

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



**Basic
Financial Statements and
Supplemental Information**

**Year ended
December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Fort Lauderdale, Florida (the "Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority's business-type activities as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

June 29, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of the Housing Authority of the City of Fort Lauderdale, Florida ("HACFL" or "Authority"), we offer the readers of HACFL's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with HACFL's financial statements.

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

Financial Highlights

- The assets of HACFL exceeded its liabilities as of December 31, 2017 by \$28,301,353 (net position).
- HACFL's cash and cash equivalents balances as of December 31, 2017 were \$14,015,206.
- HACFL had revenue from the U.S. Department of Housing and Urban Development ("HUD") of \$32,841,385, which includes funds for capital asset activities.
- Redevelopment activities for Northwest Gardens V were completed in 2017 with 100 new units and 100 project based units at Sunnyreach Acres.
- In 2017 the Authority was granted approval from HUD to convert 29 public housing units at Sunnyreach and 66 public housing units at Suncrest Court to the new Rental Assistance Demonstration Program (RAD) utilizing Project Based Vouchers (PBV).

Overview of Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in HACFL's net position serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of capital assets. The following statements are included:

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

Overview of Financial Statement (continued)

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

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

Financial Analysis

	<u>Statement of Net Position</u>		
	<u>2017</u>	<u>2016</u>	<u>Net change</u>
Current assets	\$ 15,409,466	\$ 21,729,640	\$ (6,320,174)
Capital assets, net	25,468,590	26,388,660	(920,070)
Other noncurrent assets	<u>8,436,366</u>	<u>4,550,097</u>	<u>3,886,269</u>
Total assets	<u>49,314,422</u>	<u>52,668,397</u>	<u>(3,353,975)</u>
Current liabilities	3,107,888	6,035,267	(2,927,379)
Long-term debt	432,962	450,798	(17,836)
Other noncurrent liabilities	<u>17,472,219</u>	<u>17,577,070</u>	<u>(104,851)</u>
Total liabilities	<u>21,013,069</u>	<u>24,063,135</u>	<u>(3,050,066)</u>
Net investment in capital assets	25,017,808	25,920,700	(902,892)
Restricted	2,059,463	519,661	1,539,802
Unrestricted	<u>1,224,082</u>	<u>2,164,901</u>	<u>(940,819)</u>
Total net position	<u>\$ 28,301,353</u>	<u>\$ 28,605,262</u>	<u>(303,909)</u>

Current Assets decreased by \$5,420,174 mainly due to prepaid HAP received in 2016 of \$2,681,278 and cash loaned during 2017 to Northwest Properties V, Ltd. of \$3,500,000.

Net Capital Assets decreased by \$920,070 mainly due to depreciation expense.

Other Noncurrent Assets increased by \$2,986,269 primarily due to an increase in notes receivable from Northwest Properties V, Ltd.

Financial Analysis (continued)

Total Assets decreased by \$3,353,975 primarily due to a decrease in cash relating to the January 2017 HAP subsidy that was received in December 2016.

Current Liabilities reflect a decrease of \$2,927,379 mainly due to a decrease in unearned HAP received.

Other Noncurrent Liabilities reflect a decrease of \$104,851 in the current year. This is primarily due to a decrease in unearned revenues for ground leases.

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

1. Net investment in capital assets - capital assets, net of accumulated depreciation and related debt is due to the capital asset and long-term debt activity; which resulted in a decrease of \$902,892.
2. Restricted - the Authority's net position that is subject to constraints imposed by law or agreement consisting primarily of Housing Choice Voucher Program funding and debt service reserves. As of December 31, 2017, HACFL had \$2,059,463 reserved as restricted net position. The restricted net position is directly related to the new cash management rules implemented by HUD.
3. Unrestricted - the Authority's net position that is neither invested in capital assets nor restricted, which increase principally due to operations. These resources are available to meet HACFL's ongoing obligations to its residents and creditors. HACFL has \$1,224,082 in unrestricted net position, which is designated for housing purposes.

Financial Analysis (continued)

Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
Operating revenue			
HUD revenue	\$ 32,793,444	\$32,333,344	\$ 460,100
Other revenue	<u>6,456,288</u>	<u>5,997,591</u>	<u>458,697</u>
Total operating revenue	<u>39,249,732</u>	<u>38,330,935</u>	<u>918,797</u>
Operating expenses			
Administrative	4,383,666	4,408,236	(24,570)
Tenant services	130,847	161,713	(30,866)
Utilities	315,674	305,414	10,260
Maintenance	2,563,109	2,398,440	164,669
Protective services	137,309	196,438	(59,129)
General	1,029,710	721,935	307,775
Depreciation	938,934	894,293	44,641
Housing assistance payments	<u>30,051,005</u>	<u>28,358,561</u>	<u>1,692,444</u>
Total operating expenses	<u>39,550,254</u>	<u>37,445,030</u>	<u>2,105,224</u>
Operating income (loss)	<u>(300,522)</u>	<u>885,905</u>	<u>(1,186,427)</u>
Nonoperating revenues (expenses)			
Equity investment loss in related parties	(387)	(2,646,644)	2,646,257
Gain (loss) on disposal of assets	(70,994)	12,001	(82,995)
Mortgage interest income	62,950	60,771	2,179
Interest income	11,140	2,418	8,722
Interest expense	<u>(54,037)</u>	<u>(62,530)</u>	<u>8,493</u>
Total nonoperating revenues (expenses)	<u>(51,328)</u>	<u>(2,633,984)</u>	<u>2,582,656</u>
Change in net position before capital contributions	(351,850)	(1,748,079)	1,396,229
Capital contributions			
HUD capital grants	<u>47,941</u>	<u>295,129</u>	<u>(247,188)</u>
Change in net position	(303,909)	(1,452,950)	1,149,041
Total net position - beginning	<u>28,605,262</u>	<u>30,058,212</u>	<u>(1,452,950)</u>
Total net position - ending	<u>\$ 28,301,353</u>	<u>\$ 28,605,262</u>	<u>\$ (303,909)</u>

Total Operating Revenue increased by \$976,849 mainly due to a large increase in other operating revenue related to Operating Revenues from HUD and Tenants and increases in Other Revenue.

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

Financial Analysis (continued)

Total Operating Expenses increased by \$2,105,224 during fiscal year ending 2017 as compared to the fiscal year ending 2016. The increase in total operating expenses is mainly due to increases in general expense and housing assistance payments.

- Administrative expenses decreased by \$24,570 primarily due to an increase in salaries with an offsetting decrease in Legal Fees and Contracted personnel leading to a final decrease of \$24,570.
- Utilities expense increased by \$10,260 primarily due to a small increase in utility costs.
- General expenses increased by \$307,775 primarily due to the repayment to The City of Fort Lauderdale for the Homeless Program, the cost related to the Kitchen Cabinets at Sailboat Bend and the implementation of a new tenant compliance program.
- Housing assistance payments increased by \$1,692,444 due to the additional Project Based units added in 2017.

Non-Operating Revenues (Expenses) decreased by \$2,524,604 primarily due to the recording of equity losses in fiscal year 2016 on investments for related parties.

Capital Asset and Debt Activity

At the end of fiscal year 2017, HACFL's net capital assets decreased by \$920,070. The net change was mainly due to depreciation expense offset by capital additions. The accompanying financial statements include a detailed roll forward of capital assets in Note B-3.

The Authority has a line of credit in the amount of \$1,000,000 with BB&T. At the end of the fiscal year 2017, HACFL had outstanding balance of \$296,304 relating to the line of credit. The balance represents a decrease of \$68,696 from the previous year. In addition, HACFL has a mortgage on real property with an outstanding balance of \$450,782.

