscal year 2011, HABC established an OPEB trust agreement with The Bank of New York Mellon Trust Company, N.A. (BONY) to fund the OPEB liability.

In the fiscal period ended December 31, 2019, HABC did not contribute to the trust for payment of insurance premiums.

**Actuarial Methods and Assumptions**

The calculations of projected benefits are based on the terms of the Plan in effect at the time of valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liability and the actuarial value of assets.

Actuarial assumptions used in the actuarial valuation were:

Valuation Date	January 1, 2020
Measurement Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	3.50%
Health Care Cost Trend Rate:	
Medical/Prescription	4.70%, Decreasing to 3.90% in 2070; Decrease to 3.50% after 2075
Vision	4.0%
Dental	4.5%

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**NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions (Continued)**

The investment returns by investment class, the Plan's asset investment policy, and the plan's asset performance for fiscal year 2019, were provided by HABC. Several factors should be considered in evaluation of the long-term rate of return (expected return, net of investment expense and inflation) as developed by the investment manager for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment manager may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans, which are likely to cover a longer timeframe. The 4.00% return assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

An Investment Policy Statement (IPS) has been adopted which reflects the actuarial analysis and capital markets outlook. Per the actuarial analysis, the OPEB Trust is expected to earn a minimum required return of 2.90% over the life of the plan which would minimize the actuarially determined contribution (ADC) payments to the plan. To provide for this return and provide for variance in inflation and other variables, the targeted rate of return for the OPEB Trust is 4.00%.

To reach that targeted return, the broad asset allocation targets for the trust are as follows. Also shown are the long-term expected arithmetic return for each class.

<u>Asset Class</u>	<u>Target (%)</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5 %	2.25 %
Fixed Income	75	3.50
Equities	20	6.60

All investments held by the Plan are classified as Level 1 investments in accordance with GASB No. 72. Level 1 investments are valued based on quoted prices in active markets for identical assets.

**Discount Rate**

The GASB No. 74 and GASB No. 75 calculations assume that the members and HABC will continue to make the current contribution levels. Because this Plan is more than 100% funded, even with no future employer contributions, the Plan is expected to never become insolvent. Consequently, management determined HABC's liability using the expected rate of return on assets of 3.50% as the discount rate.

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**NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of the Net OPEB Liability (Asset) to the Discount Rate and Health Care Cost Trend Rate**

The following presents the net OPEB liability (asset) of the Authority, calculated using the discount rate of 3.50%. as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage point lower (2.50%) or one-percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 32,598,006	\$ 29,642,488	\$ 27,111,809
Plan Fiduciary Net Position	41,320,592	41,320,592	41,320,592
Authority's Net OPEB Asset	<u>\$ 8,722,586</u>	<u>\$ 11,678,104</u>	<u>\$ 14,208,783</u>

The following presents the net OPEB liability (asset) of the Authority, calculated using the health care cost trend rate of 3.50% as well as what the Authority's net OPEB liability (asset) would be if it were calculated using a health care cost trend rate that is one-percentage point lower (2.50%) or one-percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 27,339,696	\$ 29,642,488	\$ 32,272,946
Plan Fiduciary Net Position	41,320,592	41,320,592	41,320,592
Authority's Net OPEB Asset	<u>\$ 13,980,896</u>	<u>\$ 11,678,104</u>	<u>\$ 9,047,646</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the eighteen-month period ended December 31, 2019, the Authority recognized an OPEB expense of \$(2,792,392). At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,781,890
Changes of Assumptions	-	6,001,129
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	301,508	490,239
Total	<u>\$ 301,508</u>	<u>\$ 9,273,258</u>

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**NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

There are no deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan at December 31, 2019 will be recognized in the expense as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2020	\$ (1,785,578)
2021	(1,785,578)
2020	(1,845,879)
2023	(1,836,148)
2024	(1,300,810)
Thereafter	(417,757)

**Reconciliation of Net OPEB Liability**

Shown below are details regarding the total OPEB liability, plan fiduciary net position, and net OPEB asset for the measurement period from June 30, 2018 to December 31, 2019.

	<u>Total OPEB Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (c) = (a) - (b)</u>
Balance Recognized at July 1, 2018	\$ 36,054,713	\$ 41,069,878	\$ (5,015,165)
Changes Recognized for the Fiscal Year			
Service Cost	191,887	-	191,887
Interest on the Total OPEB Liability	2,057,584	-	2,057,584
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(3,330,418)	-	(3,330,418)
Change in Assumptions	(2,518,154)	-	(2,518,154)
Contributions from the Employer	-	-	-
Contributions from the Employee	-	-	-
Net Investment Income	-	3,079,665	(3,079,665)
Benefit Payments, Net of Retiree Contributions	(2,813,124)	(2,813,124)	-
Administrative Expense	-	(15,827)	15,827
	-	-	-
Net Changes	<u>(6,412,225)</u>	<u>250,714</u>	<u>(6,662,939)</u>
Balance Recognized at December 31, 2019	<u>\$ 29,642,488</u>	<u>\$ 41,320,592</u>	<u>\$ (11,678,104)</u>

**NOTE 14 INVESTMENTS IN JOINT VENTURES**

HABC's blended component units are interest holders with multiple organizations as part of various housing projects, development and construction projects, and for financing purposes. Activity of these entities is reflected in HABC's financial statements as applicable, to the extent of their ownership interest and level of activity.

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**NOTE 14 INVESTMENTS IN JOINT VENTURES (CONTINUED)**

The investment in these entities at December 31, 2019 is as follows:

Project	Investment
St. Ambrose L.P.	\$ 4,608,276
Flag House Rental I, L.P.	(1,249)
Lexington Terrace Sr. Housing	(164)
Lexington Terrace Townhomes, LP	(714)
MPV Associates L.P.	69,911
Heritage Crossing L.P.	461,149
Orchard Ridge Rental I, LLC	(672)
Orchard Ridge Rental II, LLC	(536)
Orchard Ridge Rental III, LLC	(632)
Orchard Ridge Rental IV, LLC	1,279,751
Reservoir Hill Housing LLC	(359)
Conifer Cooks Lane Associates, LLC	(236)
Homewood L.P.	380
Total	<u>\$ 6,414,905</u>

**NOTE 15 COOPERATION WITH THE CITY OF BALTIMORE**

HABC and the City mutually recognize the benefit of cooperation and coordination beyond that required by housing laws. This recognition was expressed in an Agreement for Services between HABC and the City in fiscal year 1996. The Agreement for Services provides the basis for payment for services and related materials provided by the two parties within the scope of their powers under existing laws and regulations. Either HABC or the City may provide, to the extent requested by the other, certain related services, including administration, planning, research, design, development, construction, rehabilitation, repair, property management and maintenance. All services are to be performed subject to the acceptance of the requesting party with proper authorizations under the applicable federal and local laws and regulations. These services are paid for at the same or equivalent rates as those which the performing party would charge a division of its own organization.

During the fiscal period ended December 31, 2019, HABC provided to the Department of Housing and Community Development \$9,509,394 in construction contracts, \$889,768 in administration and \$310,067 in general work.

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

As of December 31, 2019, the unexpended budgets for uncompleted construction and major capital improvement projects were \$32,584,904, of which \$5,439,738, has been committed via agreements with construction vendors.

**HOUSING AUTHORITY OF BALTIMORE CITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Operating Lease**

As of December 31, 2019, HABC had entered into a lease agreement for the rental of office space ranging from one to ten years. Rental expense under this lease for the eighteen months ended December 31, 2019, was \$2,351,161. The Authority has not renewed the lease agreement as of the report date and has been making payments on a month-to-month basis starting July 1, 2018.

**Deeds of Trust**

As part of the Heritage Crossing Homeownership program, HABC provided grants to homeowners in the form of Deeds of Trusts on all 185 homes sold. The terms of these trusts state that only during the first 10 years, if the homeowner refinances or takes a home equity loan, the proceeds from such loans must be paid to HABC. In the event that the property is sold or transferred in the first 10 years, any gains must be distributed to HABC in percentages based on the passage of time as follows: within 1-5 years - 90%; 6 years - 80%; 7-9 years - 20%, plus 20% per additional year.

**Grants**

HABC receives significant financial assistance from numerous federal, state and city governmental agencies in the form of grants and subsidies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become HABC's liabilities.

HABC believes any such disallowed claims will not have a material effect on the financial statements as of December 31, 2019.

HABC is subject to numerous laws and regulations. HUD, as well as other internal and external auditors, is currently conducting inquiries and/or investigations regarding the compliance by HABC and its programs with such laws and regulations. Management believes that there may be findings that result from these inquiries and/or investigations; however, the significance of such findings on HABC cannot presently be determined.

**Litigation**

HABC is involved in multiple ongoing lawsuits as of December 31, 2019. These include injury claims, workers' compensation claims, and personnel matters. The Authority intends to vigorously defend itself in all litigation, and several of these claims are covered by insurance. HABC is involved in claims where the claim amount exceeds the cap set by the Maryland Local Government Tort Claims Act. This cap is currently set at \$800,000 per occurrence. Claim liabilities are reported when it is probable that a loss has occurred, and the amount of loss can be reasonably estimated. At December 31, 2019, there were no accruals for these contingent liabilities in the financial statements.



**HOUSING AUTHORITY OF BALTIMORE CITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Litigation (Continued)**

HABC has been named in multiple complex tort litigation claims related to lead paint poisoning. From October 2011 through June 2017, HABC has paid approximately \$14.3 million, with HUD approval, to satisfy 27 judgments due to lead-based paint injuries. During 2017, a court ruling on these lead paint cases resulted in a reduction in the number of cases and potential claim amounts. The Authority is assessing the impact of this ruling in their defense of these claims.

During 2015, due to the complexity and extent of the lead paint cases with which HABC is involved, HABC continued to seek HUD approval to establish a separate fund from which to pay any claims, judgments, and the related legal expenses. HUD approved this request and HABC established a reserve of \$20,000,000 as of June 30, 2015. As a condition for agreeing to the reserve for this purpose, HUD requires, among other things, that HABC continue to follow HUD guidance with respect to litigation, which includes obtaining approval from HUD to pay claims, judgments, or related legal expenses from the reserve fund. There were disbursements of \$124,621 and \$477,921 made from this fund during fiscal years 2019 and 2018, respectively.

Also, during 2017, in another lawsuit in which HABC was named a defendant, HABC paid \$7,100,000 from non-federal funds to settle the class action lawsuit.

