

HERNANDO COUNTY HOUSING AUTHORITY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

**HERNANDO COUNTY HOUSING AUTHORITY
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YEAR ENDED SEPTEMBER 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Hernando County Housing Authority, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hernando County Housing Authority as of September 30, 2016, and the respective changes in financial position and, where applicable, 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, schedule of the Authority proportionated share of the net pension liability and of its contributions – pension plans on pages 4 to 9 and 36 to 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hernando County Housing Authority's basic financial statements. The accompanying supplementary financial data schedules are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary financial data schedules and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial data schedules and the schedule of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Commissioners
Hernando County Housing Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, on our consideration of Hernando County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hernando County Housing Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Lakeland, Florida
June 12, 2017

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016**

The Hernando County Board of County Commissioners created the Hernando County Housing Authority (the Authority) on May 3, 1977 through resolution no.77-32 pursuant to the provisions of Chapter 421, Florida Statutes. A governing body of five (5) Commissioners develops the policies and goals of the Authority; this autonomous Board is appointed by the Governor of the State of Florida. However, the Authority receives almost all its funding through the U.S. Department of Housing and Urban Development (HUD). Therefore, the Authority must administer its program in compliance with HUD rules and regulations and is annually graded by HUD. HUD currently considers the Authority to be a high performing housing authority.

The Authority is dedicated to enhancing the quality of life in Hernando County, Florida by providing and effectively managing affordable housing programs. To further its goal, HCHA has adopted the formal mission statement, "The Authority is committed to educating, organizing, advocating and ensuring the provisions of adequate, affordable housing within strong viable communities for Hernando County citizens, particularly those with very low to moderate incomes". HCHA seeks to achieve the highest and best use of its housing and housing programs for families of low- and moderate-income through its de-concentration efforts and efforts to create viable mixed-income affordable housing communities throughout our jurisdiction.

As management of Hernando County Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Since the last audit period, year ended September 30, 2015, the Authority has continued to make progress both financially and operationally. This may be attributed to a progressive and committed Board of Commissioners, Executive Director and staff.

Financial Highlights

In addition to the following highlights, a more descriptive explanation of the following items is provided later in this report.

- The assets and deferred inflow of resources of the Authority exceeded its liabilities and deferred outflow of resources as of September 30, 2016 by \$3,028,315 (Net position).
- The Authority's cash balance as of September 30, 2016 was \$868,700 representing an increase of \$5,310 from September 30, 2015.
- The Authority had operating revenues of \$3,839,869 and operating expenses of \$3,813,120 for the year ended September 30, 2016.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016**

Overview of the Financial Statements

The financial statements included in this annual report are those of a Florida established housing authority which is a public body corporate and politic and are considered to be special districts (governmental entities). The following entity wide financial statements are included:

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

An analysis of net position, revenues, and expenses has been provided, and includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority's net position and changes in net position. The Authority's net position are the differences between what the Authority owns (i.e., assets and deferred outflows) and what the Authority owes (i.e., liabilities and deferred inflows), and are considered one way to measure the Authority's financial health.

Over a period of time, changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Readers should consider other non-financial factors such as fluctuation in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall health of the Authority.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016**

Analysis of Net Position (Statement of Net Position)

	September 30,		Dollar Variance	Percent Variance
	2016	2015		
ASSETS				
Current Assets - Unrestricted	\$ 603,703	\$ 933,898	\$ (330,195)	-35%
Current Assets - Restricted	394,349	58,844	335,505	570%
Net Capital Assets	<u>2,501,225</u>	<u>497,957</u>	<u>2,003,268</u>	402%
 Total Assets	 <u>3,499,277</u>	 <u>1,490,699</u>	 <u>2,008,578</u>	 135%
DEFERRED OUTFLOWS				
Deferred Outflows - Pension	<u>89,827</u>	<u>20,775</u>	<u>69,052</u>	332%
 Total Assets and Deferred Outflows	 <u>\$ 3,589,104</u>	 <u>\$ 1,511,474</u>	 <u>\$ 2,077,630</u>	 137%
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities	\$ 176,811	\$ 71,372	\$ 105,439	148%
Non-Current Liabilities	<u>374,021</u>	<u>300,706</u>	<u>73,315</u>	24%
Total Liabilities	550,832	372,078	178,754	48%
DEFERRED INFLOWS				
Deferred Inflows - Pension	<u>9,957</u>	<u>1,656</u>	<u>8,301</u>	501%
NET POSITION				
Net Investment in Capital Assets	2,487,625	497,957	1,989,668	400%
Restricted	394,349	58,844	335,505	570%
Unrestricted	<u>146,341</u>	<u>580,939</u>	<u>(434,598)</u>	-75%
Total Net Position	<u>3,028,315</u>	<u>1,137,740</u>	<u>1,890,575</u>	166%
 Total Liabilities, Deferred Outflows and Net Position	 <u>\$ 3,589,104</u>	 <u>\$ 1,511,474</u>	 <u>\$ 2,077,630</u>	 137%

Total assets for fiscal year-end 2016 were \$3,499,277 and at fiscal year-end 2015 the amount was \$1,490,699. This represents a net increase of \$2,008,578 or 135 percent.

Current unrestricted assets decreased by \$330,195 primarily due to a decrease in cash related to increased expenses.

Current restricted assets increased \$335,505 primarily due to cash restrictions from the loan.

Net capital assets increased by \$2,003,268 due to a donated buildings of \$1,863,002 for the Neighborhood Stabilization Program.