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; In addition the Authority is receiving Management fees from its various tax credit partnerships. The funding of programs could change as HACFL continues to transition public housing to the RAD Program. The remaining 95 public housing units at Sunnyreach and Suncrest Court will be transitioning to RAD projects during 2018.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF NET POSITION

December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 11,196,915
Cash and cash equivalents - restricted	2,312,752
Receivables, net	295,292
Due from related parties	1,181,237
Inventory, net	14,104
Prepaid expenses	392,085
Intangible assets, net	17,081
Total current assets	<u>15,409,466</u>

NONCURRENT ASSETS

Cash and cash equivalents - restricted	505,539
Capital assets, net	25,468,590
Intangible assets, net	1,238,466
Notes receivable from related parties	6,692,361
Total assets	<u>49,314,422</u>

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt	314,124
Accounts payable	229,028
Accrued salaries and benefits	166,290
Accrued compensated absences	262,924
Due to HUD	1,597,500
Tenant security deposits	173,840
Unearned revenue - ground leases	280,050
Unearned revenue - prepaid rents	4,683
Family self-sufficiency escrow	79,449
Total current liabilities	<u>3,107,888</u>

NONCURRENT LIABILITIES

Long-term debt	432,962
Accrued compensated absences	121,231
Unearned revenue - ground leases	14,182,531
Family self-sufficiency escrow	505,539
Equity investment in related parties	2,647,031
Other noncurrent liabilities	15,887
Total liabilities	<u>21,013,069</u>

NET POSITION

Net investment in capital assets	25,017,808
Restricted	2,059,463
Unrestricted	1,224,082
Total net position	<u>\$ 28,301,353</u>

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

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2017

OPERATING REVENUES	
HUD operating revenues	\$ 32,793,444
Other government operating grants	32,779
Tenant revenue, net	1,886,180
Management and development fees	2,351,124
Other operating revenue	<u>2,186,205</u>
Total operating revenues	<u>39,249,732</u>
OPERATING EXPENSES	
Administrative	4,383,666
Tenant services	130,847
Utilities	315,674
Maintenance	2,563,109
Protective services	137,309
General	1,029,710
Depreciation	938,934
Housing assistance payments	<u>30,051,005</u>
Total operating expenses	<u>39,550,254</u>
OPERATING LOSS	<u>(300,522)</u>
NONOPERATING REVENUES (EXPENSES)	
Equity investment loss in related parties	(387)
Loss on sale of capital assets	(70,994)
Mortgage interest income	62,950
Interest income - unrestricted	11,140
Interest expense	<u>(54,037)</u>
Total nonoperating revenues (expenses)	<u>(51,328)</u>
Change in net position before capital contributions	(351,850)
CAPITAL CONTRIBUTIONS	
HUD capital grants	<u>47,941</u>
CHANGE IN NET POSITION	<u>(303,909)</u>
Total net position - beginning of year	<u>28,605,262</u>
Total net position - end of year	<u><u>\$ 28,301,353</u></u>

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

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF CASH FLOWS

Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

HUD operating grants received	\$ 30,112,166
Other government operating grants received	32,779
Collections from tenants	1,891,701
Collections of management and development fees	3,041,384
Collections from other sources	1,733,014
Payments to employees	(5,643,458)
Payments to suppliers	(3,277,650)
Housing assistance payments	<u>(30,051,005)</u>
Net cash used in operating activities	<u>(2,161,069)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	51,869
Purchase of property and equipment	(155,194)
Proceeds from the sale of capital assets	61,408
Payments on long-term debt	(85,874)
Interest paid	<u>(36,956)</u>
Net cash used in capital and related financing activities	<u>(164,747)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	11,140
Issuance of notes receivable	<u>(3,500,000)</u>
Net cash used in investing activities	<u>(3,488,860)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (5,814,676)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 19,829,882

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 14,015,206

RECONCILIATION TO STATEMENT OF NET POSITION

Cash and cash equivalents - unrestricted	\$ 11,196,915
Cash and cash equivalents - restricted current	2,312,752
Cash and cash equivalents - restricted noncurrent	<u>505,539</u>
	<u><u>\$ 14,015,206</u></u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION

Equity investment loss in related parties	<u><u>\$ 387</u></u>
Interest capitalized into note receivable	<u><u>\$ 62,950</u></u>

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

Housing Authority of the City of Fort Lauderdale, Florida

STATEMENT OF CASH FLOWS (continued)

Year ended December 31, 2017

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (300,522)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	938,934
Provision for bad debt	24,706
(Increase) decrease in assets:	
Receivables, net	(191,619)
Due from related parties	690,260
Inventory, net	62,836
Prepaid expenses	(272,349)
Intangible assets, net	(152,664)
Increase (decrease) in liabilities:	
Accounts payable	(205,878)
Accrued salaries and benefits	(3,632)
Accrued compensated absences	20,387
Tenant security deposits	6,300
Unearned revenue - ground leases	(287,056)
Unearned revenue - HAP	(2,681,278)
Unearned revenue - prepaid rent	(20,596)
Family self-sufficiency escrow	211,102
Net cash used in operating activities	<u>\$ (2,161,069)</u>

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

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

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

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

Blended component units

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government. These component units are blended with the primary government.

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

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

Housing Authority of the City of Fort Lauderdale, Florida

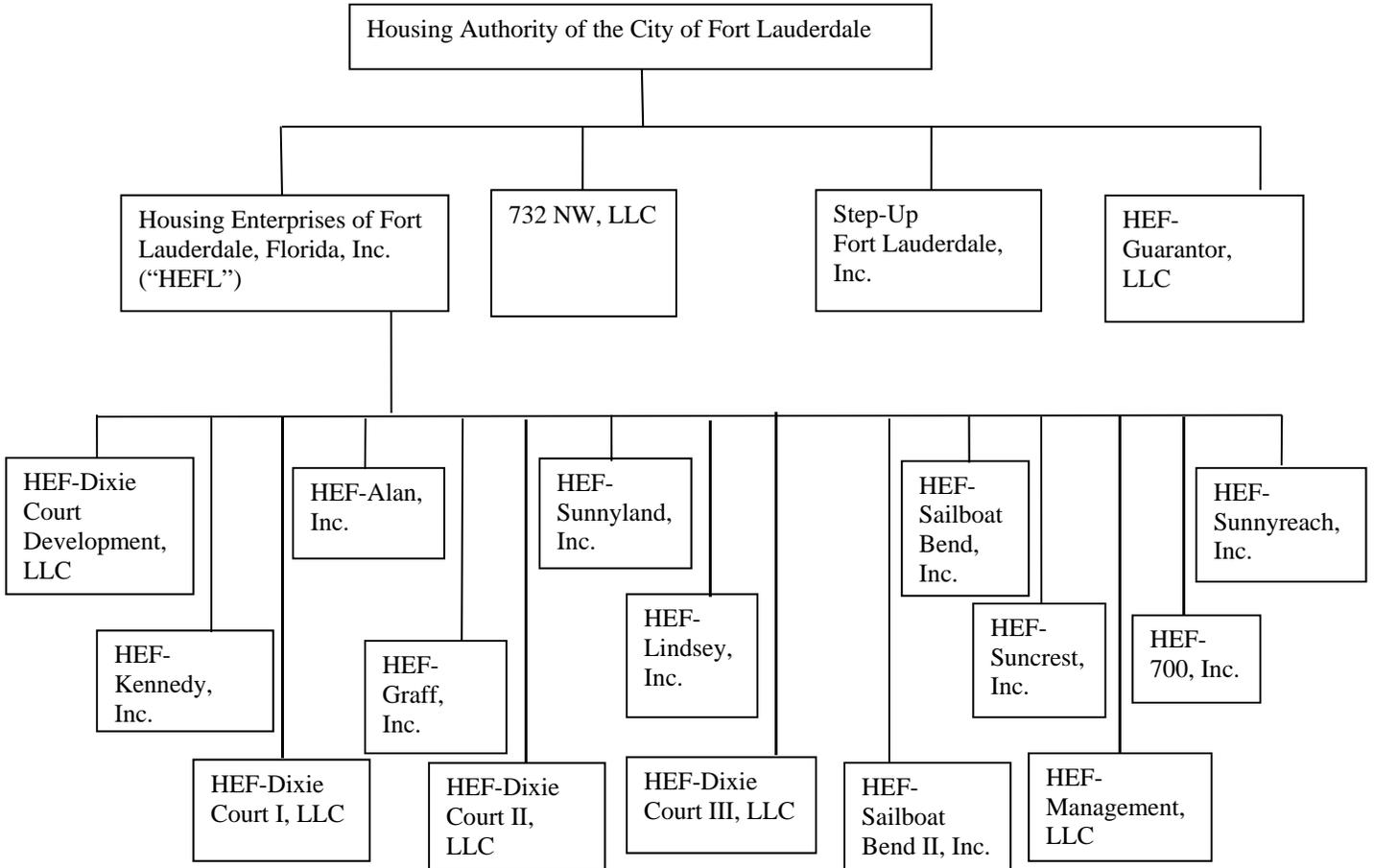
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Blended component units (continued)



Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related parties

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

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

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

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

Northwest Properties I, Ltd. was organized on December 6, 2007, for the purpose of acquiring, constructing, and operating a 143-unit residential housing project known as Northwest Gardens I located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated May 28, 2010. The general partner of Northwest Properties I, Ltd. is HEF-Alan, Inc. On December 31, 2017, the limited partner rights were purchased by HEFL.

