

HOUSING AUTHORITY OF AVON PARK

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2013

**HOUSING AUTHORITY OF AVON PARK
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2013**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	11
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION	13
STATEMENT OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	16
SUPPLEMENTARY INFORMATION	
SUPPLEMENTAL FINANCIAL DATA SCHEDULE - STATEMENT OF NET POSITION	35
SUPPLEMENTAL FINANCIAL DATA SCHEDULE - SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION	37
SUPPLEMENTAL FINANCIAL DATA SCHEDULE – STATEMENT OF NET POSITION – COMPONENT UNITS	40
SUPPLEMENTAL FINANCIAL DATA SCHEDULE - SUPPLEMENTAL SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – COMPONENT UNITS	42
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	44
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	45
SCHEDULE OF GRANT STATUS	46
SUPPLEMENTARY REPORTS	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	47
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	52
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	55

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Avon Park
Avon Park, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of Avon Park (the Authority), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Authority, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 10 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statements No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental financial data schedules and schedule of grant status, as required by the United States Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental financial data schedules, schedule of grant status, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental financial data schedules, schedule of grant status, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 April 28, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Lakeland, Florida
April 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSING AUTHORITY OF AVON PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

As management of Housing Authority of Avon Park (the Authority), we offer the readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Avon Park Housing Authority, PO Box 1327, Avon Park, Florida 33826.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities as of December 31, 2013 by \$2,783,426 (net position).
- The Authority's total operating revenue was \$1,100,711, which consisted of operating grant revenue received from the United States Department of Housing and Urban Development in the amount of \$872,088, tenant revenue of \$134,068, and other revenue of \$94,555.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- **Statement of Net Position** – reports the Authority's assets and liabilities at the end of the fiscal year and provides information about the nature and amounts of investment of resources and obligations to creditors.
- **Statement of Revenue, Expenses and Change in Net Position** – reports the results of activity over the course of the fiscal year. It details the costs associated with operating the Authority and how those costs were funded. It also provides an explanation of the change in net position from the previous fiscal year-end to the current fiscal year-end.
- **Statement of Cash Flows** – reports the Authority's cash flows in and out from operating activities, capital and related financing activities and investing activities. It details the sources of the Authority's cash, what it was used for, and the change in cash over the course of the fiscal year.
- The basic financial statements also include notes that provide required disclosures and other information necessary to gather the full meaning of the material presented in the statements.

The attached analysis of net position, revenue, and expenses are detailed and provide a comprehensive portrayal of financial conditions and related trends. The analysis includes all assets and liabilities using the accrual basis of accounting. Our analysis of the Authority as a whole begins on the following page.

Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

**HOUSING AUTHORITY OF AVON PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Our analysis presents the Authority's net position, which can be thought of as the difference between what the Authority owns (assets) and what the Authority owes (liabilities). The net position analysis will allow the reader to measure the health or financial position of the Authority.

Over time, significant changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any Authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

At the end of FYE 2013, total assets were \$5,706,648; total current assets were \$1,725,177; total current restricted assets were \$124,848, which consists of cash for repayment of tenant security deposits and certain reserve accounts; non-current assets were \$3,856,623.

In addition, total liabilities were \$2,923,222; total current liabilities were \$103,375; liabilities payable from restricted assets (tenant security deposits) were \$33,890; total non-current liabilities were \$2,785,957.

Net Position – The difference between an organization's assets and its liabilities equals its net position. There are three categories in which to classify net position and they are the following:

Net Investment in Capital Assets – capital assets, net of accumulated depreciation and reduced by debt attributable to the acquisition of those assets.

Restricted – net position whose use is subject to constraints imposed by law or agreement.

Unrestricted – net position that is not invested in capital assets or subject to restrictions.

**HOUSING AUTHORITY OF AVON PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

CONDENSED FINANCIAL INFORMATION

ASSETS, LIABILITIES AND NET POSITION

	December 31,	
	2013	2012
ASSETS		
Current Assets	\$ 1,725,177	\$ 1,794,106
Current Restricted Assets	124,848	144,284
Non-Current Assets	3,856,623	4,092,622
Total Assets	\$ 5,706,648	\$ 6,031,012
LIABILITIES		
Current Liabilities	\$ 103,375	\$ 124,769
Current Liabilities Payable from Restricted Assets	33,890	33,761
Non-Current Liabilities	2,785,957	2,771,550
Total Liabilities	2,923,222	2,930,080
NET POSITION		
Net Investment in Capital Assets	1,017,367	1,272,137
Restricted	90,958	110,523
Unrestricted	1,675,101	1,718,272
Total Net Position	2,783,426	3,100,932
Total Liabilities and Net Position	\$ 5,706,648	\$ 6,031,012

Current Assets

Current assets decreased by \$68,929 from the prior fiscal year primarily due to a decrease in cash.

Current Restricted Assets

Current restricted assets decreased by \$19,436 from the prior fiscal year primarily due to a decrease in escrow reserves for Public Housing.

Non-Current Assets

Non-current assets decreased by \$235,999. Accumulated depreciation to buildings and equipment represents the majority of the decrease in net capital assets.

Current Liabilities

Current liabilities decreased by \$21,394 from the prior year primarily due to the timing of accounts payable.

Long-Term Liabilities

At December 31, 2013, the Authority had \$2,785,957 in long-term debt of which \$1,510,893 is related to Ridgedale Apartments, \$1,264,471 is related to Public Housing, \$7,085 is for long-term compensated absences, and \$3,508 is for other non-current liabilities.

**HOUSING AUTHORITY OF AVON PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

CONDENSED FINANCIAL INFORMATION (CONTINUED)

REVENUE, EXPENSES AND CHANGES IN NET POSITION

	Year Ended December 31,	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tenant Revenue	\$ 134,068	\$ 118,786
HUD Grants	872,088	460,280
Other Revenue	94,555	229,203
Total Operating Revenue	<u>1,100,711</u>	<u>808,269</u>
OPERATING EXPENSES		
Administrative	486,001	481,461
Tenant Services	635	5,624
Utilities	66,884	57,279
Maintenance and Operation	357,067	292,600
Insurance	64,592	64,680
Severance Expense	-	1,619
General Expenses	134,387	130,561
Depreciation Expense	249,041	220,200
Other Expense	-	8,531
Total Operating Expenses	<u>1,358,607</u>	<u>1,262,555</u>
OPERATING LOSS	(257,896)	(454,286)
NON-OPERATING REVENUE (EXPENSES)		
Investment Income - Unrestricted	2,697	2,964
Investment Income - Restricted	68	75
Interest Expense and Amortization Cost	(62,375)	(58,512)
Total Non-Operating Expenses	<u>(59,610)</u>	<u>(55,473)</u>
LOSS BEFORE CAPITAL GRANTS AND TRANSFERS	(317,506)	(509,759)
CAPITAL GRANTS	<u>-</u>	<u>353,974</u>
CHANGES IN NET POSITION	(317,506)	(155,785)
Net Position, Beginning of Year	<u>3,100,932</u>	<u>3,256,717</u>
NET POSITION, END OF YEAR	<u>\$ 2,783,426</u>	<u>\$ 3,100,932</u>

**HOUSING AUTHORITY OF AVON PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

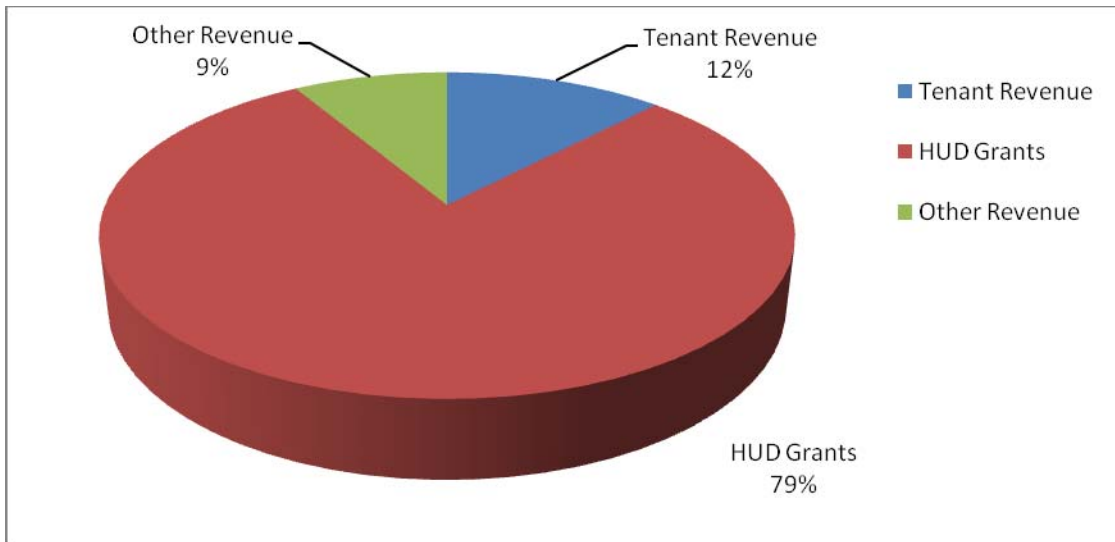
CONDENSED FINANCIAL INFORMATION (CONTINUED)

REVENUE, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

For the year ended December 31, 2013, total operating revenue was \$1,100,711 while total operating expenses were \$1,358,607. This resulted in operating loss of \$257,896 including depreciation expense of \$249,041. Net non-operating expenses were \$59,610, an increase from prior year of \$4,137 primarily due to an increase in Interest Expenses. The Authority's overall net position decreased by \$317,506 from the prior year.

