HOUSING AUTHORITY OF THE CITY OF LAKELAND, FLORIDA

Basic Financial Statements and Supplemental Information

Year ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Lakeland, Florida
Lakeland, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying financial data schedule and schedules of actual program costs and advances are presented for the 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 of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements of the Authority.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

September 28, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

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

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Benjamin Stevenson, Housing Authority of the City of Lakeland, Florida, 430 Hartsell Avenue, Lakeland, Florida 33815.

Financial Highlights

- The assets of the Authority exceeded its liabilities as of December 31, 2017, by $21,515,518 (net position), an increase of $3,202,151 from the previous year.

- The Authority had revenue from the U.S. Department of Housing and Urban Development ("HUD") of $14,695,544, which includes funds for capital asset activities.

- The Authority's cash balance as of December 31, 2017, was $3,302,782 a decrease of $170,569 from the previous year.

Overview of Financial Statements

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

- Statement of Net Position - reports the Authority's assets, liabilities and net position at the end of the fiscal year. You can think of the Authority's net position as the difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources).

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

- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable etc.).

Overview of Financial Statement (continued)

- Notes to the Basic Financial Statements - notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Authority may face.

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

Financial Analysis

Statements of Net Position

	2017	2016	Net Change
Current assets	$ 4,234,835	$ 3,959,770	$ 275,065
Capital assets, net	6,603,455	4,474,404	2,129,051
Other noncurrent assets	12,030,234	11,555,234	475,000
Total assets	22,868,524	19,989,408	2,879,116
Current liabilities	890,525	1,198,022	(307,497)
Long-term debt	303,000	303,000	-
Other noncurrent liabilities	159,481	175,019	(15,538)
Total liabilities	1,353,006	1,676,041	(323,035)
Net investment in capital assets	6,603,455	4,474,404	2,129,051
Restricted	12,153,246	13,188,410	(1,035,164)
Unrestricted	2,758,817	650,553	2,108,264
Total net position	$ 21,515,518	$ 18,313,367	$ 3,202,151

Current Assets increased by $275,065 due to the timing of cash inflows and outflows for operations.

Net Capital Assets increased by $2,129,051 primarily due to current year capital asset additions offset by disposals and depreciation expense.

Total liabilities reflect a decrease of $323,035 primarily due to the timing of HAP subsidy received in the prior year offset by an increase in new construction related current liabilities.

Financial Analysis (continued)

Net position - The difference between the Authority's rights (assets and deferred outflows of resources) and the Authority's obligations (liabilities and deferred inflows of resources) is its net position. Net position is categorized as one of three types.

1. Net investment in capital assets - the Authority's investment in capital assets, net of accumulated depreciation and related debt, is due to capital asset and long-term debt activity. The Authority had a current year increase in this component of net position of $2,129,051 as a result of net current year capital asset activity primarily due to new construction of micro cottages reported as construction in progress.

2. Restricted - the Authority's net position whose use is subject to constraints imposed by law or agreement. As of December 31, 2017, the Authority had $12,153,246 of restricted net position which consisted primarily of $8,804,410 of notes receivable and related accrued interest, and $2,912,991 of developer fee receivable, which are restricted in their future availability for operations (see Note B-4). In addition, funds were restricted for modernization, which consisted of $185,892 from proceeds on the sale of public housing and $249,953 from interest received on HOPE VI notes receivable.

3. Unrestricted - the Authority's net position that is neither invested in capital assets nor restricted, which increase principally due to operations. These resources are available to meet the Authority's ongoing obligations to its residents and creditors. The Authority has $2,758,817 in unrestricted net position. The increase in unrestricted net position is due to the reclassification of notes receivables and associated interest, as noted in the paragraph above. The Authority's unrestricted component of net position is designated for housing-related purposes.

Financial Analysis (continued)

Changes in Net Position

	2017	2016	Net Change
Operating revenues			
HUD revenues	$ 11,782,466	$ 11,068,945	$ 713,521
Other revenues	1,800,439	1,804,649	(4,210)
Total operating revenues	13,582,905	12,873,594	709,311
Operating expenses			
Administrative	2,203,050	2,340,493	(137,443)
Tenant services	264,559	267,215	(2,656)
Utilities	130,649	124,505	6,144
Maintenance	724,508	766,101	(41,593)
General	1,273,824	714,182	559,642
Depreciation	431,083	261,046	170,037
Housing assistance payments	9,547,693	8,963,330	584,363
Total operating expenses	14,575,366	13,436,872	1,138,494
Operating income (loss)	(992,461)	(563,278)	(429,183)
Nonoperating revenues (expenses)			
Gain (loss) on sale of assets	967,694	(112,532)	1,080,226
Interest income	313,840	314,890	(1,050)
Total nonoperating revenues (expenses)	1,281,534	202,358	1,079,176
Change in net position before capital contributions	289,073	(360,920)	649,993
Capital contributions			
HUD capital grants	2,913,078	213,242	2,699,836
Change in net position	3,202,151	(147,678)	3,349,829
Total net position - beginning	18,313,367	18,026,032	287,335
Prior period adjustment	-	435,013	(435,013)
Total net position - ending	$ 21,515,518	$ 18,313,367	$ 3,202,151

Total Operating Revenue increased by $709,311 primarily due to an increase in Section 8 Housing Choice Voucher ("HCV") funds. Approximately $250,000 of the increase was due to an increase in per family voucher cost and approximately $500,000 of the increase was in public housing funds used for operations.

Operating Expenses are categorized by the Authority as administrative, tenant services, utilities, maintenance, general, depreciation and housing assistance payments.

Financial Analysis (continued)

Total Operating Expenses increased by $1,138,494 during 2017 as compared to 2016. This is primarily the result of increases in general, depreciation, and HAP expenses offset by a decrease in administrative expense. The net increase in total operating expenses is primarily due to:

- General expenses increased by $559,642 primarily as a result of an increase of soft costs (non-capital) expenses from the development project – Micro Cottages at Williamstown.

- Depreciation expense increased by $170,037 as a result a full year of depreciation on prior year additions.

- HAP expenses increased by $584,363 primarily as a result of an increase in payments to mixed-finance properties and a slight increase in vouchers from HCV program. This increase was also caused by an increase in payment standards and unit cost per voucher.

Capital Asset and Debt Activity

At the end of fiscal year 2017, the Authority's net capital assets increased by $2,129,051. The net change was due to current year additions of $2,913,078 offset by depreciation expense of $431,083 and disposals of $352,944. The accompanying financial statements include a detailed roll forward of capital assets in Note B-3.

At the end of the fiscal year 2017, the Authority had debt of $303,000, of which the entire balance is classified as noncurrent.

Factors Affecting Next Year's Budget

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected under HUD's model of Asset Management which requires public housing sites to operate independently in a decentralized model. In addition, HUD rules and regulations are subject to change which may require a tight timeline to implement the changes and could possibly have a retroactive effect. Additional costs may be required to implement the changes without offsetting additional funding.

Financial Analysis (continued)

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Housing Authority of the City of Lakeland, Florida

STATEMENT OF NET POSITION

December 31, 2017

ASSETS		
CURRENT ASSETS		
Cash - unrestricted	$	2,684,951
Cash - restricted		524,383
Receivables, net		146,698
Due from HUD		728,207
Prepaid expenses		150,596
Total current assets		4,234,835
NONCURRENT ASSETS		
Cash - restricted		93,448
Capital assets, net		6,603,455
Other assets, net		219,385
Accrued interest receivable from related parties - restricted		1,631,542
Developer fee receivable from related parties - restricted		2,912,991
Notes receivable from related parties - restricted		5,220,794
Other notes and loans receivable - restricted		1,952,074
Total noncurrent assets		18,633,689
Total assets		22,868,524
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		19,235
Accrued salaries and benefits		39,984
Accrued compensated absences		35,557
Tenant security deposits		55,313
Unearned revenue		29,313
Other current liabilities		711,123
Total current liabilities		890,525
NONCURRENT LIABILITIES		
Long-term debt		303,000
Accrued compensated absences		66,033
Family self-sufficiency escrow		93,448
Total noncurrent liabilities		462,481
Total liabilities		1,353,006
NET POSITION		
Net investment in capital assets		6,603,455
Restricted		12,153,246
Unrestricted		2,758,817
Total net position	$	21,515,518