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related parties (continued)

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

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

Northwest Properties V, Ltd. was organized on September 10, 2013, for the purpose of acquiring, constructing, and operating a 200-unit residential housing project known as Northwest Gardens V located in Fort Lauderdale, Florida. Profits, losses and tax credits are allocated in accordance with the Amended and Restated Agreement of Limited Partnership, dated February 8, 2016. The general partner of Northwest Properties V, Ltd. is HEF-700, Inc.

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

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

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements

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

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

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

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

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

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

3. Measurement focus and basis of accounting

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus and basis of accounting (continued)

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

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

As provided by GASB No. 34 and related guidance, tenant revenue is reported net of \$24,706 in accounts written off.

4. Summary of programs

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

Low Rent Public Housing Programs

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

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Summary of programs (continued)

Housing Assistance Payments Programs

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

Other Programs

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

5. Assets, liabilities and net position

a. *Cash and cash equivalents*

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

b. *Receivables*

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

c. *Due from other governments*

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

d. *Due from related parties*

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

e. *Inventory*

Inventory consists principally of materials held for use or consumption and is recorded on the first in first out method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. Based on management's experience with the types of items in inventory and related usage plans, an allowance for obsolescence of \$1,567 is recorded as of December 31, 2017.

f. *Intangible assets*

Intangible assets consist of various costs related to the development of the related party entities of \$1,392,744, which are amortized using the straight line basis over the life of the developments and leases which is sixty-five (65) years. These intangible assets are being presented in the financial statements net of accumulated amortization of \$137,197. For the year ended December 31, 2017, associated amortization expense was \$17,082.

g. *Capital assets*

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

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

Buildings and improvements	10 - 40 years
Equipment - administrative	3 - 7 years

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

h. Due to HUD

Amounts due to HUD consist of prepaid ground leases received by the Authority from Northwest Properties II, Ltd. and Northwest Properties IV, Ltd in the amounts of \$1,110,000 and \$487,500, respectively. Per the agreements, the Authority is required to remit these amounts to HUD.

i. Tenant security deposits

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

j. Accrued compensated absences

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

k. Unearned revenues

Unearned revenues include amounts collected before revenue recognition criteria are met. The unearned items consist of prepaid rents of \$4,683 and prepaid ground lease rents associated with the tax credit partnerships of \$14,462,581, with \$280,050 and \$14,182,531 classified as current and noncurrent, respectively (see Note B-5).

l. Equity investment in related parties

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

m. Eliminations

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

i.) Interprogram due to/from

In the normal course of operations, certain programs may pay for common costs or advance funds for operations that create interprogram receivables or payables. The interprogram receivables and payables net to zero and as of December 31, 2017, \$6,469,623 are eliminated for the presentation of the Authority as a whole.

ii.) Internal charges

The Authority's Step-Up Apprenticeship program charges fees to programs within the Authority for services rendered. For financial reporting purposes \$275,250 of internal charges have been eliminated for the year ended December 31, 2017.

iii.) Management fees

The Authority charges management fees to other programs within the Authority. For financial reporting purposes \$2,215,096 of internal management fees have been eliminated for the year ended December 31, 2017.

iv.) Guarantee funds

The Authority's blended component unit, HEF-Guarantor, LLC, was established to hold a guarantee of \$2,000,000 for all applicable general partners for all tax credit partnerships (see Note B-10-d). These funds were borrowed from unrestricted activities and reserves from Business Activities in order to establish the reserve and are considered a long term borrowing. For financial reporting purposes the \$2,000,000 long term receivable and payable have been eliminated for the year ended December 31, 2017.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

n. *Net position*

In accordance with GASB Statement No. 34, as amended, total equity as of December 31, 2017, is classified into three components of net position:

i.) *Net investment in capital assets*

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

ii.) *Restricted component of net position*

This category consists of restricted assets and deferred outflows of resources offset by related liabilities and deferred inflows of resources restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. As of December 31, 2017, the Authority reports \$2,000,000 of restricted net position relating to guarantee funds (see Note A-5-m-iv) and \$59,463 relating to housing assistance payment cash (see Note B-10-b).

iii.) *Unrestricted component of net position*

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

6. Budgets

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

7. Income taxes

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Income taxes (continued)

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

For the year ended December 31, 2017, the Authority's blended component units had limited activity, and accordingly, no provision or liability for federal income taxes is required. The Authority's blended component units income tax filings are subject to audit by various taxing authorities. The open audit periods for these entities are 2013 through 2017.

8. Leasing activities

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

9. Use of estimates

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

10. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no impairments as of December 31, 2017.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Impact of recently issued accounting principles

In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting. This statement is effective for the Authority's December 31, 2020 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

NOTE B - DETAILED NOTES

1. Cash and cash equivalents

As of December 31, 2017, the Authority's cash and cash equivalents consists of cash in the amount of \$14,015,206.

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

Interest Rate Risk. Interest rate risk is the risk that the relative value of a security will decline due to a change in interest rates. The Authority's policy to limit its exposure to declines in fair values of its investment portfolio is to only invest in HUD allowed investments and to monitor investments. As of December 31, 2017, the Authority had no investments, and therefore was not exposed to interest rate risk.

Credit Risk. Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with agreed terms. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies in the United States of America. As of December 31, 2017, the Authority mitigated their exposure to credit risk by following HUD regulations.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. The Authority's deposits are insured by the Federal Depository Insurance Corporation up to \$250,000, per financial institution, per depositor. Monies invested greater than the insurance coverage are secured by qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Authority pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the *Florida Security for Public Deposits Act*, under Chapter 280, Florida Statutes, before any investments are made with those institutions. As of December 31, 2017, none of the Authority's bank balance of \$10,097,525 was exposed to custodial credit risk. However, \$1,766,113 of the \$4,044,214 total bank balances of the blended component units were uncollateralized at December 31, 2017.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

1. Cash and cash equivalents (continued)

Restricted cash and cash equivalents

Cash and cash equivalents were restricted for the following purposes at December 31, 2017:

Current:	
Funds held for guarantee	\$ 2,000,000
Tenant security deposits	173,840
Voucher HAP reserves	59,463
Family self-sufficiency escrow	79,449
Subtotal current	<u>2,312,752</u>
Noncurrent:	
Family self-sufficiency escrow	<u>505,539</u>
Total restricted cash and cash equivalents	<u>\$ 2,818,291</u>

2. Receivables, net

As of December 31, 2017, receivables, net consist of:

Due from HUD	\$ 3,902
Fraud recovery	90,392
Tenant receivables	24,857
Other receivables	312,066
Notes receivable - current	<u>9,258</u>
Total receivables	440,475
Allowance for doubtful accounts - fraud	(85,000)
Allowance for doubtful accounts - tenants	(420)
Allowance for doubtful accounts - other	<u>(59,763)</u>
Total receivables, net	<u>\$ 295,292</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

3. Capital assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2017	Transfers in/ Additions	Transfers out/ Deletions	Balance at December 31, 2017
Non-depreciable:				
Land	\$ 8,309,983	\$ 42,473	\$ -	\$ 8,352,456
Construction in progress	563,081	-	(199,665)	363,416
Total non-depreciable	<u>8,873,064</u>	<u>42,473</u>	<u>(199,665)</u>	<u>8,715,872</u>
Depreciated:				
Buildings and improvements	29,419,074	264,624	(166,103)	29,517,595
Equipment - administrative	1,353,547	43,834	(80,547)	1,316,834
Total depreciated	<u>30,772,621</u>	<u>308,458</u>	<u>(246,650)</u>	<u>30,834,429</u>
Total capital assets	<u>39,645,685</u>	<u>350,931</u>	<u>(446,315)</u>	<u>39,550,301</u>
Less accumulated depreciation				
Buildings and improvements	(12,101,854)	(858,635)	33,700	(12,926,789)
Equipment - administrative	(1,155,170)	(80,299)	80,547	(1,154,922)
Total accumulated depreciation	<u>(13,257,024)</u>	<u>(938,934)</u>	<u>114,247</u>	<u>(14,081,711)</u>
Capital assets, net	<u>\$ 26,388,661</u>	<u>\$ (588,003)</u>	<u>\$ (332,068)</u>	<u>\$ 25,468,590</u>

During the year, the Authority made improvements and purchased equipment utilizing capital funds in the amount of \$47,941 to Suncrest Court and Sunnyreach Acres Townhomes.

