

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

**Financial Statements
And Supplementary Information**

March 31, 2017

Housing Authority of the City of Milton, Florida

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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, 2017, 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, 2017, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 24 to 28 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* 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 Title 2 U.S., *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 20, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Housing Authority of the City of Milton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Milton, Florida's internal control over financial reporting and compliance.

Raymond M. Paul, CPA, P.A.

Crestview, FL
December 20, 2017

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, 2017, and 2016, and should be read in conjunction with the audited financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Net position decreased to \$756,102 as of March 31, 2017. Of this amount, \$576,532 represents investments in capital assets, \$11,145 is restricted for housing assistance payments and \$168,425 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 \$250,461 during the year ended March 31, 2017.

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 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 provide 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 or 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 \$756,102 and \$1,006,563 (net position) for the fiscal years ended 2017, and 2016 as reported in Table 1.

By far, the largest portion (\$576,532 at March 31, 2017 or 76%) 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, 2017, and 2016.

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, 2017**

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|---------------------|
| Current and other assets | \$ 250,077 | \$ 437,950 |
| Capital assets | 576,532 | 632,975 |
| Total assets | \$ 826,609 | \$ 1,070,925 |
| Other liabilities | 70,507 | 64,362 |
| Total liabilities | \$ 70,507 | \$ 64,362 |
| Net position | | |
| Invested in capital assets net of related debt | \$ 576,532 | \$ 632,975 |
| Restricted for housing assistance payments | 11,145 | 31,491 |
| Unrestricted | 168,425 | 342,097 |
| Total net position | \$ 756,102 | \$ 1,006,563 |

Total assets decreased \$244,316 during FY 2017. Current assets decreased approximately \$187,873, which is primarily a decrease in cash balances. Capital assets decreased approximately \$56,443 as a result of disposal of equipment and depreciation. The Authority had capital asset additions of \$2,040 representing maintenance and office equipment. Liabilities increased approximately \$6,145.

Unrestricted net position of \$168,425 and \$342,097 at March 31, 2017 and 2016, 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 \$250,461 during fiscal year 2017, as reported in Table 2, and is primarily due to depreciation expense.

Table 2

| | | |
|-------------------------------------|---------------------|--------------------|
| Revenues | | |
| Operating grants | \$ 3,003,887 | \$ 3,037,522 |
| Dwelling rental | 41,022 | 48,630 |
| Other tenant revenue | 1,110 | 1,564 |
| Interest revenue | 88 | 89 |
| Other operating income | 152,829 | 33,978 |
| Insurance proceeds | 8,906 | - |
| | <u>3,207,842</u> | <u>3,121,783</u> |
| Expenses | | |
| Administrative | 461,866 | 390,309 |
| Tenant services | 110,815 | 75,070 |
| Utilities | 15,732 | 14,905 |
| Ordinary maintenance and operations | 80,346 | 68,219 |
| General expenses | 62,546 | 54,910 |
| Housing assistance payments | 2,548,445 | 2,463,242 |
| HAP portability | 114,570 | - |
| Depreciation expense | 63,983 | 67,851 |
| | <u>3,458,303</u> | <u>3,134,506</u> |
| Net change in net position | <u>\$ (250,461)</u> | <u>\$ (12,723)</u> |

Total revenues between FY 2017 and FY 2016 decreased \$86,059 (or 3%). Beginning in 2017, HAP portability payments are reported separately as other income and expenses. Prior to 2017, the income and expenses were reported net of each other. Operating grant revenue decreased \$33,635 from FY 2017 to FY 2016. The Family Self Sufficiency Coordinator grant was increased by \$ 34,790 as a result of an unexpended award from 2014 that was approved for utilization by January 2017. However, the overall operating grants decreased as a result of a reduction in the public housing operating grant as a result of asset repositioning (demolition of the two-story units). The Authority was awarded CFP capital grant funding during the 2015-16 and 2016-17 fiscal years but did not draw down or expend any of the funds. There was a significant decrease in the tenant revenue as a result of decreases in tenant income levels and minimum rents and reductions in utility reimbursements.

Operating expenses increased by \$323,797 or 10% between FY 2017 and FY 2016. The primary increase was due to HAP portability expenses being reported as an expense rather than netted with the associated income, an increase in housing assistance payments, an increase in Family Self-Sufficiency Coordinator grant expenses directly proportionate to the increase in the FSS Coordinator Grant, and additional maintenance expenses in order to prepare for the REAC inspection.

CAPITAL ASSETS

CAPITAL ASSETS

The Authority's investments in capital assets for its activities as of March 31, 2017, and 2016, amounts to \$576,532 and \$632,975 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 \$63,983 and \$67,851 for the years ended March 31, 2017, and 2016, respectively.

