

**HOUSING AUTHORITY OF
THE CITY OF FORT
LAUDERDALE, FLORIDA**



**Basic
Financial Statements and
Supplemental Information**

**Year ended
December 31, 2015**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Basic Financial Statements	14
SUPPLEMENTAL INFORMATION	
Financial Data Schedule	41
Schedules of Actual Capital Fund Program Costs and Advances	45
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards and Local Assistance	47
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	50
Schedule of Findings and Questioned Costs	53
Corrective Action Plan	55

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fort Lauderdale, Florida
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Fort Lauderdale, Florida (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's business-type activities as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying financial data schedule and schedule of actual capital fund program costs and advances are presented for purposes of additional analysis as required by U.S. Department of Housing and Urban Development, and are not a required part of the financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements of the Authority. The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

September 21, 2016
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of the Housing Authority of the City of Fort Lauderdale, Florida ("HACFL" or "Authority"), we offer the readers of HACFL's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with HACFL's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Tam English, Housing Authority of the City of Fort Lauderdale, Florida, 437 SW 4 Avenue, Fort Lauderdale, Florida 33315.

Financial Highlights

- The assets of HACFL exceeded its liabilities as of December 31, 2015 by \$30,058,212 (net position).
- HACFL's cash and cash equivalents balances as of December 31, 2015 were \$9,179,060.
- HACFL had revenue from the U.S. Department of Housing and Urban Development ("HUD") of \$30,292,481, which includes funds for capital asset activities.
- Redevelopment activities for the tax credit project at Sailboat Bend Apartments have been completed. Redevelopment activities for Northwest Gardens V will begin construction February 2016. This will include 100 new units and renovation of the 100 unit apartment building at Sunnyreach Acres.

Overview of Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in HACFL's net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also 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 capital assets. The following statements are included:

- Statement of Net Position - this statement reports the Authority's assets, liabilities, and net position at the end of the fiscal year. You can think of the Authority's net position as the difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources).
- Statement of Revenues, Expenses, and Changes in Net Position - this statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in prior or future periods.

Overview of Financial Statement (continued)

- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable etc.).
- Notes to the Basic Financial Statements - notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, the notes reflect the impact (if any) of any uncertainties the Authority may face.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Authority's various programs and the required information mandated by regulatory bodies that fund the Authority's various programs.

Financial Analysis

	<u>Statement of Net Position</u>		
	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
Current assets	\$ 11,600,583	\$ 11,710,076	\$ (109,493)
Capital assets, net	26,925,307	27,125,617	(200,310)
Other noncurrent assets	3,541,829	3,640,851	(99,022)
Total assets	42,067,719	42,476,544	(408,825)
Current liabilities	2,096,241	1,789,585	306,656
Long-term debt	2,286,500	2,376,538	(90,038)
Other noncurrent liabilities	7,626,766	7,744,583	(117,817)
Total liabilities	12,009,507	11,910,706	98,801
Net investment in capital assets	24,548,452	24,662,526	(114,074)
Restricted	29,415	-	29,415
Unrestricted	5,480,345	5,903,312	(422,967)
Total net position	<u>\$ 30,058,212</u>	<u>\$ 30,565,838</u>	<u>\$ (507,626)</u>

Current Assets decreased by \$109,493 largely due to decreases in amounts due from related parties offset by increases in current cash and receivables.

Financial Analysis (continued)

Net Capital Assets decreased by \$200,310 mainly due to depreciation expense offset by additions of building improvements.

Other Noncurrent Assets decreased by \$99,022 primarily due to the decrease in investment in joint venture and offset by increases in intangible assets and noncurrent restricted cash.

Total Assets decreased by \$408,825 primarily due to a decrease in receivables from other governments and the reduction in capital assets, net of accumulated depreciation.

Current Liabilities reflect an increase of \$306,656 mainly due to increases in accounts payable.

Other Noncurrent Liabilities reflect a decrease of \$117,817 in the current year. This is primarily due to decreases in the unearned revenues for ground leases.

Net Position is the difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources). Net position is categorized into three components:

1. Net investment in capital assets - capital assets, net of accumulated depreciation and related debt is due to the capital asset and long-term debt activity; which resulted in assets, net of related debt decreasing by \$114,074.
2. Restricted - the Authority's net position that is subject to constraints imposed by law or agreement consisting primarily of Housing Choice Voucher Program funding and debt service reserves. As of December 31, 2015, HACFL had \$29,415 reserved as restricted net position. The restricted net position is directly related to the new cash management rules implemented by HUD.
3. Unrestricted - the Authority's net position that is neither invested in capital assets nor restricted, which increase principally due to operations. These resources are available to meet HACFL's ongoing obligations to its residents and creditors. HACFL has \$5,480,345 in unrestricted net position, which is designated for housing purposes.

Financial Analysis (continued)

	<u>Changes in Net Position</u>		
	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
Operating revenue			
HUD revenue	\$ 29,807,906	\$ 26,320,408	\$ 3,487,498
Other revenue	<u>5,556,138</u>	<u>7,817,774</u>	<u>(2,261,636)</u>
Total operating revenue	<u>35,364,044</u>	<u>34,138,182</u>	<u>1,225,862</u>
Operating expenses			
Administrative	4,689,113	4,786,745	(97,632)
Tenant services	161,126	265,799	(104,673)
Utilities	437,518	460,587	(23,069)
Maintenance	2,419,921	2,707,289	(287,368)
Protective services	292,382	200,070	92,312
General	1,071,868	1,244,283	(172,415)
Depreciation	855,579	922,153	(66,574)
Housing assistance payments	<u>26,111,424</u>	<u>25,679,998</u>	<u>431,426</u>
Total operating expenses	<u>36,038,931</u>	<u>36,266,924</u>	<u>(227,993)</u>
Operating income (loss)	<u>(674,887)</u>	<u>(2,128,742)</u>	<u>1,453,855</u>
Nonoperating revenues (expenses)			
Equity investment loss in related parties	(250,000)	-	(250,000)
Gain (loss) on disposal of assets	7,860	(1,761,173)	1,769,033
Mortgage interest income	60,399	57,845	2,554
Interest income	2,637	3,227	(590)
Interest expense	<u>(138,210)</u>	<u>(119,600)</u>	<u>(18,610)</u>
Total nonoperating revenues (expenses)	<u>(317,314)</u>	<u>(1,819,701)</u>	<u>1,502,387</u>
Change in net position before capital contributions	(992,201)	(3,948,443)	2,956,242
Capital contributions			
HUD capital grants	<u>484,575</u>	<u>363,071</u>	<u>121,504</u>
Change in net position	(507,626)	(3,585,372)	3,077,746
Total net position - beginning	<u>30,565,838</u>	<u>34,151,210</u>	<u>(3,585,372)</u>
Total net position - ending	<u>\$ 30,058,212</u>	<u>\$ 30,565,838</u>	<u>\$ (507,626)</u>

Total Operating Revenue increased by \$1,225,862 mainly due to a large increase in HUD funding related to the Housing Choice Voucher Program.

Operating Expenses are categorized by HACFL as administrative, tenant services, utilities, maintenance, protective services, general, depreciation expense and housing assistance payments.

Financial Analysis (continued)

Total Operating Expenses decreased by \$227,993 during fiscal year ending 2015 as compared to the fiscal year ending 2014. The decrease in total operating expenses is due to increases in administrative, tenant services, maintenance and general expense, offset by an increase in housing assistance payments.

- Administrative expenses decreased by \$97,632 primarily due to a decrease in legal expenses and other administrative expenses
- Tenant services expense decreased by \$104,673 primarily due to a reduction of housing stock.
- Maintenance expense decreased by \$287,368 primarily due to a reduction of housing stock
- General expenses decreased by \$172,415 primarily due to the decrease in insurance related to disposition of properties.
- Housing assistance payments increased by \$431,426 due to the number of units leased in 2015.

Non-Operating Revenues (Expenses) decreased by \$1,502,387 primarily due to the loss on disposal of Sailboat Bend Apartments which occurred in 2014.

Capital Asset and Debt Activity

At the end of fiscal year 2015, the investment in HACFL's net capital assets decreased by \$200,310. The net change was mainly due to depreciation expense offset by capital additions. The accompanying financial statements include a detailed roll forward of capital assets in Note B-3.

The Authority has a line of credit in the amount of \$1,000,000 with BB&T. At the end of the fiscal year 2015, HACFL had outstanding debt of \$410,000 relating to the line of credit. The balance represents a decrease of \$36,000 from the previous year. In addition, HACFL has 2 mortgages on real property with outstanding balances of \$1,892,541 and \$484,314.

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected as HACFL continues to transition a number of public housing and affordable units to tax credit projects. All remaining public housing sites (Sunnyreach and Suncrest Court) will be transitioning to tax credit and/or RAD projects. HACFL has submitted applications to HUD for the conversion of these sites to RAD projects.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, housing costs, supplies and other costs.
- Current trends in the housing market.

