

**Housing Authority of
the City of Milton, Florida**

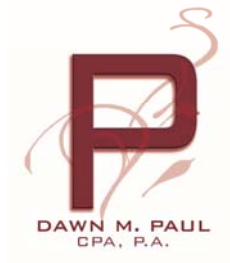
**Financial Statements
And Supplementary Information**

March 31, 2015

Housing Authority of the City of Milton, Florida

Table of Contents March 31, 2015

	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Statement of Fund Net Position	9
Statement of Revenues, Expenses and Changes in Fund Net Position	10-11
Statement of Cash Flows	12-13
Notes to Financial Statements	14-23
Required Supplementary Information	
Index to Supplementary Information Required by HUD	24
Financial Data Schedule - Balance Sheet	25-26
Financial Data Schedule - Income Statement	27-28
Compliance Section	
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>	29-30
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	31-33
Schedule of Expenditures of Federal Awards	34
Schedule of Findings and Questioned Costs	35
Management Letter	36-38



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Housing Authority of the City of Milton, Florida
5668 Byrom Street
Milton, FL 32570

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Milton, Florida, which comprise the statement of fund net position as of March 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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. 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 financial position of the Housing Authority of the City of Milton Florida as of March 31, 2015, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 8 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 the reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 24 to 28 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and

relates directly to the underlying accounting and other records used to prepare the 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the Housing Authority of the City of Milton'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 Housing Authority of the City of Milton, Florida internal control over financial reporting and compliance.

Raymond M. Paul, CPA, P.A.

Crestview, FL
December 16, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the Milton Housing Authority's (the Authority) financial activities for the years ended March 31, 2015, and 2014, and should be read in conjunction with the audited financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Net position decreased to \$1.02 million as of March 31, 2015. Of this amount, \$699 thousand represents investments in capital assets, \$6,376 is restricted for housing assistance payments and \$314 thousand is unrestricted and may be used to meet the Authority's ongoing obligations to tenants, landlords and creditors.
- The Authority generated a net loss of approximately \$518 thousand during the year ended March 31, 2015. The net loss is due to contractor costs for the completed demolition of 50 two-story units, and the extraordinary loss on the disposal of the assets.

OVERVIEW OF THE AUTHORITY

The Authority was created in 1960 and organized under the United States Housing Act of 1937 to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Federal Government's Department of Housing and Urban Development (HUD).

The Authority's programs are funded through various grants with HUD. The Authority operates 38 low income housing apartments and administers housing choice vouchers (342 vouchers) to help families obtain decent, safe and sanitary housing through a system of rental subsidies. The demolition of 50 two-story units started in 2012 and was completed in the summer of 2014.

The Mayor of the City of Milton, Florida appoints board members of the Authority. However, the Authority's board operates independently of the City and does not create a financial burden or benefit to the City of Milton, Florida.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements consist of two parts—management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include fund financial statements and notes to the financial statements. All statements are presented on an accrual basis.

- The fund financial statements of the Authority include its proprietary funds, which operate similarly to business activities.
- The basic financial statements also include notes to financial statements that provides additional information that is essential to a full understanding of the data provided in the fund financial statements.

FUND FINANCIAL STATEMENTS

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

PROPRIETARY FUNDS

All proprietary funds of the Authority are maintained as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the fund financial statements. The Authority uses enterprise funds to account for its rental subsidy (Section 8) program, operation of the public housing units and related capital grants, and the rental management service provided to an unrelated rental complex in Milton, Florida.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$1.019 and \$1.538 million (net position) for the fiscal years ended 2015, and 2014 as reported in Table 1.

By far, the largest portion (\$699 thousand at March 31, 2015 or 69%) of the Authority's net position reflects its investment in capital assets (e.g. land, buildings, furnishings and equipment) less any related debt used to acquire those assets that is still outstanding. The Authority did not have any debt related to capital assets at March 31, 2015, and 2014.

The Authority uses these capital assets to provide services to tenants and clients; consequently, these assets are not available for future spending.

Table 1

**STATEMENT OF NET POSITION
AS OF MARCH 31, 2015**

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 380,101	\$ 652,823
Capital assets	698,996	1,061,462
Total assets	<u>\$ 1,079,097</u>	<u>\$ 1,714,285</u>
Other liabilities	59,813	176,608
Total liabilities	<u>59,813</u>	<u>176,608</u>
Net position		
Invested in capital assets net of related debt	698,996	1,061,462
Restricted for housing assistance payments	6,376	54,437
Unrestricted	313,912	421,778
Total net position	<u>\$ 1,019,284</u>	<u>\$ 1,537,677</u>

Total assets decreased \$635,188 during FY 2015. Current assets decreased approximately \$273 thousand, which is primarily a decrease in cash balances. Capital assets decreased approximately \$362 thousand. The decrease in total and capital assets, as well as cash balances is primarily due to the completed demolition and disposition of 50 two-story units. The Authority had capital asset additions of \$2,212 representing maintenance equipment. Liabilities decreased approximately \$116,795. The majority of this decrease is \$56,501 paid back to HUD for excess set-aside funding awarded for 2013 Housing Choice Vouchers (HCV) leasing, and \$59,420 paid to the general contractor for the first draw on the demolition of 50 two story units.

Unrestricted net position of \$313,912 and \$421,778 at March 31, 2015, and 2014, respectively, may be used to meet the Authority's ongoing obligations to tenants and creditors.

The overall decrease in the Authority's net position was \$518,393 during FY 2015, as reported in Table 2, and is primarily due to the above referenced demolition.