4. Notes receivable from related parties

The Authority entered into a mortgage with Dixie Court Associates, Ltd., in the amount of \$960,000. The loan has a maturity date of November 30, 2037. All interest shall be compounded annually at a rate of 4.89%. No payments are required on this loan until the maturity date, at which time all principal and accrued interest are due. The note is secured by a mortgage on the real and personal property. At December 31, 2017, the outstanding balance of the loan was \$710,000 of principal and \$193,850 of interest that is capitalized into the loan balance.

The Authority entered into a promissory note with Dixie Court III, Ltd., in the amount of \$250,000. The loan has a maturity date of December 31, 2058. All interest shall be compounded annually at a rate of 4.45%. No payments are required on this loan until the maturity date, at which time all principal and accrued interest are due. The note is secured by a mortgage on the real and personal property. At December 31, 2017, the aggregate outstanding balance of the loan was \$250,000 of principal and \$66,483 of interest that is capitalized into the loan balance.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

4. Notes receivable from related parties (continued)

HEF-Dixie Court III, LLC, a blended component unit of the Authority, entered into an Affordable Housing Program ("AHP") promissory note with Dixie Court III, Ltd., in the amount of \$125,000. The loan has a maturity date of December 31, 2058. All interest shall be compounded annually at a rate of 4.45%. No payments are required on this loan until the maturity date, at which time all principal and accrued interest are due. The note is secured by a mortgage on the real and personal property. At December 31, 2017, the outstanding balance of the loan was \$125,000 of principal and \$47,028 of interest that is capitalized into the loan balance.

The Authority entered into a promissory note with Sailboat Bend Apartments, Ltd., in the amount of \$900,000. The loan has a maturity date of February 28, 2044 and bears no interest. No payments are required on this loan until the maturity date, at which time all principal is due. The note is secured by a mortgage on the real and personal property. At December 31, 2017, the outstanding balance of the loan was \$900,000.

The Authority entered into an additional promissory note with Sailboat Bend Apartments, Ltd., in the amount of \$900,000. No payments are required on this loan until the maturity date, at which time all principal is due. The note does not bear interest and is secured by a mortgage on the real and personal property. At December 31, 2017, the outstanding balance of the loan was \$900,000.

During 2017, the Authority entered into a promissory note with Northwest Properties V, Ltd., in the amount of \$3,500,000. The loan has a maturity date of May 6, 2045, including a 36-month construction loan period, and bears no interest. No payments are required on this loan until the maturity date, at which time all principal is due. The note is secured by a mortgage on the real and personal property. At December 31, 2017, the outstanding balance of the loan was \$3,500,000.

The total principal of \$5,485,000 and interest of \$307,361 are presented on the statement of net position as noncurrent notes receivable from related parties in the amount of \$6,692,361.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

5. Ground leases

A summary of changes in unearned revenue associated prepaid ground leases from the following entities as of December 31, 2017, is as follows:

	Balance at January 1, 2017	Additions	Reductions	Balance at December 31, 2017	Due within one year
Dixie Court II, Ltd.	\$ 841,848	\$ -	\$ (14,769)	\$ 827,079	\$ 14,769
Dixie Court III, Ltd.	977,469	-	(17,455)	960,014	17,455
Northwest Properties I, Ltd.	784,532	-	(13,500)	771,032	13,500
Northwest Properties II, Ltd.	2,040,388	-	(67,787)	1,972,601	49,611
Northwest Properties III, Ltd.	2,500,741	-	(42,385)	2,458,356	42,385
Northwest Properties IV, Ltd.	2,896,586	-	(58,650)	2,837,936	65,914
Northwest Properties V, Ltd.	2,200,000	-	(30,000)	2,170,000	33,906
Dr. Kennedy Homes, Ltd.	2,508,073	-	(42,510)	2,465,563	42,510
Total ground leases	<u>\$ 14,749,637</u>	<u>\$ -</u>	<u>\$ (287,056)</u>	<u>\$ 14,462,581</u>	<u>\$ 280,050</u>

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

The Authority entered into a ground lease on February 21, 2008 with Dixie Court II, Ltd. for 65 years. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Dixie Court II, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the original amount of \$960,000, of which \$827,079 is included in unearned revenues as of December 31, 2017 and \$14,769 has been recognized as rental income for the year ended December 31, 2017.

The Authority entered into a ground lease on January 1, 2009 with Dixie Court III, Ltd. for 65 years. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Dixie Court III, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$1,134,562, of which \$960,014 is included in unearned revenues as of December 31, 2017 and \$17,455 has been recognized as rental income for the year ended December 31, 2017.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

5. Ground leases (continued)

The Authority entered into a 65-year ground lease on March 19, 2008 with Northwest Properties I, Ltd. The lease commenced on June 3, 2010, the date of the initial closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties I, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$1,420,000, however only \$861,282 was received, of which \$771,032 is included in unearned revenues as of December 31, 2017 and \$13,500 has been recognized as rental income for the year ended December 31, 2017.

The Authority entered into a 65-year ground lease on December 1, 2009 with Northwest Properties II, Ltd. The lease commenced on February 14, 2013, the date of the initial closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties II, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$3,200,000, however, per an agreement, the Authority must remit 37% of the ground lease received from Northwest Properties II, Ltd to HUD. The Authority has included \$1,972,601 in unearned revenues as of December 31, 2017 and \$67,787 has been recognized as rental income for the year ended December 31, 2017.

The Authority entered into a 65-year ground lease on April 30, 2009 with Northwest Properties III, Ltd. The lease commenced on December 10, 2010, the date of the construction loan closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties III, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$3,000,000, of which \$2,458,356 is included in unearned revenues as of December 31, 2017 and \$42,385 has been recognized as rental income for the year ended December 31, 2017.

The Authority entered into a 65-year ground lease on December 1, 2009 with Northwest Properties IV, Ltd. The lease commenced on February 14, 2013, the date of the initial closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties IV, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$3,450,000, however, per an agreement, the Authority must remit 15% of the ground lease received from Northwest Properties IV, Ltd to HUD. The Authority has included \$2,837,936 in unearned revenues as of December 31, 2017 and \$58,650 has been recognized as rental income for the year ended December 31, 2017.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

5. Ground leases (continued)

The Authority entered into a 65-year ground lease on February 8, 2016 with Northwest Properties V, Ltd. The lease commenced on February 8, 2016, the date of the initial closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Northwest Properties V, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$2,200,000. The Authority has included \$2,170,000 in unearned revenues as of December 31, 2017 and \$30,000 has been recognized as rental income for the year ended December 31, 2017.

The Authority entered into a 65-year ground lease on April 30, 2009 with Dr. Kennedy Homes, Ltd. The lease commenced on September 2, 2010, the date of the construction loan closing. The total lease revenue will be amortized over the term of the lease using the straight-line method. Upon expiration of the lease, all improvements to the property revert to the owner. Dr. Kennedy Homes, Ltd. is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. The lease required a prepaid base rent to be paid in the amount of \$2,766,735, of which \$2,465,563 is included in unearned revenues as of December 31, 2017 and \$42,510 has been recognized as rental income for the year ended December 31, 2017.