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF NET POSITION

December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 6,648,247
Cash and cash equivalents - restricted	2,321,088
Receivables, net	551,873
Due from related parties	1,779,635
Inventory, net	63,511
Prepaid expenses	219,147
Intangible assets, net	17,082
Total current assets	<u>11,600,583</u>

NONCURRENT ASSETS

Cash and cash equivalents - restricted	209,725
Capital assets, net	26,925,307
Intangible assets, net	1,162,801
Notes receivable from related parties	2,169,303
Total assets	<u>42,067,719</u>

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt	500,355
Accounts payable	680,439
Accrued salaries and benefits	198,867
Accrued compensated absences	270,078
Tenant security deposits	201,791
Unearned revenue - ground leases	129,840
Unearned revenue - prepaid rents	24,989
Family self-sufficiency escrow	89,882
Total current liabilities	<u>2,096,241</u>

NONCURRENT LIABILITIES

Long-term debt	2,286,500
Accrued compensated absences	115,746
Unearned revenue - ground leases	7,301,295
Family self-sufficiency escrow	209,725
Total liabilities	<u>12,009,507</u>

NET POSITION

Net investment in capital assets	24,548,452
Restricted	29,415
Unrestricted	5,480,345
Total net position	<u>\$ 30,058,212</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2015

OPERATING REVENUES

HUD operating revenues	\$ 29,807,906
Other government operating grants	36,255
Tenant revenue, net	2,370,014
Management and development fees	1,800,165
Other operating revenue	1,349,704
Total operating revenues	<u>35,364,044</u>

OPERATING EXPENSES

Administrative	4,689,113
Tenant services	161,126
Utilities	437,518
Maintenance	2,419,921
Protective services	292,382
General	1,071,868
Depreciation	855,579
Housing assistance payments	26,111,424
Total operating expenses	<u>36,038,931</u>

OPERATING LOSS

(674,887)

NONOPERATING REVENUES (EXPENSES)

Equity investment loss in related parties	(250,000)
Gain on disposal of capital assets	7,860
Mortgage interest income	60,399
Interest income - unrestricted	2,637
Interest expense	(138,210)
Total nonoperating revenues (expenses)	<u>(317,314)</u>
Change in net position before capital contributions	(992,201)

CAPITAL CONTRIBUTIONS

HUD capital grants	<u>484,575</u>
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CHANGE IN NET POSITION

Total net position - beginning of year	<u>30,565,838</u>
Total net position - end of year	<u>\$ 30,058,212</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF CASH FLOWS

Year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

HUD operating grants received	\$ 29,845,501
Other government operating grants received	175,248
Collections from tenants	2,310,713
Collections of management and development fees	2,152,639
Collections from other sources	1,272,108
Payments to employees	(5,604,299)
Payments to suppliers	(3,418,562)
Housing assistance payments	<u>(26,111,424)</u>
Net cash provided by operating activities	<u>621,924</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	401,493
Purchase of property and equipment	(572,187)
Proceeds from the sale of capital assets	7,860
Payments on long-term debt	(122,236)
Interest paid	<u>(121,057)</u>
Net cash used in capital and related financing activities	<u>(406,127)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	2,637
Collection of notes receivable	<u>39,008</u>
Net cash provided by investing activities	<u>41,645</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

257,442

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

8,921,618

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 9,179,060

RECONCILIATION TO STATEMENT OF NET POSITION

Cash and cash equivalents - unrestricted	\$ 6,648,247
Cash and cash equivalents - restricted current	2,321,088
Cash and cash equivalents - restricted noncurrent	<u>209,725</u>
	<u><u>\$ 9,179,060</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Equity investment loss in related parties	<u><u>\$ 250,000</u></u>
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The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF CASH FLOWS (continued)

Year ended December 31, 2015

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$	(674,887)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		855,579
Provision for bad debt		152,116
(Increase) decrease in assets:		
Receivables, net		(81,889)
Due from related parties		352,474
Inventory, net		(6,406)
Prepaid expenses		16,475
Intangible assets, net		(129,493)
Increase (decrease) in liabilities:		
Accounts payable		198,987
Accrued salaries and benefits		63,681
Accrued compensated absences		(48,987)
Tenant security deposits		(15,958)
Unearned revenue - ground leases		(129,840)
Unearned revenue - prepaid rent		8,933
Family self-sufficiency escrow		61,139
Net cash provided by operating activities	\$	<u>621,924</u>

The accompanying notes are an integral part of this financial statement.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Housing Authority of the City of Fort Lauderdale, Florida (the "Authority"), a governmental agency, was created pursuant to Florida Statutes Chapter 421 by the City of Fort Lauderdale, Florida (the "City"). The primary purpose of the Authority is to develop, acquire and operate safe, decent, sanitary and affordable housing for low-income families in the City of Fort Lauderdale in accordance with federal legislation and regulations.

The Authority's governing board consists of a five member Board of Commissioners (the "Board"), which is appointed by the Mayor of the City. The Authority is not a component unit of the County, as defined in Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus*, as amended, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB No. 14, as amended, is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The Authority's reporting entity is comprised of an enterprise fund which includes the activities of several housing programs and component units.

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.

Housing Enterprises of Fort Lauderdale, Florida, Inc. ("HEFL") is included in the basic financial statements and consists of a legally separate entity for which the Authority is financially accountable and has a voting majority of the governing board. Separately issued financial statements of HEFL can be obtained by contacting the Authority's management.

The remaining blended component units are related Florida Corporations created as instrumentalities of the Authority for the purpose of providing and developing affordable housing opportunities and management services. They are all included in the basic financial statements as the Authority is financially accountable and has a voting majority of each respective governing board.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

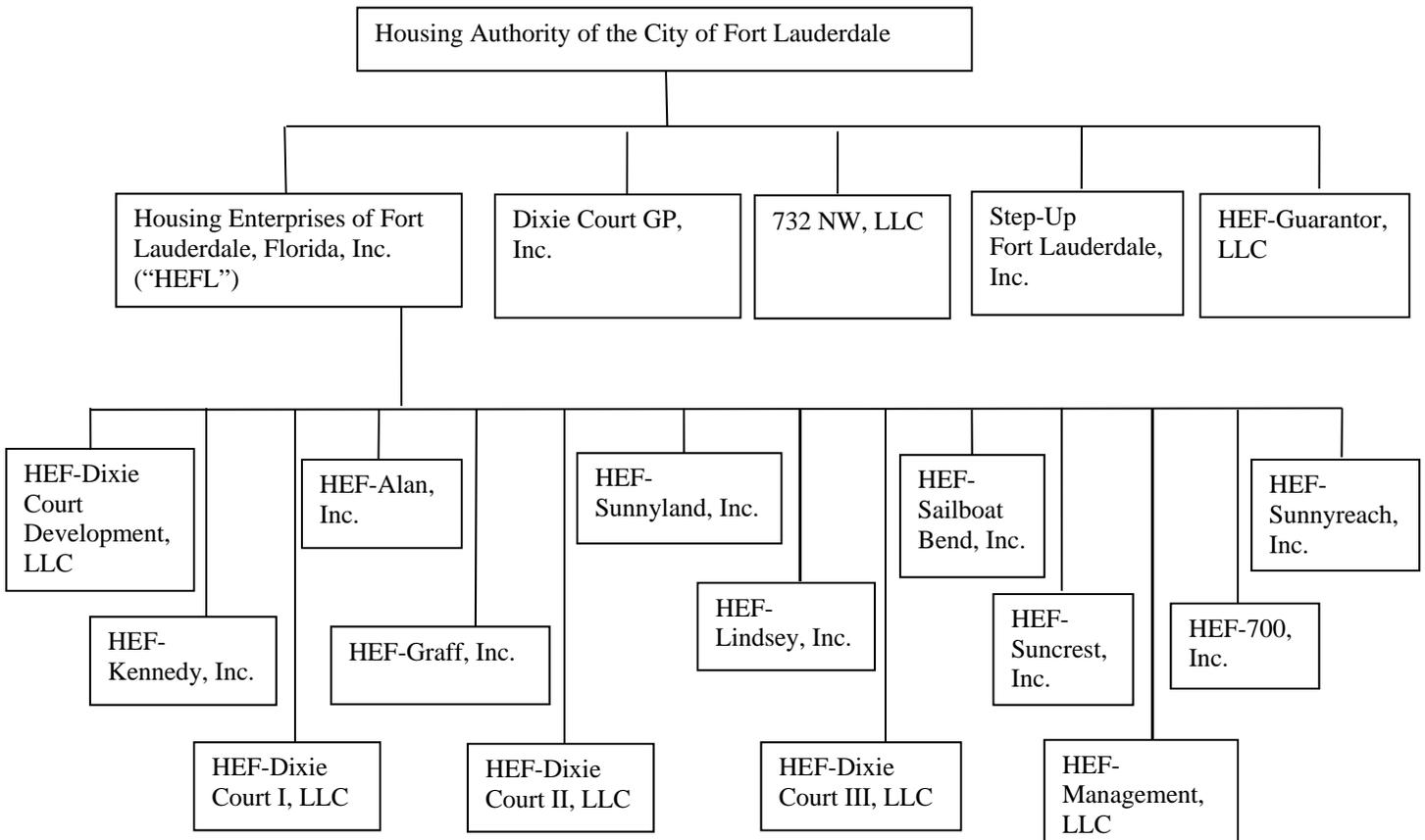
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Blended component units (continued)

Organizational Chart



Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related parties

The following entities are for-profit, limited partnerships created for the development and management of the Authority's properties and are therefore considered to be related parties. Separately issued financial statements for each of the following can be obtained from management.

Dixie Court Associates, Ltd. was organized on December 28, 2006, for the purpose of investing in real estate and the construction, operation, and sale and/or leasing of a 122-unit apartment complex located in Fort Lauderdale, Florida, currently known as Dixie Court Apartments. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated December 3, 2007. During 2010, the Authority was required to remit a capital contribution to Dixie Court Associates, Ltd. in the amount of \$250,000.