Table 2

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Years Ended March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenues		
Operating grants	\$ 3,096,928	\$ 3,119,163
Capital grants	167,832	50,000
Dwelling rental	40,700	25,759
Other tenant revenue	1,932	1,706
Other income	34,065	38,169
	<u>3,341,457</u>	<u>3,234,797</u>
Expenses		
Administrative	351,161	406,681
Tenant services	75,159	77,003
Utilities	14,611	14,531
Ordinary maintenance and operations	102,814	76,278
General expenses	55,425	52,519
Housing assistance payments	2,476,421	2,377,198
Extraordinary maintenance	419,580	59,420
Depreciation expense	86,572	103,179
Extraordinary loss on disposal of assets	278,105	-
	<u>3,859,848</u>	<u>3,166,809</u>
Net change in net position	<u>\$ (518,391)</u>	<u>\$ 67,988</u>

Total revenues between FY 2015 and FY 2014 increased \$106 thousand (or 3.3%). Operating grant revenue decreased \$22,235 from FY 2014 to FY 2015. Capital Fund Program capital grant funding awarded during the 2013 and 2014 fiscal years was deposited in 2015 to be paid to the general contractor on the demolition project. The Authority was awarded CFP capital grant funding during the 2015 fiscal year but did not draw down or expend any of the funds. There was a significant increase in the tenant revenue as a result of increases in tenant income levels and minimum rents and reductions in utility reimbursements.

Operating expenses increased by \$54,774 or 2% between FY 2015 and FY 2014. The decrease in administrative and general expenses is primarily due to the elimination of the deputy director position. Due to the reduction in the number of Public Housing units and the resulting decrease in operating subsidy, the position was no longer necessary. Ordinary maintenance and operations expenses increased due to hiring an additional maintenance employee. The director of maintenance was promoted to Housing Manager and has assumed additional management responsibilities.

Extraordinary maintenance of \$419,580 and an extraordinary loss on disposal of \$278,105 was from the completion of the demolition.

CAPITAL ASSETS

CAPITAL ASSETS

The Authority's investments in capital assets for its activities as of March 31, 2015, and 2014, amounts to \$698,996 and \$1,061,462 respectively (net of accumulated depreciation) as reported in Table 3. This investment in capital assets includes the 38 public housing units operated by the Authority, land on which they reside, improvements to the units, appliances within the units, maintenance and administrative equipment, etc. Depreciation expense was \$86,572 and \$103,179 for the years ended March 31, 2015, and 2014, respectively.

Table 3

CAPITAL ASSETS

	FY 2015	FY 2014
Land	\$ 71,335	\$ 71,335
Buildings	1,122,868	2,923,459
Improvements other than buildings	719,531	866,034
Equipment and fixtures	197,228	195,016
Accumulated depreciation	(1,411,966)	(2,994,382)
Total	\$ 698,996	\$ 1,061,462

Additional information on the capital assets of the Authority can be found in Note 3 of this report.

FUTURE FINANCIAL INDICATORS

As a public housing authority, the Authority's primary source of funding is HUD. The amount of funding received from HUD is affected by congressional housing legislation and the federal budget. The Authority monitors changes and trends in the congressional budget and HUD policy, and adjusts its strategy and financial planning accordingly.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Housing Authority of the City of Milton, Florida's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director, 5668 Byrom Street, Milton, Florida, 32570-5807.

Housing Authority of the City of Milton, Florida

STATEMENT OF FUND NET POSITION March 31, 2015

	Major Fund	Non-Major Funds			Totals	
	Housing Choice Vouchers	Low Rent Housing	Capital Fund	Business Activities	2015	2014 (For Comparative Purposes Only)
ASSETS						
Current Assets						
Cash						
Unrestricted	\$ 2,192	\$ 322,866	\$ -	\$ 6,235	\$ 331,293	\$ 440,548
Tenant security deposits	-	9,900	-	-	9,900	9,910
Other restricted	25,131	-	-	-	25,131	126,057
Accounts receivable						
Tenant, net of allowance	-	69	-	-	69	91
Due from HUD	-	-	-	-	-	50,000
Other	1,465	152	-	-	1,617	703
Inventory	-	4,996	-	-	4,996	5,131
Prepaid expenses	1,482	5,612	-	-	7,094	20,383
Total current assets	<u>30,270</u>	<u>343,595</u>	<u>-</u>	<u>6,235</u>	<u>380,100</u>	<u>652,823</u>
Capital Assets, net						
Non-depreciable	-	66,109	-	5,226	71,335	71,335
Depreciable, net	3,326	229,287	395,048	-	627,661	990,127
Total capital assets, net	<u>3,326</u>	<u>295,396</u>	<u>395,048</u>	<u>5,226</u>	<u>698,996</u>	<u>1,061,462</u>
TOTAL ASSETS	<u>33,596</u>	<u>638,991</u>	<u>395,048</u>	<u>11,461</u>	<u>1,079,096</u>	<u>1,714,285</u>
LIABILITIES						
Current Liabilities						
Accounts payable	530	2,627	-	-	3,157	75,199
Accrued expenses	-	6,057	-	-	6,057	2,799
Accrued compensated absences	-	18,469	-	-	18,469	15,549
Payable to other government	-	2,945	-	-	2,945	1,446
Unearned revenue	-	527	-	-	527	56,586
Tenant security deposits	-	9,900	-	-	9,900	9,910
Total current liabilities	<u>530</u>	<u>40,525</u>	<u>-</u>	<u>-</u>	<u>41,055</u>	<u>161,489</u>
Non-current liabilities						
FSS Escrow	18,755	-	-	-	18,755	15,119
Total non-current liabilities	<u>18,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,755</u>	<u>15,119</u>
TOTAL LIABILITIES	<u>19,285</u>	<u>40,525</u>	<u>-</u>	<u>-</u>	<u>59,810</u>	<u>176,608</u>
NET POSITION						
Invested in capital assets	3,326	295,396	395,048	5,226	698,996	1,061,462
Restricted for housing assistance payments	6,376	-	-	-	6,376	54,437
Unrestricted	4,609	303,070	-	6,235	313,914	421,778
TOTAL NET POSITION	<u>\$ 14,311</u>	<u>\$ 598,466</u>	<u>\$ 395,048</u>	<u>\$ 11,461</u>	<u>\$ 1,019,286</u>	<u>\$ 1,537,677</u>