Current liabilities increased by \$105,439 which was primarily due to an increase in accounts payable related to the construction.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016**

Analysis of Net Position (Statement of Net Position) (Continued)

Noncurrent liabilities increased by \$73,315. The increase is due to the recording of the FRS net pension liability as a result of adopting GASB Statement No. 68 Accounting and Financial Reporting for Pensions.

The deferred outflow and inflow as of September 30, 2016 are due to the difference between expected and actual economic expense, change in actual assumptions, net difference between projected and actual earnings on the pension plan and contributions subsequent to the measurement date.

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016**

Analysis of Revenue (Statement of Revenues, Expenses and Changes in Net Position)

The following provides the programs administered by the Authority and the revenues generated from these programs during fiscal years ended 2016 and 2015:

	<u>Year Ended September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>Variance</u>
OPERATING REVENUE				
Tenant Rental Revenue	\$ 115,635	\$ -	\$ 115,635	100%
HUD PHA Operating Grants	2,388,484	2,428,468	(39,984)	-2%
Fraud Recovery	-	5,716	(5,716)	-100%
Other Revenue	1,335,750	1,369,408	(33,658)	-2%
Total Operating Revenue	<u>3,839,869</u>	<u>3,803,592</u>	<u>36,277</u>	<u>1%</u>
OPERATING EXPENSES				
Administrative	459,026	442,121	16,905	4%
Utilities	1,821	-	1,821	100%
Maintenance and Operations	49,607	-	49,607	100%
Insurance	20,643	18,962	1,681	9%
General Expense	13,686	6,489	7,197	111%
Housing Assistance Payments	3,236,074	3,278,458	(42,384)	-1%
Depreciation Expense	32,263	-	32,263	100%
Total Operating Expenses	<u>3,813,120</u>	<u>3,746,030</u>	<u>67,090</u>	<u>2%</u>
OPERATING INCOME (LOSS)	26,749	57,562	(30,813)	-54%
NON-OPERATING REVENUE				
Investment Income - Unrestricted	824	504	320	63%
Total Non-Operating Revenue	<u>824</u>	<u>504</u>	<u>320</u>	<u>63%</u>
Income Before Capital Items	27,573	58,066	(30,493)	-53%
CAPITAL				
Donated Building	1,863,002	373,449	1,489,553	-
CHANGE IN NET POSITION	1,890,575	431,515	1,459,060	338%
Net Position - Beginning of Year	1,137,740	844,955	292,785	35%
Prior Period Adjustment	-	(138,730)	138,730	-
NET POSITION - END OF YEAR	<u>\$ 3,028,315</u>	<u>\$ 1,137,740</u>	<u>\$ 1,890,575</u>	<u>166%</u>

Overall operating revenue increased \$36,277 from the prior year. This is attributed to tenant rental revenue of \$115,365 but was off-set by decreases in HUD grants of \$39,984 and other revenue of \$33,658

**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016**

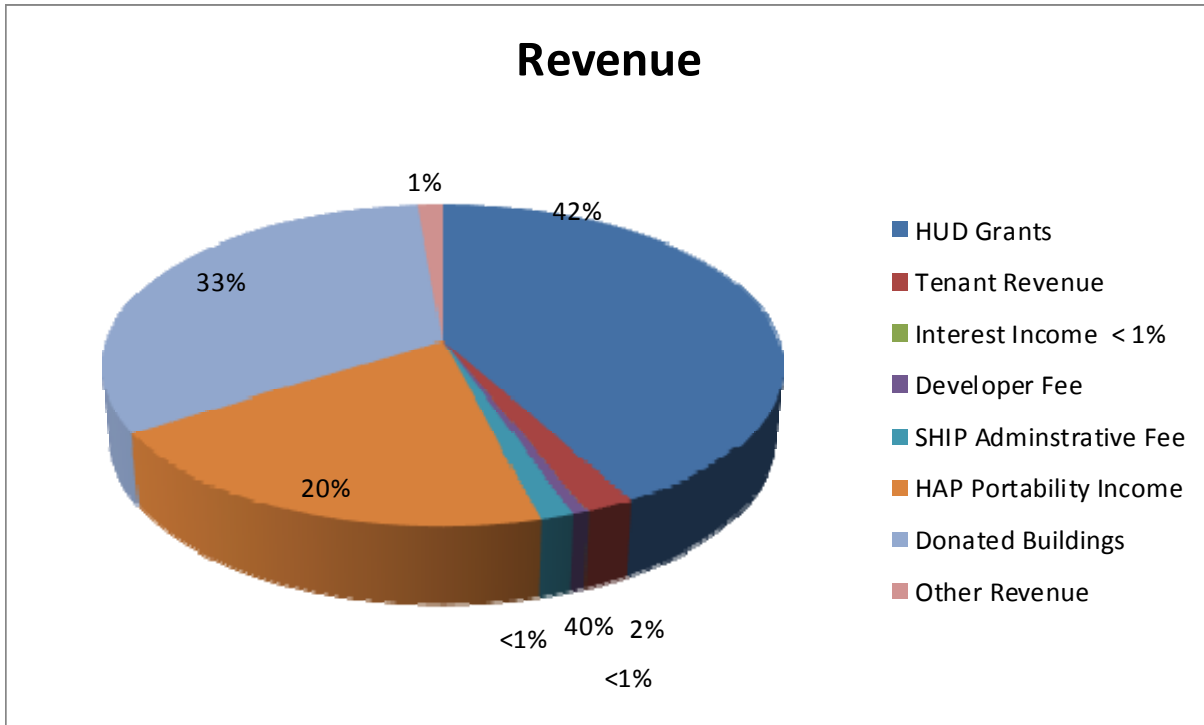
**Analysis of Revenue (Statement of Revenues, Expenses and Changes in Net Position)
(Continued)**

Overall operating expenses increased by \$67,090.