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 17 BLENDED COMPONENT UNITS**

The condensed statements of net position of the blended component units are as follows as of December 31, 2019:

	Resident Services, Inc.	Baltimore Affordable Housing Development, Inc.	HABC Montpelier Housing Corporation	Other Entities	Total Blended Component Units	Primary Government	Eliminations	Total
<b>Assets</b>								
Current Assets	\$ 604,128	\$ 42,151,735	\$ 6,478	\$ -	\$ 42,762,341	\$ 99,889,367	\$ -	\$ 142,651,708
Interprogram	-	740,233	-	-	740,233	31,101,743	(31,841,976)	-
Noncurrent Assets	-	206,141,980	143,367	6,414,905	212,700,252	49,942,659	-	262,642,911
Capital Assets	-	10,514,210	812,916	-	11,327,126	313,169,800	-	324,496,926
Deferred Outflows of Resources	-	-	-	-	-	630,700	-	630,700
Total Assets and Deferred Outflows of Resources	<u>\$ 604,128</u>	<u>\$ 259,548,158</u>	<u>\$ 962,761</u>	<u>\$ 6,414,905</u>	<u>\$ 267,529,952</u>	<u>\$ 494,734,269</u>	<u>\$ (31,841,976)</u>	<u>\$ 730,422,245</u>
<b>Liabilities</b>								
Current Liabilities	\$ 104,757	\$ 2,181,116	\$ 189,745	\$ -	\$ 2,475,618	\$ 18,906,216	\$ -	\$ 21,381,834
Interprogram	325,353	-	-	-	325,353	31,516,623	(31,841,976)	-
Noncurrent Liabilities	-	1,290,696	252,499	-	1,543,195	47,881,722	-	49,424,917
Deferred Inflows of Resources	-	-	-	-	-	9,676,495	-	9,676,495
Total Liabilities	<u>430,110</u>	<u>3,471,812</u>	<u>442,244</u>	<u>-</u>	<u>4,344,166</u>	<u>107,981,056</u>	<u>(31,841,976)</u>	<u>80,483,246</u>
<b>Net Position</b>								
Net Investment in Capital Assets	-	10,514,210	473,779	-	10,987,989	269,090,806	-	280,078,795
Restricted Net Position	-	212,823,315	-	-	212,823,315	50,670,423	-	263,493,738
Unrestricted Net Position	174,018	32,738,821	46,738	6,414,905	39,374,482	66,991,984	-	106,366,466
Total Net Position	<u>174,018</u>	<u>256,076,346</u>	<u>520,517</u>	<u>6,414,905</u>	<u>263,185,786</u>	<u>386,753,213</u>	<u>-</u>	<u>649,938,999</u>

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 17 BLENDED COMPONENT UNITS (CONTINUED)**

The condensed statements of revenues, expenses and changes in net position of the blended component units are as follows for the period ended December 31, 2019:

	Resident Services, Inc.	Baltimore Affordable Housing Development, Inc.	HABC Montpelier Housing Corporation	Other Entities	Total Blended Component Units	Primary Government	Eliminations	Total
<b>Operating Revenues</b>								
Dwelling Rental	\$ -	\$ -	\$ 455,844	\$ -	\$ 455,844	\$ 33,061,589	\$ -	\$ 33,517,433
Nondwelling Rental	-	-	-	-	-	237,816	-	237,816
Grants and Contracts	625,218	-	93,797	-	719,015	464,501,551	-	465,220,566
Other	625,440	75,451,898	574	-	76,077,912	12,006,055	-	88,083,967
Total Operating Revenues	<u>1,250,658</u>	<u>75,451,898</u>	<u>550,215</u>	<u>-</u>	<u>77,252,771</u>	<u>509,807,011</u>	<u>-</u>	<u>587,059,782</u>
<b>Operating Expenses</b>								
Administration	81,994	279,936	131,193	-	493,123	61,915,768	-	62,408,891
Tenant Services	1,069,586	66,164	-	-	1,135,750	6,475,240	-	7,610,990
Utilities	35,285	127,147	99,526	-	261,958	24,357,310	-	24,619,268
Maintenance	27,389	164,672	199,594	-	391,655	61,267,655	-	61,659,310
Depreciation	-	-	142,407	-	142,407	22,804,227	-	22,946,634
Housing Assistance Payments	-	-	-	-	-	323,267,192	-	323,267,192
General and Other	5,386	1,022,600	137,719	-	1,165,705	27,266,293	-	28,431,998
Total Operating Expenses	<u>1,219,640</u>	<u>1,660,519</u>	<u>710,439</u>	<u>-</u>	<u>3,590,598</u>	<u>527,353,685</u>	<u>-</u>	<u>530,944,283</u>
<b>Operating Income (Loss)</b>	31,018	73,791,379	(160,224)	-	73,662,173	(17,546,674)	-	56,115,499
<b>Nonoperating Revenues (Expenses)</b>								
Extraordinary Maintenance	-	-	(35,709)	-	(35,709)	(1,194,339)	-	(1,230,048)
Investment Income	1,106	99,170	-	-	100,276	1,894,820	-	1,995,096
Capital Grants	-	-	-	-	-	38,694,098	-	38,694,098
Transfer of Land	-	4,879,434	-	-	4,879,434	(4,879,434)	-	-
Gain (loss) on disposal of asst	-	905,868	-	-	905,868	(30,487,879)	-	(29,582,011)
Operating Transfers, Net	-	12,031,389	-	-	12,031,389	(12,031,389)	-	-
Total Nonoperating Revenues (Expenses)	<u>1,106</u>	<u>17,915,861</u>	<u>(35,709)</u>	<u>-</u>	<u>17,881,258</u>	<u>(8,004,123)</u>	<u>-</u>	<u>9,877,135</u>
<b>Increase (Decrease) in Net Position</b>	32,124	91,707,240	(195,933)	-	91,543,431	(25,550,797)	-	65,992,634
Net Position - Beginning of Year, As Restated	<u>141,894</u>	<u>164,369,106</u>	<u>716,450</u>	<u>6,414,905</u>	<u>171,642,355</u>	<u>412,304,010</u>	<u>-</u>	<u>583,946,365</u>
<b>Net Position - End of Year</b>	<u>\$ 174,018</u>	<u>\$ 256,076,346</u>	<u>\$ 520,517</u>	<u>\$ 6,414,905</u>	<u>\$ 263,185,786</u>	<u>\$ 386,753,213</u>	<u>\$ -</u>	<u>\$ 649,938,999</u>

**HOUSING AUTHORITY OF BALTIMORE CITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 17 BLENDED COMPONENT UNITS (CONTINUED)**

The statements of cash flows of the blended component units are as follows for the period ended December 31, 2019:

	Resident Services, Inc.	Baltimore Affordable Housing Development, Inc.	HABC Montpelier Housing Corporation	Other Entities	Total Blended Component Units	Primary Government	Eliminations	Total
<b>Net Cash Provided (Used) by</b>								
Operating Activities	\$ (35,505)	\$ 81,806,322	\$ (22,346)	\$ -	\$ 81,748,471	\$ (16,684,835)	\$ -	\$ 65,063,636
Capital and Related Financing Activities	-	(782,925)	(36,192)	-	(819,117)	16,650,839	-	15,831,722
Investing Activities	-	(67,017,935)	-	-	(67,017,935)	35,315,548	-	(31,702,387)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(35,505)	14,005,462	(58,538)	-	13,911,419	35,281,552	-	49,192,971
Cash and Cash Equivalents - Beginning of Year	263,877	7,276,155	202,062	-	7,742,094	15,220,311	-	36,608,920
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 228,372</u>	<u>\$ 21,281,617</u>	<u>\$ 143,524</u>	<u>\$ -</u>	<u>\$ 21,653,513</u>	<u>\$ 50,501,863</u>	<u>\$ -</u>	<u>\$ 85,801,891</u>

**HOUSING AUTHORITY OF BALTIMORE CITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 18 DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION**

	BAHD	RSI	Flag House Rental I, LP	Flag House Rental II, LP	MPV Associates LP	Homewood LP	Reservoir Hill Housing, LLC	Sharp-Leadenhall Rental No. 1, LP	St. Ambrose LP	Lexington Terrace Townhomes, LP	Conifer Cooks Lane Associates, LLC	Total
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ -	\$ -	\$ 208,787	\$ 156,965	\$ 192,928	\$ 214,557	\$ 3,375	\$ 2,894	\$ 112,218	\$ 12,250	\$ 111,046	\$ 1,015,020
Cash and Cash Equivalents - Restricted	-	-	390,351	263,559	934,563	1,419,784	523,693	599,345	155,675	2,069,048	284,459	6,640,477
Tenant Security Deposits	-	-	46,112	26,187	105,588	4,060	10,072	7,749	2,329	11,461	40,002	253,560
Accounts Receivables	-	-	18,946	19,618	52,049	28,246	28,318	4,378	28,238	130,332	24,860	334,985
Other Assets	-	-	32,486	15,126	122,337	50,027	30,269	-	75	90,652	4,930	345,902
Capital Assets, Net	-	-	9,058,720	5,725,252	4,872,096	13,288,708	7,682,912	3,961,346	3,205,305	9,921,473	3,732,121	61,447,933
Non-Current Assets	-	-	50,752	66,847	-	18,904	83,563	17,621	-	-	93,326	331,013
Total Assets	\$ -	\$ -	\$ 9,806,154	\$ 6,273,554	\$ 6,279,561	\$ 15,024,286	\$ 8,362,202	\$ 4,593,333	\$ 3,503,840	\$ 12,235,216	\$ 4,290,744	\$ 70,368,890
<b>LIABILITIES AND NET POSITION</b>												
<b>LIABILITIES</b>												
Current Liabilities	\$ -	\$ -	\$ 2,277,276	\$ 1,608,736	\$ 1,878,544	\$ 459,208	\$ 3,414,753	\$ 1,550,229	\$ 211,388	\$ 1,370,339	\$ 1,150,393	\$ 13,920,866
Long-Term Liabilities	-	-	-	-	159,636	2,892,048	271,478	-	-	73,968	349,588	3,746,718
Long-Term Debt	-	-	10,235,156	5,313,987	8,459,554	13,809,561	7,024,140	1,699,030	-	15,746,441	4,836,522	67,124,391
<b>NET POSITION</b>												
Net Investment in Capital Assets	-	-	(1,176,436)	411,265	(3,587,458)	(520,853)	658,772	2,262,316	3,205,305	(5,824,968)	(1,104,401)	(5,676,458)
Restricted	-	-	2,022	3,597	3,561	510	-	307	234	1,015	-	11,246
Funds Held in Trust	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted (Deficit)	-	-	(1,531,864)	(1,064,031)	(634,276)	(1,616,188)	(3,006,941)	(918,549)	86,913	868,421	(941,358)	(8,757,873)
Total Liabilities and Net Position	\$ -	\$ -	\$ 9,806,154	\$ 6,273,554	\$ 6,279,561	\$ 15,024,286	\$ 8,362,202	\$ 4,593,333	\$ 3,503,840	\$ 12,235,216	\$ 4,290,744	\$ 70,368,890
Operating Revenues	\$ -	\$ -	\$ 2,078,443	\$ 1,119,357	\$ 3,391,679	\$ 1,702,599	\$ 957,133	\$ 473,617	\$ 433,802	\$ 3,211,145	\$ 2,008,791	\$ 15,376,566
Operating Expenses	-	-	(3,114,132)	(1,559,271)	(3,312,325)	(2,022,773)	(2,052,748)	(813,556)	(893,609)	(3,898,295)	(1,872,101)	(19,538,810)
Operating Income (Loss)	-	-	(1,035,689)	(439,914)	79,354	(320,174)	(1,095,615)	(339,939)	(459,807)	(687,150)	136,690	(4,162,244)
Nonoperating Revenues	-	-	4,482	2,460	27,550	3,738	11,117	3,190	-	4,692	168	57,397
Nonoperating Expenses	-	-	(282,071)	(228,582)	(344,096)	(182,988)	(552,753)	(275,459)	(17)	(82,030)	(419,884)	(2,367,880)
Loss Before Capital Contributions	-	-	(277,589)	(226,122)	(316,546)	(179,250)	(541,636)	(272,269)	(17)	(77,338)	(419,716)	(2,310,483)
Capital Contributions/Distributions	-	-	-	-	-	-	-	-	-	-	-	-
Change in Net Position	-	-	(1,313,278)	(666,036)	(237,192)	(499,424)	(1,637,251)	(612,208)	(459,824)	(764,488)	(283,026)	(6,472,727)
Prior Period Adjustment / Equity Transfer	(164,369,106)	(141,894)	(1,393,000)	16,867	(3,980,981)	(1,637,107)	(710,918)	1,956,282	3,752,276	(4,191,044)	(1,762,733)	(172,461,358)
Beginning Net Position	164,369,106	141,894	-	-	-	-	-	-	-	-	-	164,511,000
Ending Net Position	\$ -	\$ -	\$ (2,706,278)	\$ (649,169)	\$ (4,218,173)	\$ (2,136,531)	\$ (2,348,169)	\$ 1,344,074	\$ 3,292,452	\$ (4,955,532)	\$ (2,045,759)	\$ (14,423,085)