Table 3

CAPITAL ASSETS

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|--------------------------|--------------------------|
| Land | \$ 71,335 | \$ 71,335 |
| Buildings | 988,376 | 988,376 |
| Improvements other than buildings | 694,695 | 695,978 |
| Equipment and fixtures | 157,228 | 162,059 |
| Construction in progress | 5,500 | - |
| Accumulated depreciation | <u>(1,340,602)</u> | <u>(1,284,773)</u> |
| Total | <u>\$ 576,532</u> | <u>\$ 632,975</u> |

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, 2017

| | Major Fund | | Non-Major Funds | | | Totals | |
|---|-------------------------------|---------------------|-------------------|-------------------------------------|------------------------|-------------------|---|
| | Housing Choice Vouchers | Low Rent Housing | Capital Fund | Family Self Sufficiency Grant | Business Activities | 2017 | 2016 (For Comparative Purposes Only) |
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Cash | | | | | | | |
| Unrestricted | \$ 1,984 | \$ 190,806 | \$ - | \$ - | \$ 2,495 | \$ 195,285 | \$ 359,801 |
| Tenant security deposits | - | 10,310 | - | - | - | 10,310 | 9,940 |
| Other restricted | 29,830 | - | - | - | - | 29,830 | 54,421 |
| Cash restricted for current liabilities | 1,111 | - | - | - | - | 1,111 | - |
| Accounts receivable | | | | | | | |
| Tenant, net of allowance | - | 24 | - | - | - | 24 | 280 |
| Other | 1,566 | - | - | - | - | 1,566 | 1,120 |
| Inventory | - | 5,155 | - | - | - | 5,155 | 5,854 |
| Prepaid expenses | 2,269 | 4,527 | - | - | - | 6,796 | 6,534 |
| Total current assets | <u>36,760</u> | <u>210,822</u> | <u>-</u> | <u>-</u> | <u>2,495</u> | <u>250,077</u> | <u>437,950</u> |
| Capital Assets, net | | | | | | | |
| Non-depreciable | - | 71,609 | - | - | 5,226 | 76,835 | 71,335 |
| Depreciable, net | 2,286 | 167,866 | 329,545 | - | - | 499,697 | 561,640 |
| Total capital assets, net | <u>2,286</u> | <u>239,475</u> | <u>329,545</u> | <u>-</u> | <u>5,226</u> | <u>576,532</u> | <u>632,975</u> |
| TOTAL ASSETS | <u>39,046</u> | <u>450,297</u> | <u>329,545</u> | <u>-</u> | <u>7,721</u> | <u>826,609</u> | <u>1,070,925</u> |
| LIABILITIES | | | | | | | |
| Current liabilities | | | | | | | |
| Accounts payable | 922 | 3,100 | - | - | - | 4,022 | 660 |
| Accrued expenses | - | 9,226 | - | - | - | 9,226 | 1,375 |
| Accrued compensated absences | - | 23,454 | - | - | - | 23,454 | 19,103 |
| FSS escrow liability | 1,111 | - | - | - | - | 1,111 | - |
| Payable to other government | - | 3,109 | - | - | - | 3,109 | 3,853 |
| Unearned revenue | - | 590 | - | - | - | 590 | 520 |
| Tenant security deposits | - | 10,310 | - | - | - | 10,310 | 9,940 |
| Total current liabilities | <u>2,033</u> | <u>49,789</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>51,822</u> | <u>35,451</u> |
| Non-current liabilities | | | | | | | |
| FSS escrow liability | 18,685 | - | - | - | - | 18,685 | 22,930 |
| Total non-current liabilities | <u>18,685</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>18,685</u> | <u>22,930</u> |
| TOTAL LIABILITIES | <u>20,718</u> | <u>49,789</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>70,507</u> | <u>64,362</u> |
| NET POSITION | | | | | | | |
| Invested in capital assets | 2,286 | 239,475 | 329,545 | - | 5,226 | 576,532 | 632,975 |
| Restricted | 11,145 | - | - | - | - | 11,145 | 31,491 |
| Unrestricted | 4,897 | 161,033 | - | - | 2,495 | 168,425 | 342,097 |
| TOTAL NET POSITION | <u>\$ 18,328</u> | <u>\$ 400,508</u> | <u>\$ 329,545</u> | <u>\$ -</u> | <u>\$ 7,721</u> | <u>\$ 756,102</u> | <u>\$ 1,006,563</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, 2017