Dixie Court II Associates, Ltd. was organized on August 2, 2007, for the purpose of investing in real estate and the construction, operation, and sale and/or leasing of a 32-unit apartment complex known as Dixie Court Phase II Apartments located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated February 21, 2008.

Dixie Court III Associates, Ltd. was organized on April 4, 2007, for the purpose of acquiring, constructing, and operating a 100-unit residential housing project known as Dixie Court Phase III Apartments located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated December 31, 2008.

Northwest Properties I, Ltd. was organized on December 6, 2007, for the purpose of acquiring, constructing, and operating a 143-unit residential housing project known as Northwest Gardens I located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated May 28, 2010.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related parties (continued)

Northwest Properties II, Ltd. was organized on December 6, 2007, for the purpose of acquiring, constructing, and operating a 128-unit residential housing project known as Northwest Gardens II located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated November 14, 2011.

Northwest Properties III, Ltd. was organized on December 6, 2007, for the purpose of acquiring, constructing, and operating a 150-unit residential housing project known as Northwest Gardens III located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated December 1, 2010.

Northwest Properties IV, Ltd. was organized on December 6, 2007, for the purpose of acquiring, constructing, and operating a 138-unit residential housing project known as Northwest Gardens IV located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated October 15, 2012.

Northwest Properties V, Ltd. was organized on September 10, 2013, for the purpose of acquiring, constructing, and operating a 200-unit residential housing project known as Northwest Gardens V located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated February 8, 2016.

Dr. Kennedy Homes, Ltd. was organized on July 24, 2007, for the purpose of acquiring, constructing, and operating a 132-unit residential housing project known as Dr. Kennedy Homes located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated December 1, 2010.

Sailboat Bend Apartments, Ltd. was organized on April 20, 2011, for the purpose of acquiring, constructing, and operating a 105-unit residential housing project known as Sailboat Bend Apartments located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated November 21, 2011.

Furthermore, the Authority has additional tax credit developments beginning construction that will have similar structures and agreements.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities rely to a significant extent on user fees and charges for support.

Governments use fund accounting whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating activities generally arise from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants, management fees, development fees and operating grants from the U.S. Department of Housing and Urban Development ("HUD") as well as the City and Broward County (the "County") and include, to a lesser extent, certain operating amounts of capital grants that offset operating expenses.

Operating expenses for the Authority include the cost of tenant services, general, administrative, maintenance, utilities, protective services, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus and basis of accounting (continued)

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

For financial reporting purposes, the Authority considers its HUD grants and pass through grants from the City associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants and pass through grants from the City associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net position.

As provided by GASB No. 34 and related guidance, tenant revenue is reported net of \$152,116 in accounts written off.

4. Summary of programs

The accompanying basic financial statements include the activities of several housing programs of the Authority. A summary of each significant program is provided below.

Low Rent Public Housing Programs

The Low Rent Public Housing Programs include asset management projects (“AMPs”), which collect both operating and capital fund subsidy and various other related HUD grants.

The purpose of these programs is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained and managed by the Authority. The properties are acquired, developed and modernized under HUD’s Development and Capital Fund programs. Funding of operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Summary of programs (continued)

Central Office Cost Center

The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenue through fees for service from other Authority programs and activities.

Housing Assistance Payments Programs

The Housing Assistance Payments Programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. The Section 8 Housing Choice Voucher ("HCV") program and Veterans Affairs Supportive Housing ("VASH") program are funded through federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

Other Programs

The Authority's other programs are involved in acquiring, renovating and making available for rent and homeownership, affordable housing within the City of Fort Lauderdale. These programs are funded by net operating income of affordable housing rentals and pass through grants, such as the Community Development Block Grants passed through from the City. Properties are purchased with these funds in addition to debt financing, and the renovation work is performed by the Authority's Step-Up Apprenticeship program participants.

5. Assets, liabilities and net position

a. *Cash and cash equivalents*

For financial statement purposes cash and cash equivalents are considered to be cash in banks and highly liquid investments with original maturities of three months or less.

b. *Receivables*

Receivables, net consist of revenues earned at year-end and not yet collected. Amounts presented as due from HUD principally result from grant revenue being accrued for allowable program expenses not yet funded. Other receivables consist of tenant receivables, fraud recovery receivables for the housing assistance payments programs and reimbursement receivables from various parties in the normal course of business. An allowance for uncollectible amounts is estimated by management based on account composition and prior experience (see Note B-2).

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

c. *Due from other governments*

Due from other governments consists of revenue earned for related costs incurred from government grants that have not yet been collected.

d. *Due from related parties*

Due from related parties consists of developer fees, partner management fees, incentive management fees, incentive leasing fees and pre-development costs that were advanced to the Authority's related parties (see Note A-1). The receivables and advances are non-interest bearing and are due on demand. In addition, the Authority is owed additional developer fees, but the amount is currently unknown and these are not reflected in the accompanying financial statements.

e. *Inventory*

Inventory consists principally of materials held for use or consumption and is recorded on the first in first out method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. Based on management's experience with the types of items in inventory and related usage plans, an allowance for obsolescence of \$6,526 is recorded as of December 31, 2015.

f. *Intangible assets*

Intangible assets consist of various costs related to the development of the related party entities of \$1,282,917, which are amortized using the straight line basis over the life of the developments and leases which is sixty-five (65) years. These intangible assets are being presented in the financial statements net of accumulated amortization of \$120,116. For the year ended December 31, 2015, associated amortization expense was \$17,082.

g. *Capital assets*

The Authority's policy is to capitalize assets with a value in excess of \$3,000 and a useful life in excess of two years. The Authority capitalizes the costs of site acquisition and improvement, structures, infrastructure, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at fair value on the date contributed.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings and improvements	15 - 40 years
Equipment - administrative	3 - 7 years

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

h. Tenant security deposits

Tenant security deposits are deposits held by the Authority that are required of tenants before they are allowed to move into an Authority owned site. The Authority records this cash as restricted, with an offsetting liability, as these funds may be reimbursable to the tenant when they move out.

i. Accrued compensated absences

After six months of service, full-time permanent employees are granted paid time off at varying rates depending on tenure with the Authority and can accrue a maximum of 240 hours. Employees are entitled to 100% of any remaining accrued leave upon termination. Employees with leave time in excess of 240 hours must take time off to stay under the maximum. The amount of compensated absences earned in the current period is expensed with the cumulative amount owed per the policy reflected as a liability in the basic financial statements.

j. Unearned revenues

Unearned revenues include amounts collected before revenue recognition criteria are met. The unearned items consist of prepaid rents of \$24,989 and prepaid ground lease rents associated with the tax credit partnerships of \$7,431,135, with \$129,840 and \$7,301,295 classified as current and noncurrent, respectively (see Note B-5).

k. Equity investment in related parties

In accordance with the equity method of accounting, the Authority's blended component units investment in the related party partnerships (see Note A-1) is carried at cost, adjusted for their proportionate share of their undistributed earnings or losses. Because of the obligation to fund the Partnership's losses, a liability may result. Any investment in related party is considered a long term investment as the partnership agreements are for a long term duration.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

I. Eliminations

For financial reporting purposes, certain amounts are internal and are therefore eliminated in the accompanying financial statements. The following have been eliminated from the financial statements:

i.) Interprogram due to/from

In the normal course of operations, certain programs may pay for common costs or advance funds for operations that create interprogram receivables or payables. The interprogram receivables and payables net to zero and as of December 31, 2015 \$614,719 are eliminated for the presentation of the Authority as a whole.

ii.) Fee for service

The Authority's COCC internally charges fees to the AMPs and the HCV program of the Authority. These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes \$1,010,421 of fee for service charges have been eliminated for the year ended December 31, 2015.

iii.) Internal charges

The Authority's Step-Up Apprenticeship program charges fees to programs within the Authority for services rendered. For financial reporting purposes \$447,684 of internal charges have been eliminated for the year ended December 31, 2015.

iv.) Management fees

The Authority charges management fees to other programs within the Authority. For financial reporting purposes \$787,969 of internal management fees have been eliminated for the year ended December 31, 2015.

v.) Guarantee Funds

The Authority's blended component unit, HEF-Guarantor, LLC, was established to hold a guarantee of \$2,000,000 for all applicable general partners for all tax credit partnerships (see Note B-10-d). These funds were borrowed from Business Activities in order to establish the reserve and are considered a long term borrowing. For financial reporting purposes the \$2,000,000 long term receivable and payable have been eliminated for the year ended December 31, 2015.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

m. Net position

In accordance with GASB Statement No. 34, as amended, total equity as of December 31, 2015, is classified into three components of net position:

i.) *Net investment in capital assets*

This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.

ii.) *Restricted component of net position*

This category consists of restricted assets and deferred outflows of resources by related liabilities and deferred inflows of resources restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. As of December 31, 2015, the Authority reports \$29,415 of equity relating to Housing Assistance Payment cash as restricted net position (see Note B-10-b).

iii.) *Unrestricted component of net position*

This category includes all of the remaining net position that does not meet the definition of the other two components.

6. Budgets

Budgets are prepared on an annual basis for each major program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required in the basic financial statement presentation.

7. Income taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the financial statements. The Authority's blended component units are subject to the income tax provisions of Florida Statutes and the Internal Revenue Code.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Income taxes (continued)

The Authority's blended component units account for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*, which clarifies the accounting and disclosure requirements for uncertainty in tax positions. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the financial statements. The two-step approach involves recognizing any tax positions that are "more likely than not" to occur and then measuring those positions to determine if they are recognizable in the financial statements. Management regularly reviews and analyzes all tax positions and has determined no aggressive tax positions have been taken.