Administrative expenses increased by \$16,905 primarily due to increases in benefit costs and pay increases.

The Authority added expenses related to Utilities of \$1,821 and Maintenance and Operation of \$49,607 related to the addition of the managing the NSP properties. These increases were off-set by a \$42,384 decrease in Housing Assistance payments.

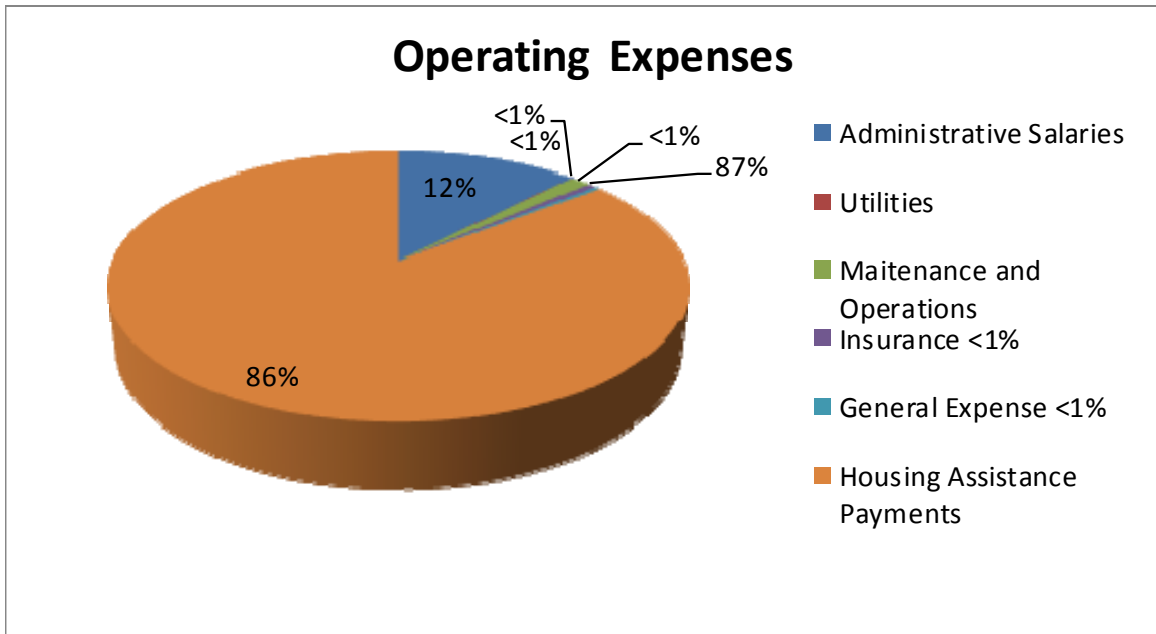
The diagram below illustrates the percentage of revenues generated from these programs by the Authority during fiscal year 2016.



**HERNANDO COUNTY HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2016**

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

The diagram below illustrates the percentage of expenses during fiscal year 2016:



Future Plans

The Hernando County Housing Authority established the goals of:

- 1) The Housing Authority will continue to assist private development in the financing of affordable housing outside the traditional realm of assisted housing by issuing tax-exempt bonds and with State Housing Initiative Partnership (SHIP) funding.
- 2) Continue to improve its Section 8 Housing Choice Voucher program by increasing housing opportunities and improving the operational aspects of the program.

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 housing assistance payments.
- Inflationary pressure on utility rates, supplies and other costs

Financial Contact

The individual to be contacted regarding this report is Donald C. Singer, Executive Director of the Hernando County Housing Authority. Specific requests may be submitted to the Hernando County Housing Authority at 1661 Blaise Drive; Brooksville, Florida 34601; telephone 352-754-4160.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

**ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

CURRENT ASSETS

Cash - Unrestricted	\$	463,401
Cash - Loan Funds		394,349
Cash - Restricted for Tenant Security Deposits		10,950
Accounts Receivable (Net)		117,173
Prepaid Expenses and Other Assets		12,179
Total Current Assets		998,052

CAPITAL ASSETS

Land		259,751
Building		2,080,858
Furniture and Equipment - Administration		47,547
Less: Accumulated Depreciation		(55,251)
Construction in Progress		168,320
Total Capital Assets (Net)		2,501,225
Total Assets		3,499,277

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Pension		89,827
Total Assets and Deferred Outflows of Resources		\$ 3,589,104

**LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND NET POSITION**

CURRENT LIABILITIES

Accounts Payable	\$	137,252
Accounts Payable - PHA Projects		23,094
Accrued Payroll		4,314
Accrued Compensated Absences - Current Portion		1,201
Tenant Security Deposits (Payable from Restricted Assets)		10,950
Other Current Liabilities		-
Total Current Liabilities		176,811

NONCURRENT LIABILITIES

Unearned Revenue		131,849
Accrued Compensated Absences - Noncurrent		10,805
Net Pension Liability		231,367
Total Noncurrent Liabilities		374,021
Total Liabilities		550,832

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows - Pension		9,957
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NET POSITION

Net Investment in Capital Assets		2,487,625
Restricted		394,349
Unrestricted		146,341
Total Net Position		3,028,315
Total Liabilities, Deferred Outflows of Resources, and Net Position		\$ 3,589,104

See accompanying Notes to Financial Statements.