**HOUSING AUTHORITY OF BALTIMORE CITY  
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**NOTE 18 DISCRETELY PRESENTED COMPONENT UNITS CONDENSED FINANCIAL INFORMATION (CONTINUED)**

**Summarized Capital Assets – Discretely Presented Component Units**

Land, structures and equipment activity of the discretely presented component units was as follows for the year ended December 31, 2019.

	As Restated 1/1/18	Additions and Transfers In	Disposals and Transfers Out	Balance 12/31/19
Land	\$ 11,941,206	\$ 3,207,213	\$ (11,941,206)	\$ 3,207,213
Construction in Progress	79,805	-	(79,805)	-
Total Capital Assets not Being Depreciated	12,021,011	3,207,213	(12,021,011)	3,207,213
Buildings and Improvements	-	100,850,048	(391,383)	100,458,665
Equipment	-	1,816,234	(76,800)	1,739,434
Total	-	102,666,282	(468,183)	102,198,099
Less: Accumulated Depreciation	-	(44,425,562)	468,183	(43,957,379)
Total Capital Assets Being Depreciated	-	58,240,720	-	58,240,720
Total Capital Assets, Net	\$ 12,021,011	\$ 61,447,933	\$ (12,021,011)	\$ 61,447,933

**Summarized Notes Payable – Discretely Presented Component Units**

Notes payable of the discretely presented component units was as follows for the year ended December 31, 2019.

Notes Payable - General Partner	\$ 30,770,182
Mortgages and Other Housing Related Notes	36,354,209
Total	67,124,391
Less: Current Portion	227,156
Noncurrent Portion	\$ 66,897,235

A summary of activity in the discretely presented component units notes payable is as follows:

Balance January 1, 2018	Increase	Decrease	Balance December 31, 2019
\$ -	\$ 67,525,774	\$ (401,383)	\$ 67,124,391

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 19 SUBSEQUENT EVENTS**

The Authority has evaluated events and transactions for potential recognition or disclosure through May 17, 2021, which is the date these financial statements were available to be issued. Management has determined that there were no material subsequent events that required additional disclosure in these financial statements except the following:

**Rental Assistance Demonstration (RAD)**

HABC participates in HUD's RAD program, whereby HABC has converted 23 public housing sites comprising of 3,694 units to a form of project-based assistance under Section 8 of the Housing Act of 1937. This program is taking place in four phases and includes the transfer of ownership of these sites to private developers.

HABC was awarded 2 additional phases of RAD Assistance (Phase III & Phase IV). Phase III consists of 1,434 units which includes the Perkins Development. The Perkins Development was also awarded a \$30M Choice Neighborhood Transformation grant and is currently under construction. The 629 Public Housing units in this development will be transformed into a mixed-income community that will provide 1,346 brand new units. RAD Phase IV consists of an additional 69 units. There are no current development projects scheduled in Phase IV during FY 2020.

Proceeds of the settlements are recognized by BAHD, a blended component unit of HABC. Notes receivable and the transfer of property from HABC to BAHD are reflected in these financial statements for the fiscal year ended December 31, 2019.

Settlements on the remaining sites are expected to take place throughout calendar year 2020 and beyond.

**COVID-19**

Like the rest of the world, the Authority continues to deal with the effects of COVID-19. This pandemic has resulted in some slowed operations and continues to affect decision making and cost of operations. We do not know when this will cease having an impact on operations, but we also do not anticipate it to have an outsized impact on operations or the cost thereof.

**REQUIRED SUPPLEMENTARY INFORMATION**



**HOUSING AUTHORITY OF BALTIMORE CITY**  
**SCHEDULE OF CHANGES IN AUTHORITY'S NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS – LAST TEN FISCAL YEARS\***  
**FISCAL YEAR ENDED DECEMBER 31**

	2019	2018	2017	2016	2015
Total Pension Liability:					
Service Cost	\$ 3,545,880	\$ 2,079,795	\$ 2,249,744	\$ 2,049,469	\$ 2,575,434
Interest	2,030,966	1,421,084	1,476,964	1,599,577	2,184,074
Change of Benefit Terms	1,095,014	-	-	-	-
Differences Between Expected and Actual Experience	718,742	89,517	203,065	(558,075)	(2,216,247)
Change in Assumptions	512,052	1,329,253	-	201,281	106,862
Benefit Payment, Including Refunds of Member Contributions	(4,225,529)	(5,749,027)	(4,563,706)	(3,082,053)	(17,105,436)
Funding Method Change	-	-	-	-	(584,369)
Administrative Expense	(158,668)	(170,555)	(187,160)	(192,008)	(211,552)
Net Change in Total Pension Liability	3,518,457	(999,933)	(821,093)	18,191	(15,251,234)
Total Pension Liability - Beginning	38,770,588	39,770,521	40,591,614	40,573,423	55,824,657
Total Pension Liability - Ending (a)	<u>\$ 42,289,045</u>	<u>\$ 38,770,588</u>	<u>\$ 39,770,521</u>	<u>\$ 40,591,614</u>	<u>\$ 40,573,423</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 2,609,788	\$ 1,865,994	\$ 2,016,923	\$ 1,841,167	\$ 2,380,204
Contributions - Member	232,699	159,754	167,113	164,157	195,231
Net Investment Income (Loss)	4,193,831	2,211,827	2,305,930	(14,312)	636,086
Benefit Payments, Including Refunds of Member Contributions	(4,225,529)	(5,749,027)	(4,563,706)	(3,082,053)	(17,105,436)
Administrative Expense	(158,668)	(170,555)	(187,160)	(192,008)	(211,552)
Net Change in Plan Fiduciary Net Position	2,652,121	(1,682,007)	(260,900)	(1,283,049)	(14,105,467)
Plan Fiduciary Net Position - Beginning	44,697,642	46,379,649	46,640,549	47,923,598	62,029,065
Plan Fiduciary Net Position - Ending (b)	<u>\$ 47,349,763</u>	<u>\$ 44,697,642</u>	<u>\$ 46,379,649</u>	<u>\$ 46,640,549</u>	<u>\$ 47,923,598</u>
Authority's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ (5,060,718)</u>	<u>\$ (5,927,054)</u>	<u>\$ (6,609,128)</u>	<u>\$ (6,048,935)</u>	<u>\$ (7,350,175)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.97%	115.29%	116.62%	114.90%	118.12%
Covered Payroll	\$ 32,553,497	\$ 30,404,449	\$ 29,370,914	\$ 29,250,296	\$ 28,206,704
Authority's Net Position Liability (Asset) as a Percentage of Covered Payroll	-15.55%	-19.49%	-22.50%	-20.68%	-26.06%

\* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information was presented for the years for which information is available.

**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF AUTHORITY'S PENSION CONTRIBUTIONS  
LAST TEN FISCAL YEARS\*  
FISCAL YEAR ENDED DECEMBER 31**

	2019	2018	2017	2016	2015	2014
Actuarially Determined Contributions	\$ 2,609,788	\$ 1,865,994	\$ 2,016,923	\$ 1,841,167	\$ 2,184,973	\$ 2,353,399
Contributions in Relation to Actuarially Determined Contributions	<u>2,609,788</u>	<u>1,865,994</u>	<u>2,016,923</u>	<u>1,841,167</u>	<u>2,184,973</u>	<u>2,353,399</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 32,553,497	\$ 30,404,449	\$ 29,370,914	\$ 29,250,296	\$ 28,206,704	\$ 35,041,919
Contributions as a Percentage of Covered Payroll	8.02%	6.14%	6.87%	6.29%	7.75%	6.72%

\* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information was presented for the years for which information is available.