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Lakeland, Florida

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended December 31, 2017

OPERATING REVENUES	
HUD operating revenues	$ 11,782,466
Other government operating grants	476,506
Tenant revenue, net	283,094
Other operating revenue	1,040,839
Total operating revenues	13,582,905
OPERATING EXPENSES	
Administrative	2,203,050
Tenant services	264,559
Utilities	130,649
Maintenance	724,508
General	1,273,824
Depreciation	431,083
Housing assistance payments	9,547,693
Total operating expenses	14,575,366
OPERATING LOSS	(992,461)
NONOPERATING REVENUES (EXPENSES)	
Gain on sale of capital assets	967,694
Interest income - unrestricted	48,492
Interest income - restricted	265,348
Total nonoperating revenues (expenses)	1,281,534
Change in net position before capital contributions	289,073
CAPITAL CONTRIBUTIONS	
HUD capital grants	2,913,078
CHANGE IN NET POSITION	3,202,151
Total net position - beginning of year	18,313,367
Total net position - end of year	$ 21,515,518

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Lakeland, Florida

STATEMENT OF CASH FLOWS

Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
HUD operating grants received	$ 10,952,020
Other government operating grants received	448,098
Collections from tenants	294,370
Collections from other sources	1,310,481
Payments to employees	(2,208,857)
Payments to suppliers	(2,542,435)
Housing assistance payments	(9,569,404)
Net cash used in operating activities	(1,315,727)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
HUD capital grants received	2,354,522
Purchase of property and equipment	(2,450,829)
Proceeds from the sale of capital assets	1,320,638
Net cash provided by capital and related financing activities	1,224,331
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	48,492
Interest received on notes receivable - restricted	33,816
Investment in notes receivable	(161,481)
Net cash used in investing activities	(79,173)
NET DECREASE IN CASH	(170,569)
CASH AT BEGINNING OF YEAR	3,473,351
CASH AT END OF YEAR	$ 3,302,782
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash - unrestricted	$ 2,684,951
Cash - restricted current	524,383
Cash - restricted noncurrent	93,448
	$ 3,302,782

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Lakeland, Florida

STATEMENT OF CASH FLOWS (continued)

Year ended December 31, 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (992,461)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	431,083
Provision for bad debts	35,588
(Increase) decrease in assets:	
Receivables, net	161,673
Due from HUD	(67,075)
Prepaid expenses	4,447
Other assets, net	(104,522)
Developer fee receivable from related parties - restricted	824
Increase (decrease) in liabilities:	
Accounts payable	14,685
Accrued salaries and benefits	(280)
Accrued compensated absences	9,498
Other accrued liabilities	16,870
Family self-sufficiency escrow	(21,711)
Unearned revenue	(785,607)
Other current liabilities	(18,739)
Net cash used in operating activities	$ (1,315,727)

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

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

The Authority is a related organization of the City of Lakeland, Florida (the "City") since the Board of Commissioners (the "Board") of the Authority consists of seven members who are appointed by the Mayor of the City with the approval of the City Commission. However, for financial reporting purposes, the Authority is not a component unit of the City, as defined in Governmental Accounting Standards Board Statement ("GASB") No. 61, *The Financial Reporting Entity: Omnibus*, as the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB Statement No. 61 is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Blended component units

Some component units, despite being legally separate from the primary government, are so integrated with the primary government that they are in substance part of the primary government and are therefore blended with the primary government. The Authority's operations include nine (9) blended component units, which are included in the basic financial statements and consist of legally separate entities for which the Authority is financially accountable and that have the same governing board as the Authority. The blended component units are as follows:

- Polk County Housing, Inc.
- West Lake Realty, Inc.
- Arbor Manor LTD, LLLP
- Polk County Housing Developers, Inc.
- West Lake Management, LLC
- Heritage Oaks at Renaissance Development, LLC
- Renaissance at Washington Ridge Master Association, Inc.
- West Bartow GP, Inc.
- Bonnet Shores GP, Inc.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Blended component units (continued)

All of the above component units are related Florida Corporations, except for Arbor Manor LTD, LLLP which is a Florida Limited Liability Limited Partnership. These entities were created as instrumentalities of the Authority for the purpose of providing and developing affordable housing opportunities or implementing housing policies and programs.

Related organizations

In accordance with GASB Statement No. 61, the following entities are not considered to be component units of the Authority because they are regulated by a partnership agreement or do not have independent governing boards, and the Authority is not financially accountable for their activities. See Notes B-4 and B-10 for activity associated with these entities.

The Authority is related to the following organizations:

Lakeland - Polk Housing Corporation ("LPHC") - a Florida not-for-profit corporation formed October 30, 1996 to provide and develop affordable housing opportunities to low and moderate income persons and/or families primarily located in, but not limited to, Lakeland, Florida and the surrounding areas. The by-laws of LPHC further expand the purpose to seek to support the goals and objectives of the Authority while remaining a separate and distinct entity, both functionally and legally.

The Executive Director of the Authority is an officer and the Secretary/Manager of LPHC and manages its operations.

The Authority provides all operational and administrative support functions for LPHC on a cost reimbursement basis, as well as other operational advances to LPHC. As a result of this activity, the Authority has a $1,329,966 note receivable outstanding from LPHC at December 31, 2017. Additionally, LPHC provided funds to the Authority in prior years to facilitate second and third mortgages to homebuyers at the Magnolia Pointe and Lake Ridge developments (see Notes B-4-f and B-4-g). There was a $303,000 note payable outstanding to LPHC at December 31, 2017.

LPHC 2, Inc. - a Florida for-profit corporation formed January 28, 2002 to provide and develop affordable housing opportunities to low and moderate income persons and/or families primarily located in, but not limited to, Lakeland, Florida and the surrounding areas.

LPHC 2, Inc. is wholly owned by LPHC and shares a common Board of Directors.

The Executive Director of the Authority is an officer and the Secretary/Manager of LPHC 2, Inc. and manages its operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related organizations (continued)

The Authority provides all operational and administrative support functions for LPHC 2, Inc. on a cost reimbursement basis. There was no receivable outstanding from LPHC 2, nor was there a payable outstanding to LPHC 2 at December 31, 2017.

Renaissance at Washington Ridge LTD, LLLP ("Renaissance") - a Florida Limited Liability Limited Partnership formed in September 2001. Renaissance was formed in order to acquire, construct, develop, improve, maintain, own, operate, lease, and dispose of the properties known as the Washington Ridge Park Apartments and Lake Ridge Apartments located in Lakeland, Florida. Renaissance has entered into a ground lease with the Authority (see Note A-8).

LPHC is the General Partner.

The Authority provides certain operational and administrative support functions for Renaissance on a cost reimbursement basis. The Authority has no receivable from Renaissance and no payable outstanding to Renaissance at December 31, 2017. In addition, during the year ended December 31, 2017, the Authority passed through $400,615 in operating subsidy from HUD to Renaissance for eligible public housing units at the property.

West Bartow Partnership LTD, LLLP ("West Bartow") - a Florida Limited Liability Limited Partnership formed on March 27, 2007 to be a low income elderly housing provider. The General Partner of West Bartow is LPHC. The Special Limited Partner is West Bartow GP, Inc. (a blended component unit). The initial Limited Partner was the Authority, who was replaced by SunAmerica Housing Fund, the Equity Investor (Syndicator). The developer is Polk County Housing Developers, Inc. (a blended component unit).

The Executive Director of the Authority, as President of the General Partner, manages the operations of West Bartow.

The Authority provides certain operational and administrative support functions for West Bartow on a cost reimbursement basis. The Authority has no receivable outstanding from West Bartow outstanding and no payable outstanding to West Bartow at December 31, 2017.

Dakota Park Limited Partnership, LLLP ("Dakota Park") - a Florida Limited Liability Limited Partnership formed on March 6, 1998 and amended on August 1, 2005 to acquire, construct, maintain, operate, and lease a 40 unit apartment known as Dakota Park Apartments, intended primarily for low income and moderate income tenants in Lakeland, Florida. LPHC is the General Partner of Dakota Park.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related organizations (continued)

The Authority provides certain operational and administrative support functions for Dakota Park on a cost reimbursement basis. The Authority has no receivable or payable outstanding from Dakota Park at December 31, 2017. In addition, during the year ended December 31, 2017, the Authority passed through $87,349 in operating subsidy from HUD to Dakota Park for eligible public housing units at the property.

Bonnet Shores, LLLP ("Bonnet Shores") - a Florida Limited Liability Limited Partnership formed on March 13, 2008 to provide and develop affordable housing opportunities to low and moderate income persons and/or families located in, but not limited to, Lakeland, Florida and the surrounding areas.

Bonnet Shores GP, Inc. (a blended component unit) is the General Partner.

The Executive Director of the Authority, as President of the General Partner, manages the operations of Bonnet Shores.

The Authority provides all operational and administrative support functions for Bonnet Shores on a cost reimbursement basis. The Authority has no receivable outstanding from Bonnet Shores and no payable outstanding to Bonnet Shores at December 31, 2017.

Colton Meadow, LLLP ("Colton Meadow") - a Florida Limited Liability Limited Partnership formed on March 13, 2008 and is a low income elderly housing provider.