For the year ended December 31, 2015, the Authority's blended component units had limited activity, and accordingly, no provision or liability for federal income taxes is required. The Authority's blended component units income tax filings are subject to audit by various taxing authorities. The open audit periods for these entities are 2011 through 2015.

8. Leasing activities

The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the lease only for cause. In addition, a significant majority of the capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying basic financial statements and related schedules within tenant revenue.

9. Use of estimates

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

10. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no impairments as of December 31, 2015.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Impact of recently issued accounting principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, to enhance the transparency and comparability of fair value measurements and disclosures in state and local governments' financial statements. This statement is effective for the Authority's December 31, 2016 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, which clarifies certain provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions*, and it establishes requirements for defined contribution pensions that was not within the scope of GASB No. 68. This statement is effective for the Authority's December 31, 2017 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which amends GASB Statement No. 14, *The Financial Reporting Entity*, as amended, by addressing the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for the Authority's December 31, 2017 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

NOTE B - DETAILED NOTES

1. Cash and cash equivalents

As of December 31, 2015, the Authority's cash and cash equivalents consists of cash in the amount of \$9,179,060.

In accordance with GASB No. 40, the Authority's exposure to deposit and investment risk is disclosed as follows:

Interest Rate Risk. Interest rate risk is the risk that the relative value of a security will decline due to a change in interest rates. The Authority's policy to limit its exposure to declines in fair values of its investment portfolio is to only invest in HUD allowed investments and to monitor investments. As of December 31, 2015, the Authority had no investments, and therefore was not exposed to interest rate risk.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

1. Cash and cash equivalents (continued)

Credit Risk. Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. As of December 31, 2015, the Authority mitigated their exposure to credit risk by following HUD regulations.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. The Authority's deposits are insured by the Federal Depository Insurance Corporation up to \$250,000, per financial institution, per depositor. Monies invested greater than the insurance coverage are secured by qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Authority pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the *Florida Security for Public Deposits Act*, under Chapter 280, Florida Statutes, before any investments are made with those institutions. As of December 31, 2015, none of the Authority's total bank balance of \$9,316,693 was exposed to custodial credit risk.

Restricted cash and cash equivalents

Cash and cash equivalents were restricted for the following purposes at December 31, 2015:

Current:		
Funds held for guarantee	\$	2,000,000
Tenant security deposits		201,791
Voucher HAP reserves		29,415
Family self-sufficiency escrow		<u>89,882</u>
Subtotal current		2,321,088
Noncurrent:		
Family self-sufficiency escrow		<u>209,725</u>
Total restricted cash and cash equivalents	\$	<u>2,530,813</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

2. Receivables, net

As of December 31, 2015, receivables, net consist of:

Due from HUD	\$ 263,780
Fraud recovery	114,231
Tenant receivables	147,567
Other receivables	160,502
Notes receivable - current	20,430
Total receivables	706,510
Allowance for doubtful accounts - fraud	(91,385)
Allowance for doubtful accounts - tenants	(3,488)
Allowance for doubtful accounts - other	(59,764)
Total receivables, net	\$ 551,873

3. Capital assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2015	Transfers in/ Additions	Transfers out/ Deletions	Balance at December 31, 2015
Non-depreciable:				
Land	\$ 8,220,221	\$ 89,762	\$ -	\$ 8,309,983
Construction in progress	1,143,241	412,455	(528,317)	1,027,379
Total non-depreciable	9,363,462	502,217	(528,317)	9,337,362
Depreciated:				
Buildings and improvements	28,104,294	572,051	-	28,676,345
Equipment - administrative	1,243,627	111,777	(65,350)	1,290,054
Total depreciated	29,347,921	683,828	(65,350)	29,966,399
Total capital assets	38,711,383	1,186,045	(593,667)	39,303,761
Less accumulated depreciation				
Buildings and improvements	(10,511,552)	(777,646)	-	(11,289,198)
Equipment - administrative	(1,076,673)	(77,933)	65,350	(1,089,256)
Total accumulated depreciation	(11,588,225)	(855,579)	65,350	(12,378,454)
Capital assets, net	\$ 27,123,158	\$ 330,466	\$ (528,317)	\$ 26,925,307

During the year, the Authority made improvements and purchased equipment utilizing capital funds in the amount of \$484,575 to Suncrest Court and Sunnyreach Acres Townhomes. In addition, the Authority purchased land and buildings and made improvements to their affordable housing, which is reflected in business activities.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

4. Notes receivable from related parties

The Authority entered into a mortgage with Dixie Court Associates, Ltd., in the amount of \$960,000. The loan has a maturity date of November 30, 2037. All interest shall be compounded annually at a rate of 4.89%. No payments are required on this loan until the maturity date, at which time all principal and accrued interest are due. The note is secured by a mortgage on the real and personal property. At December 31, 2015, the outstanding balance of the loan was \$710,000 of principal and \$111,540 of interest that is capitalized into the loan balance.

The Authority entered into a promissory note with Dixie Court III Associates, Ltd., in the amount of \$250,000. The loan has a maturity date of December 31, 2058. All interest shall be compounded annually at a rate of 4.45%. No payments are required on this loan until the maturity date, at which time all principal and accrued interest are due. The note is secured by a mortgage on the real and personal property. At December 31, 2015, the aggregate outstanding balance of the loan was \$250,000 of principal and \$40,091 of interest that is capitalized into the loan balance.

Dixie Court GP, Inc., a blended component unit of the Authority, entered into an Affordable Housing Program ("AHP") promissory note with Dixie Court III Associates, Ltd., in the amount of \$125,000. The loan has a maturity date of December 31, 2058. All interest shall be compounded annually at a rate of 4.45%. No payments are required on this loan until the maturity date, at which time all principal and accrued interest are due. The note is secured by a mortgage on the real and personal property. At December 31, 2015, the outstanding balance of the loan was \$125,000 of principal and \$32,672 of interest that is capitalized into the loan balance.

The Authority entered into a promissory note with Sailboat Bend Apartments, Ltd., in the amount of \$900,000. The loan has a maturity date of February 28, 2044 and bears no interest. No payments are required on this loan until the maturity date, at which time all principal is due. The note is secured by a mortgage on the real and personal property. At December 31, 2015, the outstanding balance of the loan was \$900,000.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

5. Ground leases

A summary of changes in unearned revenue associated prepaid ground leases from the following entities as of December 31, 2015, is as follows:

	Balance at January 1, 2015	Additions	Reductions	Balance at December 31, 2015	Due within one year
Dixie Court II Associates, Ltd.	\$ 825,600	\$ -	\$ (19,200)	\$ 806,400	\$ 19,200
Dixie Court III Associates, Ltd.	453,847	-	(7,692)	446,155	7,692
Northwest Properties I, Ltd.	811,532	-	(13,500)	798,032	13,500
Northwest Properties II, Ltd	124,032	-	(1,938)	122,094	1,938
Northwest Properties III, Ltd	2,585,511	-	(42,385)	2,543,126	42,385
Northwest Properties IV, Ltd	167,360	-	(2,615)	164,745	2,615
Dr. Kennedy Homes, Ltd.	2,593,093	-	(42,510)	2,550,583	42,510
Total ground lease	<u>\$ 7,560,975</u>	<u>\$ -</u>	<u>\$ (129,840)</u>	<u>\$ 7,431,135</u>	<u>\$ 129,840</u>

On August 1, 2006, the Authority entered into a ground lease with Dixie Court Associates, Ltd. Annual payments under the lease total \$10 for each of the 65 years beginning at the closing of the construction loan. Upon expiration of the lease, all improvements to the property revert to the owner. Dixie Court Associates, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease.

The Authority entered into a ground lease on February 21, 2008 with Dixie Court II Associates, Ltd. for 65 years. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Dixie Court II Associates, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the original amount of \$960,000, of which \$806,400 is included in unearned revenues as of December 31, 2015 and \$19,200 has been recognized as rental income for the year ended December 31, 2015.

The Authority entered into a ground lease on January 1, 2009 with Dixie Court III Associates, Ltd. for 65 years. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Dixie Court III Associates, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$500,000, of which \$446,155 is included in unearned revenues as of December 31, 2015 and \$7,692 has been recognized as rental income for the year ended December 31, 2015.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

5. Ground leases (continued)

The Authority entered into a 65-year ground lease on March 19, 2008 with Northwest Properties I, Ltd. The lease commenced on June 3, 2010, the date of the initial closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties I, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$1,420,000, however only \$862,421 was received, of which \$798,032 is included in unearned revenues as of December 31, 2015 and \$13,500 has been recognized as rental income for the year ended December 31, 2015.

The Authority entered into a 65-year ground lease on December 1, 2009 with Northwest Properties II, Ltd. The lease commenced on February 14, 2013, the date of the initial closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties II, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$1,100,000, however only \$200,000 was received. Per an agreement, the Authority must remit 37% of the ground lease received for Northwest Properties II, Ltd to HUD. The Authority has included \$122,094 in unearned revenues as of December 31, 2015 and \$1,938 has been recognized as rental income for the year ended December 31, 2015.

The Authority entered into a 65-year ground lease on April 30, 2009 with Northwest Properties III, Ltd. The lease commenced on December 10, 2010, the date of the construction loan closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties III, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$3,000,000, of which \$2,543,126 is included in unearned revenues as of December 31, 2015 and \$42,385 has been recognized as rental income for the year ended December 31, 2015.