Notes to Schedule

Valuation Date	December 31, 2019
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value of Assets
Salary Increases:	3.0%, Based on Experience Study Performed for the July 1, 2014 Valuation
Investment Rate of Return:	3.50%, Net of Pension Plan Investment Expense, Including Inflation in the 2018 Actuarial Valuation, Expected Retirement Ages of General Plan Members were Based on an Experience Study Performed for the July 1, 2014 Valuation
Mortality:	RP-2014 Generational Mortality Table Projected from the 2006 Base Tables with Scale MP-2017

**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF CHANGES IN AUTHORITY'S NET OPEB LIABILITY (ASSET)  
AND RELATED RATIOS – LAST TEN FISCAL YEARS \*  
FISCAL YEAR ENDED DECEMBER 31**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service Cost	\$ 191,887	\$ 150,360
Interest	2,057,584	1,055,896
Differences Between Expected and Actual Experience	(3,330,418)	(256,873)
Change in Assumptions	(2,518,154)	(6,257,346)
Benefit Payments, Including Refunds of Member Contributions	<u>(2,813,124)</u>	<u>(2,003,263)</u>
Net Change in Total OPEB Liability	(6,412,225)	(7,311,226)
Total OPEB Liability - Beginning	<u>36,054,713</u>	<u>43,365,939</u>
Total OPEB Liability - Ending (a)	<u>\$ 29,642,488</u>	<u>\$ 36,054,713</u>
Plan Fiduciary Net Position:		
Contributions - Employer	\$ -	\$ -
Net Investment Income	3,079,665	438,120
Benefit Payments, Including Refunds of Member Contributions	(2,813,124)	(2,003,263)
Administrative Expense	<u>(15,827)</u>	<u>(24,149)</u>
Net Change in Plan Fiduciary Net Position	250,714	(1,589,292)
Plan Fiduciary Net Position - Beginning	<u>41,069,878</u>	<u>42,659,170</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 41,320,592</u>	<u>\$ 41,069,878</u>
Authority's Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (11,678,104)</u>	<u>\$ (5,015,165)</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	139.40%	113.91%
Covered Employee Payroll	N/A	N/A
Authority's Net Position Liability (Asset) as a Percentage of Covered Employee Payroll	N/A	N/A
Expected Average Remaining Service Years of All Participants	7	7

\* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information was presented for the years for which information is available.

***Changes of Assumptions:***

-The discount rate changed from 3.5% as of June 30, 2018, to 4.0% as of December 31, 2019

-The medical trend was updated to the 2020 SOA model and the mortality assumption was updated

**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF AUTHORITY'S NET OPEB CONTRIBUTIONS  
LAST TEN FISCAL YEARS \*  
FISCAL YEAR ENDED DECEMBER 31**

	<u>2019</u>	<u>2018</u>
Actuarially Determined Contributions	\$ -	\$ -
Contributions in Relation to Actuarially Determined Contributions	<u>-</u>	<u>-</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled Information was presented for the years for which information is available.

**SUPPLEMENTARY INFORMATION**

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE BALANCE SHEET  
DECEMBER 31, 2019**

Line Item #	Accounts Description	Moving to Work Program					Total MTW Programs	Section 8 N/C S/R 14.182	State and Local
		Moving to Work Demonstration Program 14.881	HCV for MTW 14 HCV	LIPH for MTW 14.OPS	CFP for MTW 14.CFP	AMPS 14.850/872			
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash:									
111	Unrestricted	\$ 50,795,873	\$ -	\$ -	\$ -	\$ 141,109	\$ 50,936,982	\$ -	\$ -
113	Other restricted	346,702	-	-	-	1,949,112	2,295,814	-	-
114	Tenant security deposits	-	-	-	-	277,935	277,935	-	-
115	Cash - restricted for payment of current liability	-	-	-	-	239,476	239,476	-	-
	Total cash	51,142,575	-	-	-	2,607,632	53,750,207	-	-
Accounts and notes receivable:									
121	Accounts receivable- PHA	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD	1,366,629	-	-	-	1,472,081	2,838,710	174,446	-
124	Accounts receivable - other government	3,021,394	-	-	-	180,526	3,201,920	-	-
125	Accounts receivable - miscellaneous	3,337,452	-	-	-	1,643,695	4,981,147	-	1,364,499
126	Accounts receivable - tenants rents	-	-	-	-	2,846,947	2,846,947	-	-
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	(1,283,905)	(1,283,905)	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-	-
	Total receivables, net	7,725,475	-	-	-	4,859,344	12,584,819	174,446	1,364,499
131	Investments - Unrestricted	7,726,186	-	-	-	20,500,000	28,226,186	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	2,140,517	-	-	-	-	2,140,517	-	24,101
143	Inventories	416,483	-	-	-	-	416,483	-	-
144	Interprogram due from	6,016,982	-	-	-	19,965,545	25,982,527	-	274,599
145	Assets Held for Sale	-	-	-	-	-	-	-	-
	Total current assets	75,168,218	-	-	-	47,932,521	123,100,739	174,446	1,663,199
<b>NONCURRENT ASSETS</b>									
Capital assets:									
161	Land	-	-	-	-	36,621,171	36,621,171	-	-
162	Buildings	3,562,200	-	-	-	684,746,420	688,308,620	-	-
163	Furniture and equipment - Dwellings	-	-	-	-	-	-	-	-
164	Furniture and equipment - Administration	4,645,228	-	-	-	3,742,082	8,387,310	-	60,642
165	Leasehold Improvements	1,362,601	-	-	-	-	1,362,601	-	-
167	Work in process	2,385,431	-	-	-	12,518,810	14,904,241	-	-
166	Accumulated depreciation	(5,562,803)	-	-	-	(438,714,468)	(444,277,271)	-	-
	Total capital assets, net	6,392,657	-	-	-	298,914,015	305,306,672	-	60,642
174	Other assets	16,738,822	-	-	-	-	16,738,822	-	-
176	Investments in Joint Ventures	-	-	-	-	-	-	-	-
171	Notes receivable - noncurrent	-	-	-	-	8,497,157	8,497,157	-	-
	Total noncurrent assets	23,131,479	-	-	-	307,411,172	330,542,651	-	60,642
200	Deferred Outflow of Resources	630,700	-	-	-	-	630,700	-	-
	Total Assets	\$ 98,930,397	\$ -	\$ -	\$ -	\$ 355,343,693	\$ 454,274,090	\$ 174,446	\$ 1,723,841

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE BALANCE SHEET  
DECEMBER 31, 2019**

Line Item #	Accounts Description	ROSS 14.870	Business Activities	Housing Choice Vouchers 14.871	Single Room Occupancy 14.249	Section 8 Moderate Rehabilitation 14.856	Self Insurance Fund	Jobs Plus Pilot Initiative 14.895
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash:								
111	Unrestricted	\$ -	\$ 431,064	\$ -	\$ -	\$ -	\$ -	\$ -
113	Other restricted	-	2,048,103	-	-	-	7,815,762	-
114	Tenant security deposits	-	103,242	-	-	-	-	-
115	Cash - restricted for payment of current liability	-	-	-	-	-	-	-
	Total cash	-	2,582,409	-	-	-	7,815,762	-
Accounts and notes receivable:								
121	Accounts receivable - PHA	-	-	-	-	-	-	-
122	Accounts receivable - HUD	120,186	-	-	560	-	-	88,249
124	Accounts receivable - other government	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	147,626	424	-	-	39,107	2,150
126	Accounts receivable - tenants rents	-	27,700	-	-	-	-	-
126.1	Allowance for doubtful accounts - tenants	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-
	Total receivables, net	120,186	175,326	424	560	-	39,107	90,399
131	Investments - Unrestricted	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	9,033,549	-
142	Prepaid expenses and other assets	20,084	469,785	-	-	-	-	-
143	Inventories	-	-	-	-	-	-	-
144	Interprogram due from	-	3,062,492	761,281	320,223	450,621	-	-
145	Assets Held for Sale	-	-	-	-	-	-	-
	Total current assets	140,270	6,290,012	761,705	320,783	450,621	16,888,418	90,399
<b>NONCURRENT ASSETS</b>								
Capital assets:								
161	Land	-	2,123,497	-	-	-	-	-
162	Buildings	-	13,654,687	-	-	-	-	-
163	Furniture and equipment - Dwellings	-	-	-	-	-	-	-
164	Furniture and equipment - Administration	-	1,085,586	-	-	-	-	-
165	Leasehold Improvements	-	-	-	-	-	-	-
167	Work in process	-	4,047,251	-	-	-	-	-
166	Accumulated depreciation	-	(13,623,535)	-	-	-	-	-
	Total capital assets, net	-	7,287,486	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-
176	Investments in Joint Ventures	-	-	-	-	-	-	-
171	Notes receivable - noncurrent	-	4,189,577	-	-	-	-	-
	Total noncurrent assets	-	11,477,063	-	-	-	-	-
200	Deferred Outflow of Resources	-	-	-	-	-	-	-
	Total Assets	\$ 140,270	\$ 17,767,075	\$ 761,705	\$ 320,783	\$ 450,621	\$ 16,888,418	\$ 90,399

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE BALANCE SHEET  
DECEMBER 31, 2019**