| | Major Funds | | Non-Major Funds | | | Totals | |
|--|-------------------------------|---------------------|-----------------|-------------------------------------|------------------------|---------------------|--|
| | Housing Choice Vouchers | Low Rent Housing | Capital Fund | Family Self Sufficiency Grant | Business Activities | 2017 | 2016 (For Comparative Purpose Only) |
| REVENUES | | | | | | | |
| Operating grants | \$ 2,716,892 | \$ 183,783 | \$ - | \$ 103,212 | \$ - | \$ 3,003,887 | \$ 3,037,522 |
| Dwelling rental | - | 41,022 | - | - | - | 41,022 | 48,630 |
| Other tenant revenue | - | 1,110 | - | - | - | 1,110 | 1,564 |
| Interest income - unrestricted | 2 | 86 | - | - | - | 88 | 89 |
| Other income | 115,621 | 3,142 | - | - | 34,066 | 152,829 | 33,978 |
| TOTAL REVENUES | 2,832,515 | 229,143 | - | 103,212 | 34,066 | 3,198,936 | 3,121,783 |
| OPERATING EXPENSES | | | | | | | |
| Administrative | | | | | | | |
| Salaries | 96,430 | 115,999 | - | - | 27,308 | 239,737 | 209,502 |
| Audit fees | 9,000 | 9,000 | - | - | 2,000 | 20,000 | 20,000 |
| Employee benefit contributions | 36,581 | 85,634 | - | - | 3,895 | 126,110 | 98,026 |
| Office expenses | 30,956 | 26,928 | - | - | 1,087 | 58,971 | 52,018 |
| Legal | - | 440 | - | - | - | 440 | - |
| Travel | 4,191 | 6,267 | - | - | 1,262 | 11,720 | 6,974 |
| Other | 1,701 | 1,927 | - | - | 1,260 | 4,888 | 3,789 |
| Total administrative | 178,859 | 246,195 | - | - | 36,812 | 461,866 | 390,309 |
| Tenant Services | | | | | | | |
| Salaries | - | 5,560 | - | 80,695 | - | 86,255 | 40,472 |
| Employee benefit contributions | - | 425 | - | 22,517 | - | 22,942 | 33,715 |
| Other | - | 1,618 | - | - | - | 1,618 | 883 |
| Total tenant services | - | 7,603 | - | 103,212 | - | 110,815 | 75,070 |
| Utilities | | | | | | | |
| Water and sewer | 1,180 | 2,535 | - | - | - | 3,715 | 3,077 |
| Electricity | 3,752 | 6,476 | - | - | - | 10,228 | 10,203 |
| Natural gas | 181 | 924 | - | - | - | 1,105 | 1,116 |
| Landfill | 321 | 363 | - | - | - | 684 | 509 |
| Total utilities | 5,434 | 10,298 | - | - | - | 15,732 | 14,905 |
| Ordinary Maintenance and Operations | | | | | | | |
| Labor | - | 40,356 | - | - | - | 40,356 | 51,401 |
| Employee benefit contributions | - | 3,091 | - | - | - | 3,091 | 3,597 |
| Materials and other | - | 13,329 | - | - | - | 13,329 | 4,998 |
| Contract costs | - | 23,570 | - | - | - | 23,570 | 8,223 |
| Total ordinary maintenance and operations | - | 80,346 | - | - | - | 80,346 | 68,219 |

(Continued)

Housing Authority of the City of Milton, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (Continued) Year Ended March 31, 2017

| | Major Funds | | Non-Major Funds | | | Totals | |
|--|-------------------------------|---------------------|-------------------|-------------------------------------|------------------------|-------------------|--|
| | Housing Choice Vouchers | Low Rent Housing | Capital Fund | Family Self Sufficiency Grant | Business Activities | 2017 | 2016 (For Comparative Purpose Only) |
| OPERATING EXPENSES CONTINUED | | | | | | | |
| Insurance | \$ 4,344 | \$ 24,890 | \$ - | \$ - | \$ 500 | \$ 29,734 | \$ 28,319 |
| Bad debt - tenant rents | - | - | - | - | - | - | 35 |
| Compensated absences | - | 23,454 | - | - | - | 23,454 | 19,103 |
| Payment in lieu of taxes | - | 3,109 | - | - | - | 3,109 | 3,853 |
| Other general expenses | 4,544 | 1,705 | - | - | - | 6,249 | 3,600 |
| Total general expenses | 8,888 | 53,158 | - | - | 500 | 62,546 | 54,910 |
| Other Expenses | | | | | | | |
| Housing assistance payments | 2,548,445 | - | - | - | - | 2,548,445 | 2,463,242 |
| HAP portability-in | 114,570 | - | - | - | - | 114,570 | - |
| Depreciation expense | 1,007 | 32,181 | 30,795 | - | - | 63,983 | 67,851 |
| Total other expenses | 2,664,022 | 32,181 | 30,795 | - | - | 2,726,998 | 2,531,093 |
| TOTAL OPERATING EXPENSES | 2,857,203 | 429,781 | 30,795 | 103,212 | 37,312 | 3,458,303 | 3,134,506 |
| Operating income (loss) | (24,688) | (200,638) | (30,795) | - | (3,246) | (259,367) | (12,723) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | |
| Insurance proceeds | - | 8,906 | - | - | - | 8,906 | - |
| NET INCOME (LOSS) | (24,688) | (191,732) | (30,795) | - | (3,246) | (250,461) | (12,723) |
| NET FUND POSITION - Beginning of year | 43,016 | 592,240 | 360,340 | - | 10,967 | 1,006,563 | 1,019,286 |
| NET FUND POSITION - End of year | \$ 18,328 | \$ 400,508 | \$ 329,545 | \$ - | \$ 7,721 | \$ 756,102 | \$ 1,006,563 |