Colton Meadow GP, LLC, owned by LPHC, is the General Partner.

The Executive Director of the Authority, as President of the General Partner, manages the operations of Colton Meadow.

The Authority provides all operational and administrative support functions for Colton Meadow on a cost reimbursement basis. In addition, the Authority has provided a portion of their earned developer fees to fund an operating deficit reserve as well as to cover various development expenses over time. As a result of this activity, the Authority has a note receivable from Colton Meadow in the amount of $362,901 and a payable outstanding to Colton Meadow in the amount of $101,152 at December 31, 2017.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting entity (continued)

Related organizations (continued)

Colton Meadow GP, LLC ("Colton Meadow GP") - a Florida Limited Liability Company formed on September 28, 2010 to act as the General Partner in the Colton Meadow partnership. Colton Meadow GP is wholly owned by LPHC.

The Executive Director of the Authority manages the operations of Colton Meadow GP. The Authority provides all operational and administrative support functions for Colton Meadow GP on a cost reimbursement basis. The Authority has no receivable outstanding from Colton Meadow GP and no payable outstanding to Colton Meadow GP at December 31, 2017.

2. Government-wide and fund financial statements

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

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

3. Measurement focus and basis of accounting

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

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

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

As provided by GASB Statement No. 34 and related guidance, tenant revenue is reported net of accounts written off. There was $35,588 in accounts written off during the year ended December 31, 2017.

4. Summary of programs

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

Low Rent Public Housing Programs

The Low Rent Public Housing Programs include the following: Asset Management Projects ("AMPs"), Public Housing Capital Fund and various other related HUD grants.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Summary of programs (continued)

Low Rent Public Housing Programs (continued)

The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's Development and Capital Fund programs.

Funding of the program operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

Central Office Cost Center

The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenue through fees for service from other Authority programs and activities.

Housing Assistance Payments ("HAP") Programs

HAP Programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. The Section 8 Housing Choice Voucher program and Mainstream Vouchers program are funded through federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

5. Assets, liabilities and net position

a. Cash and cash equivalents

For purposes of the statement of cash flows, the Authority considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. Accordingly, the Authority does not have any cash equivalents as of December 31, 2017.

b. Receivables

Receivables consist of revenues earned and not yet received. Amounts due from HUD represent reimbursable expenses or grant subsidies earned that have not been collected as of December 31, 2017. Allowances are determined by management based on the specific accounts and prior experience (see Note B-2).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

c. Notes receivable, restricted

Restricted notes receivable consist of mortgage notes receivable from related parties whose future availability is restricted for use for further development (see Note B-4). In accordance with HUD guidelines, these mortgage notes receivable are considered restricted upon repayment (see Note A-5-j-ii).

d. Capital assets

The Authority's policy is to capitalize assets with a value in excess of $1,500. The Authority capitalizes the costs of site acquisition and improvement, structures, infrastructure, equipment and direct development costs meeting the capitalization policy. Routine repairs and maintenance are charged against operations. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at market value on the date contributed.

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

Buildings and improvements	15 - 40 years
Equipment - dwelling and administrative	5 - 7 years
Infrastructure	40 years

e. Impairment of long-lived assets

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a long-lived asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. In the current year, the Authority did not recognize any loss on impairment related to its long-lived assets.

f. Tenant security deposits

Tenant security deposits are deposits held by the Authority that are required of tenants before they are allowed to move into an Authority-owned site. The Authority records this cash as restricted, as this is money that is reimbursable to the tenant or reserved for unit repairs when the unit is vacated.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

g. Accrued compensated absences

The Authority's policy allows employees to accumulate unused flexible time off up to a maximum of 60 days. Upon separation, employees are paid for their unused accumulated flexible time off if proper notice is given. Accrued compensated absences are recorded as an expense in the year earned in the basic financial statements with an offsetting liability being reflected for any unpaid amounts. Management estimates the current portion of the liability based on prior experience and account composition.

h. Unearned revenue

Unearned revenues include amounts collected before revenue recognition criteria are met. As of December 31, 2017, unearned revenue consists of $6,885 of prepaid rents and $22,428 of prepaid subsidy for various grants.

i. Eliminations

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

i. Interprogram due to/from

In the normal course of operations, certain programs pay for operating shortfalls of other programs as well as common costs which creates interprogram receivables or payables. As of December 31, 2017, the interprogram receivables and payables net to zero and $1,310,444 are eliminated for the presentation of the Authority as a whole.

ii. Fees for service

The Authority's COCC internally charges fees to the AMPs and programs of the Authority for services rendered. These charges include management, book-keeping, and asset management fees. For financial reporting purposes $713,316 of fees for service have been eliminated for the year ended December 31, 2017.

j. Net position

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net position (continued)

j. Net position (continued)

i. Net investment in capital assets

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

ii. Restricted net position

This category consists of net position restricted in its use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The statement of net position of the Authority reports $12,153,246 of restricted net position which consists of the following:

- $7,172,868 of mortgage notes receivable and $1,631,542 of accrued interest associated with the loans. The loans were originally funded with HOPE VI funds and are considered restricted upon repayment by HUD guidelines (see Note B-4).

- $2,912,991 of developer fee receivable from related parties.

- $185,892 of proceeds from the sale of public housing restricted for modernization.

- $249,953 of interest received on HOPE VI notes receivable.

iii. Unrestricted net position

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

6. Budgets

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Income taxes

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

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

For the fiscal year ended December 31, 2017, the blended component units did not have any outstanding income taxes paid or outstanding. The income tax filings of the Authority's blended component units are subject to audit by various taxing authorities. The open audit periods for these entities are 2013 through 2017.

8. Leasing activities

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

The Authority is the lessor under a ground lease to a related party, Renaissance at Washington Ridge LTD, LLLP, where the project has been built. The ground lease expires December 31, 2101. The lease provides for annual rent of $1. In addition, the Partnership is to pay all operating costs, including taxes and insurance, of the property.

9. Use of estimates

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Impact of recently issued accounting principles

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

NOTE B - DETAILED NOTES

1. Deposits

As of December 31, 2017, the Authority's cash consist of deposits with a book balance of $3,302,782.

The Authority's deposits and investments are insured by the Federal Depository Insurance Corporation ("FDIC") for up to $250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Authority pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes, before any investments are made with those institutions.

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

Interest Rate Risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy is to invest only in HUD allowed investments and to monitor investments in order to limit its exposure to declines in fair value. As of December 31, 2017, the Authority had no investments, and therefore was not exposed to interest rate risk.

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

NOTE B - DETAILED NOTES (continued)

1. Deposits (continued)

Custodial Credit Risk - is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. The Authority's deposits are also insured by the Federal Depository Insurance Corporation up to $250,000 per financial institution, per depositor. As of December 31, 2017, none of the Authority's total balances held in banks and financial institutions of $3,605,581 were exposed to custodial credit risk, as all were either fully insured or collateralized.

Restricted cash

Cash was restricted for the following purposes at December 31, 2017:

Current:	
Modernization - HOPE VI	$ 249,953
Modernization - Public Housing	185,892
Security deposits	55,313
Unclaimed funds	33,225
Total current restricted cash	524,383
Noncurrent:	
HCV Family Self-Sufficiency escrows	56,464
Public Housing Family Self-Sufficiency escrows	36,984
Total noncurrent restricted cash	93,448
Total restricted cash	$ 617,831

2. Receivables, net

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

Fraud receivables	$ 288,886
Tenant receivables	25,019
Portability receivables	6,590
Miscellaneous receivables	67,527
Total receivables	388,022
Allowance for doubtful accounts - fraud	(223,917)
Allowance for doubtful accounts - tenants	(17,407)
	$ 146,698

NOTE B - DETAILED NOTES (continued)

3. Capital assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2017	Transfers in/ Additions	Transfers out/ Deletions	Balance at December 31, 2017
Non-depreciable:				
Land	$ 2,116,500	$ -	$ 352,944	$ 1,763,556
Construction in progress	-	2,913,078	-	2,913,078
Total non-depreciable	2,116,500	2,913,078	352,944	4,676,634
Depreciated:				
Buildings and improvements	11,181,528	-	-	11,181,528
Equipment - administration	1,030,575	-	-	1,030,575
Equipment - dwelling	26,718	-	-	26,718
Infrastructure	582,079	-	-	582,079
Total depreciated	12,820,900	-	-	12,820,900
Total capital assets	14,937,400	2,913,078	352,944	17,497,534
Less accumulated depreciation				
Buildings and improvements	(9,214,077)	(376,289)	-	(9,590,366)
Equipment - administration	(640,122)	(54,794)	-	(694,916)
Equipment - dwelling	(26,718)	-	-	(26,718)
Infrastructure	(582,079)	-	-	(582,079)
Total accumulated depreciation	(10,462,996)	(431,083)	-	(10,894,079)
Capital assets, net	$ 4,474,404	$ 2,481,995	$ 352,944	$ 6,603,455

During the year, the Authority received proceeds of $1,320,638 for the sale of land held for sale that had a book value of $352,944 which resulted in a gain on sale of $967,694. Additions during the year primarily consisted of the construction of the Micro Cottages at Williamstown.