Accounts Description	HOPE VI 14,866	CDBG 14,218	Blended Component Units	Elimination	Total Business Type Activities	Discrete Component Units	Pension	OPEB	Fiduciary Funds Total
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash:									
Unrestricted	\$ -	\$ -	\$ 21,509,736	\$ -	\$ 72,877,782	\$ 1,015,020	\$ -	\$ -	\$ -
Other restricted	-	-	123,063	-	12,282,742	6,640,477	-	-	-
Tenant security deposits	-	-	20,714	-	401,891	253,560	-	-	-
Cash - restricted for payment of current liability	-	-	-	-	239,476	-	-	-	-
Total cash	-	-	21,653,513	-	85,801,891	7,909,057	-	-	-
Accounts and notes receivable:									
Accounts receivable- PHA	-	-	-	-	-	41,154	-	-	-
Accounts receivable - HUD	1,376,455	-	314,107	-	4,912,713	1,136	-	-	-
Accounts receivable - other government	-	-	-	-	3,201,920	-	-	-	-
Accounts receivable - miscellaneous	-	-	1,384,993	-	7,919,946	-	-	47,824	47,824
Accounts receivable - tenants rents	-	-	6,321	-	2,880,968	292,553	-	-	-
Allowance for doubtful accounts - tenants	-	-	-	-	(1,283,905)	-	-	-	-
Accrued interest receivable	-	-	-	-	-	142	-	-	-
Total receivables, net	1,376,455	-	1,705,421	-	17,631,642	334,985	-	47,824	47,824
Investments - Unrestricted	-	-	-	-	28,226,186	17,616	-	-	-
Investments - restricted	-	-	-	-	9,033,549	-	47,349,763	44,246,347	91,596,110
Prepaid expenses and other assets	1,166	-	-	-	2,655,653	328,286	-	-	-
Inventories	-	-	-	-	416,483	-	-	-	-
Interprogram due from	-	250,000	740,233	(31,841,976)	-	-	-	-	-
Assets Held for Sale	-	-	19,403,407	-	19,403,407	-	-	-	-
Total current assets	1,377,621	250,000	43,502,574	(31,841,976)	163,168,811	8,589,944	47,349,763	44,294,171	91,643,934
<b>NONCURRENT ASSETS</b>									
Capital assets:									
Land	-	-	9,708,026	-	48,452,694	3,207,213	-	-	-
Buildings	-	-	3,802,331	-	705,765,638	97,419,571	-	-	-
Furniture and equipment - Dwellings	-	-	-	-	-	1,558,767	-	-	-
Furniture and equipment - Administration	-	-	406	-	9,533,944	898,616	-	-	-
Leasehold Improvements	-	-	-	-	1,362,601	397,466	-	-	-
Work in process	515,000	-	862,728	-	20,329,220	-	-	-	-
Accumulated depreciation	-	-	(3,046,365)	-	(460,947,171)	(42,033,700)	-	-	-
Total capital assets, net	515,000	-	11,327,126	-	324,496,926	61,447,933	-	-	-
Other assets	-	-	-	-	16,738,822	331,013	-	-	-
Investments in Joint Ventures	-	-	6,414,905	-	6,414,905	-	-	-	-
Notes receivable - noncurrent	-	-	206,285,347	-	218,972,081	-	-	-	-
Total noncurrent assets	515,000	-	224,027,378	-	566,622,734	61,778,946	-	-	-
Deferred Outflow of Resources	-	-	-	-	630,700	-	-	-	-
Total Assets	<u>\$ 1,892,621</u>	<u>\$ 250,000</u>	<u>\$ 267,529,952</u>	<u>\$ (31,841,976)</u>	<u>\$ 730,422,245</u>	<u>\$ 70,368,890</u>	<u>\$ 47,349,763</u>	<u>\$ 44,294,171</u>	<u>\$ 91,643,934</u>



**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE BALANCE SHEET  
DECEMBER 31, 2019**

Line Item #	Accounts Description	Moving to Work Program					Total MTW Programs	Section 8 N/C S/R 14.182	State and Local
		Moving to Work Demonstration Program 14.881	HCV for MTW 14 HCV	LIPH for MTW 14 OPS	CFP for MTW 14 CFP	AMPS 14.850/872			
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
312	Accounts payable < 90 days	\$ 1,299,992	\$ -	\$ -	\$ -	\$ -	\$ 1,299,992	\$ -	\$ 15,560
321	Accrued salaries/payroll withholding	1,854,180	-	-	-	-	1,854,180	-	-
322	Accrued compensated absences	527,475	-	-	-	440,054	967,529	-	-
325	Accrued interest payable	-	-	-	-	261,960	261,960	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-	-	-	-
332	Account Payable - PHA Projects	-	-	-	-	8,694	8,694	-	-
333	Accounts payable - other gov.	-	-	-	-	634,830	634,830	-	-
341	Tenant security deposits	-	-	-	-	277,935	277,935	-	-
342	Unearned revenue	45,000	-	-	-	649,583	694,583	-	21,853
343	Current portion of L-T debt - capital projects	-	-	-	-	2,150,000	2,150,000	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-
345	Other current liabilities	453,003	-	-	-	533,583	986,586	-	-
346	Accrued liabilities - other	2,323,566	-	-	-	3,687,225	6,010,791	-	26,641
347	Interprogram (due to)	10,879,192	-	-	-	16,266,332	27,145,524	43,627	1,428,447
348	Loan Liability - Current	-	-	-	-	-	-	-	-
	Total current liabilities	17,382,408	-	-	-	24,910,196	42,292,604	43,627	1,492,501
<b>NONCURRENT LIABILITIES</b>									
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	39,540,000	39,540,000	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	4,129,810	4,129,810	-	-
353	Noncurrent liabilities - other	-	-	-	-	-	-	-	-
354	Accrued comp. absences - long term	1,230,774	-	-	-	804,911	2,035,685	-	-
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-
	Total noncurrent liabilities	1,230,774	-	-	-	44,474,721	45,705,495	-	-
	Total liabilities	18,613,182	-	-	-	69,384,917	87,998,099	43,627	1,492,501
400	Deferred Inflow of Resources	9,676,495	-	-	-	-	9,676,495	-	-
<b>NET POSITION</b>									
508.4	Invested in capital assets, net of related debt	6,392,657	-	-	-	257,224,015	263,616,672	-	60,642
511.4	Restricted net position	17,085,524	-	-	-	10,685,745	27,771,269	-	-
512.4	Unrestricted net position	47,162,539	-	-	-	18,049,016	65,211,555	130,819	170,698
	Total net position	70,640,720	-	-	-	285,958,776	356,599,496	130,819	231,340
	Total Liabilities and Net Position	\$ 98,930,397	\$ -	\$ -	\$ -	\$ 355,343,693	\$ 454,274,090	\$ 174,446	\$ 1,723,841

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE BALANCE SHEET  
DECEMBER 31, 2019**

Accounts Description	ROSS 14.870	Business Activities	Housing Choice Vouchers 14.871	Single Room Occupancy 14.249	Section 8 Moderate Rehabilitation 14.856	Self Insurance Fund	Jobs Plus Pilot Initiative 14.895
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable < 90 days	\$ -	\$ 12,530	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries/payroll withholding	-	-	-	-	-	-	-
Accrued compensated absences	-	29,543	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-
Accounts payable - HUD PHA programs	-	-	-	259,208	406,841	-	-
Account Payable - PHA Projects	-	-	-	-	-	-	-
Accounts payable - other gov.	-	172,299	-	-	-	-	-
Tenant security deposits	-	103,242	-	-	-	-	-
Unearned revenue	-	6,937	645,169	-	-	-	-
Current portion of L-T debt - capital projects	-	281,702	-	-	-	-	-
Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
Other current liabilities	-	-	10,679	-	-	-	1,009
Accrued liabilities - other	-	1,094,494	-	-	-	-	-
Interprogram (due to)	117,008	1,160,309	-	-	-	226,944	89,390
Loan Liability - Current	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>117,008</b>	<b>2,861,056</b>	<b>655,848</b>	<b>259,208</b>	<b>406,841</b>	<b>226,944</b>	<b>90,399</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	2,107,292	-	-	-	-	-
Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
Noncurrent liabilities - other	-	-	-	-	-	-	-
Accrued comp. absences - long term	-	68,935	-	-	-	-	-
Loan Liability - Non Current	-	-	-	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>2,176,227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>117,008</b>	<b>5,037,283</b>	<b>655,848</b>	<b>259,208</b>	<b>406,841</b>	<b>226,944</b>	<b>90,399</b>
Deferred Inflow of Resources	-	-	-	-	-	-	-
<b>NET POSITION</b>							
Invested in capital assets, net of related debt	-	4,898,492	-	-	-	-	-
Restricted net position	-	6,237,680	-	-	-	16,661,474	-
Unrestricted net position	23,262	1,593,620	105,857	61,575	43,780	-	-
<b>Total net position</b>	<b>23,262</b>	<b>12,729,792</b>	<b>105,857</b>	<b>61,575</b>	<b>43,780</b>	<b>16,661,474</b>	<b>-</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 140,270</b>	<b>\$ 17,767,075</b>	<b>\$ 761,705</b>	<b>\$ 320,783</b>	<b>\$ 450,621</b>	<b>\$ 16,888,418</b>	<b>\$ 90,399</b>

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE BALANCE SHEET  
DECEMBER 31, 2019**

Accounts Description	HOPE VI 14,866	CDBG 14,218	Blended Component Units	Elimination	Total Business Type Activities	Discrete Component Units	Pension	OPEB	Fiduciary Funds Total
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Accounts payable < 90 days	\$ 581,361	\$ -	\$ 376,908	\$ -	\$ 2,286,351	\$ 1,048,193	\$ -	\$ -	\$ -
Accrued salaries/payroll withholding	-	-	29,030	-	1,883,210	9,199	-	-	-
Accrued compensated absences	-	-	-	-	997,072	-	-	-	-
Accrued interest payable	-	-	-	-	261,960	12,163,282	-	-	-
Accounts payable - HUD PHA programs	-	-	-	-	666,049	-	-	-	-
Account Payable - PHA Projects	-	-	-	-	8,694	-	-	-	-
Accounts payable - other gov.	-	-	25,622	-	832,751	-	-	-	-
Tenant security deposits	-	-	20,714	-	401,891	242,314	-	-	-
Unearned revenue	-	-	59,291	-	1,427,833	12,720	-	-	-
Current portion of L-T debt - capital projects	-	-	28,481	-	2,460,183	227,156	-	-	-
Current Portion of Long-term Debt - Operating Borrowings	-	-	1,904,615	-	1,904,615	-	-	-	-
Other current liabilities	90,068	-	1,128	-	1,089,470	443,795	10,122	2,973,579	2,983,701
Accrued liabilities - other	-	-	29,829	-	7,161,755	1,363	-	-	-
Interprogram (due to)	1,305,374	-	325,353	(31,841,976)	-	-	-	-	-
Loan Liability - Current	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>1,976,803</b>	<b>-</b>	<b>2,800,971</b>	<b>(31,841,976)</b>	<b>21,381,834</b>	<b>14,148,022</b>	<b>10,122</b>	<b>2,973,579</b>	<b>2,983,701</b>
<b>NONCURRENT LIABILITIES</b>									
Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	310,656	-	41,957,948	66,897,235	-	-	-
Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	4,129,810	-	-	-	-
Noncurrent liabilities - other	-	-	1,232,539	-	1,232,539	3,746,718	-	-	-
Accrued comp. absences - long term	-	-	-	-	2,104,620	-	-	-	-
Loan Liability - Non Current	-	-	-	-	-	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>1,543,195</b>	<b>-</b>	<b>49,424,917</b>	<b>70,643,953</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,976,803</b>	<b>-</b>	<b>4,344,166</b>	<b>(31,841,976)</b>	<b>70,806,751</b>	<b>84,791,975</b>	<b>10,122</b>	<b>2,973,579</b>	<b>2,983,701</b>
Deferred Inflow of Resources	-	-	-	-	9,676,495	-	-	-	-
<b>NET POSITION</b>									
Invested in capital assets, net of related debt	515,000	-	10,987,989	-	280,078,795	(5,676,458)	-	-	-
Restricted net position	-	-	212,823,315	-	263,493,738	11,246	47,339,641	41,320,592	88,660,233
Unrestricted net position	(599,182)	250,000	39,374,482	-	106,366,466	(8,757,873)	-	-	-
<b>Total net position</b>	<b>(84,182)</b>	<b>250,000</b>	<b>263,185,786</b>	<b>-</b>	<b>649,938,999</b>	<b>(14,423,085)</b>	<b>47,339,641</b>	<b>41,320,592</b>	<b>88,660,233</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,892,621</b>	<b>\$ 250,000</b>	<b>\$ 267,529,952</b>	<b>\$ (31,841,976)</b>	<b>\$ 730,422,245</b>	<b>\$ 70,368,890</b>	<b>\$ 47,349,763</b>	<b>\$ 44,294,171</b>	<b>\$ 91,643,934</b>