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2016**

OPERATING REVENUE	
Tenant Revenue	\$ 115,635
HUD PHA Operating Grants	2,388,484
Developer Fee Revenue	35,476
SHIP Administrative Funding	80,375
HAP Portability Income	1,144,856
Other Revenue	75,043
Total Operating Revenue	<u>3,839,869</u>
OPERATING EXPENSES	
Administrative	459,026
Utilities	1,821
Maintenance and Operations	49,607
Insurance	20,643
General	13,686
Housing Assistance Payments	3,236,074
Depreciation	32,263
Total Operating Expenses	<u>3,813,120</u>
OPERATING INCOME	26,749
NON-OPERATING REVENUE	
Investment Income - Unrestricted	824
Donated Capital Assets	1,863,002
Total Non-Operating Revenue	<u>1,863,826</u>
CHANGE IN NET POSITION	1,890,575
Net Position - Beginning of Year	1,137,740
NET POSITION - END OF YEAR	<u><u>\$ 3,028,315</u></u>

See accompanying Notes to Financial Statements

**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016**

CASH FLOW FROM OPERATING ACTIVITIES

Receipts:

Operating Subsidy and Grant Receipts	\$ 2,388,484
Dwelling Rent Receipts	125,390
Other Governmental Subsidy and Grant Receipts	21,784
Other Income Receipts	<u>1,238,047</u>
Total Receipts	<u>3,773,705</u>

Disbursements:

Payments to and Benefits for Employees	338,459
Payments to Suppliers	210,806
Payments to Landlords	<u>3,236,446</u>
Total Disbursements	<u>3,785,711</u>

Net Cash From Operating Activities	<u>(12,006)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Asset Additions	<u>(36,529)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(36,529)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income - Unrestricted	<u>824</u>
Net Cash From Investing Activities	<u>824</u>

NET CHANGE IN CASH

(47,711)

Cash - Beginning of Year

916,411

CASH - END OF YEAR

\$ 868,700

REPORTED AS

Cash - Unrestricted	\$ 463,401
Cash - Other Restricted	394,349
Cash - Tenant Security Deposits	10,950
Total Cash, End of Year	<u><u>\$ 868,700</u></u>

Noncash Investing Transactions

Donated Capital Assets	<u>\$ 1,863,002</u>
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**HERNANDO COUNTY HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

**RECONCILIATION OF OPERATING INCOME TO
NET CASH FROM OPERATING ACTIVITIES**

Operating Income	\$	26,749
Adjustments to Reconcile Operating Income to Net Cash Provided from Operating Activities:		
Depreciation		32,263
Pension Expense		15,215
Increase (Decrease) in Assets:		
Accounts Receivable - PHA Projects		(1,367)
Accounts Receivable - HUD Other		(75,712)
Accounts Receivable - Other Governements		21,784
Accounts Receivable - Miscellaneous		(22,589)
Accounts Receivable - Tenants		(1,195)
Accounts Receivable - Fraud Recovery		4,850
Prepaid Expenses and Other Assets		(664)
Increase (Decrease) in Liabilities:		
Accounts Payable		(1,556)
Accrued Payroll		(1,199)
Accrued Compensated Absences		(16,278)
Accounts Payable - PHA Projects		(372)
Tenant Security Deposits		10,950
Deferred Revenue		(2,885)
Net Cash Provided from Operating Activities	<u>\$</u>	<u>(12,006)</u>

See accompanying Notes to Financial Statements

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hernando County Housing Authority (the Authority) is a public body corporate and politic organized under Chapter 421 of the Florida State Statutes to operate housing projects for the benefit of lower-income families by providing decent, safe and sanitary dwellings within the financial means of such families.

Where the United States Department of Housing and Urban Development (HUD) subsidizes housing, total rent is determined by the Authority within guidelines established by HUD. The tenant's portion of such rent and the housing assistance provided by HUD are also determined using the agency's guidelines.

Reporting Entity

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

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

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

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

HCHA-Magnolia, LLC

The Authority is the sole member of HCHA-Magnolia, LLC, a Florida Limited Liability Company. HCHA-Magnolia, LLC is a general partner in Magnolia Gardens I, LTD, and a Florida Limited Liability Company that was formed to develop a 60-unit elderly low-income housing complex. HCHA-Magnolia, LLC has a minority interest (0.01%) in the Magnolia Gardens I, LTD. Other than owning a minority interest in Magnolia Gardens I, LTD, the entity does not conduct any other business.

Hernando Housing Development Corporation, Inc. (HHDC)

HHDC is an instrumentality of the Authority for the purpose of assisting in providing low and moderate income housing within the State of Florida, Hernando County and the City of Brooksville, Florida. HHDC was created July 23, 1985 and shall exist for a period of 50 years. Since the inception of HHDC, the corporation has not had any activity.

Basis of Presentation and Accounting

Proprietary Fund

Based on compelling reasons offered by HUD, the Authority reports its operations as a proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recorded when they are earned and expenses are recorded at the time liabilities are incurred.

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

Program/Activity Accounting

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

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program/Activity Accounting (Continued)

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

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

Section 8 Housing Choice Vouchers (CFDA 14.871)

This program accounts for the activity associated with the projects and other facilities subsidized by HUD under an Annual Contribution Contract. The purpose of Section 8 housing is to aid very-low income families in obtaining decent, safe, and sanitary rental housing. Section 8 housing allows very-low income families to rent privately-owned housing in the neighborhood of their choice.

State Lead Program

This fund accounts for the activity associated with the projects and other facilities subsidized by the State of Florida through the State Housing Initiative Partnership (SHIP) Program and Hernando County, Florida. The SHIP program is administered by the Authority, but Hernando County, Florida is the grantor.