Total operating expenses increased by \$96,052 from the prior year primarily due to increases in maintenance and operation expenses (\$64,467) and depreciation expense (\$28,841).

Revenue Sources
Year Ended December 31, 2013

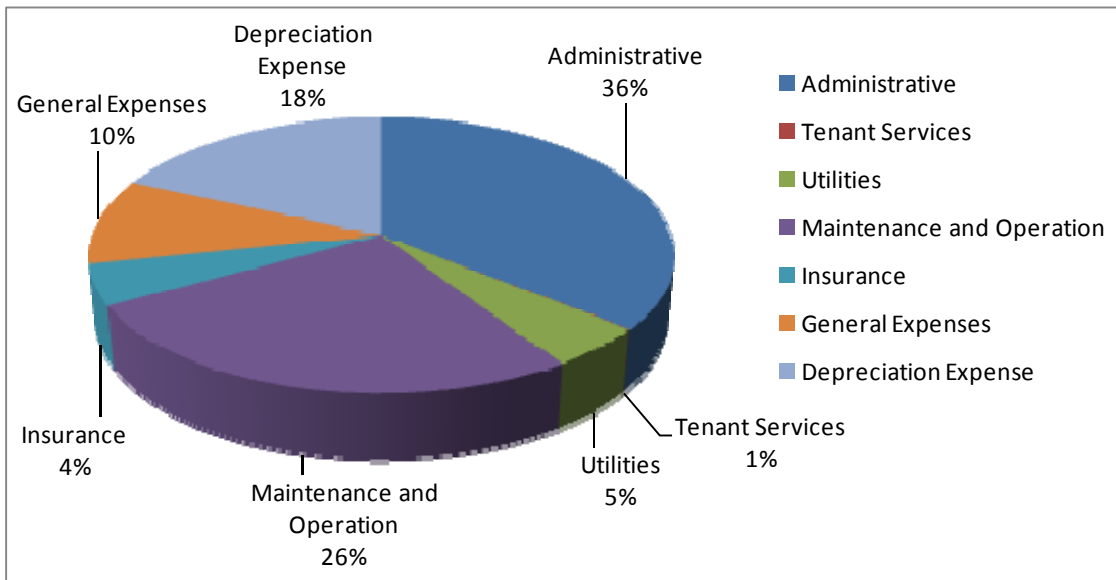


**HOUSING AUTHORITY OF AVON PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

CONDENSED FINANCIAL INFORMATION (CONTINUED)

REVENUE, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

Operating Expenses
Year Ended December 31, 2013



THE AUTHORITY'S PROGRAMS

- Public and Indian Housing (CFDA 14.850)
- Capital Fund Program (CFDA 14.872)
- Section 8 New Construction and Substantial Rehabilitation (CFDA 14.182)
- Other Business Activities

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the United States Department of Housing and Urban Development; operating subsidy and capital grant fund formula reductions.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, reversionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income.
- Local Agricultural economy, which can affect labor income and business services related.
- Inflationary pressure on utility rates, supplies and other costs.
- Weather related housing inventory damages can impact maintenance costs and rental income.

**HOUSING AUTHORITY OF AVON PARK
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FUTURE PLANS

- Continue to expand Partnerships of Avon Park Housing Development Corporation with private developers to increase mutually held and managed housing stock.
- Promote the development of a Community Housing Development Organization that will partner with APHDC and APHA to generate alternative revenue streams of mutual benefit.
- Utilization of accrued CFP funds to leverage completion of Lakeside Park rehabilitation, associated tenant relocation and other management improvements to diversify agency public housing operations.
- Pursue participation in HUD's Rental Demonstration Program (RAD) in effort to secure the additional funding required to complete comprehensive revitalization of Lakeside Park II Public Housing development, as well as transition from Public Housing to Project Based Rental Assistance status designation.

**HOUSING AUTHORITY OF AVON PARK
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Primary Government	Component Unit Avon Park Housing Development Corporation
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,585,078	\$ 80,443
Accounts Receivable, Net	57,458	-
Investments	42,734	-
Prepaid Expenses and Other Assets	31,180	23,893
Due from Component Unit	8,727	-
Total Current Assets	1,725,177	104,336
CURRENT RESTRICTED ASSETS		
Cash - Other Restricted	90,958	171,630
Cash - Tenant Security Deposits	33,890	23,350
Total Current Restricted Assets	124,848	194,980
NON-CURRENT ASSETS		
Capital Assets Not Being Depreciated	600,000	860,402
Capital Assets Being Depreciated, Net of Accumulated Depreciation	3,256,623	10,783,640
Total Non-Current Assets	3,856,623	11,644,042
Total Assets	\$ 5,706,648	\$ 11,943,358

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF AVON PARK
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2013**

	<u>Primary Government</u>	<u>Component Unit Avon Park Housing Development Corporation</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 11,401	\$ -
Accrued Compensated Absences	13,566	2,416
Accounts Payable - Other Governments	5,805	5,871
Unearned Revenue	4,888	3,114
Other Current Liabilities	1,571	8,753
Accrued Wage/Payroll Taxes Payable	2,252	427
Current Portion of Long-Term Debt	63,892	6,041
Due to Primary Government	-	8,727
Total Current Liabilities	103,375	35,349
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Tenant Security Deposits	33,890	23,350
NON-CURRENT LIABILITIES		
Other Non-Current Liabilities	3,508	-
Long-Term Debt, Net	2,775,364	12,323,346
Accrued Compensated Absences	7,085	330
Total Non-Current Liabilities	2,785,957	12,323,676
Total Liabilities	2,923,222	12,382,375
NET POSITION		
Net Investment in Capital Assets	1,017,367	(685,345)
Restricted	90,958	171,630
Unrestricted	1,675,101	74,698
Total Net Position	2,783,426	(439,017)
Total Liabilities and Net Position	\$ 5,706,648	\$ 11,943,358

See accompanying Notes to Financial Statements.

HOUSING AUTHORITY OF AVON PARK
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2013

	Primary Government	Component Unit Avon Park Housing Development Corporation
OPERATING REVENUE		
Tenant Revenue	\$ 115,976	\$ 350,939
HUD Grants	872,088	-
Tenant Revenue - Other	18,092	7,330
Other Revenue	94,555	19,679
Total Operating Revenue	1,100,711	377,948
OPERATING EXPENSES		
Administrative	486,001	63,958
Tenant Services	635	1,963
Utilities	66,884	10,230
Maintenance and Operation	357,067	110,044
Insurance	64,592	30,159
General Expenses	134,387	19,089
Depreciation Expense	249,041	287,812
Total Operating Expenses	1,358,607	523,255
OPERATING LOSS	(257,896)	(145,307)
NON-OPERATING REVENUE (EXPENSES)		
Investment Income - Unrestricted	2,697	36
Investment Income - Restricted	68	50
Interest Expense and Amortization Cost	(62,375)	(85,289)
Total Non-Operating Revenue (Expenses)	(59,610)	(85,203)
CHANGE IN NET POSITION	(317,506)	(230,510)
Net Position, Beginning of Year, as Previously Stated	3,141,021	(108,555)
Prior Period Adjustment	(40,089)	(99,952)
Net Position, Beginning of Year, as Restated	3,100,932	(208,507)
NET POSITION, END OF YEAR	\$ 2,783,426	\$ (439,017)

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF AVON PARK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013**

	Primary Government	Component Unit Avon Park Housing Development Corporation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Dwelling Rent Receipts	\$ 140,159	\$ 360,744
Operating Subsidy and Grant Receipts	829,542	-
Other Income Receipts	146,596	21,300
Total Receipts	1,116,297	382,044
Disbursements:		
Payments to and Benefits for Employees	478,902	80,885
Payments to Suppliers	653,447	153,607
Total Disbursements	1,132,349	234,492
Net Cash Provided (Used) by Operating Activities	(16,052)	147,552
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Debt	1,043,100	-
Principal Paid on Capital Debt	(1,024,329)	(5,621)
Interest Paid on Capital Debt	(62,375)	(85,289)
Purchase of Capital Assets	(13,042)	-
Net Cash Used by Capital and Related Financing Activities	(56,646)	(90,910)
CASH FLOWS FROM NONCAPITAL FINANCING		
Repayment to (Advances from) Related Party	(8,727)	8,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	64,622	-
Investment Income	2,765	86
Repayment of Tenant Security Deposits	129	1,150
Net Cash Provided by Investing Activities	67,516	1,236
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,909)	66,605
Cash and Cash Equivalents, Beginning of Year	1,723,835	208,818
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,709,926	\$ 275,423
Reported As:		
Cash and Cash Equivalents	\$ 1,585,078	\$ 80,443
Cash - Other Restricted	90,958	171,630
Cash - Tenant Security Deposits	33,890	23,350
Total Cash, End of Year	\$ 1,709,926	\$ 275,423

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF AVON PARK
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

	Primary Government	Component Unit Avon Park Housing Development Corporation
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Loss from Operations	\$ (257,896)	\$ (145,307)
Adjustments to Reconcile Loss from Operations to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation Expense	249,041	287,812
(Increase) Decrease in:		
Accounts Receivable - Tenants	(1,636)	-
Accounts Receivable - PHA Projects	-	-
Accounts Receivable - HUD Other Projects	(42,546)	-
Accounts Receivable - Miscellaneous	52,041	1,621
Prepaid Expenses and Other Current Assets	10,702	4,764
Increase (Decrease) in:		
Accounts Payable < 90 Days	(38,534)	(7,715)
Accounts Payable - Other Government	141	-
Accrued Liabilities - Other	1,571	2,761
Accrued Wages/Payroll Taxes Payable	924	-
Accrued Compensated Absences	2,413	1,141
Other Liabilities	3,508	-
Unearned Revenues	4,219	2,475
Cash Flows Provided (Used) by Operating Activities	\$ (16,052)	\$ 147,552

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Housing Authority of Avon Park (the Authority) is a public body corporate and politic organized under Chapter 421 of the Florida State Statutes to provide low-rent housing for qualified individuals and families in accordance with laws, rules and regulations prescribed by the United States Department of Housing and Urban Development (HUD). The primary purpose of the Authority is to provide decent, safe, sanitary and affordable housing to low-income, elderly and disabled families within Avon Park, Florida.