The Authority entered into a 65-year ground lease on December 1, 2009 with Northwest Properties IV, Ltd. The lease commenced on February 14, 2013, the date of the initial closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties IV, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$1,700,000, however only \$200,000 was received. Per an agreement, the Authority must remit 15% of the ground lease received for Northwest Properties IV, Ltd to HUD. The Authority has included \$164,745 in unearned revenues as of December 31, 2015 and \$2,615 has been recognized as rental income for the year ended December 31, 2015.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

5. Ground leases (continued)

The Authority entered into a 65-year ground lease on April 30, 2009 with Dr. Kennedy Homes, Ltd. The lease commenced on September 2, 2010, the date of the construction loan closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Dr. Kennedy Homes, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$2,766,735, of which \$2,550,583 is included in unearned revenues as of December 31, 2015 and \$42,510 has been recognized as rental income for the year ended December 31, 2015.

Of the amounts listed above, certain leases call for installment payments, but not all amounts have been received, and, in some case, the lease payments are contingent on a future event. Any lease payments advanced are primarily reserved for the development of new projects.

6. Noncurrent liabilities

A summary of changes in noncurrent liabilities for the year ended December 31, 2015 is as follows:

	Payable at January 1, 2015	Additions	Reductions	Payable at December 31, 2015	Due within one year
Long Term Debt					
BB&T Line of Credit	\$ 446,000	\$ -	\$ (36,000)	\$ 410,000	\$ 410,000
BB&T Mortgage #1	1,963,091	-	(70,550)	1,892,541	73,958
BB&T Mortgage #2	500,000	-	(15,686)	484,314	16,397
Total Long term debt	2,909,091	-	(122,236)	2,786,855	500,355
FSS Escrow	238,468	173,465	(112,326)	299,607	89,882
Unearned revenues - ground leases	7,560,975	-	(129,840)	7,431,135	129,840
Compensated absences	434,811	257,294	(306,281)	385,824	270,078
Total	<u>\$ 11,143,345</u>	<u>\$ 430,759</u>	<u>\$ (670,683)</u>	<u>\$ 10,903,421</u>	<u>\$ 990,155</u>

Line of credit

In June 2011, the Authority entered into a line of credit with BB&T in the amount of \$1,000,000. The line of credit bears interest at the bank's rate plus 0.25%, adjusted monthly, and is due on July 31st of each year. The line of credit may be used for the purchase and rehabilitation of property located in Fort Lauderdale, Florida and is secured by one of the Authority's business activity properties. The outstanding balance on the line of credit at December 31, 2015 was \$410,000, with the entire balance classified as a current liability.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

6. Noncurrent liabilities (continued)

BB&T Mortgage #1

On July 31, 2013, the Authority entered into a mortgage agreement with a bank in the amount of \$2,058,000 for the acquisition of an 84-unit site adjacent to Northwest Gardens. The debt was issued with a fixed rate of 4.25% per annum with the payments calculated based on an amortization of 20 years with a balloon payment after 10 years and a maturity date of July 31, 2023. The mortgage is secured by the properties.

As of December 31, 2015, the future principal and interest maturities are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 73,958	\$ 78,968
2017	77,164	75,763
2018	80,508	72,418
2019	83,997	68,929
2020	87,637	65,289
2021-2023	1,489,277	150,680
	<u>\$ 1,892,541</u>	<u>\$ 512,047</u>

BB&T Mortgage #2

On December 16, 2014, the Authority entered into a mortgage agreement with a bank in the amount of \$500,000 for the acquisition of a 16-unit site (see Note B-3). The debt was issued with a fixed rate of 4.50% per annum with the payments calculated based on an amortization of 20 years with a balloon payment after 5 years and a maturity date of December 17, 2019. The mortgage is secured by the properties.

As of December 31, 2015, the future principal and interest maturities are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 16,397	\$ 21,774
2017	17,162	21,010
2018	17,962	20,210
2019	432,793	19,371
	<u>\$ 484,314</u>	<u>\$ 82,365</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

7. Equity investment in related parties

As discussed in Note A-5-k, the Authority's blended component units account for their interest in their respective partnerships using the equity method. As of December 31, 2015, the equity (deficit) balances for each of the entities were immaterial and have not been recorded as liabilities on the Authority's statement of net position.

8. Pension plan

The Authority provides pension benefits for all of its full time regular employees through a defined contribution plan. The plan is administered by Valic Financial Advisors, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board is authorized to establish and amend plan benefits. Full-time employees are eligible to participate after six months of service. The Authority contributes 10% of the employee's base salary. The Authority's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested after 5 years. Authority contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Authority's current-period contribution requirement. The Authority also contributes an additional 7% under a separate executive compensation plan. The amounts contributed by the Authority for the regular pension plan and the executive pension plan for the year ended December 31, 2015 were \$318,781 and \$16,765, respectively.

9. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of the Authority's risk management program, certain commercial insurance policies are purchased, and the Authority participates in an insurance pool and a risk retention group for property insurance and workers compensations. The insurance pool and risk retention group are reinsured through other reinsurance companies and are not retrospectively rated and do not pass on risk of loss to participants.

There were no significant reductions of insurance coverage from prior years and actual settlements did not exceed insurance coverage for each of the past three years.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

10. Commitments and contingencies

a. *Legal*

The Authority is party to various pending or threatened legal actions arising in the normal course of operations. Although the outcome of these actions is not presently determinable, it is the Authority's opinion that any ultimate liability is not expected to have a material adverse effect on the Authority's financial position.

b. *Grants and contracts*

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, management is not aware of any such instances. The Authority has received cumulative funding in excess of housing assistance payments ("HAP") and earned administrative fees through the Section 8 Housing Choice Voucher Program in accordance with current regulations. As of December 31, 2015, the Authority has \$29,415 of cumulative excess HAP funding that is presented as restricted net position.

c. *Funds awarded*

The Authority receives funding from HUD through Capital Fund programs to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent funded awards as of December 31, 2015 amounted to \$1,795,661 for Capital Fund and \$1,124,408 for Capital Fund Replacement Housing grants.

d. *Guarantee*

During 2014, the Authority established a blended component unit, HEF-Guarantor, LLC, which holds a guarantee of \$2,000,000 for all applicable general partners for all tax credit partnerships. At this time, the Authority does not anticipate having to fulfill this obligation.

11. Concentrations

For the year ended December 31, 2015, approximately 84% of revenues are received from HUD and approximately 76% of receivables are due from related parties.

The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes. In addition, any excess reserves may reduce future funding levels and possibly be subject to recapture.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

12. Financial data schedule

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The schedule's format presents certain operating items as non-operating such as depreciation expense, housing assistance payments and extraordinary maintenance expense. In addition, the schedule's format includes non-operating items as operating such as investment revenue, HUD capital grants revenue, gains and losses on the disposal of capital assets and interest expense. Furthermore, the schedule reflects tenant revenue and bad debt expense separately.

13. Subsequent events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 21, 2016, the date the financial statements were available to be issued and noted no additional significant items to be disclosed, except as follows:

- a. On February 8, 2016, the Authority paid off the \$1,800,000 BB&T mortgage through the closing of the Northwest Gardens V property (see Note A-1).
- b. With the reduction of public housing units, the Authority is no longer required to follow Asset Management after December 31, 2015, therefore, the allocation method will be used to allocate overhead. During fiscal year 2016, the Authority will transfer all balances from the Central Office Cost Center to Business Activities.

14. Condensed blended component unit information

Condensed component unit information for the Authority's blended component units as listed in Note A-1 is presented below. 732 NW, LLC and Step-Up Fort Lauderdale, Inc. are included in the reporting entity as blended component units but these entities incurred no activity as of December 31, 2015.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Net Position

	HEFL and HEFL's Subsidiaries																
	HEFL	HEF-Dixie Court Development, LLC	HEF-Alan, Inc.	HEF-Kennedy, Inc.	HEF-Sunnyland, Inc.	HEF-Graff, Inc.	HEF-Lindsey, Inc.	HEF-Sailboat Bend, Inc.	HEF-Suncrest, Inc.	HEF-Sunnyreach, Inc.	HEF-700, Inc.	HEF-Management, LLC	HEF-Dixie Court 1, LLC	HEF-Dixie Court 2, LLC	HEF-Dixie Court 3, LLC	Dixie Court GP, Inc.	HEF-Guarantor, LLC
ASSETS																	
CURRENT ASSETS																	
Current assets	\$ 80,873	\$ 4,103,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 659,225	\$ 146,011	\$ 146,011	\$ 146,011	\$ -	\$ 2,002,889
Capital assets, net	3,190,795	-	-	-	95,645	-	-	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets	-	204,740	101,460	25,648	101,040	-	-	134,317	11,337	6,742	156,699	-	145,967	145,966	303,640	-	-
Total assets	3,271,668	4,307,804	101,460	25,648	196,685	-	-	134,317	11,337	6,742	156,699	659,225	291,978	291,977	449,651	-	2,002,889
LIABILITIES																	
CURRENT LIABILITIES																	
Current liabilities	347,563	2,107	54,425	403,258	278,760	282,124	290,625	314,321	96,640	66,830	304,928	321,019	94,614	89,549	89,549	-	1,000
NONCURRENT LIABILITIES																	
Accrued compensated absences	-	-	-	-	-	-	-	-	-	-	-	8,815	-	-	-	-	-
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000,000
Noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-	8,815	-	-	-	-	2,000,000
Total liabilities	347,563	2,107	54,425	403,258	278,760	282,124	290,625	314,321	96,640	66,830	304,928	329,834	94,614	89,549	89,549	-	2,001,000
NET POSITION																	
Net investment in capital assets	3,190,795	-	-	-	95,645	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	(266,690)	4,305,697	47,035	(377,610)	(177,720)	(282,124)	(290,625)	(180,004)	(85,303)	(60,088)	(148,229)	329,391	197,364	202,428	360,102	-	1,889
Total net position	\$ 2,924,105	\$ 4,305,697	\$ 47,035	\$ (377,610)	\$ (82,075)	\$ (282,124)	\$ (290,625)	\$ (180,004)	\$ (85,303)	\$ (60,088)	\$ (148,229)	\$ 329,391	\$ 197,364	\$ 202,428	\$ 360,102	\$ -	\$ 1,889