See accompanying notes to financial statements

Housing Authority of the City of Milton, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION Year Ended March 31, 2015

	Major Funds	Non-Major Funds			Totals	
	Housing Choice Vouchers	Low Rent Housing	Capital Fund	Business Activities	2015	2014 (For Comparative Purpose Only)
REVENUES						
Operating grants	\$ 2,663,560	\$ 320,187	\$ 113,181	\$ -	\$ 3,096,928	\$ 3,119,163
Dwelling rental	-	40,700	-	-	40,700	25,759
Other tenant revenue	-	1,932	-	-	1,932	1,706
Interest income - unrestricted	36	80	-	3	119	80
Fraud recovery funds retained	251	-	-	-	251	25
Other income	-	924	-	32,771	33,695	38,064
TOTAL REVENUES	2,663,847	363,823	113,181	32,774	3,173,625	3,184,797
OPERATING EXPENSES						
Administrative						
Salaries	90,871	59,076	-	22,920	172,867	197,540
Audit fees	9,000	9,000	-	2,000	20,000	19,000
Employee benefit contributions	25,381	50,830	-	7,840	84,051	114,469
Office expenses	30,603	33,118	-	315	64,036	68,025
Legal	-	542	-	-	542	246
Travel	2,860	3,824	-	-	6,684	4,699
Other	2,383	598	-	-	2,981	2,702
Total administrative	161,098	156,988	-	33,075	351,161	406,681
Tenant Services						
Salaries	32,758	4,610	-	-	37,368	48,451
Employee benefit contributions	35,371	353	-	-	35,724	27,035
Other	-	2,067	-	-	2,067	1,517
Total tenant services	68,129	7,030	-	-	75,159	77,003
Utilities						
Water and sewer	707	2,733	-	-	3,440	3,956
Electricity	2,332	7,280	-	-	9,612	8,731
Natural gas	323	1,236	-	-	1,559	1,844
Total utilities	3,362	11,249	-	-	14,611	14,531
Ordinary Maintenance and Operations						
Labor	-	78,391	-	-	78,391	53,866
Employee benefit contributions	-	-	-	-	-	3,077
Equipment maintenance	-	3,077	-	-	3,077	-
Materials and other	-	10,770	-	-	10,770	10,300
Contract costs	-	10,576	-	-	10,576	9,035
Total ordinary maintenance and operations	-	102,814	-	-	102,814	76,278

(Continued)

See accompanying notes to financial statements

Housing Authority of the City of Milton, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (Continued) Year Ended March 31, 2015

	Major Funds		Non-Major Funds		Totals	
	Housing Choice Vouchers	Low Rent Housing	Capital Fund	Business Activities	2015	2014 (For Comparative Purpose Only)
OPERATING EXPENSES CONTINUED						
Insurance	\$ 2,988	\$ 27,532	\$ -	\$ -	\$ 30,520	\$ 30,836
Bad debt - tenant rents	-	47	-	-	47	47
Compensated absences	-	18,469	-	-	18,469	15,549
Payment in lieu of taxes	-	2,945	-	-	2,945	1,446
Other general expenses	2,066	1,378	-	-	3,444	4,641
Total general expenses	5,054	50,371	-	-	55,425	52,519
Other Expenses						
Housing assistance payments	2,476,421	-	-	-	2,476,421	2,377,198
Depreciation expense	948	46,824	38,800	-	86,572	103,179
Total other expenses	2,477,369	46,824	38,800	-	2,562,993	2,480,377
TOTAL OPERATING EXPENSES	<u>2,715,012</u>	<u>375,276</u>	<u>38,800</u>	<u>33,075</u>	<u>3,162,163</u>	<u>3,107,389</u>
Operating income (loss)	(51,165)	(11,453)	74,381	(301)	11,462	77,408
NON-OPERATING REVENUES (EXPENSES)						
Capital grants	-	-	167,832	-	167,832	50,000
Extraordinary loss on disposal	-	(197,410)	(80,695)	-	(278,105)	-
Extraordinary maintenance	-	(419,580)	-	-	(419,580)	(59,420)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>-</u>	<u>(616,990)</u>	<u>87,137</u>	<u>-</u>	<u>(529,853)</u>	<u>(9,420)</u>
INCOME (LOSS) BEFORE TRANSFERS	(51,165)	(628,443)	161,518	(301)	(518,391)	67,988
Transfers in (out)	-	331,013	(331,013)	-	-	-
NET INCOME (LOSS)	(51,165)	(297,430)	(169,495)	(301)	(518,391)	67,988
NET FUND POSITION - Beginning of year	<u>65,476</u>	<u>895,896</u>	<u>564,543</u>	<u>11,762</u>	<u>1,537,677</u>	<u>1,469,689</u>
NET FUND POSITION - End of year	<u>\$ 14,311</u>	<u>\$ 598,466</u>	<u>\$ 395,048</u>	<u>\$ 11,461</u>	<u>\$ 1,019,286</u>	<u>\$ 1,537,677</u>