Business Activity

These activities account for the operations of various housing programs to assist low-income families. Business activities may be funded with private and public grants or from other non-restricted sources of revenue.

Budgets

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

Restricted Assets

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

Restricted Cash

Restricted cash consists of funds restricted for housing assistance payments under the Section 8 Housing Choice Vouchers program and cash restricted for tenant security deposits.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost if their cost exceeds \$1,000. Donated assets are recorded at fair value at the date of donation. Routine repairs and maintenance are charged against operations.

Depreciation is calculated using the straight-line method over the useful life of the related asset. The useful life established for administrative equipment is five years. When assets are disposed of the related cost and accumulated depreciation are relieved and any gain or loss is included in the change in net position.

Compensated Absences

The Authority's policy allows employees to accumulate unused vacation leave as follows:

	Maximum Carryover in Hours
Date of Hire to End of 5th Year	240
Start of 6th Year to End of 10th Year	360
Start of 11th Year and Over	480

Employee's that have accrued hours in excess of the maximum lose the excess hours as of January 1 of each year. Employees are paid for unused leave upon termination of employment.

Sick leave is accrued at the rate of .04615 hours for each hour worked. Accumulated unused sick leave is not carried forward and is not paid to the employee upon separation from the Authority.

Unearned Revenue

The Authority received a \$150,000 ground lease payment during the year ended September 30, 2011. The ground lease term is 52 years. Lease income is recognized over the term of the ground lease.

Net Position

Net position represents the difference between assets and liabilities in the financial statements and is classified into three components:

Net Investment in Capital Assets – This component consists of capital assets net of related accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, including retainage payable.

Restricted – Net position with constraints placed on the use either by external groups such as creditors, grantors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation is reflected in this component.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Operating and Non-Operating Revenues and Expenses

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

Government Grants and Subsidies

The subsidies and operating grants received by the Authority from HUD under Annual Contributions Contracts are recorded as operating revenue in the period earned in accordance with accounting principles generally accepted in the United States of America.

The Section 8 Housing Choice Vouchers Program Annual Contributions Contract with HUD provides for housing assistance payments to private owners of residential units on behalf of eligible low- or very low-income families. The program provides for such payments covering the difference between the maximum rental on a dwelling unit and the amount of rent contribution by the participating family plus related administrative expenses.

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.

Income Taxes

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

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

The statement of net position is recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the Authority's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the Authority's contributions and proportionate share of contributions, and the Authority's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the Authority's statement of net position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the Authority's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

NOTE 2 CASH

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 to it. At year-end, the Authority's deposits were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280.07, Florida Statutes.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 2 CASH (CONTINUED)

Cash

Cash in the accompanying financial statements consists of demand deposits in financial institutions and cash on hand.

Deposits

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

Florida Statute 218.415 requires deposits of governmental entities be made only with Qualified Public Depositories (QPDs). Public funds on deposit in QPDs are protected against loss due to insolvency by: (1) federal deposit insurance; (2) the pledge of securities as collateral; and (3) a contingent liability agreement that allows the Chief Financial Officer of the State of Florida to assess QPDs if the securities pledged by an insolvent QPD are insufficient. The agreement for collateralization of public funds is with the State of Florida and not with the Authority. Similar to FDIC, the State of Florida is guaranteeing the deposit.

Total bank balances at September 30, 2016 were \$895,421 and the total carrying value was \$868,700 at September 30, 2016.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2016 consisted of the following:

	Amount
Accounts Receivable - PHA Projects	\$ 17,632
Accounts Receivable - HUD Other Projects	75,712
Accounts Receivable - Other Governments	22,634
Accounts Receivable - Tenant	3,511
Allowance for Doubtful Accounts - Tenant	(2,316)
Fraud Recovery	14,936
Allowance for Doubtful Accounts - Fraud	(14,936)
Accounts Receivable, Net	\$ 117,173

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINACIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 4 CAPITAL ASSETS

The changes in capital assets for the year ended September 30, 2016 were as follows:

	Balance October 1, 2015	Additions	Deletions	Balance Setpmer 30, 2016
Capital Assets not being Depreciated				
Land	\$ 259,751	\$ -	\$ -	\$ 259,751
Construction in Progress	20,350	147,970	-	168,320
Total Capital Assets Not Being Depreciated	280,101	147,970	-	428,071
Capital Assets being Depreciated				
Building	217,856	1,863,002	-	2,080,858
Furniture and Equipment - Administration	41,415	24,559	18,427	47,547
Total Capital Assets being Depreciated	259,271	1,887,561	18,427	2,128,405
Less Accumulated Depreciation:				
Buildings	-	31,387	-	31,387
Furniture and Equipment - Administration	41,415	876	18,427	23,864
Total Accumulated Depreciation	41,415	32,263	18,427	55,251
Total Capital Assets Being Depreciated, Net	217,856	1,855,298	-	2,073,154
Capital Assets, Net	<u>\$ 497,957</u>	<u>\$ 2,003,268</u>	<u>\$ -</u>	<u>\$ 2,501,225</u>

On January 1, 2016, the Authority received \$1,863,002 in donated property from the County for the Neighborhood Stabilization Program.

On June 16, 2010, the Authority entered into a 52-year ground lease with Magnolia Gardens I, LTD to lease a parcel of land in Brooksville, Florida. The land is recorded at a cost of \$104,158.

NOTE 5 RETIREMENT PLANS

Background

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINACIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Background (Continued)

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost sharing, multiple employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Authority's pension expense totaled \$17,748 for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2016.