Where HUD subsidizes housing, total rent is determined by the Authority within guidelines established by HUD. The tenants' portion of such rent and the housing assistance provided by HUD are also determined using HUD's guidelines.

Reporting Entity

The Governmental Accounting Standards Board (GASB) has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under these criteria, the Authority is considered to be a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Avon Park, Florida since the members of its Board of Commissioners (Board) are appointed by the Mayor with the approval of the City Commissioners. The City of Avon Park, Florida is not financially accountable for the Authority as it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on the City of Avon Park, Florida. Accordingly, the Authority is not a component unit of the City of Avon Park, Florida.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying criteria established by the GASB. These criteria include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Based on the application of these criteria, the Authority has the following component units which are described below:

Ridgedale L.L.C.

Ridgedale L.L.C. (Ridgedale) is a Florida limited liability company formed April 4, 2008 to accomplish a mixed financing plan for the acquisition of and rehabilitation of this project. The Board of the Authority comprise the Board of Directors for Ridgedale. Ridgedale is also fiscally dependent on the Authority and can provide a financial benefit or impose a financial burden on the Authority. Therefore, Ridgedale is considered to be a blended component unit of the Authority.

Avon Park Housing Development Corporation

Avon Park Housing Development Corporation (APHDC) is a corporation not for profit organized under Chapter 617 of the Florida Statutes. APHDC was established by the Authority to provide and develop affordable housing opportunities to low- and moderate-income persons and/or families located in, but not limited to, Avon Park, Florida and the surrounding areas. The Board of Directors for APHDC are elected or appointed by the members of the Board. APHDC is fiscally dependent on the Authority and can provide a financial benefit or impose a financial burden on the Authority. Therefore, APHDC is considered to be a component unit of the Authority and is a discretely presented component unit.

North Central Heights L.L.C.

North Central Heights L.L.C. (North Central Heights) is a Florida limited liability company formed April 6, 2007 to accomplish a mixed financing plan for the construction of a housing project. APHDC is the single managing member of North Central Heights. North Central Heights is also fiscally dependent on APHDC and can provide a financial benefit or impose a financial burden on APHDC. Therefore, North Central Heights is considered to be a blended component unit of APHDC.

APHDC – North Central II Corporation

APHDC – North Central II Corporation (NCII) is a corporation not for profit organized under Chapter 617 of the Florida Statutes. NCII was established by the Authority to provide and develop affordable housing opportunities to low- and moderate- income persons and/or families located in, but not limited to, Highlands County, Florida and the surrounding areas. APHDC is the sole member and NCII is therefore controlled by APHDC. NCII is fiscally dependent on APHDC and can provide a financial benefit or impose a financial burden on APHDC. Therefore, NCII is considered to be a blended component unit of APHDC.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

North Central Heights II, L.L.C.

North Central Heights II, L.L.C. (North Central Heights II) is a Florida limited liability company formed April 3, 2008 to accomplish a mixed financing plan for the construction of a housing project. The APHDC – North Central II Corporation is 49% owner. North Central Heights II is also fiscally dependent on APHDC and can provide a financial benefit or impose a financial burden on and can provide a financial benefit or impose a financial burden on APHDC. Therefore, North Central Heights II is considered to be a blended component unit of APHDC.

Basis of Presentation and Accounting

In accordance with uniform financial reporting standards for HUD programs, the financial statements of the Authority are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Based on compelling reasons offered by HUD, the Authority reports its operations under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recorded when they are earned and expenses are recorded at the time liabilities are incurred.

Proprietary Fund

The enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred, and/or change in net position necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the public on a continuing basis be financed or recovered primarily through user charges.

Program/Activity Accounting

The accounting records are established in a manner which enables the Authority to ensure observance of limitations and restrictions placed on the use of resources available to it. The accounting records are also maintained in a manner that provides the Authority with the ability to monitor the financial results associated with certain other activities or otherwise provide for management accountability.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

Program/Activity Accounting (Continued)

Separate identifiable accounts are maintained within the accounting records for each program/activity. However, all of the programs/activities are part of a single enterprise fund for financial reporting purposes.

The programs/activities included in the accompanying financial statements include all programs/activities of the Authority that relate to providing housing assistance to lower income families and all other programs, functions and activities over which the board has oversight responsibility and financial accountability. These programs/activities are as follows:

Public and Indian Housing (CFDA 14.850)

This program accounts for those projects owned by the Authority that are subsidized by HUD under Annual Contributions Contract A-4136. The program collects operating subsidy from HUD and also collects rent from tenants. The purpose of public housing is to provide decent and affordable dwelling for lower-income families.

Public Housing Capital Fund (CFDA 14.872)

This program accounts for the activities of the Authority's capital improvement program. The Authority receives grant funding from HUD to make improvements to its public housing complexes and to pay for other expenses related to the operation of the Authority.

Section 8 New Construction and Substantial Rehabilitation (CFDA 14.182)

This program accounts for the Ridgedale Apartments owned by Ridgedale, a blended component unit of the Authority, which is subsidized by the HUD under a Section 8 New Construction Contract.

Other Business Activities

This program accounts for the other activities of the Authority that are not restricted by outside sources as to expenditure for the benefit of specific projects or purposes.

Budgets

Budgets are prepared on an annual basis for each fund and program and are used as a management tool throughout the accounting cycle. The budgets for the Capital Fund and certain other multi-year grant programs are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Authority considers all highly-liquid short-term investment instruments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of certificates of deposit which are stated at cost.

Restricted Assets

Certain assets are classified as restricted assets in the accompanying statement of net position when constraints are placed on their use by external parties or law. The assets that are classified as restricted include the following:

Restricted Cash

Restricted cash consists of bank accounts that have been established in order to ensure the availability of funds to repay tenant security deposits, to disburse for Ridgedale replacement and rehabilitation costs, and to disburse for construction of the North Central Heights 40-unit multifamily development.

Capital Assets

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost. Routine repairs and maintenance are charged against operations. Betterments in excess of \$1,000 are capitalized. Certain major repairs (i.e. painting, roofing and plumbing) are also charged against operations in accordance with HUD policies and procedures. Donated assets are recorded at fair market value as of the date of donation.

Depreciation is calculated using the straight-line method over the useful life of the related asset. The useful lives range from 15 to 40 years for buildings and improvements and from 3 to 7 years for equipment. When assets are disposed of the related cost and accumulated depreciation are relieved and any gain or loss is included in change in net position.

Compensated Absences

The Authority's policy allows employees to accumulate unused sick leave up to a maximum of 45 days (360 hours) and vacation leave up to a maximum depending on years of eligible service. Upon separation from the Authority, employees are not paid for any unused sick leave. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of work, up to a cap equal to two times the annual vacation amount.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and liabilities. The net position of the Authority is reported in each of the following three components: (a) net investment in capital assets, (b) restricted, and (c) unrestricted. Net position invested in capital assets consist of capital assets, net of related accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, excludes unspent debt proceeds.

Net position is reported as restricted when there are limitations imposed on their use either through laws or regulations or through external restrictions imposed by creditors or grantors.

The Authority applies restricted resources first when an expense or expenditure is incurred for the purpose for which both restricted and unrestricted net position are available.

Operating and Non-Operating Revenue and Expenses

The Authority recognizes operating revenue and expenses as a result of providing low-rent housing and other services. The principal operating revenues of the Authority consist of tenant rental charges, operating subsidies and grants and other revenue received from ancillary operations such as maintenance charges to tenants and similar operations. Operating expenses include the costs of operating the Authority owned housing complexes, administrative expenses, and costs associated with providing program services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Government Grants and Subsidies

The subsidies and grants received by the Authority from HUD under Annual Contributions Contracts are recorded as operating revenue in the period earned in accordance with GAAP.

Pursuant to the Annual Contributions Contract with HUD, the Authority receives an operating subsidy for its operation of the Public Housing program.

The Authority has a Section 8 New Construction Housing Assistance Payment contract which provides for housing assistance subsidy payments to Ridgedale for the housing project owned and operated by the Authority for the benefit of eligible low- or very low-income families. The program provides for such payments covering the difference between the maximum rental on a dwelling unit and the amount of rent contribution by the participating family.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Income Taxes

The Authority is a public body corporate and politic exempt from federal and state income taxes.

Adoption of New Accounting Principle

During the year the County implemented *GASBS 65, Items Previously Reported as Assets and Liabilities*. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. As a result, prior year debt issuance costs have been expensed in the prior year adjustment disclosed in Note 10.

NOTE 2 DEPOSITS AND INVESTMENTS

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its securities that are in the possession of an outside party.

All demand deposits and certificates of deposits are carried at cost and are in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized. Florida Statutes Chapter 280 sets forth the qualifications and requirements that a financial institution must meet in order to become a qualified public depository. The Statute also defines the amount and type of collateral that must be pledged in order to remain qualified.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Florida Statute 218.45 requires deposits of governmental entities be made only with Qualified Public Depositories (QPDs). Public funds on deposit in QPDs are protected against loss due to insolvency by: (1) federal deposit insurance; (2) the pledge of securities as collateral; and (3) a contingent liability agreement that allows the Chief Financial Officer of the State of Florida to assess QPDs if the securities pledged by an insolvent QPD are insufficient. The agreement for collateralization of public funds is with the State of Florida and not with the Authority. Similar to FDIC, the State of Florida is guaranteeing the deposit.