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

6. Noncurrent liabilities

A summary of changes in noncurrent liabilities for the year ended December 31, 2017 is as follows:

	Payable at January 1, 2017	Additions	Reductions	Payable at December 31, 2017	Due within one year
Long Term Debt					
BB&T Line of Credit	\$ 365,000	\$ -	\$ (68,696)	\$ 296,304	\$ 296,304
BB&T Mortgage	467,960	-	(17,178)	450,782	17,820
Total Long term debt	832,960	-	(85,874)	747,086	314,124
FSS Escrow	373,887	258,904	(47,803)	584,988	79,449
Unearned revenues - ground leases	14,749,637	-	(287,056)	14,462,581	280,050
Compensated absences	363,768	259,332	(238,945)	384,155	262,924
Total	<u>\$ 16,320,252</u>	<u>\$ 518,236</u>	<u>\$ (659,678)</u>	<u>\$ 16,178,810</u>	<u>\$ 936,547</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

6. Noncurrent liabilities (continued)

Line of credit

In June 2011, the Authority entered into a line of credit with BB&T in the amount of \$1,000,000. The line of credit bears interest at the bank's rate plus 0.25%, adjusted monthly, and is due on July 31st of each year. The line of credit may be used for the purchase and rehabilitation of property located in Fort Lauderdale, Florida and is secured by one of the Authority's business activity properties. The outstanding balance on the line of credit at December 31, 2017 was \$296,304, with the entire balance classified as a current liability.

BB&T Mortgage

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

As of December 31, 2017, the future principal and interest maturities are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 17,820	\$ 20,210
2019	<u>432,962</u>	<u>19,371</u>
	<u>\$ 450,782</u>	<u>\$ 39,581</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

7. Equity investment in related parties

As discussed in Note A-5-I, the Authority's blended component units account for their interest in their respective partnerships using the equity method. As of December 31, 2017, the equity (deficit) balances for each of the entities were recorded as liabilities on the Authority's statement of net position as follows:

<u>Blended Component Unit</u>	<u>Related Party Partnership</u>	Balance at January 1, 2017	Additions	Reductions	Balance at December 31, 2017
HEF-Dixie Court 1, LLC	Dixie Court Associates, Ltd.	\$ (234,024)	\$ (56)	\$ -	\$ (234,080)
HEF-Dixie Court 2, LLC	Dixie Court II, Ltd.	(277,810)	-	-	(277,810)
HEF-Dixie Court 3, LLC	Dixie Court III, Ltd.	(1,112,787)	-	4	(1,112,783)
HEF-Alan, Inc.	Northwest Properties I, Ltd.	(1,020,860)	(45)	-	(1,020,905)
HEF-Graff, Inc.	Northwest Properties II, Ltd.	(207)	(72)	-	(279)
HEF-Sunnyland, Inc.	Northwest Properties III, Ltd.	(364)	(55)	-	(419)
HEF-Lindsey, Inc.	Northwest Properties IV, Ltd.	(202)	(91)	-	(293)
HEF-Kennedy, Inc.	Dr. Kennedy Homes, Ltd.	(390)	(72)	-	(462)
Total equity investment in related parties		<u>\$ (2,646,644)</u>	<u>\$ (391)</u>	<u>\$ 4</u>	<u>\$ (2,647,031)</u>

8. Pension plan

The Authority provides pension benefits for all of its full time regular employees through a defined contribution plan. The plan is administered by Valic Financial Advisors, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board is authorized to establish and amend plan benefits. Full-time employees are eligible to participate after six months of service. The Authority contributes 10% of the employee's base salary. The Authority's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested after 5 years. Authority contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Authority's current-period contribution requirement. The Authority also contributes an additional 17% under a separate executive compensation plan. The amounts contributed by the Authority for the regular pension plan and the executive pension plan for the year ended December 31, 2017 were \$320,233 and \$33,989, respectively. The Authority recognized pension expense of \$352,813, which includes forfeitures totaling \$10,999.

9. Risk management

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

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

10. Commitments and contingencies

a. *Legal*

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

b. *Grants and contracts*

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. As of the date of this report, management is not aware of any such examinations.

In accordance with HUD regulations, the amount of current year program subsidy received in excess of associated qualifying expenses of the Housing Choice Voucher program is presented as net program income or loss with the cumulative excess funding being reflected in restricted net position in the basic financial statements. As of December 31, 2017, the Authority had unspent cumulative excess funding of \$59,463 which is presented as restricted net position.

c. *Funds awarded*

The Authority receives funding from HUD through Capital Fund programs to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent funded awards as of December 31, 2017 amounted to \$1,404,035 for Capital Fund grants and \$700,542 for Capital Fund Replacement Housing grants.

d. *Guarantee*

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

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

11. Concentrations

For the year ended December 31, 2017, approximately 84% of revenues are received from HUD and approximately 80% of receivables are due from related parties.

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

12. Financial data schedule

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

13. Subsequent events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through June 29, 2018, the date the financial statements were available to be issued and noted no additional significant items to be disclosed.

14. Condensed blended component unit information

Condensed component unit information for the Authority's blended component units as listed in Note A-1 is presented below. 732 NW, LLC and Step-Up Fort Lauderdale, Inc. are included in the reporting entity as blended component units but these entities incurred no activity as of December 31, 2017.

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Net Position

	HEFL and HEFL's Subsidiaries							
	HEFL	HEF-Dixie Court Development, LLC	HEF-Alan, Inc.	HEF- Kennedy, Inc.	HEF- Sunnyland, Inc.	HEF-Graff, Inc.	HEF-Lindsey, Inc.	HEF-Sailboat Bend, Inc.
ASSETS								
CURRENT ASSETS								
Current assets	\$ 105,086	\$ 6,562,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets, net	2,957,029	-	-	-	89,269	-	-	-
Other noncurrent assets	-	1,097,680	98,078	24,732	97,672	-	-	129,981
Total assets	<u>3,062,115</u>	<u>7,660,528</u>	<u>98,078</u>	<u>24,732</u>	<u>186,941</u>	<u>-</u>	<u>-</u>	<u>129,981</u>
LIABILITIES								
Current liabilities	345,973	1,343,875	229,997	605,729	514,821	583,825	573,961	483,773
Noncurrent liabilities	-	-	1,020,905	462	419	279	293	-
Total liabilities	<u>345,973</u>	<u>1,343,875</u>	<u>1,250,902</u>	<u>606,191</u>	<u>515,240</u>	<u>584,104</u>	<u>574,254</u>	<u>483,773</u>
NET POSITION								
Net investment in capital assets	2,957,029	-	-	-	89,269	-	-	-
Restricted	-	-	-	-	-	-	-	-
Unrestricted	<u>(240,887)</u>	<u>6,316,653</u>	<u>(1,152,824)</u>	<u>(581,459)</u>	<u>(417,568)</u>	<u>(584,104)</u>	<u>(574,254)</u>	<u>(353,792)</u>
Total net position	<u>\$ 2,716,142</u>	<u>\$ 6,316,653</u>	<u>\$ (1,152,824)</u>	<u>\$ (581,459)</u>	<u>\$ (328,299)</u>	<u>\$ (584,104)</u>	<u>\$ (574,254)</u>	<u>\$ (353,792)</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Net Position (continued)