See accompanying notes to financial statements

Housing Authority of the City of Milton, Florida

STATEMENT OF CASH FLOWS Year Ended March 31, 2015

	Major Funds				Totals	
	Housing Choice Vouchers	Low Rent Housing	Capital Fund	Business Activities	2015	2014 (For Comparative Purpose Only)
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating grants	\$ 2,607,059	\$ 320,187	\$ 113,181	\$ -	\$ 3,040,427	\$ 3,175,664
Receipts from tenants and customers	251	41,212	-	32,771	74,234	59,575
Payments to suppliers	(115,450)	(307,562)	-	(10,155)	(433,167)	(353,684)
Subsidized rent payments	(2,472,785)	-	-	-	(2,472,785)	(2,377,828)
Payments to employees	(123,629)	(71,366)	-	(22,920)	(217,915)	(260,030)
Other income	-	2,856	-	-	2,856	5,802
Interest income	36	80	-	3	119	80
Net cash flows from operating activities	(104,518)	(14,593)	113,181	(301)	(6,231)	249,579
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in (out)	-	331,013	(331,013)	-	-	-
Net cash flows from non-capital financing activities	-	331,013	(331,013)	-	-	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital grants	-	-	217,832	-	217,832	-
Extraordinary maintenance	-	(419,580)	-	-	(419,580)	-
Extraordinary loss on disposal	-	-	-	-	-	-
Net cash flows from non-capital financing activities	-	(419,580)	217,832	-	(201,748)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Fixed asset purchases	-	(2,212)	-	-	(2,212)	(8,987)
Net cash flows from investing activities	-	(2,212)	-	-	(2,212)	(8,987)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(104,518)	(105,372)	-	(301)	(210,191)	240,592
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	131,841	438,138	-	6,536	576,515	335,923
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 27,323</u>	<u>\$ 332,766</u>	<u>\$ -</u>	<u>\$ 6,235</u>	<u>\$ 366,324</u>	<u>\$ 576,515</u>
AT END OF YEAR CONSISTS OF						
Unrestricted cash	\$ 2,192	\$ 322,866	\$ -	\$ 6,235	\$ 331,293	\$ 440,548
Restricted cash	25,131	9,900	-	-	35,031	135,967
TOTAL	<u>\$ 27,323</u>	<u>\$ 332,766</u>	<u>\$ -</u>	<u>\$ 6,235</u>	<u>\$ 366,324</u>	<u>\$ 576,515</u>

(Continued)

Housing Authority of the City of Milton, Florida

STATEMENT OF CASH FLOWS (Continued) Year Ended March 31, 2015

	Major Funds		Non-Major Funds		Totals	
	Housing Choice Vouchers	Low Rent Housing	Capital Fund	Business Activities	2015	2014 (For Comparative Purpose Only)
Reconciliation of change in net position to net cash provided by operating activities:						
Increase (Decrease) in operating net position	\$ (51,165)	\$ (11,453)	\$ 74,381	\$ (301)	\$ 11,462	\$ 77,408
Adjustments to reconcile change in net position to cash provided by operating activities:						
Depreciation expense	948	46,824	38,800	-	86,572	103,179
Bad debt expense	-	47	-	-	47	47
(Increase)/decrease in accounts receivable	(1,020)	80	-	-	(940)	353
(Increase)/decrease in FSS escrow	3,636	-	-	-	3,636	(630)
Decrease in inventory	-	135	-	-	135	629
(Increase)/decrease in prepaid expenses	24	13,265	-	-	13,289	524
Increase/(decrease) in accounts payable	(440)	(71,600)	-	-	(72,040)	14,445
Increase/(decrease) in accrued liabilities	-	7,677	-	-	7,677	(3,069)
Increase/(decrease) in tenants security deposits held in trust	-	(10)	-	-	(10)	360
Increase/(decrease) in prepaid rent	-	442	-	-	442	(168)
Increase in deferred revenues	(56,501)	-	-	-	(56,501)	56,501
Net cash provided by operations	(56,501)	-	-	-	(56,501)	56,501
Net cash provided by operations operating activities	<u>\$ (104,518)</u>	<u>\$ (14,593)</u>	<u>\$ 113,181</u>	<u>\$ (301)</u>	<u>\$ (6,231)</u>	<u>\$ 249,579</u>

See accompanying notes to financial statements

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing Authority of the City of Milton, Florida (the Authority) was organized in 1960 under the U.S. Housing Act of 1937 in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other Federal agencies to provide low rent housing for qualified individuals.

The Housing Authority of the City of Milton, Florida is considered a related organization to the City of Milton, Florida rather than a component unit. The Mayor of Milton, Florida appoints the board members to the Milton Housing Authority. However, the Authority's board operates independently of the City and does not create a financial burden or benefit to the City of Milton, Florida.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. As of March 31, 2015, the Authority has no component units as defined by GASB 14.

The Authority's programs are funded through various grants with HUD. The Authority operates 38 low income housing apartments and administers housing choice vouchers (342 vouchers) to help families obtain decent, safe and sanitary housing through a system of rental subsidies. The demolition of 50 two-story units started in 2012 and was completed in the summer of 2014.

Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the Authority's operating statement. The Authority's financial activity is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the full accrual basis for accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The financial transactions of the Authority are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes there in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are operating HUD Grants and rent. Operating expenses for enterprise funds include subsidized rent payments to third parties, operating costs for the 38 apartment units owned by the Authority, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following classifications are used to categorize the fund types used by the Authority:

Proprietary

Proprietary funds focus on the determination of net income, changes in net position, financial position, and cash flows. All of the Authority's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the proprietary funds of the Authority.

Major

Section 8 Programs

The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental subsidies. HUD entered into an Annual Contributions Contract (ACC) with the Authority. The Authority enters into a housing assistance payments contract with private owners. The owners rent housing to eligible low-income families who typically pay the highest of 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Section 8 Programs (continued)

designated to meet housing costs for rent. The remaining portion of the rent for the unit is paid to the owner by the Authority in a housing assistance payment.

Non-Major

Low Rent Housing

The Authority provides low income housing apartment projects. Funding for the projects was acquired through advances from HUD. The objective of the program is to provide decent, safe, and sanitary housing and related facilities for eligible low-income families and the elderly through the Authority. Grants are made by HUD to the Authority on the basis of housing needs to ensure the lower income character of the project operated by the Authority.

Capital Fund Program

The objective of the Capital Fund Program (CFP) is to provide funds for capital and management activities, including modernization and development of public housing. The program is provided to the Authority according to physical need and management and modernization capability in accordance with modernization plans and budgets approved by HUD Field Offices. The improvements are funded as grants. However, in all cases, the Authority must operate any project funded for modernization as public housing for 20 years.