At December 31, 2013, the Authority's total demand deposit book balances were \$1,709,926 and the total bank balance was \$1,725,310.

At December 31, 2013, the Component Unit's total demand deposit book balances were \$275,423 and the total bank balance was \$292,425.

At December 31, 2013, the Authority's total certificate of deposit book balances were \$42,734 and were reported as investments according to the Authority's cash and cash equivalents accounting policy.

The Authority's investment policy requires that a register shall be maintained and an investment strategy will be developed as a part of the budget process. Periodic reviews will be made considering anticipated revenues and expenditures to determine the amount of investments to be made. Authorized investments consist of those approved by the U.S. Department of Housing and Urban Development.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2013 consisted of the following:

	Amount
Primary Government:	
HUD Other Projects	\$ 53,796
Tenant Receivables	3,662
Total	\$ 57,458

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2013 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Not Being Depreciated:				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Total Capital Assets Not Being Depreciated	600,000	-	-	600,000
Being Depreciated:				
Buildings	6,701,562	7,186	-	6,708,748
Infrastructure	358,482	-	-	358,482
Dwelling Equipment	33,959	5,856	-	39,815
Administrative Equipment	137,854	-	-	137,854
Total Capital Assets Being Depreciated	7,231,857	13,042	-	7,244,899
Less: Accumulated Depreciation:				
Buildings	3,394,660	228,930	-	3,623,590
Infrastructure	243,665	2,896	-	246,561
Dwelling Equipment	12,674	3,988	-	16,662
Administrative Equipment	88,236	13,227	-	101,463
Total Accumulated Depreciation	3,739,235	249,041	-	3,988,276
Total Capital Assets Being Depreciated, Net	3,492,622	(235,999)	-	3,256,623
Capital Assets, Net	\$ 4,092,622	\$ (235,999)	\$ -	\$ 3,856,623
	Beginning Balance	Increases	Decreases	Ending Balance
Component Units:				
Not Being Depreciated:				
Land	\$ 860,402	\$ -	\$ -	\$ 860,402
Total Capital Assets Not Being Depreciated	860,402	-	-	860,402
Being Depreciated:				
Buildings	11,332,211	-	-	11,332,211
Administrative Equipment	24,970	-	-	24,970
Total Capital Assets Being Depreciated	11,357,181	-	-	11,357,181
Less: Accumulated Depreciation:				
Buildings	283,306	283,305	-	566,611
Administrative Equipment	2,423	4,507	-	6,930
Total Accumulated Depreciation	285,729	287,812	-	573,541
Total Capital Assets Being Depreciated, Net	11,071,452	(287,812)	-	10,783,640
Capital Assets, Net	\$ 11,931,854	\$ (287,812)	\$ -	\$ 11,644,042

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 CHANGES IN NON-CURRENT LIABILITIES

The changes in non-current liabilities for the year ended December 31, 2013 were as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Primary Government:					
<u>Public Housing</u>					
Mortgage Note (SAIL)	\$ 722,000	\$ -	\$ 38,000	\$ 684,000	\$ 38,000
Note Payable (Mitigation)	78,471	-	-	78,471	-
Mortgage Note (AHP)	540,000	-	-	540,000	-
<u>Section 8 New Construction</u>					
Mortgage Note (Refinance)	-	1,043,100	6,315	1,036,785	25,892
Mortgage Note	980,014	-	980,014	-	-
Note Payable	500,000	-	-	500,000	-
Compensated Absences	18,238	15,979	13,566	20,651	13,566
	<u>\$ 2,838,723</u>	<u>\$ 1,059,079</u>	<u>\$ 1,037,895</u>	<u>\$ 2,859,907</u>	<u>\$ 77,458</u>
Component Units:					
<u>North Central Heights</u>					
Mortgage Note	\$ 648,832	\$ -	\$ 2,951	\$ 645,881	\$ 3,172
Mortgage Note	5,340,560	-	-	5,340,560	-
Mortgage Note	1,000,000	-	-	1,000,000	-
<u>North Central Heights II</u>					
Mortgage Note	586,944	-	2,670	584,274	2,869
Mortgage Note	4,108,672	-	-	4,108,672	-
Mortgage Note	650,000	-	-	650,000	-
Compensated Absences	1,605	5,255	4,114	2,746	2,416
	<u>\$ 12,336,613</u>	<u>\$ 5,255</u>	<u>\$ 9,735</u>	<u>\$ 12,332,133</u>	<u>\$ 8,457</u>

NOTE 6 LONG-TERM DEBT

Primary Government

Public Housing Program

APHA executed a loan under the State Apartment Incentive Loan (SAIL) program with Florida Housing Finance Corporation (FHFC) on August 29, 2011 in the amount of \$760,000, to finance certain improvements to rehabilitate existing residential buildings for occupancy by the homeless (development). The note is a construction loan bearing interest at 0%, so long as the development maintains certain occupancy standards, and maturing on August 29, 2026. Twenty-five percent (\$190,000) of the principal amount shall be forgiven on August 29, 2026, provided the development maintains certain set-asides, and the remaining unpaid 75% (\$570,000) is due and payable in annual installments of \$38,000 on September 1 of each year commencing September 1, 2012. The loan is secured by the development, pledge of future CFP funding; and by an assignment of leases, rents, and contract rights.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Primary Government (Continued)

Public Housing Program (Continued)

Related to the FHFC SAIL note, APHA pledged \$350,000 of the Primary Government unrestricted net position to satisfy the project underwriting requirements. The amounts are Public Housing operating reserves accumulated by the Authority from previous years.

As of December 31, 2013, annual debt service requirements for the SAIL loan to maturity are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 38,000	\$ -	\$ 38,000
2015	38,000	-	38,000
2016	38,000	-	38,000
2017	38,000	-	38,000
2018	38,000	-	38,000
2019-2023	190,000	-	190,000
2024-2026	304,000	-	304,000
Totals	<u>\$ 684,000</u>	<u>\$ -</u>	<u>\$ 684,000</u>

APHA executed a note payable under the Public Housing Mitigation Initiative with FHFC on July 30, 2010 in the amount of \$78,471 for the purpose of improvements which are for preservation and rehabilitation of public housing units, specifically replacement of 18 existing roofs covering a total of 30 individual residential units. The proceeds were received February 11, 2011. The note bears interest at a rate of 0% unless acceleration is made by FHFC pursuant to the terms of the note and matures on July 30, 2019. The entire unpaid balance is forgivable on the maturity date provided the development maintains certain set-asides. The loan is secured by the development.

APHA executed a loan under the Affordable Housing Program (AHP) with Federal Home Loan Bank of Atlanta on September 4, 2012 in the amount of \$540,000, to finance certain improvements to rehabilitate existing residential buildings for occupancy by the homeless (development). The loan bears interest at 0% per annum provided that the Authority has complied with the AHP obligations and the entire unpaid principal balance shall be due and payable after 15 years on September 4, 2027.

Section 8 New Construction

Ridgedale was assigned and assumed the mortgage note on Ridgedale Apartments on July 31, 2008 in connection with the purchase of said property. The original principal amount was \$1,043,100 dated March 14, 2008. The outstanding principal amount as of July 31, 2008, when acquired, was \$1,040,172. The note bared interest at a fixed rate of 6.35%, payable in monthly installments of \$6,491 through April 1, 2038. The note was secured by the property.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Primary Government (Continued)

Section 8 New Construction (Continued)

That mortgage note was refinance during on August 1, 2013. The new mortgage note has a principal amount of \$1,043,100 and bears interest at a rate of 3.95% payable in monthly installments of \$5,532 through April 1, 2038. This new mortgage note is also secured by the property. The refinancing was undertaken to reduce total debt payments over the next 25 years and resulted in a savings of approximately \$280,000.

As of December 31, 2013 annual debt service requirements for Section 8 New Construction to maturity are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 25,892	\$ 40,488	\$ 66,380
2015	26,934	39,446	66,380
2016	28,017	38,363	66,380
2017	29,144	37,236	66,380
2018	30,316	36,064	66,380
2019-2023	170,884	161,016	331,900
2024-2028	208,129	123,771	331,900
2029-2033	253,493	78,407	331,900
2034-2038	263,976	23,667	287,643
Totals	<u>\$ 1,036,785</u>	<u>\$ 578,458</u>	<u>\$ 1,615,243</u>

Ridgedale executed a Federal Home Loan Bank (FHLB) mortgage note on April 16, 2009 for the Ridgedale apartment project in the principal amount of \$500,000. The FHLB mortgage bears a fixed interest rate of 0% and the principal is to be paid upon maturity on April 1, 2038. The note is secured by the property.

Component Unit

North Central Heights executed a United States Department of Agriculture (USDA) Sec. 538 Guaranteed Rural Rental Housing Loan with Bonneville Mortgage Company on June 28, 2010 for the purpose of constructing a 40-unit multifamily housing development, in the amount of \$650,000. The amount outstanding as of December 31, 2013 is \$645,881. The entire unpaid principal balance shall be due and fully paid on the maturity date. The note bears interest at a fixed rate of 7.25% annually, payable on the first day of each month commencing on August 1, 2010, and continuing until the maturity date. The loan is senior to all other notes on the property and is secured by the land and all land improvements.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Component Unit (Continued)

As of December 31, 2013, annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,172	\$ 46,722	\$ 49,894
2015	3,410	46,485	49,895
2016	3,665	46,229	49,894
2017	3,940	45,954	49,894
2018	4,236	45,659	49,895
2019-2023	26,444	223,028	249,472
2024-2028	37,956	211,516	249,472
2029-2033	54,480	194,992	249,472
2034-2038	78,198	171,274	249,472
2039-2043	112,242	137,230	249,472
2044-2048	161,107	88,366	249,473
2049-2052	157,031	21,750	178,781
Totals	<u>\$ 645,881</u>	<u>\$ 1,279,205</u>	<u>\$ 1,925,086</u>

North Central Heights executed a loan under the HOME Investment Partnerships Program with FHFC on June 30, 2010 for the purpose of constructing a 40-unit multifamily housing development, in the amount of \$5,340,560. The note bears interest at a rate of 0% and the entire unpaid principal shall be due and payable on June 30, 2030, unless acceleration is made by FHFC pursuant to the terms of the note. The loan is subordinate to the North Central Heights USDA loan above and is secured by the land and all land improvements.