	HEFL and HEFL's Subsidiaries							
	HEF- Suncrest, Inc.	HEF- Sunnyreach, Inc.	HEF-700, Inc.	HEF- Management, LLC	HEF-Dixie Court 1, LLC	HEF-Dixie Court 2, LLC	HEF-Dixie Court 3, LLC	HEF- Guarantor, LLC
ASSETS								
Current assets	\$ -	\$ -	\$ -	\$ 745,154	\$ 114,833	\$ 146,011	\$ 146,011	\$ 2,016,113
Capital assets, net	-	-	-	6,762	-	-	-	-
Other noncurrent assets	172,005	6,742	105,858	-	140,933	140,933	312,961	-
Total assets	<u>172,005</u>	<u>6,742</u>	<u>105,858</u>	<u>751,916</u>	<u>255,766</u>	<u>286,944</u>	<u>458,972</u>	<u>2,016,113</u>
LIABILITIES								
Current liabilities	371,151	157,240	585,158	90,576	270,153	124,481	162,788	1,000
Noncurrent liabilities	-	-	-	23,941	234,080	277,810	1,112,783	2,000,000
Total liabilities	<u>371,151</u>	<u>157,240</u>	<u>585,158</u>	<u>114,517</u>	<u>504,233</u>	<u>402,291</u>	<u>1,275,571</u>	<u>2,001,000</u>
NET POSITION								
Net investment in capital assets	-	-	-	6,762	-	-	-	-
Restricted	-	-	-	-	-	-	-	2,000,000
Unrestricted	<u>(199,146)</u>	<u>(150,498)</u>	<u>(479,300)</u>	<u>630,637</u>	<u>(248,467)</u>	<u>(115,347)</u>	<u>(816,599)</u>	<u>(1,984,887)</u>
Total net position	<u>\$ (199,146)</u>	<u>\$ (150,498)</u>	<u>\$ (479,300)</u>	<u>\$ 637,399</u>	<u>\$ (248,467)</u>	<u>\$ (115,347)</u>	<u>\$ (816,599)</u>	<u>\$ 15,113</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	HEFL and HEFL's Subsidiaries							
	HEFL	HEF-Dixie Court Development, LLC	HEF-Alan, Inc.	HEF- Kennedy, Inc.	HEF- Sunnyland, Inc.	HEF-Graff, Inc.	HEF-Lindsey, Inc.	HEF-Sailboat Bend, Inc.
OPERATING REVENUES								
Tenant revenue, net	\$ 297,102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenue	7,750	292,319	2,950	-	-	-	-	-
Total operating revenues	304,852	292,319	2,950	-	-	-	-	-
OPERATING EXPENSES								
Other operating expenses	314,039	57,865	122,897	96,585	125,286	103,201	104,091	95,638
Depreciation	90,210	-	-	-	6,376	-	-	-
Total operating expenses	404,249	57,865	122,897	96,585	131,662	103,201	104,091	95,638
OPERATING INCOME (LOSS)	(99,397)	234,454	(119,947)	(96,585)	(131,662)	(103,201)	(104,091)	(95,638)
NONOPERATING REVENUES (EXPENSES)								
Loss on sale of capital assets	(62,346)	-	-	-	-	-	-	-
Interest income - unrestricted	10	-	-	-	-	-	-	-
Interest income - restricted	1,026	-	-	-	-	-	-	-
Interest expense	-	(3,530)	(1,691)	(458)	(1,684)	-	-	(2,168)
Total nonoperating revenues (expenses)	(61,310)	(3,530)	(1,691)	(458)	(1,684)	-	-	(2,168)
Change in net position	(160,707)	230,924	(121,638)	(97,043)	(133,346)	(103,201)	(104,091)	(97,806)
Total net position - beginning	2,876,849	6,085,729	(1,031,186)	(484,416)	(194,953)	(480,903)	(470,163)	(255,986)
Total net position - ending	\$ 2,716,142	\$ 6,316,653	\$ (1,152,824)	\$ (581,459)	\$ (328,299)	\$ (584,104)	\$ (574,254)	\$ (353,792)

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position (continued)

	HEFL and HEFL's Subsidiaries							
	HEF- Suncrest, Inc.	HEF- Sunnyreach, Inc.	HEF-700, Inc.	HEF- Management, LLC	HEF-Dixie Court 1, LLC	HEF-Dixie Court 2, LLC	HEF-Dixie Court 3, LLC	HEF- Guarantor, LLC
OPERATING REVENUES								
Tenant revenue, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenue	-	-	-	2,060,904	-	-	7,333	11,130
Total operating revenues	-	-	-	2,060,904	-	-	7,333	11,130
OPERATING EXPENSES								
Other operating expenses	56,020	89,527	198,823	1,927,681	87,478	38,987	74,781	305
Depreciation	-	-	-	1,091	-	-	-	-
Total operating expenses	56,020	89,527	198,823	1,928,772	87,478	38,987	74,781	305
OPERATING INCOME (LOSS)	(56,020)	(89,527)	(198,823)	132,132	(87,478)	(38,987)	(67,448)	10,825
NONOPERATING REVENUES (EXPENSES)								
Loss on sale of capital assets	-	-	-	-	-	-	-	-
Interest income - unrestricted	-	-	-	-	-	-	-	-
Interest income - restricted	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	(2,517)	(2,517)	(2,517)	-
Total nonoperating revenues (expenses)	-	-	-	-	(2,517)	(2,517)	(2,517)	-
Change in net position	(56,020)	(89,527)	(198,823)	132,132	(89,995)	(41,504)	(69,965)	10,825
Total net position - beginning	(143,126)	(60,971)	(280,477)	505,267	(158,472)	(73,843)	(746,634)	4,288
Total net position - ending	\$ (199,146)	\$ (150,498)	\$ (479,300)	\$ 637,399	\$ (248,467)	\$ (115,347)	\$ (816,599)	\$ 15,113

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Cash Flows

	HEFL and HEFL's Subsidiaries							
	HEFL	HEF-Dixie Court Development, LLC	HEF-Alan, Inc.	HEF- Kennedy, Inc.	HEF- Sunnyland, Inc.	HEF-Graff, Inc.	HEF-Lindsey, Inc.	HEF-Sailboat Bend, Inc.
NET CASH PROVIDED BY (USED IN):								
Operating activities	\$ (10,439)	\$ (419,693)	\$ 1,691	\$ 458	\$ 1,684	\$ -	\$ -	\$ 2,168
Capital and related financing activities	-	(3,530)	(1,691)	(458)	(1,684)	-	-	(2,168)
Investing activities	1,036	-	-	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH	(9,403)	(423,223)	-	-	-	-	-	-
Cash at beginning of year	80,481	1,439,214	-	-	-	-	-	-
Cash at end of year	<u>\$ 71,078</u>	<u>\$ 1,015,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Housing Authority of the City of Fort Lauderdale, Florida

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2017

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information (continued)

Condensed Statement of Cash Flows (continued)

	HEFL and HEFL's Subsidiaries							
	HEF- Suncrest, Inc.	HEF- Sunnyreach, Inc.	HEF-700, Inc.	HEF- Management, LLC	HEF-Dixie Court 1, LLC	HEF-Dixie Court 2, LLC	HEF-Dixie Court 3, LLC	HEF- Guarantor, LLC
NET CASH PROVIDED BY (USED IN):								
Operating activities	\$ -	\$ -	\$ -	\$ (39,095)	\$ 2,517	\$ 2,517	\$ 2,517	\$ 10,825
Capital and related financing activities	-	-	-	-	(2,517)	(2,517)	(2,517)	-
NET INCREASE (DECREASE) IN CASH	-	-	-	(39,095)	-	-	-	10,825
Cash at beginning of year	-	-	-	620,431	114,833	146,011	146,011	2,005,288
Cash at end of year	\$ -	\$ -	\$ -	\$ 581,336	\$ 114,833	\$ 146,011	\$ 146,011	\$ 2,016,113