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	HEFL and HEFL's Subsidiaries																
	HEFL	HEF-Dixie Court Development, LLC	HEF-Alan, Inc.	HEF-Kennedy, Inc.	HEF-Sunnyland, Inc.	HEF-Graff, Inc.	HEF-Lindsey, Inc.	HEF-Sailboat Bend, Inc.	HEF-Suncrest, Inc.	HEF-Sunnyreach, Inc.	HEF-700, Inc.	HEF-Management, LLC	HEF-Dixie Court 1, LLC	HEF-Dixie Court 2, LLC	HEF-Dixie Court 3, LLC	Dixie Court GP, Inc.	HEF-Guarantor, LLC
OPERATING REVENUES																	
Tenant revenue, net	\$ 311,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenue	93,280	269,206	-	-	-	-	-	-	-	-	-	1,530,959	-	-	-	-	-
Total operating revenues	405,072	269,206	-	-	-	-	-	-	-	-	-	1,530,959	-	-	-	-	-
OPERATING EXPENSES																	
Other operating expenses	388,179	11,636	240,289	154,362	144,730	97,419	96,011	81,111	60,327	30,562	70,175	1,404,869	95,153	95,153	95,153	272,024	1,004
Depreciation	89,045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	477,224	11,636	240,289	154,362	144,730	97,419	96,011	81,111	60,327	30,562	70,175	1,404,869	95,153	95,153	95,153	272,024	1,004
OPERATING INCOME (LOSS)	(72,152)	257,570	(240,289)	(154,362)	(144,730)	(97,419)	(96,011)	(81,111)	(60,327)	(30,562)	(70,175)	126,090	(95,153)	(95,153)	(95,153)	(272,024)	(1,004)
NONOPERATING REVENUES (EXPENSES)																	
Interest income - unrestricted	1,328	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,718	2,601
Interest expense	-	(3,530)	(1,691)	(458)	(1,684)	-	-	(2,169)	-	-	-	-	-	-	-	(7,550)	-
Total nonoperating revenues (expenses)	1,328	(3,530)	(1,691)	(458)	(1,684)	-	-	(2,169)	-	-	-	-	-	-	-	(832)	2,601
Change in net position before transfers	(70,824)	254,040	(241,980)	(154,820)	(146,414)	(97,419)	(96,011)	(83,280)	(60,327)	(30,562)	(70,175)	126,090	(95,153)	(95,153)	(95,153)	(272,856)	1,597
TRANSFERS																	
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	292,517	297,581	455,255	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,045,353)	-
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-	292,517	297,581	455,255	(1,045,353)	-
Change in net position	(70,824)	254,040	(241,980)	(154,820)	(146,414)	(97,419)	(96,011)	(83,280)	(60,327)	(30,562)	(70,175)	126,090	197,364	202,428	360,102	(1,318,209)	1,597
Total net position - beginning	2,994,929	4,051,657	289,015	(222,790)	64,339	(184,705)	(194,614)	(96,724)	(24,976)	(29,526)	(78,054)	203,301	-	-	-	1,318,209	292
Total net position - ending	\$ 2,924,105	\$ 4,305,697	\$ 47,035	\$ (377,610)	\$ (82,075)	\$ (282,124)	\$ (290,625)	\$ (180,004)	\$ (85,303)	\$ (60,088)	\$ (148,229)	\$ 329,391	\$ 197,364	\$ 202,428	\$ 360,102	\$ -	\$ 1,889

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2015

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Cash Flows

	HEFL and HEFL's Subsidiaries																
	HEFL	HEF-Dixie Court Development, LLC	HEF-Alan, Inc.	HEF-Kennedy, Inc.	HEF-Sunnyland, Inc.	HEF-Graff, Inc.	HEF-Lindsey, Inc.	HEF-Sailboat Bend, Inc.	HEF-Suncrest, Inc.	HEF-Sunnyreach, Inc.	HEF-700, Inc.	HEF-Management, LLC	HEF-Dixie Court 1, LLC	HEF-Dixie Court 2, LLC	HEF-Dixie Court 3, LLC	Dixie Court GP, Inc.	HEF-Guarantor, LLC
NET CASH PROVIDED BY (USED IN):																	
Operating activities	\$ (12,848)	\$ (770,395)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,979)	\$ (95,153)	\$ (95,153)	\$ (95,153)	\$ -	\$ (4)
Capital and related financing activities	(41,275)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investing activities	6,471	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,601
Transfers from related parties	-	-	-	-	-	-	-	-	-	-	-	-	241,164	241,164	241,164	(638,160)	-
CASH	(47,652)	(770,395)	-	-	-	-	-	-	-	-	-	(13,979)	146,011	146,011	146,011	(638,160)	2,597
Cash at beginning of year	70,629	2,209,609	-	-	-	-	-	-	-	-	-	301,422	-	-	-	638,160	2,000,292
Cash at end of year	<u>\$ 22,977</u>	<u>\$ 1,439,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,443</u>	<u>\$ 146,011</u>	<u>\$ 146,011</u>	<u>\$ 146,011</u>	<u>\$ -</u>	<u>\$ 2,002,889</u>

SUPPLEMENTAL INFORMATION

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2015

PHA: FL010 FYED: 12/31/2015									
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
111	Cash - Unrestricted	3,435,405	-	682,427	341,615	21,221	2,167,579	-	6,648,247
113	Cash - other restricted	-	-	-	239,140	-	2,000,000	-	2,239,140
114	Cash - Tenant Security Deposits	76,056	-	102,758	-	-	22,977	-	201,791
115	Cash - Restricted for payment of current liability	-	-	-	89,882	-	-	-	89,882
100	Total Cash	3,511,461	-	785,185	670,637	21,221	4,190,556	-	9,179,060
122	Accounts Receivable - HUD Other Projects	85,058	-	-	178,722	-	-	-	263,780
125	Accounts Receivable - Miscellaneous	62,516	5,000	796,808	-	-	1,075,813	-	1,940,137
126	Accounts Receivable - Tenants - Dwelling Rents	4,767	-	138,028	-	-	4,772	-	147,567
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(2,144)	-	(506)	-	-	(838)	-	(3,488)
126.2	Allowance for Doubtful Accounts - Other	(59,764)	-	-	-	-	-	-	(59,764)
127	Notes, Loans, & Mortgages Receivable - current	-	-	-	-	-	20,430	-	20,430
128	Fraud recovery	-	-	-	114,231	-	-	-	114,231
128.1	Allowance for doubtful accounts - fraud	-	-	-	(91,385)	-	-	-	(91,385)
120	Total Receivables, net of allowances for doubtful accounts	90,433	5,000	934,330	201,568	-	1,100,177	-	2,331,508
142	Prepaid Expenses and Other Assets	31,895	100,102	43,270	18,551	-	25,329	-	219,147
143	Inventories	14,519	-	55,021	-	-	497	-	70,037
143.1	Allowance for Obsolete Inventories	(1,295)	-	(5,231)	-	-	-	-	(6,526)
144	Interprogram due from	-	-	614,719	-	-	-	(614,719)	-
150	Total Current Assets	3,647,013	105,102	2,427,294	890,756	21,221	5,316,559	(614,719)	11,793,226
161	Land	1,220,493	-	6,529,187	-	-	560,303	-	8,309,983
162	Buildings	3,640,256	-	13,544,022	-	-	3,292,294	-	20,476,572
164	Furniture, Equipment & Machinery - Administration	577,596	70,995	378,450	263,013	-	-	-	1,290,054
165	Leasehold Improvements	7,630,392	17,679	456,057	-	-	95,645	-	8,199,773
166	Accumulated Depreciation	(7,864,734)	(64,279)	(3,572,843)	(214,796)	-	(661,802)	-	(12,378,454)
167	Construction In Progress	1,027,379	-	-	-	-	-	-	1,027,379
160	Total Fixed Assets, Net of Accumulated Depreciation	6,231,382	24,395	17,334,873	48,217	-	3,286,440	-	26,925,307
171	Notes, loans, and mortgages receivable - Noncurrent	-	-	2,011,630	-	-	157,673	-	2,169,303
174	Other Assets	-	-	2,000,000	-	-	1,179,883	(2,000,000)	1,179,883
180	Total Non-Current Assets	6,231,382	24,395	21,346,503	48,217	-	4,623,996	(2,000,000)	30,274,493
190	Total Assets	9,878,395	129,497	23,773,797	938,973	21,221	9,940,555	(2,614,719)	42,067,719