APHDC executed a loan under the Federal Home Loan Bank of Atlanta Affordable Housing Program with SunTrust Bank on June 28, 2010 for the purpose of constructing a 40-unit housing development, in the amount of \$1,000,000. APHDC re-loaned the proceeds to North Central Heights under the same terms as the note between APHDC and SunTrust. The note bears interest at 0% and the entire unpaid principal balance shall be due and payable on July 1, 2025. The loan is subordinate to all other notes on the property and is secured by the land and all land improvements.

North Central Heights II executed a USDA Sec. 538 Guaranteed Rural Rental Housing Loan with Bonneville Mortgage Company on June 28, 2010 for the purpose of constructing a 32-unit multifamily housing development, in the amount of \$588,000. The entire unpaid principal balance shall be due and fully paid on the maturity date. The note bears interest at a fixed rate of 7.25% annually, payable on the first day of each month commencing on August 1, 2010, and continuing until the maturity date. The loan is senior to all other notes on the property and is secured by the land and all land improvements.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Component Unit (Continued)

As of December 31, 2013, annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,869	\$ 42,266	\$ 45,135
2015	3,085	42,051	45,136
2016	3,316	41,819	45,135
2017	3,564	41,571	45,135
2018	3,832	41,304	45,136
2019-2023	23,921	201,755	225,676
2024-2028	34,335	191,341	225,676
2029-2033	49,283	176,393	225,676
2034-2038	70,738	154,838	225,576
2039-2043	101,534	124,142	225,676
2044-2048	145,737	79,939	225,676
2049-2052	142,060	19,678	161,738
Totals	<u>\$ 584,274</u>	<u>\$ 1,157,097</u>	<u>\$ 1,741,371</u>

North Central Heights II L.L.C. executed a loan under the HOME Investment Partnerships Program with FHFC on June 30, 2010 for the purpose of constructing a 32-unit multifamily housing development, in the amount of \$4,108,672. The note bears interest at a rate of 0% and the entire unpaid principal shall be due and payable on June 30, 2030, unless acceleration is made by FHFC pursuant to the terms of the note. The loan is subordinate to the North Central Heights II L.L.C. USDA loan above and is secured by the land and all land improvements.

APHDC and Affordable Housing Solutions for Florida, Inc. (AHSF, a 51% owner of North Central Heights II L.L.C.) executed a loan under the Federal Home Loan Bank of Atlanta Affordable Housing Program with SunTrust Bank on June 28, 2010 for the purpose of constructing a 32-unit housing development, in the amount of \$650,000. APHDC and AHSF re-loaned the proceeds to North Central Heights II L.L.C. under the same terms as the note between APHDC and AHSF and SunTrust. The note bears interest at 0% and the entire unpaid principal balance shall be due and payable on July 1, 2025. The loan is subordinate to all other notes on the property and is secured by the land and all land improvements.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 PENSION PLAN

The following description of the Avon Park Housing Authority Employees Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution pension plan maintained for eligible employees of the Authority.

Plan Administration

The Plan administration is HUD Plan Management.

Eligibility

Eligibility occurs after ninety days of service for employees after June 1, 1989.

Contributions

Contributions to the Plan are defined as follows:

*Employer contributes 7.5% of monthly compensation
Employee contributes 5.5% of monthly compensation*

The Authority's contribution for the year ended December 31, 2013 was \$23,344. The employee's contributions for the year ended December 31, 2013 was \$19,988.

Plan Entry Date

The Plan entry date shall occur after 90 days of employment.

Vesting

The following vesting schedule shall apply pursuant to the Plan:

<u>Years of Service</u>	<u>Vested Percentages</u>
Less Than 1 Year	0%
1 Year	20%
2 Years	40%
3 Years	60%
4 Years	80%
5 Years	100%

Participant Accounts

Each participant's account is credited with the employee and employer's contribution and an allocation of Plan earnings. Forfeitures of terminated participants' non-vested accounts are used to reduce the employer's required contribution. Allocations are based on participant compensation, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 PENSION PLAN (CONTINUED)

Payouts Prior to Separation from Service

Until a participant retires, he/she has a continuing election to receive all, or any, portion of his/her nonforfeitable accrued benefit after he/she attains normal retirement age (65).

Payouts upon Termination of Employment

The Plan provides for the automatic payout of the balance of the participant's vested interest in their account upon termination of employment for amounts less than \$3,500.

Retirement

The normal retirement date is the date on which the participant attains age 65.

Termination of the Plan

The Employer shall have the right, at any time, to suspend or discontinue its contribution under the Plan, and to terminate, at any time, this Plan and the Trust created under the agreement.

Upon termination of the Plan, each participant becomes 100% vested and will receive the total balance in their account.

Tax Status

The Plan obtained its latest determination letter on March 18, 1996, in which the Internal Revenue Service stated that the Plan, as designed, is in compliance with the applicable requirements of Internal Revenue Code Section 401(a).

Assets of the Plan

All of the assets of the Plan consist of insurance company contracts. Such contracts are allocated contracts whereby payments to the insurance company are used to purchase either life insurance or annuities for specific individual plan participants. Such contracts provide for the payment of plan benefits by the insurance company. Therefore, such assets are excluded from the Plan's financial statements because the purchase of the contracts transfers the obligation to pay the benefits and the related risks to the insurance company.

NOTE 8 COMMITMENTS AND CONTINGENCIES

The Authority receives a substantial amount of its support from the federal government in the form of subsidies and grants. If a significant reduction in the level of this support were to occur, it may have an effect on the Authority's programs and activities.

Government grants require the fulfillment of certain conditions as set forth in laws, rules, regulations, and grant agreements. Failure to fulfill the conditions could result in the return of funds to grantors. The Authority's management believes that disallowances, if any, would be immaterial.

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

APHDC, North Central Heights and North Central Heights II, along with other parties, have signed a guaranty to fund all operating deficits of the North Central Heights and North Central Heights II development. The guarantee commenced on the closing date of the developments construction loans. The guarantee period continues until the North Central Heights and North Central Heights II developments achieves six consecutive months of a debt service coverage ratio greater than 1.10 times the developments' first mortgage and construction loan. The guarantee is still in effect as of December 31, 2013. This guarantee agreement also includes a covenant that requires each guarantor to provide audited financial statement to Florida Housing on or before May 15 of each year.

NOTE 9 CONDENSED COMBINING FINANCIAL INFORMATION

The following condensed financial information is presented to provide additional information on the Authority and Ridgedale, a blended component unit of the Authority as discussed in Note 1.

Condensed Combining Balance Sheet

	<u>Authority</u>	<u>Ridgedale</u>	<u>Primary Government</u>
ASSETS			
Current Assets	\$ 1,522,547	\$ 327,478	\$ 1,850,025
Net Capital Assets	<u>2,726,434</u>	<u>1,130,189</u>	<u>3,856,623</u>
Total Assets	<u>\$ 4,248,981</u>	<u>\$ 1,457,667</u>	<u>\$ 5,706,648</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities	\$ 97,220	\$ 40,045	\$ 137,265
Noncurrent Liabilities	<u>1,274,904</u>	<u>1,511,053</u>	<u>2,785,957</u>
Total Liabilities	1,372,124	1,551,098	2,923,222
NET POSITION			
Net Investment in Capital Assets	1,423,963	(406,596)	1,017,367
Restricted	20,968	69,990	90,958
Unrestricted	<u>1,431,926</u>	<u>243,175</u>	<u>1,675,101</u>
Total Net Position	<u>2,876,857</u>	<u>(93,431)</u>	<u>2,783,426</u>
Total Liabilities and Net Position	<u>\$ 4,248,981</u>	<u>\$ 1,457,667</u>	<u>\$ 5,706,648</u>

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 9 CONDENSED COMBINING FINANCIAL INFORMATION (CONTINUED)

Condensed Combining Statement of Revenues, Expense and Changes in Net Position

	Primary Government	Ridgedale	Total
OPERATING REVENUE			
Tenant Revenue	\$ 103,308	\$ 30,760	\$ 134,068
HUD Grants	545,153	326,935	872,088
Other Revenue	85,849	8,706	94,555
Total Operating Revenue	<u>734,310</u>	<u>366,401</u>	<u>1,100,711</u>
OPERATING EXPENSES			
Administrative	434,065	51,936	486,001
Tenant Services	586	49	635
Utilities	41,480	25,404	66,884
Maintenance and Operation	255,220	101,847	357,067
Insurance	52,814	11,778	64,592
General Expenses	48,987	85,400	134,387
Total Operating Expenses	<u>833,152</u>	<u>276,414</u>	<u>1,109,566</u>
INCOME (LOSS) FROM OPERATIONS BEFORE DEPRECIATION	(98,842)	89,987	(8,855)
Depreciation Expense	<u>214,030</u>	<u>35,011</u>	<u>249,041</u>
NET OPERATING INCOME (LOSS)	(312,872)	54,976	(257,896)
NONOPERATING REVENUE (EXPENSE)			
Interest Income	2,605	160	2,765
Interest Expense	<u>-</u>	<u>(62,375)</u>	<u>(62,375)</u>
Total Nonoperating Revenue (Expense)	<u>2,605</u>	<u>(62,215)</u>	<u>(59,610)</u>
CHANGE IN NET POSITION	(310,267)	(7,239)	(317,506)
Net Position - Beginning of Year, as Previously Stated	3,227,213	(86,192)	3,141,021
Prior Period Adjustment	<u>(40,089)</u>	<u>-</u>	<u>(40,089)</u>
Net Position - Beginning of Year, as Restated	<u>3,187,124</u>	<u>(86,192)</u>	<u>3,100,932</u>
NET POSITION - END OF YEAR	<u>\$ 2,876,857</u>	<u>\$ (93,431)</u>	<u>\$ 2,783,426</u>