4. Notes, accrued interest and developer fees receivable

The Authority has entered into various loans and developer agreements with related parties as described in the notes below. In addition, the Authority has other activity with related parties as described in Note B-10.

NOTE B - DETAILED NOTES (continued)

4. Notes, accrued interest and developer fees receivable (continued)

HUD has provided the funding to the Authority for the development of the mixed-finance properties owned by related parties of the Authority. As funds were received by the Authority from HUD, they were loaned to the respective related parties.

When the notes are paid back they will be considered restricted program income to be used for similar project developments in the future. As of December 31, 2017, all $11,717,401 of the notes receivable, associated interest, and developer fees are classified as restricted. The following is a summary of the changes in the notes receivable for the year ended December 31, 2017:

	Balance at January 1, 2017	Additions	Payments/ Deletions	Balance at December 31, 2017
Amounts due from related parties:				
Dakota Park mortgage note - HOPE VI	$ 714,591	$ -	$ -	$ 714,591
Dakota Park accrued interest - HOPE VI	515,893	40,731	-	556,624
Dakota Park developer fee	149,859	-	-	149,859
Dakota Park promissory note	101,380	-	-	101,380
Renaissance mortgage note - HOPE VI	2,200,000	-	-	2,200,000
Renaissance accrued interest - HOPE VI	580,588	115,060	-	695,648
Renaissance developer fee	1,308,453	-	-	1,308,453
Renaissance promissory note	381,200	-	-	381,200
Villas at Lake Bonnet mortgage note	1,009,877	-	-	1,009,877
Villas at Lake Bonnet accrued interest	303,529	75,741	-	379,270
Colton Meadow mortgage note	450,845	-	-	450,845
Colton Meadow developer fee	92,185	-	-	92,185
Colton Meadow mortgage note	362,901	-	-	362,901
West Bartow developer fee	1,363,318	70,449	(71,273)	1,362,494
Subtotal of amounts due from related parties	9,534,619	301,981	(71,273)	9,765,327
Other notes and loans receivable:				
Second mortgages	1,539,593	161,481	-	1,701,074
Third mortgages	251,000	-	-	251,000
Total	$ 11,325,212	$ 463,462	$ (71,273)	$ 11,717,401
Total by category:				
Notes receivable from related parties - restricted	$ 5,220,794	$ -	$ -	$ 5,220,794
Other notes and loans receivable - restricted	1,790,593	161,481	-	1,952,074
Accrued interest - restricted	1,400,010	231,532	-	1,631,542
Developer fee - restricted	2,913,815	70,449	(71,273)	2,912,991
Total	$ 11,325,212	$ 463,462	$ (71,273)	$ 11,717,401

NOTE B - DETAILED NOTES (continued)

4. Notes, accrued interest and developer fees receivable (continued)

   a. *Dakota Park Limited Partnership, LLLP ("Dakota Park")*

      As part of a mixed finance arrangement, the Authority has executed a mortgage note with Dakota Park whereby the Authority has loaned the partnership $714,591 in order to enable the partnership to rehabilitate, develop and equip the Dakota Park Apartments. The loan is fully outstanding as of December 31, 2017. The mortgage is subordinated to a first mortgage held by a bank.

      The mortgage bears interest at the highest AFR rate established by the Internal Revenue Service (2.64% at December 31, 2017). Payment of principal and interest to the extent of available cash flow commenced on April 1, 2003 and is payable annually through the final maturity date of March 25, 2042. Unpaid accrued interest receivable related to this mortgage was $556,624 at December 31, 2017.

      The Authority also earned a developer fee in prior years in the amount of $149,859 from Dakota Park, all of which is outstanding at December 31, 2017 and which is to be paid from future available cash flow of the project.

      In addition, the Authority has a loan receivable from Dakota Park of $101,380 at December 31, 2017. The loan is unsecured and bears no interest. The loan is to be repaid from available cash flow after allowable distributions to the Investor Limited Partner and repayment of the mortgage to the Authority.

   b. *Renaissance at Washington Ridge LTD, LLLP ("Renaissance")*

      As part of a mixed finance arrangement, the Authority has executed a mortgage note with Renaissance whereby the Authority has loaned the partnership $2,200,000 in order to enable the partnership to rehabilitate, develop and equip the Washington Park Apartments and Lake Ridge Apartments. The loan is fully outstanding as of December 31, 2017. The mortgage is subordinated to a first mortgage held by a bank. The mortgage bears interest at the highest AFR rate established by the Internal Revenue Service (2.64% at December 31, 2017). Payment of principal and interest to the extent of available cash flow commenced on April 1, 2004 and is payable annually through the final maturity date of December 31, 2052. Unpaid accrued interest receivable related to this mortgage was $695,648 at December 31, 2017.

NOTE B - DETAILED NOTES (continued)

4. Notes, accrued interest and developer fees receivable (continued)

b. Renaissance at Washington Ridge LTD, LLLP ("Renaissance") (continued)

The Authority also earned a developer fee in prior years in the amount of $1,308,453 from Renaissance, all of which is outstanding at December 31, 2017 and which is to be paid from future available cash flow of the project.

In addition, the Authority has a loan receivable from Renaissance of $381,200 at December 31, 2017. The loan is unsecured and bears no interest. The loan is to be repaid from available cash flow after allowable distributions to the Investor Limited Partner, repayment of the mortgage to the Authority and payment of the developer fee.

c. Bonnet Shores, LLLP ("Bonnet Shores")

On May 27, 2010, as part of a mixed finance arrangement, the Authority has executed a mortgage note with Bonnet Shores whereby the Authority is lending the partnership a maximum of $2,200,000 in order to enable the partnership to rehabilitate, develop and equip the Lake Bonnet Apartments. The Authority has an outstanding balance from Bonnet Shores of $1,009,877 as of December 31, 2017. The mortgage is subordinated to a first mortgage held by a bank. The mortgage bears interest at 7.5% per annum. Commencing on July 1, 2010, and continuing on the first of each month thereafter until the date of the fourth installment of the Investment Limited Partner's capital contribution, interest only payments are to be paid. On the first of the month following the date of the fourth installment, a principal payment in the amount of $1,258,233 was paid. After the fourth installment, payments of interest and principal shall be paid out of available cash flow with a maturity date 30 years after the date of the fourth installment. As of December 31, 2017, there was $379,270 of unpaid accrued interest receivable related to this mortgage at December 31, 2017.

NOTE B - DETAILED NOTES (continued)

4. Notes, accrued interest and developer fees receivable (continued)

d. Colton Meadow, LLLP ("Colton Meadow")

On April 28, 2010, as part of a mixed finance arrangement, the Authority has executed a mortgage note with Colton Meadow whereby the Authority is lending the Partnership a maximum of $1,113,378 in order to enable the Partnership to rehabilitate, develop and equip the Colton Meadow Villas. The Authority has an outstanding balance from Colton Meadow of $450,845 as of December 31, 2017. The mortgage bears interest at 7.5% per annum. Commencing on the first of the month following the date that Colton Meadow meets stabilization, as established by Florida Housing Finance Corporation in connection with its tax credit assistance program loan, and continuing until the maturity date, installments of principal and interest shall be due monthly in the amount of $7,785.

The entire outstanding principal sum, together with all accrued and unpaid interest shall be due and payable in full on the date which is 30 years after stabilization. There was no unpaid accrued interest receivable related to this mortgage at December 31, 2017.

The Authority also earned a developer fee in prior years in the amount of $1,749,460 from Colton Meadow, of which $92,185 is outstanding at December 31, 2017 and which is to be paid from future available cash flow of the project.

In addition, the Authority advanced funds to Colton Meadow in prior years in the amount of $1,293,641 to fund operations, pay debt, and fund reserves. As of December 31, 2017, the amount outstanding was $362,901.

e. West Bartow LTD., LLLP ("West Bartow")

The Authority earned a developer fee in prior years in the amount of $2,161,102 from West Bartow which has an outstanding balance of $1,362,684 at December 31, 2017 and which is to be paid from future available cash flow of the project.