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2015

PHA: FL010 FYED: 12/31/2015									
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
312	Accounts Payable <= 90 Days	145,711	2,715	78,887	71,103	-	382,023	-	680,439
321	Accrued Wage/Payroll Taxes Payable	10,418	35,770	32,570	90,611	-	29,498	-	198,867
322	Accrued Compensated Absences	3,901	154,851	54,204	36,552	-	20,570	-	270,078
341	Tenant Security Deposits	76,056	-	102,758	-	-	22,977	-	201,791
342	Unearned Revenues	116,211	-	38,618	-	-	-	-	154,829
343	Current portion of L-T debt - capital projects	-	-	90,355	-	-	-	-	90,355
344	Current portion of L-T debt - operating borrowings	-	-	410,000	-	-	-	-	410,000
345	Other current liabilities	-	-	-	89,882	-	-	-	89,882
347	Interprogram due to	-	-	-	-	-	614,719	(614,719)	-
310	Total Current Liabilities	352,297	193,336	807,392	288,148	-	1,069,787	(614,719)	2,096,241
351	Long-term debt, net of current - capital projects	-	-	2,286,500	-	-	-	-	2,286,500
353	Noncurrent Liabilities - Other	6,234,477	-	1,066,818	209,725	-	2,000,000	(2,000,000)	7,511,020
354	Accrued compensated Absences - Non Current	1,671	66,365	23,230	15,665	-	8,815	-	115,746
350	Total Noncurrent Liabilities	6,236,148	66,365	3,376,548	225,390	-	2,008,815	(2,000,000)	9,913,266
300	Total Liabilities	6,588,445	259,701	4,183,940	513,538	-	3,078,602	(2,614,719)	12,009,507
508.4	Net Investment in Capital Assets	6,231,382	24,395	14,958,018	48,217	-	3,286,440	-	24,548,452
511.4	Restricted Net Position	-	-	-	29,415	-	-	-	29,415
512.4	Unrestricted Net Position	(2,941,432)	(154,599)	4,631,839	347,803	21,221	3,575,513	-	5,480,345
513	Total Equity	3,289,950	(130,204)	19,589,857	425,435	21,221	6,861,953	-	30,058,212
600	Total Liabilities and Equity	9,878,395	129,497	23,773,797	938,973	21,221	9,940,555	(2,614,719)	42,067,719

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2015

PHA: FL010 FYED: 12/31/2015									
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
70300	Net Tenant Rental Revenue	498,505	-	1,655,924	-	-	312,440	-	2,466,869
70400	Tenant Revenue - Other	7,592	-	34,929	-	-	12,740	-	55,261
70500	Total Tenant Revenue	506,097	-	1,690,853	-	-	325,180	-	2,522,130
70600	HUD PHA Grants	1,515,265	-	-	28,238,508	54,133	-	-	29,807,906
70610	HUD PHA Capital Grants	484,575	-	-	-	-	-	-	484,575
70710	Management Fee	-	721,973	-	-	-	-	(721,973)	-
70720	Asset Management Fee	-	22,790	-	-	-	-	(22,790)	-
70730	Bookkeeping Fee	-	265,658	-	-	-	-	(265,658)	-
70750	Other Fees	-	39,000	748,969	-	-	-	(787,969)	-
70800	Other government grants	-	-	36,255	-	-	-	-	36,255
71100	Investment Income - Unrestricted	-	-	-	-	-	2,637	-	2,637
71200	Mortgage interest income	-	-	52,389	-	-	8,010	-	60,399
71400	Fraud recovery	-	-	-	131,484	-	-	-	131,484
71500	Other revenue	126,220	117,306	1,031,454	306,203	-	1,893,445	(447,684)	3,026,944
71600	Gain/Loss on Sale of Fixed Assets	-	1,800	1,550	4,510	-	-	-	7,860
70000	Total Revenue	2,632,157	1,168,527	3,561,470	28,680,705	54,133	2,229,272	(2,246,074)	36,080,190
91100	Administrative Salaries	292,695	834,163	370,847	720,929	-	414,811	-	2,633,445
91200	Auditing Fees	13,968	8,255	12,700	34,575	-	64,950	-	134,448
91300	Management Fee	214,864	-	133,299	373,812	-	787,967	(1,509,942)	-
91310	Bookkeeping Fee	17,092	-	14,933	233,633	-	-	(265,658)	-
91500	Employee Benefit Contributions - Administrative	54,530	265,743	169,008	291,853	-	187,640	-	968,774
91600	Office Expenses	32,401	38,492	97,680	56,473	-	18,799	-	243,845
91700	Legal Expenses	10,965	210	16,521	19,635	-	341,505	-	388,836
91800	Travel	-	4,229	3,863	18	-	1,190	-	9,300
91900	Other Administrative Expenses	16,251	20,702	42,061	81,747	-	149,704	-	310,465
92000	Asset Management Fee	22,790	-	-	-	-	-	(22,790)	-
92100	Tenant Services - Salaries	14,418	-	-	100,312	-	-	-	114,730
92300	Employee Benefit Contributions - Tenant Services	1,103	-	-	27,631	-	-	-	28,734
92400	Tenant Services - Other	9,865	-	-	-	-	7,797	-	17,662
93100	Water	66,223	-	75,934	-	-	21,527	-	163,684
93200	Electricity	46,574	-	56,681	-	-	6,666	-	109,921
93300	Gas	7,448	-	-	-	-	-	-	7,448
93600	Sewer	73,693	-	70,511	-	-	12,261	-	156,465

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2015

PHA: FL010 FYED: 12/31/2015									
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
94100	Ordinary Maintenance and Operations - Labor	116,921	-	639,082	-	-	395,879	-	1,151,882
94200	OMO - Materials and Other	134,093	12,883	245,272	10,751	-	22,145	-	425,144
94300	Ordinary Maintenance and Operations - Contract Costs	301,236	5,033	380,124	3,467	-	122,604	(447,684)	364,780
94500	Employee Benefit Contributions - Ordinary Maintenance	70,732	-	224,851	-	-	168,551	-	464,134
95100	Protective Services - labor	62,550	-	-	-	-	-	-	62,550
95200	Protective Services - Other Contract Costs	9,297	650	7,076	-	-	805	-	17,828
95300	Protective Services - Other	88,344	136	122,930	-	-	594	-	212,004
96110	Property Insurance	39,292	871	57,383	-	-	43,365	-	140,911
96120	Liability Insurance	23,839	-	13,312	6,833	-	-	-	43,984
96130	Workmen's Compensation	7,373	17,121	26,183	18,751	-	-	-	69,428
96140	All Other Insurance	944	945	22,233	1,417	-	-	-	25,539
96200	Other General Expenses	5,868	3,257	78,719	114,335	-	463,975	-	666,154
96210	Compensated Absences	14,630	77,198	60,330	56,754	-	48,382	-	257,294
96300	Payments in Lieu of Taxes	16,461	-	17,356	-	-	56,172	-	89,989
96400	Bad Debt - Tenant Rents	10,496	-	128,232	-	-	13,388	-	152,116
96600	Bad Debt - Other	-	-	-	8,559	-	-	-	8,559
96710	Interest of Mortgage (or Bonds) Payable	-	-	105,679	-	-	-	-	105,679
96720	Interest on Notes Payable (Short and Long Term)	-	-	15,449	-	-	-	-	15,449
96730	Amortization of Bond Issue Costs	-	-	-	-	-	17,082	-	17,082
96900	Total Operating Expenses	1,796,956	1,289,888	3,208,249	2,190,054	-	3,367,759	(2,246,074)	9,606,832
97000	Excess Operating Revenue over Operating Expenses	835,201	(121,361)	353,221	26,490,651	54,133	(1,138,487)	-	26,473,358
97100	Extraordinary Maintenance	13,113	-	-	-	-	868	-	13,981
97300	Housing Assistance Payments	-	-	-	25,856,594	47,535	-	-	25,904,129
97350	HAP Portability-in	-	-	-	207,295	-	-	-	207,295
97400	Depreciation Expense	374,914	7,727	375,429	8,464	-	89,045	-	855,579
90000	Total Expenses	2,184,983	1,297,615	3,583,678	28,262,407	47,535	3,457,672	(2,246,074)	36,587,816
10010	Operating transfers in	261,164	-	-	-	-	-	(261,164)	-
10020	Operating transfers out	(261,164)	-	-	-	-	-	261,164	-
10100	Total other financing sources (Uses)	-	-	-	-	-	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	447,174	(129,088)	(22,208)	418,298	6,598	(1,228,400)	-	(507,626)
11030	Beginning Equity	5,658,171	2,117,354	14,678,200	7,137	14,623	8,090,353	-	30,565,838
11040	Prior Period Adjustments, Equity transfer and correction of errors	(2,815,395)	(2,118,470)	4,933,865	-	-	-	-	-
11040.1	Transfer of capital assets associated with tax credit partnerships	(2,815,395)	-	2,815,395	-	-	-	-	-
11040.2	Transfer of COCC Assets to Business Activities	-	(2,118,470)	2,118,470	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	396,020	-	-	-	396,020
11180	Housing Assistance Payments Equity	-	-	-	29,415	-	-	-	29,415
11190	Unit Months Available	2,340	-	2,812	35,956	68	468	-	41,644
11210	Number of Unit Months Leased	2,279	-	2,005	32,863	67	410	-	37,624
11270	Excess Cash	3,099,851	-	-	-	-	-	-	3,099,851
11640	Furniture & Equipment - Administrative Purchases	72,120	-	-	-	-	-	-	72,120
11650	Leasehold Improvements Purchases	412,455	-	-	-	-	-	-	412,455