**HOUSING AUTHORITY OF AVON PARK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 9 CONDENSED COMBINING FINANCIAL INFORMATION (CONTINUED)

Condensed Combining Statement of Cash Flows

	<u>Primary Government</u>	<u>Ridgedale</u>	<u>Total</u>
Net Cash Provided (Used) by Operating Activities	\$ (98,047)	\$ 81,995	\$ (16,052)
Net Cash Provided (Used) by Capital and Related Financing Activities	(51,042)	(5,604)	(56,646)
Net Cash Provided (Used) by Noncapital Financing Activities	(8,727)	-	(8,727)
Net Cash Provided (Used) by Investing Activities	<u>67,356</u>	<u>160</u>	<u>67,516</u>
Net Increase (Decrease) in Cash	(90,460)	76,551	(13,909)
Cash - Beginning of Year	<u>1,486,910</u>	<u>236,925</u>	<u>1,723,835</u>
Cash - End of Year	<u><u>\$ 1,396,450</u></u>	<u><u>\$ 313,476</u></u>	<u><u>\$ 1,709,926</u></u>

NOTE 10 PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2013 beginning net position of the Authority was restated for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement requires that debt issuance costs be shown as current-period outflows of resources (expenses). Therefore, unamortized bond issuance costs, \$40,089 for the Primary Government and \$99,952 for the Component Unit, at December 31, 2012 was adjusted through a prior period adjustment.

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

Line Item No.	Account Description	Project Totals	Section 8 New Construction	Resident Opportunity Support Services	Other Business Activities	Component Unit	Eliminations	Total
ASSETS								
CURRENT ASSETS								
Cash:								
111	Unrestricted	\$ 1,329,424	\$ 237,695	\$ -	\$ 17,959	\$ 80,443	\$ -	\$ 1,665,521
113	Other Restricted	20,968	69,990	-	-	171,630	-	262,588
114	Tenant Security Deposits	28,099	5,791	-	-	23,350	-	57,240
100	Total Cash	1,378,491	313,476	-	17,959	275,423	-	1,985,349
Accounts and Notes Receivable:								
122	HUD Other Projects	53,796	-	-	-	-	-	53,796
126	Tenants	1,570	2,092	-	-	-	-	3,662
120	Total Receivables - Net	55,366	2,092	-	-	-	-	57,458
Other Current Assets:								
131	Investments - Unrestricted	42,734	-	-	-	-	-	42,734
142	Prepaid Expenses and Other Assets	18,017	11,910	-	1,253	23,893	-	55,073
144	Due from Inter-Program	72,089	-	4,506	4,248	-	(72,116)	8,727
	Total Other Current Assets	132,840	11,910	4,506	5,501	23,893	(72,116)	106,534
150	Total Current Assets	1,566,697	327,478	4,506	23,460	299,316	(72,116)	2,293,573
NON-CURRENT ASSETS								
Capital Assets:								
161	Land	500,000	100,000	-	-	860,402	-	1,460,402
162	Buildings	5,531,209	1,177,539	-	-	11,332,211	-	18,040,959
163	Furniture and Equipment - Dwellings	39,815	-	-	-	-	-	39,815
164	Furniture and Equipment - Administration	116,602	21,252	-	-	24,970	-	162,824
166	Accumulated Depreciation	(3,819,674)	(168,602)	-	-	(573,541)	-	(4,561,817)
168	Infrastructure	358,482	-	-	-	-	-	358,482
160	Total Capital Assets - Net	2,726,434	1,130,189	-	-	11,644,042	-	15,500,665
180	Total Non-Current Assets	2,726,434	1,130,189	-	-	11,644,042	-	15,500,665
190	Total Assets	\$ 4,293,131	\$ 1,457,667	\$ 4,506	\$ 23,460	\$ 11,943,358	\$ (72,116)	\$ 17,650,006

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2013**

Line Item No.	Account Description	Project Totals	Section 8 New Construction	Resident Opportunity Support Services	Other Business Activities	Component Unit	Eliminations	Total
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
312	Accounts Payable ≤ 90 Days	\$ 11,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,401
321	Accrued Wage/Payroll Taxes Payable	1,823	215	-	214	427	-	2,679
322	Accrued Compensated Absences - Current Portion	10,740	1,169	-	1,657	2,416	-	15,982
333	Accounts Payable - Other Government	5,689	116	-	-	5,871	-	11,676
341	Tenant Security Deposits	28,099	5,791	-	-	23,350	-	57,240
342	Unearned Revenue	262	120	4,506	-	3,114	-	8,002
343	Current Portion of Long-Term Debt - Capital Projects	38,000	25,892	-	-	6,041	-	69,933
345	Other Current Liabilities	-	821	-	-	5,992	-	6,813
346	Accrued Liabilities - Other	-	-	-	750	2,761	-	3,511
347	Inter-Program - Due to	58,302	5,921	-	7,893	8,727	(72,116)	8,727
310	Total Current Liabilities	<u>154,316</u>	<u>40,045</u>	<u>4,506</u>	<u>10,514</u>	<u>58,699</u>	<u>(72,116)</u>	<u>195,964</u>
NON-CURRENT LIABILITIES								
351	Long-Term Debt, Net of Current - Capital Projects	1,264,471	1,510,893	-	-	12,323,346	-	15,098,710
353	Non-Current Liabilities - Other	3,508	-	-	-	-	-	3,508
354	Accrued Compensated Absences - Non Current	5,714	160	-	1,211	330	-	7,415
350	Total Non-Current Liabilities	<u>1,273,693</u>	<u>1,511,053</u>	<u>-</u>	<u>1,211</u>	<u>12,323,676</u>	<u>-</u>	<u>15,109,633</u>
300	Total Liabilities	1,428,009	1,551,098	4,506	11,725	12,382,375	(72,116)	15,305,597
NET POSITION								
508.1	Net Investment in Capital Assets	1,423,963	(406,596)	-	-	(685,345)	-	332,022
511.1	Restricted	20,968	69,990	-	-	171,630	-	262,588
512.1	Unrestricted	1,420,191	243,175	-	11,735	74,698	-	1,749,799
513	Total Net Position	<u>2,865,122</u>	<u>(93,431)</u>	<u>-</u>	<u>11,735</u>	<u>(439,017)</u>	<u>-</u>	<u>2,344,409</u>
600	Total Liabilities and Net Position	<u>\$ 4,293,131</u>	<u>\$ 1,457,667</u>	<u>\$ 4,506</u>	<u>\$ 23,460</u>	<u>\$ 11,943,358</u>	<u>\$ (72,116)</u>	<u>\$ 17,650,006</u>

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

Line Item No.	Account Description	Project Totals	Section 8 New Construction	Resident Opportunity Support Services	Other Business Activities	Component Unit	Eliminations	Total
REVENUE								
70300	Net Tenant Rental Revenue	\$ 90,556	\$ 25,420	\$ -	\$ -	\$ 350,939	\$ -	\$ 466,915
70400	Tenant Revenue - Other	12,752	5,340	-	-	7,330	-	25,422
70500	Total Tenant Revenue	103,308	30,760	-	-	358,269	-	492,337
70600	HUD PHA Operating Grants	491,909	326,935	53,244	-	-	-	872,088
71100	Investment Income - Unrestricted	2,592	105	-	-	36	-	2,733
71500	Other Revenue	25,435	8,706	-	60,414	2,147	-	96,702
72000	Investment Income - Restricted	13	55	-	-	50	-	118
70000	Total Revenue	623,257	366,561	53,244	60,414	360,502	-	1,463,978
EXPENSES								
Administrative:								
91100	Administrative Salaries	120,376	5,096	38,578	56,391	10,590	-	231,031
91200	Auditing Fees	13,174	3,521	-	-	7,276	-	23,971
91300	Outside Management Fees	-	29,044	-	-	22,394	-	51,438
91400	Advertising and Marketing	3,468	974	-	200	5,625	-	10,267
91500	Employee Benefit Contributions	60,774	2,780	3,416	26,137	5,736	-	98,843
91600	Office Expenses	49,720	3,952	11,250	14,498	7,763	-	87,183
91700	Legal Expense	4,876	477	-	10,062	941	-	16,356
91800	Travel	5,580	108	-	56	8	-	5,752
91900	Other Expenses	14,159	5,984	-	1,350	3,625	-	25,118
91000	Total Operating - Administrative	272,127	51,936	53,244	108,694	63,958	-	549,959
Tenant Services:								
92400	Other	586	49	-	-	1,963	-	2,598
92500	Total Tenant Services	586	49	-	-	1,963	-	2,598