See accompanying notes to financial statements

Housing Authority of the City of Milton, Florida

STATEMENT OF CASH FLOWS Year Ended March 31, 2017

| | Major Funds | | Non-Major Funds | | | Totals | |
|---|-------------------------|------------------|-----------------|-------------------------|---------------------|--------------|-------------------------------------|
| | Housing Choice Vouchers | Low Rent Housing | Capital Fund | Family Self-Sufficiency | Business Activities | 2017 | 2016 (For Comparative Purpose Only) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Operating grants | \$ 2,716,892 | \$ 183,783 | \$ - | \$ 103,212 | \$ - | \$ 3,003,887 | \$ 3,037,522 |
| Receipts from tenants and customers | 1,051 | 41,717 | - | - | 34,066 | 76,834 | 81,761 |
| Payments to suppliers | (97,383) | (249,344) | - | (22,517) | (10,004) | (379,248) | (341,198) |
| Subsidized rent payments | (2,666,149) | - | - | - | - | (2,666,149) | (2,459,067) |
| Payments to employees | (96,430) | (138,793) | - | (80,695) | (27,308) | (343,226) | (261,789) |
| Other income | 114,570 | 4,252 | - | - | - | 118,822 | 2,350 |
| Interest income | 2 | 86 | - | - | - | 88 | 89 |
| Net cash flows from operating activities | (27,447) | (158,299) | - | - | (3,246) | (188,992) | 59,668 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | | |
| Inflow from insurance proceeds | - | 8,906 | - | - | - | 8,906 | - |
| Net cash flows from non-capital financing activities | - | 8,906 | - | - | - | 8,906 | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Fixed asset purchases | (440) | (7,100) | - | - | - | (7,540) | (1,830) |
| Net cash flows from investing activities | (440) | (7,100) | - | - | - | (7,540) | (1,830) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (27,887) | (156,493) | - | - | (3,246) | (187,626) | 57,838 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 60,812 | 357,609 | - | - | 5,741 | 424,162 | 366,324 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 32,925 | \$ 201,116 | \$ - | \$ - | \$ 2,495 | \$ 236,536 | \$ 424,162 |
| AT END OF YEAR CONSISTS OF | | | | | | | |
| Unrestricted cash | \$ 1,984 | \$ 190,806 | \$ - | \$ - | \$ 2,495 | \$ 195,285 | \$ 359,801 |
| Restricted cash | 30,941 | 10,310 | - | - | - | 41,251 | 64,361 |
| TOTAL | \$ 32,925 | \$ 201,116 | \$ - | \$ - | \$ 2,495 | \$ 236,536 | \$ 424,162 |

(Continued)

Housing Authority of the City of Milton, Florida

STATEMENT OF CASH FLOWS (Continued) Year Ended March 31, 2017

| | Major Funds | | Non-Major Funds | | | Totals | |
|---|----------------------------|---------------------|-----------------|--------------------------------|------------------------|----------------------------|--|
| | Housing Choice Vouchers | Low Rent Housing | Capital Fund | Family Self- Sufficiency | Business Activities | 2017 | 2016 (For Comparative Purpose Only) |
| Reconciliation of change in net position to net cash provided by operating activities: | | | | | | | |
| Increase (Decrease) in operating net position | \$ (24,688) | \$ (200,638) | \$ (30,795) | \$ - | \$ (3,246) | \$ (259,367) | \$ (12,723) |
| Adjustments to reconcile change in net position to cash provided by operating activities: | | | | | | | |
| Depreciation expense | 1,007 | 32,181 | 30,795 | - | - | 63,983 | 67,851 |
| Bad debt expense | - | - | - | - | - | - | 35 |
| (Increase)/decrease in accounts receivable | - | 255 | - | - | - | 255 | (94) |
| (Increase)/decrease in FSS escrow | (3,134) | - | - | - | - | (3,134) | 4,175 |
| Decrease in inventory | - | 699 | - | - | - | 699 | (858) |
| (Increase)/decrease in prepaid expenses | (848) | 586 | - | - | - | (262) | 560 |
| Increase/(decrease) in accounts payable | 662 | 2,700 | - | - | - | 3,362 | (2,497) |
| Increase/(decrease) in accrued liabilities | (446) | 5,478 | - | - | - | 5,032 | 3,186 |
| Increase/(decrease) in tenants security deposits held in trust | - | 370 | - | - | - | 370 | 40 |
| Increase/(decrease) in prepaid rent | - | 70 | - | - | - | 70 | (7) |
| Increase in deferred revenues | - | - | - | - | - | - | - |
| Net cash provided (used) by operations | <u>\$ (27,447)</u> | <u>\$ (158,299)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (3,246)</u> | <u>\$ (188,992)</u> | <u>\$ 59,668</u> |

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2017

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, 2017, 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.