NOTE B - DETAILED NOTES (continued)

4. Notes, accrued interest and developer fees receivable (continued)

In addition, the Authority has provided loans to individual homeowners as described below.

f. Second mortgages

Second mortgages were issued to assist the Authority in selling the condominiums at Magnolia Pointe and homes at Hampton Hills. The mortgages are due 30 years from the date of the mortgage and do not bear interest. The balance of the mortgage is due upon the sale of the condominium; refinancing of the first mortgage; failure to maintain the property; default on any obligations, covenants and/or agreements with the lender; or upon borrower's death (collectively a repayment event).

g. Third mortgages

Third mortgages were issued to assist the Authority in selling single family homes constructed as part of the Lake Ridge redevelopment. A portion of the mortgages are due 30 years from the date of the mortgage and do not bear interest. The balance of the mortgage is due upon the sale of the home; refinancing of any mortgage; failure to maintain the property; default on any obligations, covenants and/or agreements with the lender or upon borrower's death (collectively a repayment event). If the property is sold within the thirty year period, the Authority will share in any appreciation of the property according to a schedule included in the loan document.

5. Other current liabilities

As of December 31, 2017, other current liabilities consist of:

Accrued construction expense	$	462,249
Accrued audit fees		44,845
Unclaimed funds		33,225
Miscellaneous liabilities		170,804
	$	711,123

NOTE B - DETAILED NOTES (continued)

6. Noncurrent liabilities

The following is a summary of the changes in noncurrent liabilities for the year ended December 31, 2017:

	Payable at January 1, 2017	Additions	Reductions	Payable at December 31, 2017	Due Within One Year
Lakeland-Polk Housing Corporation	$ 303,000	$ -	$ -	$ 303,000	$ -
Compensated absences	92,092	101,589	(92,091)	101,590	35,557
Family self-sufficiency escrows - Public Housing	16,173	25,571	(4,760)	36,984	-
Family self-sufficiency escrows - Section 8	98,986	40,121	(82,643)	56,464	-
Total noncurrent liabilities	$ 510,251	$167,281	$(179,494)	$ 498,038	$ 35,557

LPHC loans

In 2006, the Authority entered into a non-interest bearing loan agreement with LPHC, a related party, for the closing costs, deposits, and mortgages on homes sold at the Homes at Lakeridge site. As of December 31, 2017, the total amount outstanding was $303,000.

7. Pension plan

The Authority maintains two single employer defined contribution plans for the benefit of regular full-time employees. The Plans are administered by the Mass Mutual Financial Group. In a defined contribution plan, benefits depend solely on amounts available in the plan. The Authority's Board of Commissioners is authorized to establish and amend plan provisions. Employees are eligible to participate in the plan after six months of employment and after attaining eighteen years of age. Vesting begins after one year of service and participants become 100% vested after five years. For all employees hired prior to January 1, 2008, the Authority contributes 6% of the participants' earnings to the plan and the participant contributes 5%. For employees hired on or after January 1, 2008, the Authority contributes 4% of the participants' earnings to the Plan and the participant contributes 3%. The Authority contributed $73,696 and employees contributed $78,903 during the year ended December 31, 2017.

NOTE B - DETAILED NOTES (continued)

8. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and other general liability issues. The Authority is insured through the Florida Housing Authorities Risk Management Insureds ("FHARMI"), a public risk pool currently operating as a common risk management and insurance program. The Authority pays an annual premium to FHARMI for general insurance coverage. The agreement for the formation of FHARMI provides that it will be self-sustaining through member premiums and will reinsure through commercial companies. In addition, the Authority carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions of insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

9. Commitments and contingencies

a. Legal

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

b. Grants and contracts

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

NOTE B - DETAILED NOTES (continued)

9. Commitments and contingencies (continued)

c. Funds awarded

The Authority receives funding from HUD through grants and programs to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent funded awards as of December 31, 2017 amounted to the following:

Replacement Housing Factor	$ 908,990
Public Housing Capital Fund Program	911,330
Family Self-Sufficiency	142,450
Total unspent funded awards	$ 1,962,770

10. Related parties

The Authority provides all operational and administrative support to several related organizations on a cost reimbursement basis (see Note A-1), as well as funding certain operational and development shortfalls of these entities. For the year ended December 31, 2017, total amounts received from the related parties were $177,000. Total operating subsidy passed through to all partnerships during the year ended December 31, 2017 was $487,964.

As of December 31, 2017, the Authority is not reporting a receivable nor a payable to related parties as described in Note A-1. The Authority has signed mortgage notes, promissory notes and developer agreements with certain related parties as described in Note B-4.

For the year ended December 31, 2017, activity between the Authority and its related parties was as follows:

Related organization	Paid to/for	Received from
West Lake Management Company	$ -	$ 177,000

NOTE B - DETAILED NOTES (continued)

11. Concentrations

For the year ended December 31, 2017, approximately 82% of all revenues and 83% of all receivables are from HUD.

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

12. Financial data schedule

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

13. Subsequent events

Management has evaluated subsequent events through September 28, 2018, the date the financial statements were available to be issued, and noted no additional significant items to be disclosed.

NOTE B - DETAILED NOTES (continued)

14. Condensed blended component unit information

Condensed component unit information for the Authority's major blended component units as listed in Note A-1 is presented on the following pages. Heritage Oaks at Renaissance Dev, LLC is included in the reporting entity as a blended component unit but this entity had incurred no activity as of December 31, 2017.

Condensed Statement of Net Position

	Polk County Housing, Inc.	West Lake Management, LLC	West Lake Realty, Inc.	Arbor Manor LTD, LLLP	Bonnet Shores GP, Inc.	Renaissance at Washington Ridge Master Association, Inc.	Polk County Housing Developers, Inc.	West Bartow GP, Inc.
ASSETS								
Current assets	$ -	$ 2,000	$ 10,545	$ -	$ -	$ 19,679	$ 1,314,902	$ -
Noncurrent assets	-	-	-	-	101,885	-	3,265,046	-
TOTAL ASSETS	-	2,000	10,545	-	101,885	19,679	4,579,948	-
LIABILITIES								
Current liabilities	-	8,515	-	-	-	1,056	-	-
Noncurrent liabilities	-	5,144	-	-	-	-	-	-
TOTAL LIABILITIES	-	13,659	-	-	-	1,056	-	-
NET POSITION								
Restricted	-	-	-	-	-	-	3,147,546	-
Unrestricted	-	(11,659)	10,545	-	101,885	18,623	1,432,402	-
TOTAL NET POSITION	$ -	$ (11,659)	$ 10,545	$ -	$ 101,885	$ 18,623	$ 4,579,948	$ -

NOTE B - DETAILED NOTES (continued)

15. Condensed blended component unit information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Polk County Housing, Inc.	West Lake Management, LLC	West Lake Realty, Inc.	Arbor Manor LTD, LLLP	Bonnet Shores GP, Inc.	Renaissance at Washington Ridge Master Association, Inc.	Polk County Housing Developers, Inc.	West Bartow GP, Inc.
OPERATING REVENUES								
Management fees	$ -	$ 658,997	$ -	$ -	$ -	$ 20,702	$ -	$ -
OPERATING EXPENSES								
Administrative	-	128,688	395	-	-	801	2,000	-
Utilities	-	-	-	-	-	284	-	-
Maintenance	-	238,438	159	-	-	12,070	-	-
General	-	186,086	-	375	12,788	-	48,949	-
Total operating expenses	-	553,212	554	375	12,788	13,155	50,949	-
OPERATING INCOME (LOSS)	-	105,785	(554)	(375)	(12,788)	7,547	(50,949)	-
NONOPERATING REVENUES (EXPENSES)								
Interest income - unrestricted	-	-	-	-	-	-	48,124	-
TRANSFERS								
Transfers in	3,147	-	16,158	22,436	412,979	-	-	1,024
Transfers out	-	(26,136)	-	-	-	-	(835,715)	-
Change in net position	3,147	79,649	15,604	22,061	400,191	7,547	(838,540)	1,024
Total net position - beginning of year	(3,147)	(91,308)	(5,059)	(22,061)	(298,306)	11,076	5,418,488	(1,024)
Total net position - ending of year	$ -	$ (11,659)	$ 10,545	$ -	$ 101,885	$ 18,623	$ 4,579,948	$ -

NOTE B - DETAILED NOTES (continued)

15. Condensed blended component unit information (continued)

Condensed Statement of Cash Flows

	Polk County Housing, Inc.	West Lake Management, LLC	West Lake Realty, Inc.	Arbor Manor LTD, LLLP	Bonnet Shores GP, Inc.	Renaissance at Washington Ridge Master Association, Inc.	Polk County Housing Developers, Inc.	West Bartow GP, Inc.
NET CASH PROVIDED BY (USED IN):								
Operating activities	$ -	$ (13,229)	$ (553)	$ -	$ -	$ 7,827	$ 109,608	$ -
Investing activities	-	-	-	-	-	-	48,124	-
NET INCREASE (DECREASE)	-	(13,229)	(553)	-	-	7,827	157,732	-
Cash at beginning of year	-	13,229	11,098	-	-	9,065	297,944	-
Cash at end of year	$ -	$ -	$ 10,545	$ -	$ -	$ 16,892	$ 455,676	$ -