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

Line Item No.	Account Description	Project Totals	Section 8 New Construction	Resident Opportunity Support Services	Other Business Activities	Component Unit	Eliminations	Total
Utilities:								
93100	Water	4,175	9,048	-	-	1,938	-	15,161
93200	Electricity	29,574	4,825	-	-	6,960	-	41,359
93300	Gas	1,177	-	-	-	-	-	1,177
93600	Sewer	6,554	11,531	-	-	1,332	-	19,417
93000	Total Utilities	41,480	25,404	-	-	10,230	-	77,114
Ordinary Maintenance and Operation:								
94100	Labor	92,875	21,120	-	-	43,956	-	157,951
94200	Materials and Other	49,762	19,048	-	-	14,147	-	82,957
94300	Contracts	68,411	51,155	-	-	30,197	-	149,763
94500	Employee Benefit Contributions	44,172	10,524	-	-	21,744	-	76,440
94000	Total Maintenance	255,220	101,847	-	-	110,044	-	467,111
Insurance Premiums:								
96110	Property Insurance	33,399	10,002	-	-	22,234	-	65,635
96120	Liability Insurance	5,677	832	-	-	6,326	-	12,835
96130	Workmen's Compensation	6,848	944	-	1,576	1,599	-	10,967
96140	All Other Insurance	5,314	-	-	-	-	-	5,314
96100	Total Insurance Premiums	51,238	11,778	-	1,576	30,159	-	94,751
General Expenses:								
96200	Other General Expenses	7,713	81,361	-	907	4,271	-	94,252
96210	Compensated Absences	10,740	1,169	-	1,657	2,416	-	15,982
96300	Payments in Lieu of Taxes	5,689	116	-	-	5,871	-	11,676
96400	Bad Debt - Tenant Rents	4,749	2,754	-	-	6,531	-	14,034
96000	Total Other General Expenses	28,891	85,400	-	2,564	19,089	-	135,944
Interest Expense and Amortization Cost:								
96710	Interest of Mortgage (or Bonds) Payable	-	62,375	-	-	85,289	-	147,664
96700	Total Interest Expense and Amortization Cost	-	62,375	-	-	85,289	-	147,664

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

Line Item No.	Account Description	Project Totals	Section 8 New Construction	Resident Opportunity Support Services	Other Business Activities	Component Unit	Eliminations	Total
96900	Total Operating Expenses	649,542	338,789	53,244	112,834	320,732	-	1,475,141
97000	Excess (Deficiency) of Operating Revenue Over (Under) Operating Expenses	(26,285)	27,772	-	(52,420)	39,770	-	(11,163)
97400	Depreciation Expense	214,030	35,011	-	-	287,812	-	536,853
90000	Total Expenses	863,572	373,800	53,244	112,834	608,544	-	2,011,994
OTHER FINANCING SOURCES (USES)								
10010	Transfers In	54,885	-	-	-	17,532	(54,885)	17,532
10020	Transfers Out	(54,885)	-	-	(17,532)	-	54,885	(17,532)
10100	Total Other Financing Sources (Uses)	-	-	-	(17,532)	17,532	-	-
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(240,315)	(7,239)	-	(69,952)	(230,510)	-	(548,016)
11030	Beginning Equity	3,145,526	(86,192)	-	81,687	(108,555)	-	3,032,466
11040	Prior Period Adjustments	(40,089)	-	-	-	(99,952)	-	(140,041)
NET POSITION, END OF YEAR		\$ 2,865,122	\$ (93,431)	\$ -	\$ 11,735	\$ (439,017)	\$ -	\$ 2,344,409

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
COMPONENT UNIT
DECEMBER 31, 2013**

Line Item No.	Account Description	Avon Park Housing Development Corporation		Total
		North Central Heights	North Central Heights 2	
ASSETS				
CURRENT ASSETS				
Cash:				
111	Unrestricted	\$ 15,384	\$ 65,059	\$ 80,443
113	Other Restricted	95,488	76,142	171,630
114	Tenant Security Deposits	12,300	11,050	23,350
100	Total Cash	<u>123,172</u>	<u>152,251</u>	<u>275,423</u>
Other Current Assets:				
142	Prepaid Expenses and Other Assets	<u>13,235</u>	<u>10,658</u>	<u>23,893</u>
	Total Other Current Assets	<u>13,235</u>	<u>10,658</u>	<u>23,893</u>
150	Total Current Assets	136,407	162,909	299,316
NON-CURRENT ASSETS				
Capital Assets:				
161	Land	496,902	363,500	860,402
162	Buildings	6,475,869	4,856,342	11,332,211
164	Furniture, Equipment and Machinery - Admin	24,970	-	24,970
166	Accumulated Depreciation	(330,723)	(242,818)	(573,541)
160	Total Capital Assets - Net	<u>6,667,018</u>	<u>4,977,024</u>	<u>11,644,042</u>
180	Total Non-Current Assets	<u>6,667,018</u>	<u>4,977,024</u>	<u>11,644,042</u>
190	Total Assets	<u>\$ 6,803,425</u>	<u>\$ 5,139,933</u>	<u>\$ 11,943,358</u>

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
COMPONENT UNIT (CONTINUED)
DECEMBER 31, 2013**

Line Item No.	Account Description	Avon Park Housing Development Corporation		Total
		North Central Heights	North Central Heights 2	
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
321	Accrued Wage/Payroll Taxes Payable	\$ 235	\$ 192	\$ 427
322	Accrued Compensated Absences	1,325	1,091	2,416
333	Accounts Payable - Other Governments	3,271	2,600	5,871
341	Tenant Security Deposits	12,300	11,050	23,350
342	Deferred Revenue	2,277	837	3,114
343	Current Portion of Long-Term Debt - Capital Projects	3,172	2,869	6,041
345	Other Current Liabilities	4,494	1,498	5,992
346	Accrued Liabilities - Other	2,059	702	2,761
347	Due to Inter-Program	4,525	4,202	8,727
310	Total Current Liabilities	<u>33,658</u>	<u>25,041</u>	<u>58,699</u>
NON-CURRENT LIABILITIES				
351	Long-Term Debt, Net of Current - Capital Projects	6,983,269	5,340,077	12,323,346
354	Accrued Compensated Absences	181	149	330
350	Total Non-Current Liabilities	<u>6,983,450</u>	<u>5,340,226</u>	<u>12,323,676</u>
300	Total Liabilities	7,017,108	5,365,267	12,382,375
NET POSITION				
508.1	Invested in Capital Assets - Net of Related Debt	(319,423)	(365,922)	(685,345)
511.1	Restricted	95,488	76,142	171,630
512.1	Unrestricted	10,252	64,446	74,698
513	Total Net Position	<u>(213,683)</u>	<u>(225,334)</u>	<u>(439,017)</u>
600	Total Liabilities and Net Position	<u>\$ 6,803,425</u>	<u>\$ 5,139,933</u>	<u>\$ 11,943,358</u>

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SUPPLEMENTAL SCHEDULE OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2013**

Line Item No.	Account Description	Avon Park Housing Development Corporation		Total
		North Central Heights	North Central Heights 2	
REVENUE				
70300	Net Tenant Rental Revenue	\$ 192,082	\$ 158,857	\$ 350,939
70400	Tenant Revenue - Other	3,304	4,026	7,330
70500	Total Tenant Revenue	<u>195,386</u>	<u>162,883</u>	<u>358,269</u>
71100	Investment Income - Unrestricted	-	36	36
71500	Other Revenue	1,833	314	2,147
72000	Investment Income - Restricted	28	22	50
70000	Total Revenue	<u>197,247</u>	<u>163,255</u>	<u>360,502</u>
EXPENSES				
Administrative:				
91100	Administrative Salaries	5,786	4,804	10,590
91200	Auditing Fees	3,990	3,286	7,276
91300	Outside Management Fees	9,725	12,669	22,394
91400	Advertising and Marketing	2,869	2,756	5,625
91500	Employee Benefit Contributions	3,145	2,591	5,736
91600	Office Expenses	3,285	4,478	7,763
91700	Legal Expense	543	398	941
91800	Travel	8	-	8
91900	Other	1,855	1,770	3,625
91000	Total Operating - Administrative	<u>31,206</u>	<u>32,752</u>	<u>63,958</u>
Tenant Services:				
92400	Other	986	977	1,963
92500	Total Tenant Services	<u>986</u>	<u>977</u>	<u>1,963</u>
Utilities:				
93100	Water	1,469	469	1,938
93200	Electricity	4,852	2,108	6,960
93600	Sewer	1,123	209	1,332
93000	Total Utilities	<u>7,444</u>	<u>2,786</u>	<u>10,230</u>
Ordinary Maintenance and Operations:				
94100	Labor	24,097	19,859	43,956
94200	Materials and Other	8,536	5,611	14,147
94300	Contracts	18,569	11,628	30,197
94500	Employee Benefit Contributions	11,926	9,818	21,744
94000	Total Maintenance and Operations	<u>63,128</u>	<u>46,916</u>	<u>110,044</u>

**HOUSING AUTHORITY OF AVON PARK
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
SUPPLEMENTAL SCHEDULE OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION (CONTINUED)
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2013**