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, 2017

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, 2017

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, 2017

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, 2017.

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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

The amounts shown for the year ended March 31, 2016 in the accompanying financial statements are included only to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 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, 2016, 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, 2017 was \$ 195,285. The security deposits in the amount of \$10,310 are considered restricted cash and are maintained in a separate bank account. Other restricted cash as of March 31, 2017 consisted of monies restricted for housing assistance payments totaling \$29,830 and payments for current liabilities consisting of family self-sufficiency escrow payments in the amount of \$1,111 for a total of \$30,941.

Investments

Investments for the Authority typically consist of certificates of deposits. As of March 31, 2017, 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 all of its outstanding accounts receivable are collectible as of March 31, 2017. Therefore, the Authority did not record an allowance for doubtful accounts.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2017

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, 2017 totaled \$63,983.

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, 2017

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.

As of March 31, 2017, the compensated absence liability was \$23,454.

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, 2017 the bank value of the Authority's deposits was \$252,714 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, 2017

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | 3/31/2016 | Additions | Deletions | 3/31/2017 |
|---|-------------|-------------|-----------|-------------|
| <i>Capital Assets, depreciable</i> | | | | |
| Buildings | \$ 988,376 | \$ - | \$ - | \$ 988,376 |
| Improvements other than buildings | 695,978 | - | (1,283) | 694,695 |
| Dwelling fixtures and equipment | 66,418 | - | (6,352) | 60,066 |
| Administrative fixtures and equipment | 95,641 | 2,040 | (519) | 97,162 |
| Accumulated depreciation | (1,284,773) | (63,983) | 8,154 | (1,340,602) |
| Capital assets, net of accumulated depreciation | \$ 561,640 | \$ (61,943) | \$ - | \$ 499,697 |
| <i>Capital Assets, non-depreciable</i> | | | | |
| Land | 71,335 | - | - | 71,335 |
| Construction in progress | - | 5,500 | - | 5,500 |
| Capital assets, non-depreciable | 71,335 | 5,500 | - | 76,835 |
| Total Capital Assets | \$ 632,975 | \$ (56,443) | \$ - | \$ 576,532 |

NOTE 4 - CAPITAL FUND PROGRAM (CFP)

The following CFP grant awards were completed and/or in progress during the fiscal years ended March 31, 2017 and 2016:

| CFP Grant | 2017 | | | 2016 | | |
|-----------|----------------------|----------------------|------------|----------------------|----------------------|------------|
| | Total Funds Received | Total Funds Expended | Variance | Total Funds Received | Total Funds Expended | Variance |
| 501-15 | \$ 116,286 | \$ - | \$ 116,286 | \$ 116,286 | \$ - | \$ 116,286 |
| 501-16 | \$ 117,997 | \$ - | \$ 117,997 | | | |

Housing Authority of the City of Milton, Florida

Notes to Financial Statements

March 31, 2017

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 did not executed the rule for operating and administrative expenses as of March 31, 2017 and 2016.

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.

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

Effective January 1, 2016, the insurance policy for windstorm coverage in the event of a hurricane, has a deductible of \$ 45,467 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).

NOTE 6 - 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, 2017 were \$ 23,870.

NOTE 7 - 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.

Housing Authority of the City of Milton, Florida

Notes to Financial Statements March 31, 2017

NOTE 8 – RENT INCREASES

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

NOTE 9 – CHANGES IN LONG TERM LIABILITIES

The following summarizes the long term liability activity for the year ended March 31, 2017:

| | Beginning Balance | Additions | Reductions | Ending Balance | Long-term Portion | Current Portion |
|--------------------------------------|----------------------|-----------|-------------|-------------------|----------------------|--------------------|
| Family Self-Sufficiency (FSS) Escrow | \$ 22,930 | \$ 16,240 | \$ (19,374) | \$ 19,796 | \$ 18,685 | \$ 1,111 |

NOTE 10 – INSURANCE PROCEEDS

One of the units in the Low Rent Public Housing Program experienced a fire and the Authority received \$8,906 in insurance proceeds.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transfers for potential recognition or disclosure through December 20, 2017, the date the financial statement were issued.