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Line Item #	Accounts Description	Moving to Work Program					Total MTW Programs	Section 8 N/C S/R 14.182	State and Local
		Moving to Work Demonstration Program 14.881	HCV for MTW 14 HCV	LIPH for MTW 14.OPS	CFP for MTW 14.CFP	AMPS 14.850/872			
<b>REVENUE</b>									
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ 31,102,093	\$ 31,102,093	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	208,039	208,039	-	-
70500	Total tenant revenue	-	-	-	-	31,310,132	31,310,132	-	-
70600	HUD PHA operating grants	-	333,813,541	106,971,489	-	-	440,785,030	-	-
70610	Capital grants	-	-	-	24,488,523	-	24,488,523	-	-
70800	Other governmental grants	-	-	-	-	-	-	-	12,506,844
71100	Investment income - unrestricted	253,328	-	-	-	1,246,744	1,500,072	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-
71400	Fraud recovery	64,698	-	-	-	-	64,698	-	-
71500	Other revenue	3,440,590	-	-	-	4,847,959	8,288,549	-	323,832
71600	Gain or loss on the sale of fixed assets	(4,085,236)	-	-	-	(26,402,643)	(30,487,879)	-	-
72000	Investment income - restricted	-	-	-	-	-	-	-	-
	Total revenue	(326,620)	333,813,541	106,971,489	24,488,523	11,002,192	475,949,125	-	12,830,676
<b>EXPENSES</b>									
Administrative:									
91100	Administrative salaries	19,560,235	-	-	-	8,726,061	28,286,296	-	133,461
91200	Auditing fees	64,016	-	-	-	92,641	156,657	-	-
91300	Management fee	-	-	-	-	139,599	139,599	-	-
91310	Bookkeeping fee	-	-	-	-	-	-	-	-
91400	Advertising and marketing	19,098	-	-	-	45,755	64,853	-	-
91500	Employee benefit contributions - administrative	6,002,201	-	-	-	2,204,671	8,206,872	-	41,780
91600	Office expenses	2,617,723	-	-	-	1,721,886	4,339,609	-	26,426
91700	Legal expense	313,524	-	-	-	358,901	672,425	-	-
91800	Travel	141,634	-	-	-	40,543	182,177	-	453
91810	Allocated overhead	(18,223,431)	-	-	-	17,752,955	(470,476)	-	61,373
91900	Other	9,567,055	-	-	-	4,216,616	13,783,671	-	545,195
	Total administrative	20,062,055	-	-	-	35,299,628	55,361,683	-	808,688
Tenant services:									
92100	Salaries	65,181	-	-	-	1,368,190	1,433,371	-	1,089,084
92200	Relocation costs	10,425	-	-	-	810,526	820,951	-	-
92300	Employee benefit contributions	13,962	-	-	-	481,402	495,364	-	233,302
92400	Other	9,763	-	-	-	213,917	223,680	-	256,010
	Total tenant services	99,331	-	-	-	2,874,035	2,973,366	-	1,578,396

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Line Item #	Accounts Description	ROSS 14.870	Business Activities	Housing Choice Vouchers 14.871	Single Room Occupancy 14.249	Section 8 Moderate Rehabilitation 14.856	Self Insurance Fund	Jobs Plus Pilot Initiative 14.895
<b>REVENUE</b>								
70300	Net tenant rental revenue	\$ -	\$ 1,959,496	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Tenant revenue - other	-	29,777	-	-	-	-	-
70500	Total tenant revenue	-	1,989,273	-	-	-	-	-
70600	HUD PHA operating grants	1,022,510	-	8,136,321	851,765	538,686	-	660,395
70610	Capital grants	-	-	-	-	-	-	-
70800	Other governmental grants	-	-	-	-	-	-	-
71100	Investment income - unrestricted	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-	-
71500	Other revenue	-	3,269,659	-	-	-	59,317	-
71600	Gain or loss on the sale of fixed assets	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	394,748	-
	Total revenue	1,022,510	5,258,932	8,136,321	851,765	538,686	454,065	660,395
<b>EXPENSES</b>								
Administrative:								
91100	Administrative salaries	-	974,718	51,804	-	-	-	-
91200	Auditing fees	-	19,725	-	6,375	3,375	-	-
91300	Management fee	-	127,932	-	-	-	-	-
91310	Bookkeeping fee	-	-	-	-	-	-	-
91400	Advertising and marketing	-	8,875	-	-	-	-	-
91500	Employee benefit contributions - administrative	-	219,837	6,345	-	-	-	-
91600	Office expenses	6,157	73,077	-	-	-	-	2,747
91700	Legal expense	-	225,212	-	-	-	124,621	-
91800	Travel	-	4,110	-	-	-	-	5,287
91810	Allocated overhead	-	342,001	-	-	-	-	-
91900	Other	9,721	899,632	26,689	230,949	55,447	-	-
	Total administrative	15,878	2,895,119	84,838	237,324	58,822	124,621	8,034
Tenant services:								
92100	Salaries	741,580	-	-	-	-	-	452,255
92200	Relocation costs	-	-	-	-	-	-	-
92300	Employee benefit contributions	211,181	-	-	-	-	-	124,194
92400	Other	28,719	-	-	-	-	-	59,355
	Total tenant services	981,480	-	-	-	-	-	635,804

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Line Item #	Accounts Description	HOPE VI 14.866	CDBG 14.218	Blended Component Units	Elimination	Total Business Type Activities	Discrete Component Units	Pension	OPEB	Fiduciary Funds Total
<b>REVENUE</b>										
70300	Net tenant rental revenue	\$ -	\$ -	\$ 455,844	\$ -	\$ 33,517,433	\$ 7,710,287	\$ -	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	237,816	-	-	-	-
70500	Total tenant revenue	-	-	455,844	-	33,755,249	7,710,287	-	-	-
70600	HUD PHA operating grants	-	-	189,797	-	452,184,504	-	-	-	-
70610	Capital grants	13,955,575	250,000	-	-	38,694,098	-	-	-	-
70800	Other governmental grants	-	-	529,218	-	13,036,062	6,226,505	-	-	-
71100	Investment income - unrestricted	-	-	100,276	-	1,600,348	24,093	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	905,868	-	905,868	-	-	-	-
71400	Fraud recovery	-	-	-	-	64,698	-	-	-	-
71500	Other revenue	-	-	76,077,912	-	88,019,269	1,439,774	2,842,487	303,646	3,146,133
71600	Gain or loss on the sale of fixed assets	-	-	-	-	(30,487,879)	-	-	-	-
72000	Investment income - restricted	-	-	-	-	394,748	33,304	4,193,831	3,079,665	7,273,496
	Total revenue	13,955,575	250,000	78,258,915	-	598,166,965	15,433,963	7,036,318	3,383,311	10,419,629
<b>EXPENSES</b>										
Administrative:										
91100	Administrative salaries	457,062	-	3,010	-	29,906,351	1,491,497	-	-	-
91200	Auditing fees	-	-	39,333	-	225,465	222,918	-	-	-
91300	Management fee	-	-	108,838	-	376,369	844,603	-	-	-
91310	Bookkeeping fee	-	-	-	-	-	29,232	-	-	-
91400	Advertising and marketing	-	-	-	-	73,728	44,837	-	-	-
91500	Employee benefit contributions - administrative	161,448	-	4,647	-	8,640,929	316,074	4,225,529	3,116,770	7,342,299
91600	Office expenses	-	-	7,097	-	4,455,113	304,048	-	-	-
91700	Legal expense	222,419	-	-	-	1,244,677	269,218	-	-	-
91800	Travel	12,616	-	13,867	-	218,510	-	-	-	-
91810	Allocated overhead	44,097	-	23,005	-	-	-	-	-	-
91900	Other	1,423,119	-	293,326	-	17,267,749	381,407	168,790	15,827	184,617
	Total administrative	2,320,761	-	493,123	-	62,408,891	3,903,834	4,394,319	3,132,597	7,526,916
Tenant services:										
92100	Salaries	-	-	774,921	-	4,491,211	-	-	-	-
92200	Relocation costs	306,194	-	66,164	-	1,193,309	-	-	-	-
92300	Employee benefit contributions	-	-	168,653	-	1,232,694	-	-	-	-
92400	Other	-	-	126,012	-	693,776	-	-	-	-
	Total tenant services	306,194	-	1,135,750	-	7,610,990	-	-	-	-