SUPPLEMENTAL INFORMATION

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL011 FYED: 12/31/2017

Line Item No.	Account Description	AMP 1 Operating (Various Public Housing Sites) 14.850	AMP 1 Capital (Various Public Housing Sites) 14.872	AMP 2 Operating (Dakota Park) 14.850	AMP 2 Capital (Dakota Park) 14.872	AMP 3 Operating (Renaissance at Washington Ridge) 14.850	AMP 3 Capital (Renaissance at Washington Ridge) 14.872	AMP 4 Operating (Hampton Hills) 14.850	AMP 4 Capital (Hampton Hills) 14.872
111	Cash - Unrestricted	2,166,371	-	-	-	-	-	35,467	-
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	185,892	-
113	Cash - other restricted	35,052	-	-	-	-	-	1,932	-
114	Cash - Tenant Security Deposits	52,313	-	-	-	-	-	2,700	-
115	Cash - Restricted for payment of current liability	-	-	-	-	-	-	-	-
100	Total Cash	2,253,736	-	-	-	-	-	225,991	-
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	600,470	-	-	-	-	-	-	-
124	Accounts Receivable - other government	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	350	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	3,912	-	-	-	-	-	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-	-
128	Fraud recovery	28,137	-	-	-	-	-	2,476	-
128.1	Allowance for doubtful accounts - fraud	(14,826)	-	-	-	-	-	(2,476)	-
120	Total Receivables, net of allowances for doubtful accounts	618,043	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	125,504	-	-	-	-	-	7,391	-
144	Interprogram due from	349,679	-	-	-	-	-	-	-
145	Assets held for sale	-	-	-	-	-	-	-	-
150	Total Current Assets	3,346,962	-	-	-	-	-	233,382	-
161	Land	1,466,869	-	-	-	-	-	-	-
162	Buildings	10,240,269	-	-	-	-	-	898,835	-
163	Furniture, Equipment & Machinery - Dwellings	26,718	-	-	-	-	-	-	-
164	Furniture, Equipment & Machinery - Administration	944,392	-	-	-	-	-	2,249	-
166	Accumulated Depreciation	(10,797,603)	-	-	-	-	-	(1,609)	-
167	Construction In Progress	979,044	-	-	-	-	-	-	-
168	Infrastructure	582,079	-	-	-	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	3,441,768	-	-	-	-	-	899,475	-
171	Notes, loans, and mortgages receivable - Noncurrent	1,763,722	-	-	-	-	-	240,900	-
174	Other Assets	379,270	-	-	-	-	-	-	-
180	Total Non-Current Assets	5,584,760	-	-	-	-	-	1,140,375	-
190	**Total Assets**	**8,931,722**	**-**	**-**	**-**	**-**	**-**	**1,373,757**	**-**
312	Accounts Payable <= 90 Days	7,122	-	-	-	-	-	391	-
321	Accrued Wage/Payroll Taxes Payable	6,985	-	-	-	-	-	464	-
322	Accrued Compensated Absences	4,506	-	-	-	-	-	32	-
341	Tenant Security Deposits	52,313	-	-	-	-	-	2,700	-
342	Unearned Revenues	5,825	-	-	-	-	-	4	-
345	Other current liabilities	48,194	-	-	-	-	-	-	-
346	Accrued liabilities - other	462,249	-	-	-	-	-	-	-
347	Interprogram due to	58,675	-	-	-	-	-	-	-
310	Total Current Liabilities	645,869	-	-	-	-	-	3,591	-
353	Noncurrent Liabilities - Other	35,052	-	-	-	-	-	1,932	-
354	Accrued compensated Absences - Non Current	8,369	-	-	-	-	-	60	-
355	Loan liability - noncurrent	303,000	-	-	-	-	-	-	-
350	Total Noncurrent Liabilities	346,421	-	-	-	-	-	1,992	-
300	Total Liabilities	992,290	-	-	-	-	-	5,583	-
508.4	Net investment in capital assets	3,441,768	-	-	-	-	-	899,475	-
511.4	Restricted Net Assets	2,142,992	-	-	-	-	-	426,792	-
512.4	Unrestricted Net Assets	2,354,672	-	-	-	-	-	41,907	-
513	Total Equity	7,939,432	-	-	-	-	-	1,368,174	-
600	**Total Liabilities and Equity**	**8,931,722**	**-**	**-**	**-**	**-**	**-**	**1,373,757**	**-**

See independent auditor's report.

PHA: FL011 FYED: 12/31/2017

Line Item No.	Account Description	AMP 1 Operating (Various Public Housing Sites) 14.850	AMP 1 Capital (Various Public Housing Sites) 14.872	AMP 2 Operating (Dakota Park) 14.850	AMP 2 Capital (Dakota Park) 14.872	AMP 3 Operating (Renaissance at Washington Ridge) 14.850	AMP 3 Capital (Renaissance at Washington Ridge) 14.872	AMP 4 Operating (Hampton Hills) 14.850	AMP 4 Capital (Hampton Hills) 14.872
70300	Net Tenant Rental Revenue	270,714	-	-	-	-	-	33,600	-
70400	Tenant Revenue - Other	9,355	-	-	-	-	-	2,763	-
70500	Total Tenant Revenue	280,069	-	-	-	-	-	36,363	-
70600	HUD PHA Grants	779,333	526,645	87,349	-	400,615	-	18,891	-
70610	HUD PHA Capital Grants	-	979,044	-	-	-	-	-	-
70710	Management Fee	-	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-
70730	Bookkeeping Fee	-	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	84	-	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	1,320,638	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	(352,944)	-	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-	-	-
71500	Other revenue	29,500	-	-	-	-	-	-	-
72000	Investment income - restricted	109,557	-	-	-	-	-	-	-
70000	**Total Revenue**	**2,166,237**	**1,505,689**	**87,349**	**-**	**400,615**	**-**	**55,254**	**-**
91100	Administrative Salaries	119,826	-	-	-	-	-	16,907	-
91200	Auditing Fees	53,143	-	-	-	-	-	-	-
91300	Management Fee	127,249	40,400	-	-	-	-	5,032	-
91310	Bookkeeping Fee	15,930	-	-	-	-	-	630	-
91400	Advertising and Marketing	1,172	-	-	-	-	-	-	-
91500	Employee Benefit Contributions - Administrative	42,572	-	-	-	-	-	1,536	-
91600	Office Expenses	95,335	-	-	-	-	-	7,213	-
91700	Legal Expenses	56,533	-	-	-	-	-	1,902	-
91800	Travel	16,269	-	-	-	-	-	-	-
91900	Other Administrative Expenses	142,791	213	-	-	-	-	-	-
92000	Asset Management Fee	21,240	-	-	-	-	-	840	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	-
92200	Relocation Costs	-	18,569	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-
92400	Tenant Services - Other	326	-	-	-	-	-	-	-
93100	Water	11,432	-	-	-	-	-	158	-
93200	Electricity	33,380	-	-	-	-	-	719	-
93600	Sewer	31,542	-	-	-	-	-	290	-
93800	Other utilities expense	52,686	-	-	-	-	-	99	-
94100	Ordinary Maintenance and Operations - Labor	173,733	-	-	-	-	-	-	-
94200	OMO - Materials and Other	47,121	-	-	-	-	-	2,785	-
94300	Ordinary Maintenance and Operations - Contract Costs	147,298	-	-	-	-	-	11,612	-
94500	Employee Benefit Contributions - Ordinary Maintenance	43,506	-	-	-	-	-	-	-