Business Activities

The Authority manages the operations of Astor Village, an unrelated HUD funded project. The Authority is paid a management fee from the owners of the project. Residual net income is available for use at the discretion of the Board of the Authority.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements March 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position

Receivables and Payables

Interfund transactions are reflected as loans, services provided reimbursements, or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances: (i.e., the non-current portion of the interfund loans).

Net Position Classifications

Investment in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority has no external debt at March 31, 2015.

Unrestricted - This component consists of net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Restricted - This component consists of net position temporarily restricted to pay housing assistance payments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

The amounts shown for the year ended March 31, 2014 in the accompanying financial statements are included only to provide a basis for comparison with 2015 and present summarized totals only. Accordingly, the 2014 amounts are not intended to present all information necessary for a fair representation in accordance with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Authority's financial statements for the year ended March 31, 2014, from which the summarized information was derived.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, all highly liquid investments with a maturity of ninety days or less when purchased are considered to be cash equivalents. The unrestricted cash balance as of March 31, 2015 was \$ 331,294. The security deposits in the amount of \$9,900 are considered restricted cash and are maintained in a separate bank account. Other restricted cash totaling \$ 25,131 as of March 31, 2015 consisted of monies restricted for housing assistance payments.

Investments

Investments for the Authority typically consist of certificates of deposits. As of March 31, 2015, the Authority did not have any investments.

Rent Receivable

Rents receivable are carried at original assessment less an estimated amount for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts. Rents receivable are written off when deemed uncollectible. Recoveries of such receivables previously written off are recorded when received.

An account is considered past due when the balance of the receivable is outstanding for more than five days. A \$10 late fee is assessed after 5 days. After 15 days the Authority begins legal eviction procedures. Management estimates that approximately \$47 of its outstanding accounts receivable are uncollectible as of March 31, 2015.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is valued at cost (first-in, first-out) and consists of parts used for routine maintenance on the dwelling units. The consumption method is used to account for the inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used.

Capital Assets

All purchased land, buildings, improvements, equipment, and vehicles are recorded at cost where historical costs records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The Authority's policy is to capitalize items with an estimated life in excess of one year, and a cost in excess of \$500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major improvements are capitalized and depreciated using the straight-line method over the remaining useful lives of the related fixed assets. The depreciation expense for the year ended March 31, 2015 totaled \$86,572.

The following estimated useful lives are used to compute depreciation:

Buildings	20-40 years
Building Improvements	10-40 years
Furniture and Fixtures	5-10 years
Equipment	3-10 years

Compensated Absences

The policy of the Authority for annual vacation and sick leave is as follows:

Vacation leave is accrued monthly based on years of service. Employees with less than 5 years of service earn 12 days per year. Employees with 5 to 9 years of service earn 15 days per year. Employees with 10 to 14 years of service earn 18 days per year. Employees with 20 years of service and over earn 24 days per year. Eligible employees accrue sick leave benefits at the rate of 12 days per year. Eight hours are accrued for every full month of service.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the discretion of the Executive Director, based on cash flow analysis, employees may cash in vacation and/or sick leave during the calendar year as long as the hours have been accrued. Up to a combined 240 hours, unused vacation leave and/or sick leave at the end of the year may be carried over.

Accumulated unpaid vested compensated absence benefits are recorded as an expense and liability as the benefits accrue to employees.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transfers for potential recognition or disclosure through December 16, 2015, the date the financial statement were issued.

NOTE 2 - DEPOSITS

The Authority maintains its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the state treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, Authority deposits, including certificates of deposit, are fully insured or collateralized with securities held by the State Treasurer in the Authority's name.

At March 31, 2015 the bank value of the Authority's deposits was \$379,049 all of which were held by qualified public depositories under Chapter 280, Florida Statues.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements March 31, 2015

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 03/31/14	Additions	Deletions	Balance 03/31/15
<i>Capital Assets, depreciable</i>				
Buildings	\$ 2,923,459	\$ -	\$ (1,800,591)	\$ 1,122,868
Improvements other than buildings	866,034	-	(146,503)	719,531
Dwelling fixtures and equipment	71,840	-	-	71,840
Administrative fixtures and equipment	123,176	2,212	-	125,388
Accumulated depreciation	(2,994,382)	(86,572)	1,668,988	(1,411,966)
Capital assets, net of accumulated depreciation	\$ 990,127	\$ (84,360)	\$ (278,106)	\$ 627,661
<i>Capital Assets, non-depreciable</i>				
Land	71,335	-	-	71,335
Capital assets, non-depreciable	71,335	-	-	71,335
Total Capital Assets	\$ 1,061,462	\$ (84,360)	\$ (278,106)	\$ 698,996

NOTE 4 - CAPITAL FUND PROGRAM (CFP)

The following CFP grant awards were completed and/or in progress during the fiscal years ended March 31, 2015 and 2014:

CIAP/CFP Grant	2015			2014		
	Total Funds Received	Total Funds Expended	Variance	Total Funds Received	Total Funds Expended	Variance
501-12	\$ 50,000	\$ 50,000	\$ -	\$ 109,139	\$ 59,139	\$ 50,000
501-13	\$ 113,181	\$ 113,181	\$ -			
501-14	\$ 117,832	\$ 117,832				

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 4 - CAPITAL FUND PROGRAM (CFP) (CONTINUED)

Under the Quality Housing and Work Responsibility Act of 1998, (effective October 21, 1998) small Public Housing Authorities (PHA) (less than 250 dwelling units) may use capital or operating funds for any eligible capital or operating expense, with certain conditions. The Authority executed the rule in the following CFP projects for operating and administrative expenses as follows:

Program	<u>2015</u>	<u>2014</u>
CFP-501-11	-	82,532
CFP-501-12		9,139
CFP-501-13	<u>113,181</u>	<u> </u>
Total	<u>\$ 113,181</u>	<u>\$ 91,671</u>

NOTE 5 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee's medical benefits; and natural disasters, for which the Authority carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year.