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Line Item #	Accounts Description	Moving to Work Program					Total MTW Programs	Section 8 N/C S/R 14.182	State and Local
		Moving to Work Demonstration Program 14.881	HCV for MTW 14 HCV	LIPH for MTW 14.OPS	CFP for MTW 14.CFP	AMPS 14.850/872			
<b>EXPENSES (Continued)</b>									
Utilities:									
93100	Water	\$ -	\$ -	\$ -	\$ -	\$ 8,211,992	\$ 8,211,992	\$ -	\$ -
93200	Electricity	2,077	-	-	-	7,891,772	7,893,849	-	-
93300	Gas	-	-	-	-	3,399,320	3,399,320	-	-
93800	Other utilities expense	-	-	-	-	4,615,643	4,615,643	-	-
	Total utilities	2,077	-	-	-	24,118,727	24,120,804	-	-
Ordinary maintenance and operations:									
94100	Labor	-	-	-	-	17,732,244	17,732,244	-	3,433,682
94200	Materials and other	-	-	-	-	10,955,046	10,955,046	-	4,026,717
94300	Contracts	148,103	-	-	-	15,637,526	15,785,629	-	1,813,892
94500	Employee benefits contribution	76,199	-	-	-	6,194,926	6,271,125	-	274,331
	Total ordinary maintenance and operations	224,302	-	-	-	50,519,742	50,744,044	-	9,548,622
Protective Services:									
95100	Protective services - labor	-	-	-	-	-	-	-	-
95200	Protective services - other contract costs	109,212	-	-	-	1,301,440	1,410,652	-	4,613
95300	Protective services - other	-	-	-	-	-	-	-	132
	Total protective services	109,212	-	-	-	1,301,440	1,410,652	-	4,745
Insurance premiums:									
96110	Property insurance	-	-	-	-	951,662	951,662	-	-
96120	Liability insurance	-	-	-	-	1,380,658	1,380,658	-	-
96130	Workmen's compensation	648,062	-	-	-	1,246,240	1,894,302	-	51,287
96140	All other insurance	-	-	-	-	153,629	153,629	-	6,435
96100	Total Insurance premiums	648,062	-	-	-	3,732,189	4,380,251	-	57,722
General expenses:									
96200	Other general expenses	5,379,882	-	-	-	6,416,880	11,796,762	-	478,259
96210	Compensated absences	344,520	-	-	-	614,382	958,902	-	194,604
96300	Payments in lieu of taxes	-	-	-	-	391,975	391,975	-	-
96400	Bad debt - tenant rents	-	-	-	-	1,584,626	1,584,626	-	-
96600	Bad debt - Other	-	-	-	-	-	-	-	-
	Total general expenses	5,724,402	-	-	-	9,007,863	14,732,265	-	672,863
96710	Interest of mortgage or bonds payable	-	-	-	-	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	2,911,736	2,911,736	-	-
96700	Total interest expense and amortization cost	-	-	-	-	2,911,736	2,911,736	-	-
	Total operating expenses	26,869,441	-	-	-	129,765,360	156,634,801	-	12,671,036
	Excess of operating revenue over operating expenses	(27,196,061)	333,813,541	106,971,489	24,488,523	(118,763,168)	319,314,324	-	159,640

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Line Item #	Accounts Description	ROSS 14.870	Business Activities	Housing Choice Vouchers 14.871	Single Room Occupancy 14.249	Section 8 Moderate Rehabilitation 14.856	Self Insurance Fund	Jobs Plus Pilot Initiative 14.895
<b>EXPENSES (Continued)</b>								
Utilities:								
93100	Water	\$ -	\$ 156,395	\$ -	\$ -	\$ -	\$ -	\$ -
93200	Electricity	-	78,539	-	-	-	-	-
93300	Gas	-	1,572	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-	-
	Total utilities	-	236,506	-	-	-	-	-
Ordinary maintenance and operations:								
94100	Labor	-	2,817	-	-	-	-	-
94200	Materials and other	-	111,658	-	-	-	-	-
94300	Contracts	-	596,096	-	-	-	-	1,300
94500	Employee benefits contribution	-	13,043	-	-	-	-	-
	Total ordinary maintenance and operations	-	723,614	-	-	-	-	1,300
Protective Services:								
95100	Protective services - labor	-	-	-	-	-	-	-
95200	Protective services - other contract costs	-	46,433	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-	-
	Total protective services	-	46,433	-	-	-	-	-
Insurance premiums:								
96110	Property insurance	-	38,747	-	-	-	-	-
96120	Liability insurance	-	11,945	-	-	-	-	-
96130	Workmen's compensation	21,596	1,126,162	-	-	-	-	15,257
96140	All other insurance	2,722	-	-	-	-	-	-
96100	Total Insurance premiums	24,318	1,176,854	-	-	-	-	15,257
General expenses:								
96200	Other general expenses	-	186,751	-	-	-	365	-
96210	Compensated absences	-	90,344	1,349	-	-	-	-
96300	Payments in lieu of taxes	-	51,288	-	-	-	-	-
96400	Bad debt - tenant rents	-	41,945	-	-	-	-	-
96600	Bad debt - Other	-	96,922	-	-	-	-	-
	Total general expenses	-	467,250	1,349	-	-	365	-
96710	Interest of mortgage or bonds payable	-	-	-	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-
96700	Total interest expense and amortization cost	-	-	-	-	-	-	-
	Total operating expenses	1,021,676	5,545,776	86,187	237,324	58,822	124,986	660,395
	Excess of operating revenue over operating expenses	834	(286,844)	8,050,134	614,441	479,864	329,079	-



**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Accounts Description	HOPE VI 14,866	CDBG 14,218	Blended Component Units	Elimination	Total Business Type Activities	Discrete Component Units	Pension	OPEB	Fiduciary Funds Total
<b>EXPENSES (Continued)</b>									
Utilities:									
Water	\$ -	\$ -	\$ 141,916	\$ -	\$ 8,510,303	\$ 1,637,763	\$ -	\$ -	\$ -
Electricity	-	-	86,403	-	8,058,791	235,368	-	-	-
Gas	-	-	33,639	-	3,434,531	52,204	-	-	-
Other utilities expense	-	-	-	-	4,615,643	-	-	-	-
Total utilities	-	-	261,958	-	24,619,268	1,925,335	-	-	-
Ordinary maintenance and operations:									
Labor	-	-	47,729	-	21,216,472	1,308,153	-	-	-
Materials and other	-	-	55,186	-	15,148,607	1,193,904	-	-	-
Contracts	-	250,000	285,047	-	18,731,964	2,921,625	-	-	-
Employee benefits contribution	75	-	3,693	-	6,562,267	-	-	-	-
Total ordinary maintenance and operations	75	250,000	391,655	-	61,659,310	5,423,682	-	-	-
Protective Services:									
Protective services - labor	-	-	-	-	-	-	-	-	-
Protective services - other contract costs	-	-	1,348	-	1,463,046	18,516	-	-	-
Protective services - other	-	-	-	-	132	-	-	-	-
Total protective services	-	-	1,348	-	1,463,178	18,516	-	-	-
Insurance premiums:									
Property insurance	-	-	6,387	-	996,796	771,758	-	-	-
Liability insurance	-	-	127,687	-	1,520,290	-	-	-	-
Workmen's compensation	-	-	1,644	-	3,110,248	54,401	-	-	-
All other insurance	389	-	-	-	163,175	-	-	-	-
Total Insurance premiums	389	-	135,718	-	5,790,509	826,159	-	-	-
General expenses:									
Other general expenses	52,719	-	978,527	-	13,493,383	1,313,070	-	-	-
Compensated absences	-	-	-	-	1,245,199	-	-	-	-
Payments in lieu of taxes	-	-	20,712	-	463,975	497,868	-	-	-
Bad debt - tenant rents	-	-	29,400	-	1,655,971	390,848	-	-	-
Bad debt - Other	-	-	-	-	96,922	-	-	-	-
Total general expenses	52,719	-	1,028,639	-	16,955,450	2,201,786	-	-	-
Interest of mortgage or bonds payable	-	-	-	-	-	-	-	-	-
Interest on Notes Payable (Short and Long Term)	-	-	-	-	2,911,736	2,367,880	-	-	-
Total interest expense and amortization cost	-	-	-	-	2,911,736	2,367,880	-	-	-
<b>Total operating expenses</b>	<b>2,680,138</b>	<b>250,000</b>	<b>3,448,191</b>	<b>-</b>	<b>183,419,332</b>	<b>16,667,192</b>	<b>4,394,319</b>	<b>3,132,597</b>	<b>7,526,916</b>
Excess of operating revenue over operating expenses	11,275,437	-	74,810,724	-	414,747,633	(1,233,229)	2,641,999	250,714	2,892,713

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

		Moving to Work Program							
Line		Moving to Work	HCV for	LIPH for	CFP for		Section 8	State and	
Item #	Accounts Description	Demonstration	MTW	MTW	MTW	AMPS	N/C S/R	Local	
		Program	14 HCV	14.OPS	14.CFP	14.850/872	14.182		
		14.881							
						Total MTW			
						Programs			
<b>EXPENSES (Continued)</b>									
97100	Extraordinary maintenance	\$ 211,101	\$ -	\$ -	\$ -	\$ 679,473	\$ 890,574	\$ 8,871	
97200	Casualty losses - noncapitalized	5,171	-	-	-	1,305,954	1,311,125	-	
97300	Housing assistance payments	311,440,606	-	-	-	-	311,440,606	-	
97350	HAP portability - in	2,729,666	-	-	-	-	2,729,666	-	
97400	Depreciation expense	247,217	-	-	-	22,019,938	22,267,155	-	
	Total expenses	<u>341,503,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,770,725</u>	<u>495,273,927</u>	<u>12,679,907</u>	
Other financing sources (uses):									
10010	Operating transfer in	465,336,151	-	-	-	-	465,336,151	-	
10020	Operating transfer out	(661,715)	(333,813,541)	(106,971,489)	(24,488,523)	-	(465,935,268)	(10,055)	
10080	Special Items (Net Gain/Loss)	-	-	-	-	(4,879,434)	(4,879,434)	-	
10093	Transfers between program and project- in	-	-	-	-	131,460,012	131,460,012	-	
10094	Transfers between program and project- out	(131,460,012)	-	-	-	-	(131,460,012)	-	
	Total other financing sources (uses)	<u>333,214,424</u>	<u>(333,813,541)</u>	<u>(106,971,489)</u>	<u>(24,488,523)</u>	<u>126,580,578</u>	<u>(5,478,551)</u>	<u>(10,055)</u>	
<b>EXCESS (DEFICIENCY) OF REVENUE</b>									
<b>OVER (UNDER) EXPENSES</b>									
		<u>\$ (8,615,398)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,187,955)</u>	<u>\$ (24,803,353)</u>	<u>\$ 140,714</u>	
<b>Memo Account Information</b>									
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ 2,150,000	\$ -	\$ -	
11030	Beginning equity	79,307,619	-	-	-	302,111,195	381,418,814	89,883	
11040	Prior period adjustments, equity transfers and correction	(51,501)	-	-	-	35,536	(15,965)	743	