Florida Retirement System Pension Plan

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Plan Description (Continued)

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the member's 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the member's 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Benefits Provided (Continued)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
 Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
 Senior Management Service Class	 2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Authority, effective July 1, 2015, were applied to employee salaries as follows: regular employees 7.26%, senior management 21.43%, DROP participants 12.88% and retirees initially reemployed on or after July 1, 2010, who are not eligible for retirement coverage 4.31%. The Authority's contributions to the FRS Plan were \$27,067 for the year ended September 30, 2016.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Costs

At September 30, 2016, the Authority reported a liability of \$231,367 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportion of the net pension liability was based on the Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2016, the Authority's proportion was 0.000613159%, which was a decrease of 0.000042994% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Authority recognized pension expense of \$14,354 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 11,023	\$ 1,340
Changes in Actuarial Assumptions	8,710	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	37,214	-
Changes in Proportion and Differences Between the Authority's Contributions and Proportionate Share of Contributions	14,657	8,418
Authority's Contributions Subsequent to the Measurement Date	2,837	-
Total	<u>\$ 74,441</u>	<u>\$ 9,758</u>

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Costs (Continued)

\$35,309 reported as deferred outflows of resources related to pensions resulting from Authority's contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended September 30	Amount
2017	\$ 10,385
2018	10,385
2019	24,893
2020	14,788
2021	1,055
Thereafter	340

Actuarial Assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.60%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (Property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Totals	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.60% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.60%	7.60%	8.60%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 265,053	\$ 143,967	\$ 43,179

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Florida Retirement System Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website (www.dms.myflorida.com).

Retiree Health Insurance Subsidy Program

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority's contributions to the HIS Plan were \$7,583 for the year ended September 30, 2016.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Costs

At September 30, 2016, the Authority reported a liability of \$87,400 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Authority's proportion of the net pension liability was based on the Authority's contributions received during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all participating employers. At June 30, 2016, the Authority's proportion was 0.000747196%, which was a decrease of 0.000002721% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Authority recognized pension expense of \$4,510 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 199
Changes in Actuarial Assumptions	13,715	-
Net Difference Between Projected and Actual Earnings on HIS Program Investments	44	-
Changes in Proportion and Differences Between the Authority's Contributions and Proportionate Share of Contributions	815	-
Authority's Contributions Subsequent to the Measurement Date	812	-
Total	<u>\$ 15,386</u>	<u>\$ 199</u>

**HERNANDO COUNTY HOUSING AUTHORITY
NOTE TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Costs (Continued)

\$6,885 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2017	\$ 2,604
2018	2,604
2019	2,596
2020	2,619
2021	2,129
Thereafter	1,823

Actuarial Assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	2.85%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 2.85% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	1.85%	2.85%	3.85%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 100,267	\$ 87,400	\$ 76,720

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website (www.dms.myflorida.com).

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members.

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 RETIREMENT PLANS (CONTINUED)

Retiree Health Insurance Subsidy Program (Continued)

Pension Plan Fiduciary Net Position (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

NOTE 6 CHANGES IN NONCURRENT LIABILITIES

The changes in noncurrent liabilities for the year ended September 31, 2016 were as follows:

	Balance October 1, 2015	Additions	Deletions	Balance Setpmber 30, 2016	Due Within One Year
Accrued Compensated Absences	\$ 28,284	\$ -	\$ 16,278	\$ 12,006	\$ 1,201
Net Pension Liability	155,041	76,326	-	\$ 231,367	-
Total	<u>\$ 183,325</u>	<u>\$ 76,326</u>	<u>\$ 16,278</u>	<u>\$ 243,373</u>	<u>\$ 1,201</u>

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 7 CONTINGENCIES AND ECONOMIC DEPENDENCE

Federal Subsidies and Grants

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

Economic Dependence

The Authority receives a substantial amount of its support from the federal government in the form of subsidies and grants. If a significant reduction in the level of this support were to occur, it may have an effect on the Authority's programs and activities. Revenue for the year ended September 30, 2016 was as follows:

<u>Revenue Source</u>	<u>Total Revenue</u>	<u>Revenue as a Percentage of Total Revenue</u>
Section 8 Housing Choice Voucher - HAP	\$ 2,145,938	37.6 %
Section 8 Housing Choice Voucher - Administrative	242,546	4.3
Section 8 Housing Choice Voucher - Port-In HAP	1,056,840	18.5
Section 8 Housing Choice Voucher - Port-In Administrative	88,016	1.5
SHIP Administrative Funding	80,375	1.4
Investment Income	824	0.1
Net Tenant Revenue	115,635	2.0
Developer Fee	35,476	0.6
Donated Capital Assets	1,863,002	32.7
Other Revenue	75,043	1.3
Total Revenue	<u>\$ 5,703,695</u>	<u>100.0 %</u>

NOTE 8 NOTE PAYABLE

On July 22, 2016, the Authority entered into a Construction Loan agreement with Brannen Bank, in the amount of \$300,000. The loan has an interest rate of 5.50 percent and matures on July 1, 2037. As part of the agreement, the Authority advanced \$344,349 to the bank to cover the initial construction costs. Once the balance of the advance is reduced to zero the bank will be paying the construction costs out of the loan funds. As of September 30, 2016, the Authority did not draw down any funds available on the loan.