In 2012, the Authority obtained permission from HUD and the City of Milton, Florida to proceed with a five-year plan to remove the two-story buildings which contained 50 low rent housing units in order to rebuild one-story units. In January 2013, the Authority elected to discontinue property insurance coverage on the 50 units since they were vacant. This resulted in a significant decrease in property value.

The Authority has coverage for loss from windstorm damage. The Authority does not carry coverage for flood damage.

Effective January 1, 2015, the insurance policy for windstorm coverage in the event of a hurricane, has a deductible of \$ 56,834 representing 2.5% of the insured value of the residential units, office and shop building, which are listed on the policy at \$2,273,364 (see note 8).

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2015

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the fiscal year ended March 31, 2015, the Capital Fund transferred \$331,013 of grant funding to the Low Rent Housing fund. The transfer represented capital grants used for eligible operating purposes as described in Note 4 to the financial statements in the amount of \$113,181, \$167,832 of capital grant funds, and \$50,000 from capital grant CFP-501-12 recorded at March 31, 2014 as due from HUD.

NOTE 7 - RETIREMENT PLAN

The Authority contributes to an Internal Revenue Code 403(b) tax deferred annuity pension plan for its employees. The Authority agrees to provide for discretionary contributions in each calendar year to all eligible employees. All full-time employees are eligible and are fully vested in the contributions made on their behalf. Contributions on behalf of employees to the plan for the year ending March 31, 2015 were \$ 14,890

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Authority is subject to compliance with the requirements of the Department of Housing and Urban Development. The Authority is also required to adhere to budgets submitted to HUD. The Authority may be subject to repayment of some funds should they fail to comply with HUD policies or budget constraints.

The Authority began a construction project for the demolition of nine buildings consisting of 50 units and future rebuilding of one-story units after obtaining approval from HUD and the City of Milton, Florida. Bids were taken in December 2013 for the construction project and Cross Construction Services, Inc. was awarded the project on February 11, 2014 in the amount of \$479,000. The project was to commence on March 12, 2014 with an estimated completion date of September 7, 2014. Actual demolition did not begin until May 2014 and was completed in July 2014. Capital fund grant monies were be used for the project costs.

During 2014, \$59,420 of the demolition costs was reported as extraordinary maintenance. As of March 31, 2015, \$419,580 of the demolition costs are reported as extraordinary maintenance for total demolition costs of \$479,000.

NOTE 9 - RENT INCREASES

Under the regulatory agreement, the Authority may not increase rents charged to tenants without prior HUD approval.

Housing Authority of the City of Milton, Florida
Index to Supplementary Information Required by HUD

Item	Reference page
Financial Data Schedule - Balance Sheet	25-26
Financial Data Schedule - Income Statement	27-28

Housing Authority of the City of Milton, Florida

FINANCIAL DATA SCHEDULE - BALANCE SHEET

March 31, 2015

FDS Line #	Account Description	Low Rent Housing 14.850	Capital Fund Program 14.872	Low Rent Housing & Capital Fund combined	Housing Choice Vouchers 14.871	Business Activities	Total
ASSETS							
Current Assets							
Cash							
111	Unrestricted	\$ 322,866	\$ -	\$ 322,866	\$ 2,192	\$ 6,235	\$ 331,293
	Other restricted						
113-010	HAP funds	-	-	-	6,376	-	6,376
113-020	FSS Escow deposits	-	-	-	18,755	-	18,755
113	Total other restricted	-	-	-	25,131	-	25,131
114	Tenant security deposits	9,900	-	9,900	-	-	9,900
100	Total Cash	<u>332,766</u>	<u>-</u>	<u>332,766</u>	<u>27,323</u>	<u>6,235</u>	<u>366,324</u>
Accounts and Notes Receivable							
121	PHA Projects	-	-	-	1,465	-	1,465
122	Due from HUD	-	-	-	-	-	-
125	Other	152	-	152	-	-	152
126	Tenants - dwelling rents	116	-	116	-	-	116
126.1	Allowance for doubtful accounts - tenants	(47)	-	(47)	-	-	(47)
120	Total Accounts and Notes Receivables, net allowance for doubtful accounts	<u>221</u>	<u>-</u>	<u>221</u>	<u>1,465</u>	<u>-</u>	<u>1,686</u>
142	Prepaid expenses	5,612	-	5,612	1,482	-	7,094
143	Inventory	4,996	-	4,996	-	-	4,996
150	Total current assets	<u>343,595</u>	<u>-</u>	<u>343,595</u>	<u>30,270</u>	<u>6,235</u>	<u>380,100</u>
Noncurrent Assets							
Capital Assets							
161	Land	66,109	-	66,109	-	5,226	71,335
162	Buildings	986,636	1,740	988,376	-	-	988,376
163	Furniture, equipment, and machinery - dwellings	71,840	-	71,840	-	-	71,840
164	Furniture, equipment, and machinery - administration	106,535	-	106,535	18,852	-	125,387
165	Leasehold improvements	36,770	659,621	696,391	-	-	696,391
166	Accumulated depreciation	(972,494)	(266,313)	(1,238,807)	(15,526)	-	(1,254,333)
167	Construction in progress	-	-	-	-	-	-
160	Total capital assets, net depreciation	<u>295,396</u>	<u>395,048</u>	<u>690,444</u>	<u>3,326</u>	<u>5,226</u>	<u>698,996</u>
180	Total noncurrent assets	<u>295,396</u>	<u>395,048</u>	<u>690,444</u>	<u>3,326</u>	<u>5,226</u>	<u>698,996</u>
190	TOTAL ASSETS	<u>\$ 638,991</u>	<u>\$ 395,048</u>	<u>\$ 1,034,039</u>	<u>\$ 33,596</u>	<u>\$ 11,461</u>	<u>\$ 1,079,096</u>