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, 2017

| 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 | \$ 190,806 | \$ - | \$ 190,806 | \$ 1,984 | \$ 2,495 | \$ 195,285 |
| | Other restricted | | | | | | |
| 113-010 | HAP funds | - | - | - | 11,145 | - | 11,145 |
| 113-020 | FSS Escow deposits | - | - | - | 18,685 | - | 18,685 |
| 113 | Total other restricted | - | - | - | 29,830 | - | 29,830 |
| 114 | Tenant security deposits | 10,310 | - | 10,310 | - | - | 10,310 |
| 115 | Restricted for Payment of Current Liabilities | - | - | - | 1,111 | - | 1,111 |
| 100 | Total Cash | 201,116 | - | 201,116 | 32,925 | 2,495 | 236,536 |
| Accounts and Notes Receivable | | | | | | | |
| 121 | PHA Projects | - | - | - | 1,566 | - | 1,566 |
| 126 | Tenants - dwelling rents | 24 | - | 24 | - | - | 24 |
| 120 | Total Accounts and Notes Receivables, net allowance for doubtful accounts | 24 | - | 24 | 1,566 | - | 1,590 |
| 142 | Prepaid expenses | 4,527 | - | 4,527 | 2,269 | - | 6,796 |
| 143 | Inventory | 5,155 | - | 5,155 | - | - | 5,155 |
| 150 | Total current assets | 210,822 | - | 210,822 | 36,760 | 2,495 | 250,077 |
| 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 | 60,066 | - | 60,066 | - | - | 60,066 |
| 164 | Furniture, equipment, and machinery - administration | 82,417 | - | 82,417 | 14,745 | - | 97,162 |
| 165 | Leasehold improvements | 36,770 | 657,925 | 694,695 | - | - | 694,695 |
| 166 | Accumulated depreciation | (998,023) | (330,120) | (1,328,143) | (12,459) | - | (1,340,602) |
| 167 | Construction in progress | 5,500 | - | 5,500 | - | - | 5,500 |
| 160 | Total capital assets, net depreciation | 239,475 | 329,545 | 569,020 | 2,286 | 5,226 | 576,532 |
| 180 | Total noncurrent assets | 239,475 | 329,545 | 569,020 | 2,286 | 5,226 | 576,532 |
| 190 | TOTAL ASSETS | \$ 450,297 | \$ 329,545 | \$ 779,842 | \$ 39,046 | \$ 7,721 | \$ 826,609 |

(Continued)

Housing Authority of the City of Milton, Florida

FINANCIAL DATA SCHEDULE - BALANCE SHEET (Continued)

March 31, 2017

| 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 | \$ 3,100 | \$ - | \$ 3,100 | \$ 922 | \$ - | \$ 4,022 |
| 321 | Accrued wages/payroll taxes payable | 9,226 | - | 9,226 | - | - | 9,226 |
| 322 | Accrued compensated absences | 23,454 | - | 23,454 | - | - | 23,454 |
| 333 | Accounts payable - other governments | 3,109 | - | 3,109 | - | - | 3,109 |
| 341 | Tenant security deposits | 10,310 | - | 10,310 | - | - | 10,310 |
| 342 | Unearned revenues | 590 | - | 590 | - | - | 590 |
| 345 | Other current liabilities | - | - | - | 1,111 | - | 1,111 |
| 310 | Total current liabilities | 49,789 | - | 49,789 | 2,033 | - | 51,822 |
| Non Current Liabilities | | | | | | | |
| 353 | Non other current liabilities | - | - | - | 18,685 | - | 18,685 |
| 350 | Total non-current liabilities | - | - | - | 18,685 | - | 18,685 |
| 300 | TOTAL LIABILITIES | 49,789 | - | 49,789 | 20,718 | - | 70,507 |
| EQUITY/NET POSITION | | | | | | | |
| 508.1 | Invested in capital assets | 239,475 | 329,545 | 569,020 | 2,286 | 5,226 | 576,532 |
| 511.1 | Restricted | - | - | - | 11,145 | - | 11,145 |
| 512.1 | Unrestricted | 161,033 | - | 161,033 | 4,897 | 2,495 | 168,425 |
| 513 | Total Equity/Net Position | 400,508 | 329,545 | 730,053 | 18,328 | 7,721 | 756,102 |
| 600 | TOTAL LIABILITIES AND EQUITY/NET POSITON | \$ 450,297 | \$ 329,545 | \$ 779,842 | \$ 39,046 | \$ 7,721 | \$ 826,609 |

See accompanying independent auditor's report

Housing Authority of the City of Milton, Florida

FINANCIAL DATA SCHEDULE - INCOME STATEMENT (CONTINUED)