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Line Item #	Accounts Description	ROSS 14.870	Business Activities	Housing Choice Vouchers 14.871	Single Room Occupancy 14.249	Section 8 Moderate Rehabilitation 14.856	Self Insurance Fund	Jobs Plus Pilot Initiative 14.895
<b>EXPENSES (Continued)</b>								
97100	Extraordinary maintenance	\$ -	\$ 294,894	\$ -	\$ -	\$ -	\$ -	\$ -
97200	Casualty losses - noncapitalized	-	-	-	-	-	-	-
97300	Housing assistance payments	-	-	8,052,158	581,660	463,102	-	-
97350	HAP portability - in	-	-	-	-	-	-	-
97400	Depreciation expense	-	537,072	-	-	-	-	-
	Total expenses	<u>1,021,676</u>	<u>6,377,742</u>	<u>8,138,345</u>	<u>818,984</u>	<u>521,924</u>	<u>124,986</u>	<u>660,395</u>
Other financing sources (uses):								
10010	Operating transfer in	-	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	(45,836)	(16,762)	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-
10093	Transfers between program and project- in	-	-	-	-	-	-	-
10094	Transfers between program and project- out	-	-	-	-	-	-	-
	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,836)</u>	<u>(16,762)</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>		<u>\$ 834</u>	<u>\$ (1,118,810)</u>	<u>\$ (2,024)</u>	<u>\$ (13,055)</u>	<u>\$ -</u>	<u>\$ 329,079</u>	<u>\$ -</u>
<b>Memo Account Information</b>								
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	22,428	21,215,577	107,881	74,630	42,938	16,332,395	-
11040	Prior period adjustments, equity transfers and correction	-	(7,366,975)	-	-	842	-	-

**HOUSING AUTHORITY OF BALTIMORE CITY  
FINANCIAL DATA SCHEDULE  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2019**

Line Item #	Accounts Description	HOPE VI 14.866	CDBG 14.218	Blended Component Units	Elimination	Total Business Type Activities	Discrete Component Units	Pension	OPEB	Fiduciary Funds Total
<b>EXPENSES (Continued)</b>										
97100	Extraordinary maintenance	\$ -	\$ -	\$ 35,709	\$ -	\$ 1,230,048	\$ -	\$ -	\$ -	\$ -
97200	Casualty losses - noncapitalized	-	-	-	-	1,311,125	-	-	-	-
97300	Housing assistance payments	-	-	-	-	320,537,526	-	-	-	-
97350	HAP portability - in	-	-	-	-	2,729,666	-	-	-	-
97400	Depreciation expense	-	-	142,407	-	22,946,634	5,239,498	-	-	-
	Total expenses	<u>2,680,138</u>	<u>250,000</u>	<u>3,626,307</u>	<u>-</u>	<u>532,174,331</u>	<u>21,906,690</u>	<u>4,394,319</u>	<u>3,132,597</u>	<u>7,526,916</u>
Other financing sources (uses):										
10010	Operating transfer in	-	-	12,031,389	(477,367,540)	-	-	-	-	-
10020	Operating transfer out	(11,359,619)	-	-	477,367,540	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	4,879,434	-	-	-	-	-	-
10093	Transfers between program and project- in	-	-	-	-	131,460,012	-	-	-	-
10094	Transfers between program and project- out	-	-	-	-	(131,460,012)	-	-	-	-
	Total other financing sources (uses)	<u>(11,359,619)</u>	<u>-</u>	<u>16,910,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>										
		<u>\$ (84,182)</u>	<u>\$ -</u>	<u>\$ 91,543,431</u>	<u>\$ -</u>	<u>\$ 65,992,634</u>	<u>\$ (6,472,727)</u>	<u>\$ 2,641,999</u>	<u>\$ 250,714</u>	<u>\$ 2,892,713</u>
<b>Memo Account Information</b>										
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ 2,161,020	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	-	-	-	-	419,435,365	164,511,000	44,697,642	41,069,878	85,767,520
11040	Prior period adjustments, equity transfers and correction	-	250,000	171,642,355	-	164,511,000	(172,461,358)	-	-	-



## **INDEPENDENT AUDITORS' 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**

Board of Commissioners  
Housing Authority of Baltimore City  
Baltimore, Maryland

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 business-type activities, the aggregate discretely presented component units, and the fiduciary fund of the Housing Authority of Baltimore City, as of and for the eighteen months ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of Baltimore City's basic financial statements, and have issued our report thereon dated May 17, 2021. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the Housing Authority of Baltimore City's financial statements. The audits of the discretely presented component units were not performed in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of Baltimore City'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 Housing Authority of Baltimore City's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Baltimore City'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of Baltimore City'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 financial statements. 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*.

### **Authority's Response to Finding**

The Housing Authority of Baltimore City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority of Baltimore City'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 Housing Authority of Baltimore City'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 Housing Authority of Baltimore City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
May 17, 2021



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
Housing Authority of Baltimore City  
Baltimore, Maryland

### **Report on Compliance for Each Major Federal Program**

We have audited the Housing Authority of Baltimore City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of Baltimore City's major federal programs for the eighteen months ended December 31, 2019. The Housing Authority of Baltimore City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Housing Authority of Baltimore City's basic financial statements include the operations of discretely presented component units which may have received federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2019. Our audit, described below, did not include the operations of the aggregate discretely presented component units because other auditors were engaged to perform audits of compliance, if applicable.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Housing Authority of Baltimore City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Housing Authority of Baltimore City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of Baltimore City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Housing Authority of Baltimore City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the eighteen months ended December 31, 2019.

### **Report on Internal Control Over Compliance**

Management of the Housing Authority of Baltimore City 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 Housing Authority of Baltimore City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Baltimore City'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.

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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
May 17, 2021



**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
EIGHTEEN MONTHS ENDED DECEMBER 31, 2019**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Housing and Urban Development</b>				
<b>Direct Programs</b>				
Moving to Work Demonstration Program	14.881	N/A	\$ 119,603,630	\$ 465,273,553
Revitalization of Severely Distressed Public Housing	14.866	N/A	-	13,955,575
Resident Opportunities and Supportive Services	14.870	N/A	-	1,021,676
Community Development Block Grant	14.218	N/A	-	250,000
Jobs-Plus Pilot Initiative	14.892	N/A	-	660,395
Section 8 Project-Based Cluster:				
Lower Income Housing Assistance				
Program - Section 8 Moderate Rehabilitation	14.856	N/A	-	538,686
Section 8 Moderate Rehabilitation				
Single Room Occupancy	14.249	N/A	-	851,765
Total Section 8 Project-Based Cluster			-	1,390,451
Housing Voucher Cluster:				
Section 8 Housing Vouchers	14.871	N/A		8,138,345
Total Housing Voucher Cluster			-	8,138,345
Total Department of Housing and Urban Development			119,603,630	490,689,995
Total Expenditures of Federal Awards			\$ 119,603,630	\$ 490,689,995

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**HOUSING AUTHORITY OF BALTIMORE CITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2019**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Housing Authority of Baltimore City (the Authority) under programs of the federal government for the eighteen-month period ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *CFR* 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.

**NOTE 3 SUBRECIPIENTS**

The Authority did not pass through any federal awards to subrecipients during the eighteen-month period ended December 31, 2019.

**NOTE 4 INDIRECT COST RATE**

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2019**

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**Section I – Summary of Auditors’ Results**

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        x   no

***Identification of Major Federal Programs***

**CFDA Number(s)**

14.881

**Name of Federal Program or Cluster**

Moving to Work Demonstration Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$   3,000,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        x   no

**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2019**

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**Section II – Financial Statement Findings**

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**2019 – 001**

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

**Condition:** The Authority does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the Authority's internal controls..

**Criteria:** The internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations, and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Context:** While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP. Additionally, the Authority prepares a Financial Data Schedule (FDS) that is submitted to the U.S. Department of Housing and Urban Development (HUD) to which internal controls are not in place to provide reasonable assurance that the unaudited FDS conforms to applicable standards and HUD guidance. Specifically, we noted the following:

- Notes receivable and related accrued interest were significantly misstated.
- Transfers included in the financial data schedule were not accounted for properly.
- A blended component unit that was properly disclosed in the notes to the financial statements was not treated as such within the FDS.
- Significant adjustments to correct prior period errors were included within the current period; the misstatements were immaterial to the financial statements as a whole and, as such, were not recorded as a prior period adjustment to correct an error.

**Effect:** The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected. An inefficient and ineffective financial close process could result in inaccurate account balances that require a restatement, a significant number of audit adjustments, or a lack of timely financial information.

**Cause:** The Authority has not adopted a policy to provide reasonable assurance that (1) financial statements are prepared in accordance with U.S. GAAP and (2) the FDS is an accurate presentation of underlying accounting records and conforms to applicable standards and HUD guidance.

**Repeat Finding:** The finding is a repeat of finding 2018-001 in the prior audit period. The prior year's finding was a material weakness in internal control over financial reporting; as such, the finding was partially corrected.

**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2019**

**Recommendation:** The Authority should evaluate its financial reporting processes and controls, including the expertise of its internal staff, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

The Authority should review the process and controls in place relating to the preparation of the unaudited FDS to ensure that the financial reporting to HUD agrees to the underlying accounting records of the Authority.

**Views of responsible officials and planned corrective actions:** Detailed explanation of cause and effect that resulted in misstatement is further discussed below.

**Notes receivable and related accrued interest were significantly misstated:** The authority conveyed 4 new RAD sites to private developer, of which Somerset Ext closed on December 23rd was at the tail end of Fiscal year 2019. The accounting team did not receive the required closing documents until late into 2020. The transactions were recorded for all the activity for this deal based on HUD 1, which no further clarification on terms of the interest on notes. In addition, the subordinate loan of \$4.2 million obligated out of CFP - Rental housing funds were accrued based on Board Resolution and revenue was recognized without payment made. This resulted in audit adjustment and financial reporting deficiencies to HUD.

**Transfers included in the financial data schedule were not accounted for properly:** Land transferred to BAHD from the Housing Authority of Baltimore City was not reported properly. The uncertainty on how to record land and land improvements transfers, the acquisition/disposition treatment was processed as "Due to HABC" as there was no physical exchange of cash. In the revised financials, this was a reclassified between Due to HABC into Contributions of Properties.

**A blended component unit that was properly disclosed in the notes to the financial statements was not treated as such within the FDS:** HABC Montpelier Housing Cooperation, a subsidiary of the authority was reported as public housing property erroneously in prior year audits. This resulted in revision in reporting requirements in 2019.

**Significant adjustments to correct prior period errors were included within the current period:** Change in reporting requirements for non-owned mixed finance properties from Blended to Discretely presented component units resulted in prior period adjustments between HABC's proprietary funds and affiliate entities when presenting the financial statements to HUD.

**Corrective Action Plan:** Management will continue to boost its staffs training plan, build on the accounting team's capacity and will also examine the need to create a dedicated "Property Accountants" position that will provide reasonable assurance that financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In addition, Fiscal staff has begun ongoing meeting with staff from the Offices of Planning and Development and from Legal affairs to ensure communications between the various groups is sufficient to provide the necessary cross knowledge on the complex real estate transactions that HABC undertakes.

**HOUSING AUTHORITY OF BALTIMORE CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2019**

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).