(Continued)

Housing Authority of the City of Milton, Florida

FINANCIAL DATA SCHEDULE - BALANCE SHEET (Continued)

March 31, 2015

Line Item #	Account Description	Low Rent Housing 14.850	Capital Fund Program 14.872	Low Rent housing & capital fund combined	Housing Choice Vouchers 14.871	Business Activities	Total
LIABILITIES AND EQUITY							
LIABILITIES							
Current Liabilities							
312	Accounts payable < 90 days	\$ 2,627	\$ -	\$ 2,627	\$ 530	\$ -	\$ 3,157
321	Accrued wages/payroll taxes payable	6,057	-	6,057	-	-	6,057
322	Accrued compensated absences	18,469	-	18,469	-	-	18,469
333	Accounts payable - other governments	2,945	-	2,945	-	-	2,945
341	Tenant security deposits	9,900	-	9,900	-	-	9,900
342	Unearned revenues	527	-	527	-	-	527
310	Total current liabilities	<u>40,525</u>	<u>-</u>	<u>40,525</u>	<u>530</u>	<u>-</u>	<u>41,055</u>
Non Current Liabilities							
353	Non other current liabilities	-	-	-	18,755	-	18,755
350	Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,755</u>	<u>-</u>	<u>18,755</u>
300	TOTAL LIABILITIES	<u>40,525</u>	<u>-</u>	<u>40,525</u>	<u>19,285</u>	<u>-</u>	<u>59,810</u>
EQUITY/NET POSITION							
508.1	Invested in capital assets	295,396	395,048	690,444	3,326	5,226	698,996
511.1	Restricted	-	-	-	6,376	-	6,376
512.1	Unrestricted	303,070	-	303,070	4,609	6,235	313,914
513	Total Equity/Net Position	<u>598,466</u>	<u>395,048</u>	<u>993,514</u>	<u>14,311</u>	<u>11,461</u>	<u>1,019,286</u>
600	TOTAL LIABILITIES AND EQUITY/NET POSITON	<u>\$ 638,991</u>	<u>\$ 395,048</u>	<u>\$ 1,034,039</u>	<u>\$ 33,596</u>	<u>\$ 11,461</u>	<u>\$ 1,079,096</u>

See accompanying independent auditor's report

Housing Authority of the City of Milton, Florida

FINANCIAL DATA SCHEDULE - INCOME STATEMENT Year Ended March 31, 2015

Line Item #	Account Description	Low Rent Housing 14.850	Capital Fund 14.872	Housing Choice Vouchers 14.871	Business Activities	Total
REVENUES						
Tenant revenue						
70300	Dwelling rental	\$ 40,700	\$ -	\$ -	\$ -	\$ 40,700
70400	Other tenant revenue	1,932	-	-	-	1,932
70500	Total tenant revenue	<u>42,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,632</u>
70600-010	Housing assistance payments	-	-	2,428,199	-	2,428,199
70600-020	Ongoing administrative fees earned	-	-	167,232	-	167,232
70600-031	FSS coordinator grant	-	-	68,129	-	68,129
70600	HUD PHA operating grant	320,187	113,181	-	-	433,368
70600	Total HUD PHA operating grants	<u>320,187</u>	<u>113,181</u>	<u>2,663,560</u>	<u>-</u>	<u>3,096,928</u>
70610	Capital grants	-	167,832	-	-	167,832
71100	Investment income - unrestricted	80	-	-	3	83
72000	Investment income - restricted	-	-	36	-	36
71400-010	Fraud recovery - housing assistance payments	-	-	125	-	125
71400-020	Fraud recovery - administrative fee	-	-	126	-	126
71400	Total fraud recovery funds retained	<u>-</u>	<u>-</u>	<u>251</u>	<u>-</u>	<u>251</u>
70750	Other fees	-	-	-	32,771	32,771
71500	Other revenue	924	-	-	-	924
70000	TOTAL REVENUES	<u>363,823</u>	<u>281,013</u>	<u>2,663,847</u>	<u>32,774</u>	<u>3,341,457</u>
EXPENSES						
Administrative						
91100	Salaries	59,076	-	90,871	22,920	172,867
91200	Audit fees	9,000	-	9,000	2,000	20,000
91500	Employee benefit contributions	50,830	-	25,381	7,840	84,051
91600	Office expense	33,118	-	30,603	315	64,036
91700	Legal expense	542	-	-	-	542
91800	Travel	3,824	-	2,860	-	6,684
91900	Other	598	-	2,383	-	2,981
91000	Total administrative	<u>156,988</u>	<u>-</u>	<u>161,098</u>	<u>33,075</u>	<u>351,161</u>
Tenant Services						
92100	Salaries	4,610	-	32,758	-	37,368
92300	Employee benefit contributions	353	-	35,371	-	35,724
92400	Other	2,067	-	-	-	2,067
92500	Total tenant services	<u>7,030</u>	<u>-</u>	<u>68,129</u>	<u>-</u>	<u>75,159</u>
Utilities						
93100	Water and sewer	2,733	-	707	-	3,440
93200	Electricity	7,280	-	2,332	-	9,612
93300	Natural gas	1,236	-	323	-	1,559
93000	Total utilities	<u>11,249</u>	<u>-</u>	<u>3,362</u>	<u>-</u>	<u>14,611</u>
Ordinary Maintenance and Operations						
94100	Labor	78,391	-	-	-	78,391
94200	Materials and other	10,770	-	-	-	10,770
94300	Contract costs	10,576	-	-	-	10,576
94500	Employee benefit contributions	3,077	-	-	-	3,077
94400	Total ordinary maintenance and operations	<u>102,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,814</u>

(Continued)

Housing Authority of the City of Milton, Florida
FINANCIAL DATA SCHEDULE - INCOME STATEMENT (CONTINUED)
Year Ended March 31, 2015