Line Item No.	Account Description	Avon Park Housing Development Corporation		Total
		North Central Heights	North Central Heights 2	
EXPENSES (CONTINUED)				
Insurance Premiums:				
96110	Property Insurance	12,467	9,767	22,234
96120	Liability Insurance	3,525	2,801	6,326
96130	Workmen's Compensation	936	663	1,599
96100	Total Insurance Premium	<u>16,928</u>	<u>13,231</u>	<u>30,159</u>
General Expenses:				
96200	Other General Expenses	4,196	75	4,271
96210	Compensated Absences	1,325	1,091	2,416
96300	Payments in Lieu of Taxes	3,271	2,600	5,871
96400	Bad Debt - Tenant Rents	2,895	3,636	6,531
96700	Interest Expense	42,823	42,466	85,289
96000	Total Other General Expenses	<u>54,510</u>	<u>49,868</u>	<u>104,378</u>
96900	Total Operating Expenses	<u>174,202</u>	<u>146,530</u>	<u>320,732</u>
97000	Excess (Deficiency) of Operating Revenue Over (Under) Operating Expenses	23,045	16,725	39,770
97400	Depreciation Expense	<u>166,403</u>	<u>121,409</u>	<u>287,812</u>
90000	Total Expenses	340,605	267,939	608,544
OTHER FINANCING SOURCES				
10010	Transfers In	<u>17,532</u>	<u>-</u>	<u>17,532</u>
10000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(125,826)	(104,684)	(230,510)
11030	Begininng Equity	(594)	(107,961)	(108,555)
11040	Prior Period Adjustments	<u>(87,263)</u>	<u>(12,689)</u>	<u>(99,952)</u>
NET POSITION, END OF YEAR		<u>\$ (213,683)</u>	<u>\$ (225,334)</u>	<u>\$ (439,017)</u>

**HOUSING AUTHORITY OF AVON PARK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013**

	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Expended</u>
PRIMARY GOVERNMENT			
DIRECT FEDERAL AWARDS			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Public and Indian Housing	14.850	ACC A-4136	\$ 809,776
Capital Fund Program	14.872	FL14P012501-12	43,980
Capital Fund Program	14.872	FL14P012501-13	64,701
Resident Opportunity and Supportive Services	14.870	FL012RFS181A012	53,244
PASSED-THROUGH FEDERAL AWARDS			
Passed-through North Tampa Housing Development Corporation:			
Section 8 New Construction and Substantial Rehabilitation	14.182	FL290057052	<u>373,800</u>
TOTAL PRIMARY GOVERNMENT FEDERAL AWARDS			<u>1,345,501</u>
COMPONENT UNITS			
DEPARTMENT OF AGRICULTURE			
PASSED-THROUGH FEDERAL AWARDS			
Passed-through Bonneville Mortgage Company			
Section 538 Rural Rental Housing Guaranteed Loans	10.438		645,881
Section 538 Rural Rental Housing Guaranteed Loans	10.438		<u>584,274</u>
Total Department of Agriculture			1,230,155
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
PASSED-THROUGH FEDERAL AWARDS			
Passed-through Florida Housing Finance Corporation			
Home Investment Partnership Program (Loan)	14.239	2007-041H	5,340,560
Home Investment Partnership Program (Loan)	14.239	2008-057H	<u>4,108,672</u>
Total Department of Housing and Urban Development			<u>9,449,232</u>
TOTAL COMPONENT UNITS FEDERAL AWARDS			<u>10,679,387</u>
TOTAL FEDERAL AWARDS			<u>\$ 12,024,888</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF AVON PARK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards program of Housing Authority of Avon Park (the Authority). The Authority reporting entity is defined in Note 1 to the Authority's basic financial statements for the year ended December 31, 2013. All federal awards received directly from federal agencies as well as federal financial awards passed through other government agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for awards recorded in the Authority's proprietary fund type which is described in Note 1 to the Authority's basic financial statements for the year ended December 31, 2013.

NOTE 3 CONTINGENCIES

Grant monies received and disbursed by the Authority are for specific purposes and are subject to review by the grantor or agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Authority does not believe that such disallowances, if any, would have a material effect on the financial position of the Authority.

**HOUSING AUTHORITY OF AVON PARK
SCHEDULE OF GRANT STATUS
YEAR ENDED DECEMBER 31, 2013**

CAPITAL FUND PROGRAM GRANTS

2010	Funds Approved	\$ 300,870
	Funds Advanced	229,143
	Difference	<u>\$ 71,727</u>
	Funds Advanced	\$ 229,143
	Funds Expended	229,143
	Difference	<u>\$ -</u>
2012	Funds Approved	\$ 166,409
	Funds Advanced	166,409
	Difference	<u>\$ -</u>
	Funds Advanced	\$ 166,409
	Funds Expended	166,409
	Difference	<u>\$ -</u>
2013	Funds Approved	\$ 138,025
	Funds Advanced	10,905
	Difference	<u>\$ 127,120</u>
	Funds Advanced	\$ 10,905
	Funds Expended	64,701
	Difference	<u>\$ (53,796)</u>

SUPPLEMENTARY REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Housing Authority of Avon Park
Avon Park, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of Avon Park (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 28, 2014.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 instances 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 result 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Lakeland, Florida
April 28, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of Avon Park
Avon Park, Florida

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of Avon Park's (the Authority) 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 Authority's major federal programs for the year ended December 31, 2013. The Authority's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority'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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Section 8 New Construction and Substantial Rehabilitation

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.182 Section 8 New Construction and Substantial Rehabilitation program as described in finding number 2013-001 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 New Construction and Substantial Rehabilitation

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 New Construction and Substantial Rehabilitation program for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs and State Projects

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

Other Matters

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

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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 Authority's internal control over compliance.

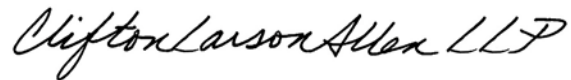
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Report on Internal Control Over Compliance (Continued)

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-001 to be a material weakness.

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

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



CliftonLarsonAllen LLP

Lakeland, Florida
April 28, 2014

**HOUSING AUTHORITY OF AVON PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be a material weakness	No
Noncompliance material to the financial statements noted	No

Federal Awards Section

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be a material weakness	No
Type of auditor's report issued on compliance for major programs	Qualified
Audit findings disclosed that are required to be Reported in accordance with section .510(a) of Circular A-133	Yes
Dollar threshold used to determine Type A program:	\$ 300,000
Auditee qualified as low-risk auditee under OMB Circular A-133?	No
Identification of major programs:	

Federal Program

	<u>CFDA No.</u>
Home Investment Partnerships Program	14.239
Public and Indian Housing	14.850
Section 8 New Construction and Substantial Rehabilitation	14.182

**HOUSING AUTHORITY OF AVON PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

SECTION II – FINANCIAL STATEMENT AUDIT

There are no current year findings.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2013-001 – RESIDUAL RECEIPTS ACCOUNT

Federal Agency: United States Department of Housing and Urban Development
Programs: Section 8 New Construction (CFDA No. 14.872) 2013
Compliance Requirement: Special Tests and Provisions
Type of Finding: Internal Control – Material Weakness, Material Noncompliance

Criteria:

The Housing Assistance Payments Contract and Regulatory Agreement for Multifamily Projects both require the creation of a residual receipts account when funds are held by a non-profit borrower whose note is insured or held by HUD pursuant to Section 220, Section 221(d)(3), and 231 of the national Housing Act, as amended.

Condition:

A residual receipts account has not been established with the lender or other HUD-approved depository.

Context:

The residual receipts account is in addition to the reserve for replacement account. It is under the control of HUD and shall be disbursed only on the direction of HUD.

Questioned Costs:

None

Cause:

Written policies and procedures are not in place to provide oversight for compliance with special provisions.

Effect:

The Authority is not compliance with the special provision requirements as outlined in the Housing Assistance Payments Contract and Regulatory Agreement for Multifamily Projects.

Recommendation:

The Authority should implement appropriate procedures to ensure that all special provisions related to the HUD insured mortgage are met.

Corrective Action Plan:

Explanation of Disagreement with Audit Finding:

There is not disagreement with the audit finding.

**HOUSING AUTHORITY OF AVON PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-001 – RESIDUAL RECEIPTS ACCOUNT (CONTINUED)

Corrective Action Plan (Continued)

Actions Planned in Response to Finding:

The APHA will draft a supplement to the Authority's Accounting and Procedures Manual adding a section titled "Residual Receipts/Surplus Cash" which will describe/prescribe the process and procedures associated with the calculation, accounting and reporting process associated with such categorized funds. The APHA will retroactively perform the required computation of surplus cash and residual receipts for each year, from initial acquisition through 2013 FYE. The APHA will then establish and deposit any excess funds determined to qualify as "Residual Receipts/Surplus Cash" in the restricted escrow account with the Mortgage Company as required in accordance with HUD Regulations. The APHA will include in the supplemental Accounting and Procedures Manual; Residual Receipts/Surplus Cash that such computation exercise and requisite deposits occur within 60 days following Fiscal Year end.

Official Response for Ensuring Corrective Action Plan:

The office of the Executive Director shall be responsible to insure that the Authority's Fee Accounting Services engaged to perform such computation are performed timely and in advance of the pledged due date.

Planned Completion Date for Corrective Action Plan:

The APHA shall complete the above referenced actions by June 30, 2014.

Plan to Monitor Completion of the Corrective Action Plan:

The Executive Director shall monitor and confirm the associated restricted escrow account is established and qualifying funds are deposited within the pledged due date.

**HOUSING AUTHORITY OF AVON PARK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013**

2012-001 Untimely Section 3 Performance Report Filing (form HUD-60002) (Previously Identified as Finding 2012-01)

Federal Agency: United States Department of Housing and Urban Development
Programs: Public and Indian Housing (CFDA No. 14.850) 2012 and HOME Investment Partnership Program (CFDA No. 14.239) 2012
Compliance Requirement: Reporting
Type of Finding: Internal Control – Material Weakness, Noncompliance

Condition

HUD requires an annual performance report (form HUD-60002) to be submitted annually by January 10 of each year or within 10 days of project completion. HUD Form 60002 was not filed before the deadline for the Public and Indian Housing Program. HUD Form 60002 was also not submitted timely for the HOME Investment Partnerships Program.

Recommendation

The Authority should implement appropriate procedures to ensure that all reporting requirements are met and filed in a timely manner.

Current Status

This finding is not reported as a current year finding.