SUPPLEMENTAL INFORMATION

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL010 FYED: 12/31/2017											
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Community Development Block Grant 14.228	Family Self- Sufficiency Program 14.896	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
111	Cash - Unrestricted	4,797,793	-	3,016,860	-	8,195	1,286,301	19,046	2,068,720	-	11,196,915
113	Cash - other restricted	-	-	-	-	-	565,002	-	2,000,000	-	2,565,002
114	Cash - Tenant Security Deposits	42,562	-	108,625	-	-	-	-	22,653	-	173,840
115	Cash - Restricted for payment of current liability	-	-	-	-	-	79,449	-	-	-	79,449
100	Total Cash	4,840,355	-	3,125,485	-	8,195	1,930,752	19,046	4,091,373	-	14,015,206
122	Accounts Receivable - HUD Other Projects	3,902	-	-	-	-	-	-	-	-	3,902
125	Accounts Receivable - Miscellaneous	62,066	-	472,316	-	-	-	-	958,921	-	1,493,303
126	Accounts Receivable - Tenants - Dwelling Rents	2,185	-	17,744	-	-	-	-	4,928	-	24,857
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(220)	-	(150)	-	-	-	-	(50)	-	(420)
126.2	Allowance for Doubtful Accounts - Other	(59,763)	-	-	-	-	-	-	-	-	(59,763)
127	Notes, Loans, & Mortgages Receivable - current	-	-	-	-	-	-	-	9,258	-	9,258
128	Fraud recovery	-	-	-	-	-	90,392	-	-	-	90,392
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	(85,000)	-	-	-	(85,000)
120	Total Receivables, net of allowances for doubtful accounts	8,170	-	489,910	-	-	5,392	-	973,057	-	1,476,529
142	Prepaid Expenses and Other Assets	20,625	-	84,950	-	-	24,344	-	262,166	-	392,085
143	Inventories	-	-	15,671	-	-	-	-	-	-	15,671
143.1	Allowance for Obsolete Inventories	-	-	(1,567)	-	-	-	-	-	-	(1,567)
144	Interprogram due from	-	-	1,960,163	-	-	-	-	4,509,460	(6,469,623)	-
150	Total Current Assets	4,869,150	-	5,674,612	-	8,195	1,960,488	19,046	9,836,056	(6,469,623)	15,897,924
161	Land	1,220,493	-	6,544,037	-	-	-	-	587,926	-	8,352,456
162	Buildings	3,640,256	-	13,486,440	-	-	-	-	3,211,325	-	20,338,021
164	Furniture, Equipment & Machinery - Administration	582,195	-	477,737	-	-	249,049	-	7,853	-	1,316,834
165	Leasehold Improvements	8,610,193	-	473,736	-	-	-	-	95,645	-	9,179,574
166	Accumulated Depreciation	(8,685,371)	-	(4,364,628)	-	-	(182,023)	-	(849,689)	-	(14,081,711)
167	Construction In Progress	363,416	-	-	-	-	-	-	-	-	363,416
160	Total Fixed Assets, Net of Accumulated Depreciation	5,731,182	-	16,617,322	-	-	67,026	-	3,053,060	-	25,468,590
171	Notes, loans, and mortgages receivable - Noncurrent	-	-	5,620,333	-	-	-	-	1,072,028	-	6,692,361
174	Other Assets	-	-	2,000,000	-	-	-	-	1,255,547	(2,000,000)	1,255,547
180	Total Non-Current Assets	5,731,182	-	24,237,655	-	-	67,026	-	5,380,635	(2,000,000)	33,416,498
190	Total Assets	10,600,332	-	29,912,267	-	8,195	2,027,514	19,046	15,216,691	(8,469,623)	49,314,422

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL010 FYED: 12/31/2017											
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Community Development Block Grant 14.228	Family Self- Sufficiency Program 14.896	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
312	Accounts Payable <= 90 Days	29,404	-	104,671	-	-	34,080	-	60,873	-	229,028
321	Accrued Wage/Payroll Taxes Payable	8,349	-	74,200	-	-	34,356	-	49,385	-	166,290
322	Accrued Compensated Absences	3,233	-	195,528	-	1,292	26,960	-	35,911	-	262,924
331	Accounts Payable - HUD PHA Programs	-	-	1,597,500	-	-	-	-	-	-	1,597,500
341	Tenant Security Deposits	42,562	-	108,625	-	-	-	-	22,653	-	173,840
342	Unearned Revenues	131,925	-	152,808	-	-	-	-	-	-	284,733
343	Current portion of L-T debt - capital projects	-	-	17,820	-	-	-	-	-	-	17,820
344	Current portion of L-T debt - operating borrowings	-	-	296,304	-	-	-	-	-	-	296,304
345	Other current liabilities	-	-	-	-	-	79,449	-	-	-	79,449
347	Interprogram due to	71,496	-	-	-	-	122,448	-	6,275,679	(6,469,623)	-
310	Total Current Liabilities	286,969	-	2,547,456	-	1,292	297,293	-	6,444,501	(6,469,623)	3,107,888
351	Long-term debt, net of current - capital projects	-	-	432,962	-	-	-	-	-	-	432,962
353	Noncurrent Liabilities - Other	7,221,595	-	6,976,823	-	-	505,539	-	4,647,031	(2,000,000)	17,350,988
354	Accrued compensated Absences - Non Current	1,385	-	83,797	-	554	11,554	-	23,941	-	121,231
350	Total Noncurrent Liabilities	7,222,980	-	7,493,582	-	554	517,093	-	4,670,972	(2,000,000)	17,905,181
300	Total Liabilities	7,509,949	-	10,041,038	-	1,846	814,386	-	11,115,473	(8,469,623)	21,013,069
508.4	Net Investment in Capital Assets	5,731,182	-	16,166,540	-	-	67,026	-	3,053,060	-	25,017,808
511.4	Restricted Net Position	-	-	-	-	-	59,463	-	2,000,000	-	2,059,463
512.4	Unrestricted Net Position	(2,640,799)	-	3,704,689	-	6,349	1,086,639	19,046	(951,842)	-	1,224,082
513	Total Equity	3,090,383	-	19,871,229	-	6,349	1,213,128	19,046	4,101,218	-	28,301,353
600	Total Liabilities and Equity	10,600,332	-	29,912,267	-	8,195	2,027,514	19,046	15,216,691	(8,469,623)	49,314,422

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL010 FYED: 12/31/2017											
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Community Development Block Grant 14.228	Family Self- Sufficiency Program 14.896	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
70300	Net Tenant Rental Revenue	275,201	-	1,295,116	-	-	-	-	283,449	-	1,853,766
70400	Tenant Revenue - Other	5,878	-	32,724	-	-	-	-	18,518	-	57,120
70500	Total Tenant Revenue	281,079	-	1,327,840	-	-	-	-	301,967	-	1,910,886
70600	HUD PHA Grants	1,378,936	-	-	-	132,964	31,281,544	-	-	-	32,793,444
70610	HUD PHA Capital Grants	47,941	-	-	-	-	-	-	-	-	47,941
70750	Other Fees	-	-	2,215,096	-	-	-	-	-	(2,215,096)	-
70800	Other government grants	-	-	32,779	-	-	-	-	-	-	32,779
71100	Investment Income - Unrestricted	-	-	-	-	-	-	-	11,140	-	11,140
71200	Mortgage interest income	-	-	55,621	-	-	-	-	7,329	-	62,950
71400	Fraud recovery	-	-	-	-	-	33,400	-	-	-	33,400
71500	Other revenue	142,285	-	1,302,106	-	-	969,835	-	2,364,953	(275,250)	4,503,929
71600	Gain/Loss on Sale of Fixed Assets	1,800	-	(13,699)	-	-	3,251	-	(62,346)	-	(70,994)
70000	Total Revenue	1,852,041	-	4,919,743	-	132,964	32,288,030	-	2,623,043	(2,490,346)	39,325,475
91100	Administrative Salaries	62,225	-	1,108,415	-	-	757,756	-	709,852	-	2,638,248
91200	Auditing Fees	11,950	-	18,250	-	-	30,300	-	40,500	-	101,000
91300	Management Fee	-	-	-	-	-	-	-	1,061,682	(1,061,682)	-
91500	Employee Benefit Contributions - Administrative	33,523	-	373,710	-	-	264,222	-	254,413	-	925,868
91600	Office Expenses	17,046	-	91,191	-	-	54,984	-	33,591	-	196,812
91700	Legal Expenses	10,064	-	21,308	-	-	54,582	-	135,275	-	221,229
91800	Travel	-	-	8,268	-	-	5,390	-	2,656	-	16,314
91810	Allocated Overhead	208,267	-	136,451	-	-	808,696	-	-	(1,153,414)	-
91900	Other Administrative Expenses	15,990	-	69,535	-	9,188	106,615	-	82,867	-	284,195
92100	Tenant Services - Salaries	12,308	-	-	-	80,116	-	-	-	-	92,424
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	30,491	-	-	-	-	30,491
92400	Tenant Services - Other	6,388	-	1,544	-	-	-	-	-	-	7,932
93100	Water	58,634	-	65,548	-	-	-	-	14,779	-	138,961
93200	Electricity	11,503	-	35,023	-	-	-	-	11,316	-	57,842
93600	Sewer	56,223	-	53,408	-	-	-	-	9,240	-	118,871