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 FLORIDA RETIREMENT SYSTEM PENSION PLAN¹
 YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.000570165%	0.000613159%
Authority's proportionate share of the net pension liability	\$ 143,967	\$ 79,198
Authority's covered-employee payroll	\$ 231,506	\$ 226,692
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.19%	34.94%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%

* The amounts presented for each fiscal year were determined as of June 30.

1. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN¹
YEAR ENDED SEPTEMBER 30, 2016**

	2016	2015
Contractually required contribution	\$ 13,904	\$ 14,578
Contributions in relation to the contractually required contribution	(13,904)	(14,578)
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 234,950	\$ 2,278,343
Contributions as a percentage of covered-employee payroll	5.92%	0.64%

* The amounts presented for each fiscal year were determined as of September 30.

1. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 RETIREE HEALTH INSURANCE SUBSIDY PROGRAM¹
 SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.000749917%	0.000747196%
Authority's proportionate share of the net pension liability	\$ 87,400	\$ 76,202
Authority's covered-employee payroll	\$ 231,506	\$ 226,692
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.75%	33.61%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%

* The amounts presented for each fiscal year were determined as of June 30.

1. Information is required to be presented for 10 years. However, until a full 10-year trend is complied, the Authority will present information for only those years for which information is available.

**HERNANDO COUNTY HOUSING AUTHORITY
 SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
 HEALTH INSURANCE SUBSIDY PROGRAM¹
 SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,844	\$ 3,019
Contributions in relation to the contractually required contribution	<u>(3,844)</u>	<u>(3,019)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 234,950	\$ 227,834
Contributions as a percentage of covered-employee payroll	1.64%	1.33%

* The amounts presented for each fiscal year were determined as of September 30.

1. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

HERNANDO COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Line Item No.	Account Description	Housing Choice Voucher	State/Local Program	Business Activities	Eliminations	Total Programs
ASSETS						
CURRENT ASSETS						
Cash:						
111	Cash - Unrestricted	\$ 140,868	\$ -	\$ 322,533	\$ -	\$ 463,401
113	Cash - Other Restricted	278,582	-	115,767	-	394,349
114	Cash - Tenant Security Deposits	-	-	10,950	-	10,950
100	Total Cash	<u>419,450</u>	<u>-</u>	<u>449,250</u>	<u>-</u>	<u>868,700</u>
ACCOUNTS AND NOTES RECEIVABLE						
121	Accounts Receivable - PHA Projects	17,632	-	-	-	17,632
122	Accounts Receivable - HUD Other Projects	75,712	-	-	-	75,712
124	Accounts Receivable - Other Governments	-	22,634	-	-	22,634
126	Accounts Receivable - Tenant	-	-	3,511	-	3,511
126.1	Allowance for Doubtful Accounts - Tenant	-	-	(2,316)	-	(2,316)
128	Fraud Recovery	14,936	-	-	-	14,936
128.1	Allowance for Doubtful Accounts - Fraud	(14,936)	-	-	-	(14,936)
120	Total Receivables, Net	<u>93,344</u>	<u>22,634</u>	<u>1,195</u>	<u>-</u>	<u>117,173</u>
OTHER CURRENT ASSETS						
142	Prepaid Expenses and Other Assets	6,830	1,676	3,673	-	12,179
144	Inter Program Due From	-	-	3,897	(3,897)	-
	Total Other Current Assets	<u>6,830</u>	<u>1,676</u>	<u>7,570</u>	<u>(3,897)</u>	<u>12,179</u>
150	Total Current Assets	<u>519,624</u>	<u>24,310</u>	<u>458,015</u>	<u>(3,897)</u>	<u>998,052</u>
NONCURRENT ASSETS						
Capital Assets:						
161	Land	-	-	259,751	-	259,751
162	Building	-	-	2,080,858	-	2,080,858
164	Furniture and Equipment - Administration	44,012	-	3,535	-	47,547
166	Less: Accumulated Depreciation	(23,864)	-	(31,387)	-	(55,251)
167	Construction in Progress	136,000	-	32,320	-	168,320
160	Total Capital Assets, Net	<u>156,148</u>	<u>-</u>	<u>2,345,077</u>	<u>-</u>	<u>2,501,225</u>
180	Total Noncurrent Assets	<u>156,148</u>	<u>-</u>	<u>2,345,077</u>	<u>-</u>	<u>2,501,225</u>
190	Total Assets	<u>675,772</u>	<u>24,310</u>	<u>2,803,092</u>	<u>(3,897)</u>	<u>3,499,277</u>
200	Deferred Outflow of Resources	59,286	16,169	14,372	-	89,827
290	Total Assets and Deferred Outflow of Resources	<u>\$ 735,058</u>	<u>\$ 40,479</u>	<u>\$ 2,817,464</u>	<u>\$ (3,897)</u>	<u>\$ 3,589,104</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
312	Accounts Payable - ≤ 90 Days	\$ 137,252	\$ -	\$ -	-	\$ 137,252
321	Accrued Payroll	3,423	412	479	-	4,314
322	Accrued Compensated Absences - Current Portion	956	121	124	-	1,201
332	Accounts Payable - PHA Projects	23,094	-	-	-	23,094
341	Tenant Security Deposits	-	-	10,950	-	10,950
342	Unearned Revenues	-	-	131,849	-	131,849
347	Interprogram Due To	-	3,897	-	(3,897)	-
310	Total Current Liabilities	<u>164,725</u>	<u>4,430</u>	<u>143,402</u>	<u>(3,897)</u>	<u>308,660</u>
NONCURRENT LIABILITIES						
354	Accrued Compensated Absences - Noncurrent	8,599	1,088	1,118	-	10,805
357	Accrued Pension and OPEB Liabilities	166,467	47,816	17,084	-	231,367
350	Total Noncurrent Liabilities	<u>175,066</u>	<u>48,904</u>	<u>18,202</u>	<u>-</u>	<u>242,172</u>
300	Total Liabilities	<u>339,791</u>	<u>53,334</u>	<u>161,604</u>	<u>(3,897)</u>	<u>550,832</u>
400	Deferred Inflow of Resources	<u>6,572</u>	<u>1,792</u>	<u>1,593</u>	<u>-</u>	<u>9,957</u>
NET POSITION						
508.4	Net Investment in Capital Assets	142,548	-	2,345,077	-	2,487,625
511.4	Restricted	278,582	-	115,767	-	394,349
512.4	Unrestricted	(32,435)	(14,647)	193,423	-	146,341
513	Total Net Position	<u>388,695</u>	<u>(14,647)</u>	<u>2,654,267</u>	<u>-</u>	<u>3,028,315</u>
600	Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 735,058</u>	<u>\$ 40,479</u>	<u>\$ 2,817,464</u>	<u>\$ (3,897)</u>	<u>\$ 3,589,104</u>