Year Ended March 31, 2017

| Line Item # | Account Description | Low Rent Housing 14.850 | Capital Fund 14.872 | Housing Choice Vouchers 14.871 | Business Activities | Family Self Sufficiency 14.896 | Total |
|-------------------------------------|--|-------------------------------|------------------------|---|------------------------|--------------------------------------|------------------|
| REVENUES | | | | | | | |
| Tenant revenue | | | | | | | |
| 70300 | Dwelling rental | \$ 41,022 | \$ - | \$ - | \$ - | \$ - | \$ 41,022 |
| 70400 | Other tenant revenue | 1,110 | - | - | - | - | 1,110 |
| 70500 | Total tenant revenue | <u>42,132</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>42,132</u> |
| 70600-010 | Housing assistance payments | - | - | 2,527,048 | - | - | 2,527,048 |
| 70600-020 | Ongoing administrative fees earned | - | - | 189,844 | - | - | 189,844 |
| 70600-031 | FSS coordinator grant | - | - | - | - | 103,212 | 103,212 |
| 70600 | HUD PHA operating grant | 183,783 | - | - | - | - | 183,783 |
| 70600 | Total HUD PHA operating grants | <u>183,783</u> | <u>-</u> | <u>2,716,892</u> | <u>-</u> | <u>103,212</u> | <u>3,003,887</u> |
| 71100 | Investment income - unrestricted | 86 | - | 2 | - | - | 88 |
| 70750 | Other fees | - | - | - | 34,066 | - | 34,066 |
| 71500 | Other revenue | 3,142 | - | 115,621 | - | - | 118,763 |
| 70000 | TOTAL REVENUES | <u>229,143</u> | <u>-</u> | <u>2,832,515</u> | <u>34,066</u> | <u>103,212</u> | <u>3,198,936</u> |
| EXPENSES | | | | | | | |
| Administrative | | | | | | | |
| 91100 | Salaries | 115,999 | - | 96,430 | 27,308 | - | 239,737 |
| 91200 | Audit fees | 9,000 | - | 9,000 | 2,000 | - | 20,000 |
| 91500 | Employee benefit contributions | 85,634 | - | 36,581 | 3,895 | - | 126,110 |
| 91600 | Office expense | 26,928 | - | 30,956 | 1,087 | - | 58,971 |
| 91700 | Legal expense | 440 | - | - | - | - | 440 |
| 91800 | Travel | 6,267 | - | 4,191 | 1,262 | - | 11,720 |
| 91900 | Other | 1,927 | - | 1,701 | 1,260 | - | 4,888 |
| 91000 | Total administrative | <u>246,195</u> | <u>-</u> | <u>178,859</u> | <u>36,812</u> | <u>-</u> | <u>461,866</u> |
| Tenant Services | | | | | | | |
| 92100 | Salaries | 5,560 | - | - | - | 80,695 | 86,255 |
| 92300 | Employee benefit contributions | 425 | - | - | - | 22,517 | 22,942 |
| 92400 | Other | 1,618 | - | - | - | - | 1,618 |
| 92500 | Total tenant services | <u>7,603</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>103,212</u> | <u>110,815</u> |
| Utilities | | | | | | | |
| 93100 | Water and sewer | 2,535 | - | 1,180 | - | - | 3,715 |
| 93200 | Electricity | 6,476 | - | 3,752 | - | - | 10,228 |
| 93300 | Natural gas | 924 | - | 321 | - | - | 1,245 |
| 93800 | Other utilities expenses | 363 | - | 181 | - | - | 544 |
| 93000 | Total utilities | <u>10,298</u> | <u>-</u> | <u>5,434</u> | <u>-</u> | <u>-</u> | <u>15,732</u> |
| Ordinary Maintenance and Operations | | | | | | | |
| 94100 | Labor | 40,356 | - | - | - | - | 40,356 |
| 94200 | Materials and other | 13,329 | - | - | - | - | 13,329 |
| 94300 | Contract costs | 23,570 | - | - | - | - | 23,570 |
| 94500 | Employee benefit contributions | 3,091 | - | - | - | - | 3,091 |
| 94400 | Total ordinary maintenance and operations | <u>80,346</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>80,346</u> |

(Continued)

Housing Authority of the City of Milton, Florida

FINANCIAL DATA SCHEDULE - INCOME STATEMENT (CONTINUED)