Line Item #	Account Description	Low Rent Housing 14,850	Capital Fund 14,872	Housing Choice Vouchers 14,871	Business Activities	Total
	Insurance					
96110	Property insurance	14,820	-	-	-	14,820
96120	Liability insurance	5,873	-	-	-	5,873
96130	Workmen's compensation	6,839	-	2,988	-	9,827
96100	Total insurance	<u>27,532</u>	<u>-</u>	<u>2,988</u>	<u>-</u>	<u>30,520</u>
	Other General Expenses					
96200	Other general expenses	1,378	-	2,066	-	3,444
96210	Compensated Absences	18,469	-	-	-	18,469
96300	Payment in lieu of taxes	2,945	-	-	-	2,945
96400	Bad debt - tenant rents	47	-	-	-	47
96000	Total other general expenses	<u>22,839</u>	<u>-</u>	<u>2,066</u>	<u>-</u>	<u>24,905</u>
96900	TOTAL OPERATING EXPENSES	<u>328,452</u>	<u>-</u>	<u>237,643</u>	<u>33,075</u>	<u>599,170</u>
97000	EXCESS OPERATING REVENUES OVER OPERATING EXPENSES	<u>35,371</u>	<u>281,013</u>	<u>2,426,204</u>	<u>(301)</u>	<u>2,742,287</u>
97100	Extraordinary Maintenance	419,580	-	-	-	419,580
97300-045	Escrow deposits	-	-	3,628	-	3,628
97300-050	All other housing assistance payments	-	-	2,472,793	-	2,472,793
97300	Total housing assistance payments	<u>-</u>	<u>-</u>	<u>2,476,421</u>	<u>-</u>	<u>2,476,421</u>
97400	Depreciation expense	46,824	38,800	948	-	86,572
90000	TOTAL EXPENSES	<u>794,856</u>	<u>38,800</u>	<u>2,715,012</u>	<u>33,075</u>	<u>3,581,743</u>
	OTHER FINANCING SOURCES (USES)					
10010	Operating transfers in	331,013	-	-	-	331,013
10020	Operating transfers out	-	(331,013)	-	-	(331,013)
10070	Extraordinary items, net gain (loss)	(197,410)	(80,695)	-	-	(278,105)
10100	TOTAL OTHER FINANCING SOURCES (USES)	<u>133,603</u>	<u>(411,708)</u>	<u>-</u>	<u>-</u>	<u>(278,105)</u>
10000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) EXPENSES	<u>\$ (297,430)</u>	<u>\$ (169,495)</u>	<u>\$ (51,165)</u>	<u>\$ (301)</u>	<u>\$ (518,391)</u>

Memo Account Information

11030	Beginning equity	\$ 1,460,439	\$ -	\$ 65,476	\$ 11,762	\$ 1,537,677
11170	Administrative fee equity	\$ -	\$ -	\$ 7,935	\$ -	\$ 7,935
11180	Housing Assistance Payments Equity	\$ -	\$ -	\$ 6,376	\$ -	\$ 6,376
11190	Units months available	456	-	4,104	-	4,560
11210	Unit months leased	456	-	4,042	-	4,498
11270	Excess Cash	\$ 265,091	\$ -	\$ -	\$ -	\$ 265,091
11640	Furniture & Equipment - Administrative Purchases	\$ 2,212	\$ -	\$ -	\$ -	\$ 2,212



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

**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***

To the Board of Directors
The Housing Authority of the City of Milton, Florida
5668 Byrom Street
Milton, FL 32570

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 Housing Authority of Milton, Florida, which comprise the statement of fund net position as of March 31, 2015, and the related statements of revenues, expenses and changes in fund net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Housing Authority of the City of Milton, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dawn M. Paul, CPA, P.A.

Crestview, FL
December 16, 2015



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Housing Authority of the City of Milton, Florida
5668 Byrom Street
Milton, FL 32570

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Milton, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Milton, Florida's major federal programs for the year ended March 31, 2015. The Housing Authority of the City of Milton, Florida's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Milton, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis,

evidence about the Housing Authority of the City of Milton, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Milton, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Milton, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Milton, Florida'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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Edward M. Paul, CPA, P.A.

Crestview, FL
December 16, 2015

Housing Authority of the City of Milton, Florida

Schedule of Expenditures of Federal Awards Year Ended March 31, 2015

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract Grant #	Expenditures
U.S. Department of Housing and Urban Development			
Direct Program			
Section 8 Housing Choice Vouchers	14.871	N/A	\$ 2,595,431
Section 8 Family Self Sufficiency Program	14.896	2015-FSS8-FL053-5639	68,129
Public and Indian Housing Capital Fund Program	14.872	N/A	281,013
Public and Indian Housing	14.850	N/A	320,187
Total Expenditures of Federal Awards			<u>\$ 3,264,760</u>

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Milton, Florida and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the financial statements.

Housing Authority of the City of Milton, Florida

Schedule of Findings and Questioned Costs Year Ended March 31, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Non compliance material to financial statement noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program
14.871	Section 8 Housing Choice Vouchers

Dollar thresholds used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Findings



770 Industrial Drive, Crestview, FL 32539
Telephone: (850) 398-8934
Fax: (850) 689-4488

MANAGEMENT LETTER

To the Board of Directors
Housing Authority of the City of Milton, Florida
5668 Byrom Street
Milton, FL 32570

Report on the Financial Statements

We have audited the financial statements of the Housing Authority of the City of Milton, Florida as of and for the fiscal year ended March 31, 2015, and have issued our report thereon dated December 16, 2015

Auditor's Responsibility

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550 Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 16, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the Housing Authority of the City of Milton, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Housing Authority of the City of Milton, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Housing Authority of the City of Milton, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Housing Authority of the City of Milton, Florida for the fiscal year ended March 31, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended March 31, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter intended solely for the information and use of Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and the Department of Housing and Urban Development, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Dawn M. Paul, CPA, P.A.

Crestview, Florida
December 16, 2015