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL010 FYED: 12/31/2017											
Line Item No.	Account Description	Total AMPS 14.850/14.872	Central Office Cost Center	Business Activities (Step-up Program)	Community Development Block Grant 14.228	Family Self- Sufficiency Program 14.896	Housing Choice Voucher Program 14.871	HOME Investment Partnership Grant 14.239	Blended Component Units	Eliminations	Total Primary Government
94100	Ordinary Maintenance and Operations - Labor	47,355	-	618,076	-	-	-	-	520,291	-	1,185,722
94200	OMO - Materials and Other	76,929	-	318,667	-	-	9,234	-	29,770	-	434,600
94300	Ordinary Maintenance and Operations - Contract Costs	151,287	-	437,324	-	-	26,078	-	129,195	(275,250)	468,634
94500	Employee Benefit Contributions - Ordinary Maintenance	29,283	-	228,661	-	-	-	-	206,740	-	464,684
95100	Protective Services - labor	63,444	-	-	-	-	-	-	-	-	63,444
95200	Protective Services - Other Contract Costs	1,361	-	7,316	-	-	-	-	480	-	9,157
95300	Protective Services - Other	30,492	-	33,710	-	-	-	-	506	-	64,708
96110	Property Insurance	28,227	-	43,649	-	-	-	-	15,956	-	87,832
96120	Liability Insurance	13,369	-	9,904	-	-	13,558	-	7,314	-	44,145
96130	Workmen's Compensation	4,819	-	27,495	-	-	12,134	-	13,251	-	57,699
96140	All Other Insurance	1,270	-	11,779	-	-	1,904	-	-	-	14,953
96200	Other General Expenses	8,675	-	244,632	-	1,464	157,078	-	74,959	-	486,808
96210	Compensated Absences	9,488	-	124,354	-	5,356	40,455	-	79,679	-	259,332
96300	Payments in Lieu of Taxes	10,719	-	13,851	-	-	-	-	54,758	-	79,328
96400	Bad Debt - Tenant Rents	220	-	19,621	-	-	-	-	4,865	-	24,706
96710	Interest of Mortgage (or Bonds) Payable	-	-	20,993	-	-	-	-	-	-	20,993
96720	Interest on Notes Payable (Short and Long Term)	-	-	15,962	-	-	-	-	-	-	15,962
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	17,082	-	17,082
96900	Total Operating Expenses	981,059	-	4,158,645	-	126,615	2,342,986	-	3,511,017	(2,490,346)	8,629,976
97000	Excess Operating Revenue over Operating Expenses	870,982	-	761,098	-	6,349	29,945,044	-	(887,974)	-	30,695,499
97100	Extraordinary Maintenance	5,335	-	-	-	-	-	-	4,134	-	9,469
97300	Housing Assistance Payments	-	-	-	-	-	29,161,770	-	-	-	29,161,770
97350	HAP Portability-in	-	-	-	-	-	889,235	-	-	-	889,235
97400	Depreciation Expense	440,219	-	378,121	-	-	22,917	-	97,677	-	938,934
90000	Total Expenses	1,426,613	-	4,536,766	-	126,615	32,416,908	-	3,612,828	(2,490,346)	39,629,384
10010	Operating transfers in	600,315	-	-	-	-	-	-	-	(600,315)	-
10020	Operating transfers out	(600,315)	-	-	-	-	-	-	-	600,315	-
10100	Total other financing sources (Uses)	-	-	-	-	-	-	-	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	425,428	-	382,977	-	6,349	(128,878)	-	(989,785)	-	(303,909)
11030	Beginning Equity	2,664,955	-	19,488,252	-	-	1,342,006	19,046	5,091,003	-	28,605,262
11040	Prior Period Adjustments, Equity transfer and correction of errors	-	-	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	-	6,349	1,153,665	-	-	-	1,153,665
11180	Housing Assistance Payments Equity	-	-	-	-	-	59,463	-	-	-	59,463
11190	Unit Months Available	1,140	-	1,776	-	-	37,596	-	384	-	40,896
11210	Number of Unit Months Leased	1,136	-	1,666	-	-	35,718	-	365	-	38,885
11270	Excess Cash	4,479,801	-	-	-	-	-	-	-	-	4,479,801
11630	Furniture & Equipment - Dwelling Purchases	47,941	-	-	-	-	-	-	-	-	47,941

See independent auditor's report.

Housing Authority of the City of Fort Lauderdale, Florida

SCHEDULE OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES

Year ended December 31, 2017

PROGRAM	CFP 501-13	CFP 501-14	CFP 501-15	CFP 501-16	CFP 501-17	Total
BUDGET	\$ 448,290	\$ 489,475	\$ 653,662	\$ 396,389	\$ 957,052	\$ 2,944,868
ADVANCES						
Cash receipts - prior years	\$ 440,656	\$ 391,535	\$ 52,556	\$ -	\$ -	\$ 884,747
Cash receipts - current year	7,634	43,444	601,106	-	-	652,184
Cumulative as of December 31, 2017	448,290	434,979	653,662	-	-	1,536,931
COSTS						
Prior years	440,656	391,535	60,386	-	-	892,577
Current year	7,634	47,346	593,276	-	-	648,256
Cumulative as of December 31, 2017	448,290	438,881	653,662	-	-	1,540,833
RECEIVABLES DUE FROM HUD	\$ -	\$ 3,902	\$ -	\$ -	\$ -	\$ 3,902
SOFT COSTS						
Prior years	\$ 161,460	\$ 117,895	\$ -	\$ -	\$ -	\$ 279,355
Current year	7,039	33,474	559,802	-	-	600,315
Cumulative as of December 31, 2017	168,499	151,369	559,802	-	-	879,670
HARD COSTS						
Prior years	279,196	273,640	60,386	-	-	613,222
Current year	595	13,872	33,474	-	-	47,941
Cumulative as of December 31, 2017	279,791	287,512	93,860	-	-	661,163
CUMULATIVE HARD AND SOFT COSTS	\$ 448,290	\$ 438,881	\$ 653,662	\$ -	\$ -	\$ 1,540,833

The following RHF grants have been awarded and are unspent as of December 31, 2017:

501-15	\$ 247,411
502-15	96,097
501-16	257,161
502-16	99,873
	<u>\$ 700,542</u>

See independent auditor's report.

SINGLE AUDIT SECTION

Housing Authority of the City of Fort Lauderdale, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND LOCAL ASSISTANCE

Year ended December 31, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Federal/Local Expenditures
FEDERAL AWARDS		
<u>Direct from the U.S. Department of Housing and Urban Development:</u>		
Low Rent Public Housing	14.850	\$ 778,621
Housing Voucher Cluster:		
Section 8 Housing Choice Voucher Program	14.871	31,281,544
Public Housing Capital Fund Program	14.872	648,256
Family Self-Sufficiency Program	14.896	132,964
TOTAL EXPENDITURES OF FEDERAL AWARDS		32,841,385
Partnership Agreement with the School Board of Broward County, Florida	N/A	32,779
TOTAL EXPENDITURES OF FEDERAL AWARDS AND LOCAL ASSISTANCE		\$ 32,874,164

Note A: BASIS OF PRESENTATION

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

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

Note B: INDIRECT COST RATE

The Authority did not elect to use the 10-percent de minimis indirect cost rate.

See independent auditor's report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Fort Lauderdale, Florida (the "Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

June 29, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

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

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Fort Lauderdale's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2017. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

June 29, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Authority of the City of Fort Lauderdale, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified? **None Reported**

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

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiency identified? **None Reported**

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

There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

The programs tested as major programs are as follows:

Housing Voucher Cluster

The threshold for distinguishing types A and B programs was **\$1,002,036**

Did the auditee qualify as a low-risk auditee? **Yes**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.