HERNANDO COUNTY HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – REVENUE, EXPENSES, AND CHANGES IN NET POSITION
SEPTEMBER 30, 2016

Line Item No.	Account Description	Housing Choice Voucher	State/Local Program	Business Activities	Total Programs
REVENUE					
70300	Net Tenant Rental Revenue	\$ -	\$ -	\$ 113,630	\$ 113,630
70400	Tenant Revenue - Other	-	-	2,005	2,005
70500	Total Tenant Revenue	-	-	115,635	115,635
70600	HUD PHA Operating Grants	2,388,484	-	-	2,388,484
71100	Investment Income - Unrestricted	446	68	310	824
71500	Other Revenue	1,144,856	80,375	1,973,521	3,198,752
70000	Total Revenue	3,533,786	80,443	2,089,466	5,703,695
EXPENSES					
Administrative:					
91100	Administrative Salaries	153,911	42,337	38,702	234,950
91200	Auditing Fees	21,000	-	-	21,000
91400	Advertising and Marketing	29	74	95	198
91500	Employee Benefit Contributions - Administrative	71,632	12,224	11,693	95,549
91600	Office Expenses	46,351	11,041	6,743	64,135
91700	Legal Expenses	12,777	-	3,077	15,854
91800	Travel	3,311	144	-	3,455
91810	Allocated Overhead	-	-	1,773	1,773
91900	Other	19,995	2,117	-	22,112
91000	Total Operating - Administrative	329,006	67,937	62,083	459,026
Utilities					
93100	Water	-	-	566	566
93200	Electricity	-	-	1,255	1,255
93000	Total Utilities	-	-	1,821	1,821
Maintenance and Operatings					
94200	Materials and Other	-	-	1,239	1,239
94300	Contracts	-	-	48,368	48,368
94000	Total Maintenance	-	-	49,607	49,607
Insurance Premiums:					
96110	Property Insurance	-	-	11,499	11,499
96120	Liability Insurance	1,941	619	166	2,726
96130	Workmen's Compensation	4,290	1,408	-	5,698
96140	All Other Insurance	591	-	129	720
96100	Total Insurance Premiums	6,822	2,027	11,794	20,643
General Expenses:					
96200	Other General Expense	3,047	-	10,639	13,686
96000	Total General Expenses	3,047	-	10,639	13,686
96900	Total Operating Expenses	338,875	69,964	135,944	544,783
97000	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER (UNDER) OPERATING EXPENSES	3,194,911	10,479	1,953,522	5,158,912
OTHER EXPENSES					
97300	Housing Assistance Payments	2,204,782	-	-	2,204,782
97350	HAP Portability-In	1,031,292	-	-	1,031,292
97400	Depreciation Expense	876	-	31,387	32,263
90000	Total Other Expenses	3,575,825	69,964	167,331	3,813,120
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	(42,039)	10,479	1,922,135	1,890,575
11030	Net Position - Beginning of Year	430,734	(25,126)	732,132	1,137,740
NET POSITION - END OF YEAR		\$ 388,695	\$ (14,647)	\$ 2,654,267	\$ 3,028,315
11170	Administrative Fee Equity	\$ 388,695	\$ -	\$ -	\$ 388,695
11180	Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -
11190	Unit Months Available	4,920	-	336	5,256
11210	Number of Unit Months Leased	4,106	-	266	4,372

**HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Grantor Program</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Expended</u>
Direct Federal Awards			
<u>Department of Housing and Urban Development</u> Housing Choice Voucher Program	14.871	ACC - FL137	<u>\$ 2,388,484</u>

**HERNANDO COUNTY HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



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

Board of Commissioners
Hernando County Housing Authority
Brooksville, 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 Hernando County Housing Authority (the Authority), as of and for the year ended September 30, 2016, 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 12, 2017.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Lakeland, Florida
June 12, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Hernando County Housing Authority
Brooksville, Florida

Report on Compliance for the Major Federal Program

We have audited Hernando County Housing Authority'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 each of the Authority's major federal programs for the year ended September 30, 2016. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the 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 each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

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



CliftonLarsonAllen LLP

Lakeland, Florida
June 12, 2017

**HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness identified? _____ Yes X No
 - Significant deficiency identified? _____ Yes X None reported
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

1. Internal control over major federal programs:
- Material weakness identified? _____ Yes X No
 - Significant deficiency identified? _____ Yes X None reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**HERNANDO COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Year Findings

There were no findings in the prior year that were required to be reported.