Year Ended March 31, 2017

| Line Item # | Account Description | Low Rent Housing 14,850 | Capital Fund 14,872 | Housing Choice Vouchers 14,871 | Business Activities | PIH FSS Program 14,896 | Total |
|----------------|---|-------------------------------|---------------------------|---|------------------------|------------------------------|---------------------|
| | Insurance | | | | | | |
| 96110 | Property insurance | 13,204 | - | - | - | - | 13,204 |
| 96120 | Liability insurance | 3,403 | - | - | 500 | - | 3,903 |
| 96130 | Workmen's compensation | 8,283 | - | 4,344 | - | - | 12,627 |
| 96100 | Total insurance | <u>24,890</u> | <u>-</u> | <u>4,344</u> | <u>500</u> | <u>-</u> | <u>29,734</u> |
| | Other General Expenses | | | | | | |
| 96200 | Other general expenses | 1,705 | - | 4,544 | - | - | 6,249 |
| 96210 | Compensated Absences | 23,454 | - | - | - | - | 23,454 |
| 96300 | Payment in lieu of taxes | 3,109 | - | - | - | - | 3,109 |
| 96000 | Total other general expenses | <u>28,268</u> | <u>-</u> | <u>4,544</u> | <u>-</u> | <u>-</u> | <u>32,812</u> |
| 96900 | TOTAL OPERATING EXPENSES | <u>397,600</u> | <u>-</u> | <u>193,181</u> | <u>37,312</u> | <u>103,212</u> | <u>731,305</u> |
| 97000 | EXCESS OPERATING REVENUES OVER OPERATING EXPENSES | <u>(168,457)</u> | <u>-</u> | <u>2,639,334</u> | <u>(3,246)</u> | <u>-</u> | <u>2,467,631</u> |
| 97100 | Extraordinary Maintenance | - | - | - | - | - | - |
| 97200 | Casualty loss | - | - | - | - | - | - |
| 97300-045 | Escrow deposits | - | - | 11,140 | - | - | 11,140 |
| 97300-050 | All other housing assistance payments | - | - | 2,537,305 | - | - | 2,537,305 |
| 97300 | Total housing assistance payments | <u>-</u> | <u>-</u> | <u>2,548,445</u> | <u>-</u> | <u>-</u> | <u>2,548,445</u> |
| 97350 | HAP portability-in | - | - | 114,570 | - | - | 114,570 |
| 97400 | Depreciation expense | 32,181 | 30,795 | 1,007 | - | - | 63,983 |
| 90000 | TOTAL EXPENSES | <u>429,781</u> | <u>30,795</u> | <u>2,857,203</u> | <u>37,312</u> | <u>103,212</u> | <u>3,458,303</u> |
| | OTHER FINANCING SOURCES (USES) | | | | | | |
| 10070 | Extraordinary items, net gain (loss) | 8,906 | - | - | - | - | 8,906 |
| 10100 | TOTAL OTHER FINANCING SOURCES (USES) | <u>8,906</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,906</u> |
| 10000 | EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) EXPENSES | <u>\$ (191,732)</u> | <u>\$ (30,795)</u> | <u>\$ (24,688)</u> | <u>\$ (3,246)</u> | <u>\$ -</u> | <u>\$ (250,461)</u> |

Memo Account Information

| | | | | | | | |
|-------|--|------------|------|-----------|-----------|------|--------------|
| 11030 | Beginning equity | \$ 952,580 | \$ - | \$ 43,016 | \$ 10,967 | \$ - | \$ 1,006,563 |
| 11170 | Administrative fee equity | \$ - | \$ - | \$ 7,183 | \$ - | \$ - | \$ 7,183 |
| 11180 | Housing Assistance Payments Equity | \$ - | \$ - | \$ 11,145 | \$ - | \$ - | \$ 11,145 |
| 11190 | Units months available | 450 | - | 4,104 | - | - | 4,554 |
| 11210 | Unit months leased | 450 | - | 4,168 | - | - | 4,618 |
| 11270 | Excess Cash | \$ 118,218 | \$ - | \$ - | \$ - | \$ - | \$ 118,218 |
| 11640 | Furniture & Equipment - Administrative Purchases | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |



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, 2017, 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 19, 2017.

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 19, 2017



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 THE UNIFORM GUIDANCE

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 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, 2017. 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 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 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could

have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of 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, 2017.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Edward M. Paul, CPA, P.A.

Crestview, FL
December 20, 2017

Housing Authority of the City of Milton, Florida

Schedule of Expenditures of Federal Awards Year Ended March 31, 2017

| 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 | \$ 2,716,892 |
| Section 8 Family Self Sufficiency Program | 14.896 | N/A | 103,212 |
| Public and Indian Housing | 14.850 | N/A | 183,783 |
| | | | \$ 3,003,887 |
| Total Expenditures of Federal Awards | | | \$ 3,003,887 |

NOTE A - 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operating of the Housing Authority of the City of Milton, Florida, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Housing Authority of the City of Milton, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Housing Authority of the City of Milton, Florida has elected not to use the 10% percent de minimis indirect cost rate allowed under the Uniform Guidance.

Housing Authority of the City of Milton, Florida

Schedule of Findings and Questioned Costs Year Ended March 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Non compliance material to financial statement noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

| 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? \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported



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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, 2017, and have issued our report thereon dated December 20, 2017.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550 Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 20, 2017, 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 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 and Management

Section 10.554(1)(i)5.a., and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 for the Housing Authority of the City of Milton, Florida. 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.

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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to 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, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the 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 20, 2017