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

SCHEDULE OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES

Year ended December 31, 2015

PROGRAM	CFP 501-11	CFP 501-12	CFP 501-13	CFP 501-14	CFP 501-15	CFP 501-16	Total
BUDGET	\$ 854,163	\$ 495,906	\$ 448,290	\$ 489,475	\$ 653,662	\$ 679,524	\$ 3,621,020
ADVANCES							
Cash receipts - prior years	\$ 750,918	\$ 237,748	\$ 8,245	\$ -	\$ -	\$ -	\$ 996,911
Cash receipts - current year	103,245	224,203	405,942	10,000	-	-	743,390
Cumulative as of December 31, 2015	854,163	461,951	414,187	10,000	-	-	1,740,301
COSTS							
Prior years	768,460	279,332	31,828	-	-	-	1,079,620
Current year	85,703	184,583	382,371	93,082	-	-	745,739
Cumulative as of December 31, 2015	854,163	463,915	414,199	93,082	-	-	1,825,359
RECEIVABLES DUE FROM HUD	\$ -	\$ 1,964	\$ 12	\$ 83,082	\$ -	\$ -	\$ 85,058
SOFT COSTS							
Prior years	\$ 322,999	\$ 76,974	\$ 3,422	\$ -	\$ -	\$ -	\$ 403,395
Current year	51,841	49,500	149,823	10,000	-	-	261,164
Cumulative as of December 31, 2015	374,840	126,474	153,245	10,000	-	-	664,559
HARD COSTS							
Prior years	445,461	202,358	28,406	-	-	-	676,225
Current year	33,862	135,083	232,548	83,082	-	-	484,575
Cumulative as of December 31, 2015	479,323	337,441	260,954	83,082	-	-	1,160,800
CUMULATIVE HARD AND SOFT COSTS	\$ 854,163	\$ 463,915	\$ 414,199	\$ 93,082	\$ -	\$ -	\$ 1,825,359

The following RHF grants have been awarded and are unspent as of December 31, 2015:

501-14	\$ 335,813
502-14	88,053
501-15	247,411
502-15	96,097
501-16	257,161
502-16	99,873
	<u>\$ 1,124,408</u>

See independent auditor's report.

SINGLE AUDIT SECTION

Housing Authority of the City of Fort Lauderdale, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND LOCAL ASSISTANCE

Year ended December 31, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Federal/Local Expenditures
FEDERAL AWARDS		
<u>Direct from the U.S. Department of Housing and Urban Development:</u>		
Low Rent Public Housing	14.850	\$ 1,254,101
Housing Voucher Cluster:		
Section 8 Housing Choice Voucher Program	14.871	28,238,508
Public Housing Capital Fund Program	14.872	745,739
HOME Investment Partnership Grant	14.239	<u>54,133</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>30,292,481</u>
LOCAL ASSISTANCE		
Partnership Agreement with the School Board of Broward County, Florida	N/A	<u>36,255</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS AND LOCAL ASSISTANCE		<u><u>\$ 30,328,736</u></u>

Note A:

The accompanying schedule of expenditures of federal awards and local assistance includes the federal grant activity of the Housing Authority of the City of Fort Lauderdale, Florida and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (*CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B:

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program ("HCV"), CFDA No. 14.871, to be an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD and not the expenditures paid by the Authority.

See independent auditor's report.

**INDEPENDENT AUDITOR'S 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 the City of Fort Lauderdale, Florida
Fort Lauderdale, Florida

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 of the Housing Authority of the City of Fort Lauderdale, Florida (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 21, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of 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 Authority'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 Authority's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

September 21, 2016
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the City of Fort Lauderdale, Florida
Fort Lauderdale, Florida

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-001. Our opinion on the major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2015-001 that we consider to be a significant deficiency.

The Authority's response to the internal control finding identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

September 21, 2016
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Authority of the City of Fort Lauderdale, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2015

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified? **None Reported**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiency identified? **Yes (2015-001)**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are included in this schedule.

The programs tested as major programs are as follows:

Housing Voucher Cluster

The threshold for distinguishing types A and B programs was **\$908,774**

Did the auditee qualify as a low-risk auditee? **No**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

Housing Authority of the City of Fort Lauderdale, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2015

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2015-001 Eligibility

Housing Voucher Cluster

Significant Deficiency

Other matter required to be reported in accordance with the Uniform Guidance

Condition: Out of a total tenant population of approximately 2,740, 40 tenant files were tested and the following deficiencies were noted:

- One file had an income calculation error
- One file had an incorrect calculation of child support payments

Context: The auditor randomly selected 40 tenants out of the population, which we consider to be a statistically valid sample size, for testing HAP calculation and monthly HAP payments for the fiscal year. The auditor reviewed the tenant file and support to ensure controls over compliance were operating effectively.

Criteria: The Authority's administrative plan and 24 CFR 982 subpart K require the Authority to maintain accurate documentation relating to the calculation of HAP and payment.

Effect: The Authority is not in full compliance with all HUD requirements regarding eligibility and tenant recertifications which could result in the incorrect amount of rent charged and housing assistance payments made to landlords.

Cause: The Authority did not implement or does not have procedures and controls in place to ensure proper compliance with regards to tenant eligibility requirements including calculations of third party verifications and deductions from adjusted income.

Auditor's Recommendation: The Authority should follow procedures, systems and controls to ensure full compliance in regards to rent calculations and third party verifications. The Authority needs to correct the deficiencies noted in the tested files.

D. PRIOR YEAR AUDIT FINDINGS

None.

CORRECTIVE ACTION PLAN

September 15, 2016

U.S. Department of Housing and Urban Development

The Housing Authority of the City of Fort Lauderdale, Florida respectfully submits the following corrective action plan for the year ended December 31, 2015.

Name and Address of independent public accounting firm:

Berman Hopkins Wright & LaHam, CPAs and Associates, LLP
8035 Spyglass Hill Road
Melbourne, FL 32940

Audit period: January 1, 2015 – December 31, 2015

The findings from the December 31, 2015 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2015-001 **Eligibility**

Housing Voucher Cluster

Significant Deficiency

Other matter required to be reported in accordance with the Uniform Guidance

Condition: Out of a total tenant population of approximately 2,740, 40 tenant files were tested and the following deficiencies were noted:

- One file had an income calculation error- **HACFL response:** Specialist used incorrect dollar amount from pay check stub; specialist used \$42.87 in the calculation instead of \$426.87. Error was corrected on 9/12/2016.
- One file had an incorrect calculation of child support payments- **HACFL response:** former employee with HACFL, did not document or show calculations for unreimbursed child care expenses listed on the 50058 in the amount of \$1340.00. Error was corrected on 9/12/2016.

Auditor's Recommendation: The Authority should follow procedures, systems and controls to ensure full compliance in regards to rent calculations and third party verifications. The Authority needs to correct the deficiencies noted in the tested files.

Action Taken: The HACFL agrees with the auditor's recommendation. In June 2016, we conducted a thorough review of our Quality Control Plan and began implementation of a new system that will reduce and/or prevent errors pertaining to rent calculation and the verification hierarchy. Our objectives with our Quality Control Program are:

- Prevention of errors before they are unrecoverable and have a negative legal or financial impact
- Identification of the root causes of errors and deficiencies and taking steps to prevent their recurrence
- Correction of errors or deficiencies
- Individual, focused coaching with appropriate staff
- Identification of error trends
- Focused, group/staff training geared to error trends
- Increased, detailed communication to improve consistency in operations

In order to achieve our objectives we will implement three types of control systems which are, Preventive, Periodic, and Continuous. *Preventive Quality Control* detects errors before they have a negative financial impact (***This addresses the two findings found***), *Periodic Quality Control* is a comprehensive review of our performance, policies, and procedures (***This is the phase we're wrapping up now***), and *Continuous Quality Control* (***Also addresses the two findings***) which is the ongoing process of regularly collecting and analyzing information about key activities or transactions. Our plan will include standard operating procedures located on our shared drive, calculation examples, weekly quality control reports, quality control checklist, targeted trainings based on quality control error trends, and any other tools necessary. Our plan will include three layers of quality control.

The first level of quality control will be conducted by the Specialists, who in essence "certifies" that the work is correct. Specialists will QC their own files prior to submitting them for payment using a detailed file review checklist that they must complete and sign after every transaction. (*The checklist will cover all the steps that must be taken pre/post interview and data entry*). The second level of quality control will be conducted by the Supervisor. Each supervisor will be responsible for reviewing 10% of files for tenured staff on their team and 100% of files for all new employees. The third level of quality control will be conducted by the Program Analyst who will review 10% of files for each specialist regardless of tenure.

When errors are detected, the originating staff will be notified of the error via the weekly quality control report and the error must be corrected within 5 business days of notification. The HCV Director and Supervisors will be monitoring the reports and files to ensure that errors are being corrected accurately and before or by the due date. Failure to correct errors results in a negative impact on one's performance.

As stated above the HACFL agrees with the auditor's recommendation and understands the importance of having an effective quality control system in place as it is essential to ensuring file reviews are done in a consistent manner, corrections are made and reported as completed in a prescribed manner, there are systems in place to ensure the errors do not happen again, all staff are following uniformed procedures, and lastly accountability.

If the Department of Housing and Urban Development has questions regarding this plan, please contact Tam English, Executive Director, at (954) 525-6444 ext. 2106.

Sincerely yours,



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