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL011 FYED: 12/31/2017

Line Item No.	Account Description	AMP 1 Operating (Various Public Housing Sites) 14.850	AMP 1 Capital (Various Public Housing Sites) 14.872	AMP 2 Operating (Dakota Park) 14.850	AMP 2 Capital (Dakota Park) 14.872	AMP 3 Operating (Renaissance at Washington Ridge) 14.850	AMP 3 Capital (Renaissance at Washington Ridge) 14.872	AMP 4 Operating (Hampton Hills) 14.850	AMP 4 Capital (Hampton Hills) 14.872
96110	Property Insurance	73,071	-	-	-	-	-	3,695	-
96120	Liability Insurance	18,347	-	-	-	-	-	-	-
96130	Workmen's Compensation	7,308	-	-	-	-	-	483	-
96140	All Other Insurance	-	-	-	-	-	-	-	-
96200	Other General Expenses	-	399,263	87,349	-	400,615	-	-	-
96210	Compensated Absences	12,875	-	-	-	-	-	92	-
96400	Bad Debt - Tenant Rents	30,596	-	-	-	-	-	4,992	-
96600	Bad Debt - Other	-	-	-	-	-	-	-	-
96900	Total Operating Expenses	1,375,281	458,445	87,349	-	400,615	-	58,985	-
97000	Excess Operating Revenue over Operating Expenses	790,956	1,047,244	-	-	-	-	(3,731)	-
97300	Housing Assistance Payments	-	-	-	-	-	-	-	-
97350	HAP Portability-in	-	-	-	-	-	-	-	-
97400	Depreciation Expense	417,909	-	-	-	-	-	324	-
90000	Total Expenses	1,793,190	458,445	87,349	-	400,615	-	59,309	-
10010	Operating transfers in	68,199	-	-	-	-	-	-	-
10020	Operating transfers out	-	(68,199)	-	-	-	-	-	-
10093	Transfers between Programs and Projects - in	352,944	-	-	-	-	-	-	-
10094	Transfers between Programs and Projects - out	-	-	-	-	-	-	-	-
10100	Total other financing sources (Uses)	421,143	(68,199)	-	-	-	-	-	-
10000	**Excess (deficiency) of total revenue over (under) total expenses**	**794,190**	**979,045**	**-**	**-**	**-**	**-**	**(4,055)**	**-**
11030	Beginning Equity	6,166,197	-	-	-	-	-	1,372,229	-
11040.1	Transfer CFP hard costs to operations	979,045	(979,045)	-	-	-	-	-	-
11040.2	Transfer of prior year due to/from amounts.	-	-	-	-	-	-	-	-
11040	Prior Period Adjustments, Equity transfer and correction of errors	979,045	(979,045)	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	-	-	-	-	-
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	-
11190	Unit Months Available	2,066	-	240	-	1,308	-	84	-
11210	Number of Unit Months Leased	2,046	-	239	-	1,305	-	84	-
11270	Excess Cash	2,425,930	-	-	-	-	-	29,661	-
11620	Building Purchases	-	979,045	-	-	-	-	-	-

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL011 FYED: 12/31/2017

Line Item No.	Account Description	Total AMPS	Central Office Cost Center	Business Activities	Total Blended Component Units	Revitalization of Severely Distressed Public Housing 14.866	Housing Choice Voucher Program 14.871	Mainstream Voucher Program 14.879	Family Self-Sufficiency Program 14.896	ROSS Program 14.896	YouthBuild Program 17.274	Eliminations	Total Primary Government
111	Cash - Unrestricted	2,201,838	-	-	483,113	-	-	-	-	-	-	-	2,684,951
112	Cash - Restricted - Modernization and Development	185,892	-	-	-	249,953	-	-	-	-	-	-	435,845
113	Cash - other restricted	36,984	-	-	-	-	56,464	-	-	-	-	-	93,448
114	Cash - Tenant Security Deposits	55,013	-	300	-	-	-	-	-	-	-	-	55,313
115	Cash - Restricted for payment of current liability	-	-	-	-	-	33,225	-	-	-	-	-	33,225
100	Total Cash	2,479,727	-	300	483,113	249,953	89,689	-	-	-	-	-	3,302,782
121	Accounts Receivable - PHA Projects	-	-	-	-	-	6,590	-	-	-	-	-	6,590
122	Accounts Receivable - HUD Other Projects	600,470	-	-	-	-	108,000	-	-	19,737	-	-	728,207
124	Accounts Receivable - other government	-	-	-	-	-	-	-	-	-	30,097	-	30,097
125	Accounts Receivable - Miscellaneous	350	3,510	-	-	-	32,886	684	-	-	-	-	37,430
126	Accounts Receivable - Tenants - Dwelling Rents	3,912	-	575	18,997	-	-	1,535	-	-	-	-	25,019
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	(16,210)	-	-	(1,197)	-	-	-	-	(17,407)
128	Fraud recovery	30,613	-	-	-	-	258,273	-	-	-	-	-	288,886
128.1	Allowance for doubtful accounts - fraud	(17,302)	-	-	-	-	(206,615)	-	-	-	-	-	(223,917)
120	Total Receivables, net of allowances for doubtful accounts	618,043	3,510	575	2,787	-	199,134	1,022	-	19,737	30,097	-	874,905
142	Prepaid Expenses and Other Assets	132,895	13,405	-	2,000	-	1,565	-	-	-	731	-	150,596
144	Interprogram due from	349,679	-	-	859,226	80,605	-	20,934	-	-	-	(1,310,444)	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	3,580,344	16,915	875	1,347,126	330,558	290,388	21,956	-	19,737	30,828	(1,310,444)	4,328,283
161	Land	1,466,869	-	296,687	-	-	-	-	-	-	-	-	1,763,556
162	Buildings	11,139,104	-	42,424	-	-	-	-	-	-	-	-	11,181,528
163	Furniture, Equipment & Machinery - Dwellings	26,718	-	-	-	-	-	-	-	-	-	-	26,718
164	Furniture, Equipment & Machinery - Administration	946,641	33,768	-	-	-	28,867	-	-	-	21,299	-	1,030,575
166	Accumulated Depreciation	(10,799,212)	(28,211)	(16,972)	-	-	(28,385)	-	-	-	(21,299)	-	(10,894,079)
167	Construction In Progress	979,044	-	-	-	1,934,034	-	-	-	-	-	-	2,913,078
168	Infrastructure	582,079	-	-	-	-	-	-	-	-	-	-	582,079
160	Total Fixed Assets, Net of Accumulated Depreciation	4,341,243	5,557	322,139	-	1,934,034	482	-	-	-	-	-	6,603,455
171	Notes, loans, and mortgages receivable - Noncurrent	2,004,622	-	560,788	1,692,867	2,914,591	-	-	-	-	-	-	7,172,868
174	Other Assets	379,270	-	1,458,312	1,674,064	1,252,272	-	-	-	-	-	-	4,763,918
180	Total Non-Current Assets	6,725,135	5,557	2,341,239	3,366,931	6,100,897	482	-	-	-	-	-	18,540,241
190	**Total Assets**	**10,305,479**	**22,472**	**2,342,114**	**4,714,057**	**6,431,455**	**290,870**	**21,956**	**-**	**19,737**	**30,828**	**(1,310,444)**	**22,868,524**
312	Accounts Payable <= 90 Days	7,513	1,402	-	798	-	-	-	4,435	2,436	2,651	-	19,235
321	Accrued Wage/Payroll Taxes Payable	7,449	11,668	-	4,947	-	5,711	-	1,947	1,366	6,896	-	39,984
322	Accrued Compensated Absences	4,538	16,615	-	2,770	-	6,802	-	706	1,032	3,094	-	35,557
341	Tenant Security Deposits	55,013	-	300	-	-	-	-	-	-	-	-	55,313
342	Unearned Revenues	5,829	-	-	1,056	-	22,423	5	-	-	-	-	29,313
345	Other current liabilities	48,194	-	-	-	80,605	33,225	-	-	-	-	-	162,024
346	Accrued liabilities - other	462,249	71,249	-	-	-	15,601	-	-	-	-	-	549,099
347	Interprogram due to	58,675	159,869	916,961	-	-	116,261	-	42,679	12,986	3,013	(1,310,444)	-
310	Total Current Liabilities	649,460	260,803	917,261	9,571	80,605	200,023	5	49,767	17,820	15,654	(1,310,444)	890,525
353	Noncurrent Liabilities - Other	36,984	-	-	-	-	56,464	-	-	-	-	-	93,448
354	Accrued compensated Absences - Non Current	8,429	30,856	-	5,144	-	12,633	-	1,308	1,917	5,746	-	66,033
355	Loan liability - noncurrent	303,000	-	-	-	-	-	-	-	-	-	-	303,000
350	Total Noncurrent Liabilities	348,413	30,856	-	5,144	-	69,097	-	1,308	1,917	5,746	-	462,481
300	Total Liabilities	997,873	291,659	917,261	14,715	80,605	269,120	5	51,075	19,737	21,400	(1,310,444)	1,353,006
508.4	Net investment in capital assets	4,341,243	5,557	322,139	-	1,934,034	482	-	-	-	-	-	6,603,455
511.4	Restricted Net Assets	2,569,784	-	2,019,100	3,147,546	4,416,816	-	-	-	-	-	-	12,153,246
512.4	Unrestricted Net Assets	2,396,579	(274,744)	(916,386)	1,551,796	-	21,268	21,951	(51,075)	-	9,428	-	2,758,817
513	Total Equity	9,307,606	(269,187)	1,424,853	4,699,342	6,350,850	21,750	21,951	(51,075)	-	9,428	-	21,515,518
600	**Total Liabilities and Equity**	**10,305,479**	**22,472**	**2,342,114**	**4,714,057**	**6,431,455**	**290,870**	**21,956**	**-**	**19,737**	**30,828**	**(1,310,444)**	**22,868,524**

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL011 FYED: 12/31/2017

Line Item No.	Account Description	Total AMPS	Central Office Cost Center	Business Activities	Total Blended Component Units	Revitalization of Severely Distressed Public Housing 14.866	Housing Choice Voucher Program 14.871	Mainstream Voucher Program 14.879	Family Self-Sufficiency Program 14.896	ROSS Program 14.896	YouthBuild Program 17.274	Eliminations	Total Primary Government
70300	Net Tenant Rental Revenue	304,314	-	2,250	-	-	-	-	-	-	-	-	306,564
70400	Tenant Revenue - Other	12,118	-	-	-	-	-	-	-	-	-	-	12,118
70500	Total Tenant Revenue	316,432	-	2,250	-	-	-	-	-	-	-	-	318,682
70600	HUD PHA Grants	1,812,833	-	-	-	-	9,507,077	293,537	92,284	76,735	-	-	11,782,466
70610	HUD PHA Capital Grants	979,044	-	-	-	1,934,034	-	-	-	-	-	-	2,913,078
70710	Management Fee	-	342,681	-	-	-	-	-	-	-	-	(342,681)	-
70720	Asset Management Fee	-	22,080	-	-	-	-	-	-	-	-	(22,080)	-
70730	Bookkeeping Fee	-	56,560	-	-	-	-	-	-	-	-	(56,560)	-
70750	Other Fees	-	291,995	-	-	-	-	-	-	-	-	(291,995)	-
70800	Other government grants	-	-	-	-	-	-	-	-	-	476,506	-	476,506
71100	Investment Income - Unrestricted	84	-	-	48,124	-	284	-	-	-	-	-	48,492
71300	Proceeds from disposition of assets held for sale	1,320,638	-	-	-	-	-	-	-	-	-	-	1,320,638
71310	Cost of Sale of Assets	(352,944)	-	-	-	-	-	-	-	-	-	-	(352,944)
71400	Fraud recovery	-	-	-	-	-	35,238	3,888	-	-	-	-	39,126
71500	Other revenue	29,500	60,209	-	679,699	-	238,905	-	-	-	15,000	(21,600)	1,001,713
72000	Investment income - restricted	109,557	-	-	-	155,791	-	-	-	-	-	-	265,348
70000	**Total Revenue**	**4,215,144**	**773,525**	**2,250**	**727,823**	**2,089,825**	**9,781,504**	**297,425**	**92,284**	**76,735**	**491,506**	**(734,916)**	**17,813,105**
91100	Administrative Salaries	136,733	430,411	-	84,831	-	271,141	-	-	54,528	208,465	-	1,186,109
91200	Auditing Fees	53,143	6,762	-	-	-	-	-	-	-	-	-	59,905
91300	Management Fee	172,681	-	-	-	-	170,000	-	-	-	-	(342,681)	-
91310	Bookkeeping Fee	16,560	-	-	-	-	40,000	-	-	-	-	(56,560)	-
91400	Advertising and Marketing	1,172	-	-	-	-	663	-	-	-	15	-	1,850
91500	Employee Benefit Contributions - Administrative	44,108	80,522	-	26,641	-	82,646	-	-	7,994	59,762	-	301,673
91600	Office Expenses	102,548	91,477	2,942	19,005	-	61,569	-	-	91	7,646	-	285,278
91700	Legal Expenses	58,435	5,267	54,318	722	-	5,397	-	-	-	118	-	124,257
91800	Travel	16,269	36,753	8	-	-	-	-	-	565	61,834	-	115,429
91900	Other Administrative Expenses	143,004	41,427	240	685	-	43,719	21,893	-	9,167	14,009	(145,595)	128,549
92000	Asset Management Fee	22,080	-	-	-	-	-	-	-	-	-	(22,080)	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	78,141	-	96,686	-	174,827
92200	Relocation Costs	18,569	-	-	-	-	-	-	-	-	-	-	18,569
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	23,891	-	9,276	-	33,167
92400	Tenant Services - Other	326	-	-	-	-	49	-	37,621	-	-	-	37,996
93100	Water	11,590	-	7	-	-	-	-	-	-	-	-	11,597
93200	Electricity	34,099	-	18	284	-	-	-	-	-	-	-	34,401
93600	Sewer	31,832	-	34	-	-	-	-	-	-	-	-	31,866
93800	Other utilities expense	52,785	-	-	-	-	-	-	-	-	-	-	52,785
94100	Ordinary Maintenance and Operations - Labor	173,733	-	-	161,329	-	-	-	-	-	-	-	335,062
94200	OMO - Materials and Other	49,906	4,857	52	1,943	-	100	-	-	-	-	-	56,858
94300	Ordinary Maintenance and Operations - Contract Costs	158,910	30,462	6,933	45,253	-	5,382	-	-	-	-	-	246,940
94500	Employee Benefit Contributions - Ordinary Maintenance	43,506	-	-	42,142	-	-	-	-	-	-	-	85,648

Housing Authority of the City of Lakeland, Florida

FINANCIAL DATA SCHEDULE

Year ended December 31, 2017

PHA: FL011 FYED: 12/31/2017

Line Item No.	Account Description	Total AMPS	Central Office Cost Center	Business Activities	Total Blended Component Units	Revitalization of Severely Distressed Public Housing 14.866	Housing Choice Voucher Program 14.871	Mainstream Voucher Program 14.879	Family Self-Sufficiency Program 14.896	ROSS Program 14.896	YouthBuild Program 17.274	Eliminations	Total Primary Government
96110	Property Insurance	76,766	7,891	-	-	-	1,565	-	-	-	-	-	86,222
96120	Liability Insurance	18,347	1,854	-	-	-	-	-	-	-	-	-	20,201
96130	Workmen's Compensation	7,791	11,584	-	6,674	-	7,461	-	1,693	1,441	8,541	-	45,185
96140	All Other Insurance	-	-	-	-	-	-	-	-	-	3,636	-	3,636
96200	Other General Expenses	887,227	2,805	444	184,662	-	-	3,433	-	-	10,903	(168,000)	921,474
96210	Compensated Absences	12,967	47,471	-	7,913	-	19,435	-	2,013	2,949	8,841	-	101,589
96400	Bad Debt - Tenant Rents	35,588	-	-	-	-	-	-	-	-	-	-	35,588
96600	Bad Debt - Other	-	-	-	48,949	-	45,371	1,197	-	-	-	-	95,517
96900	Total Operating Expenses	2,380,675	799,543	64,996	631,033	-	754,498	26,523	143,359	76,735	489,732	(734,916)	4,632,178
97000	Excess Operating Revenue over Operating Expenses	1,834,469	(26,018)	(62,746)	96,790	2,089,825	9,027,006	270,902	(51,075)	-	1,774	-	13,180,927
97300	Housing Assistance Payments	-	-	-	-	-	9,013,696	299,558	-	-	-	-	9,313,254
97350	HAP Portability-in	-	-	-	-	-	234,439	-	-	-	-	-	234,439
97400	Depreciation Expense	418,233	4,824	2,124	-	-	4,128	-	-	-	1,774	-	431,083
90000	Total Expenses	2,798,908	804,367	67,120	631,033	-	10,006,761	326,081	143,359	76,735	491,506	(734,916)	14,610,954
10010	Operating transfers in	68,199	-	-	-	-	-	-	-	-	-	(68,199)	-
10020	Operating transfers out	(68,199)	-	-	-	-	-	-	-	-	-	68,199	-
10093	Transfers between Programs and Projects - in	352,944	-	-	-	-	-	-	-	-	-	(352,944)	-
10094	Transfers between Programs and Projects - out	-	-	(352,944)	-	-	-	-	-	-	-	352,944	-
10100	Total other financing sources (Uses)	352,944	-	(352,944)	-	-	-	-	-	-	-	-	-
10000	**Excess (deficiency) of total revenue over (under) total expenses**	**1,769,180**	**(30,842)**	**(417,814)**	**96,790**	**2,089,825**	**(225,257)**	**(28,656)**	**(51,075)**	**-**	**-**	**-**	**3,202,151**
11030	Beginning Equity	7,538,426	(238,345)	1,436,560	5,008,659	4,261,025	247,007	50,607	-	-	9,428	-	18,313,367
11040.1	Transfer CFP hard costs to operations	-	-	-	-	-	-	-	-	-	-	-	-
11040.2	Transfer of prior year due to/from amounts.	-	-	406,107	(406,107)	-	-	-	-	-	-	-	-
11040	Prior Period Adjustments, Equity transfer and correction of errors	-	-	406,107	(406,107)	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	-	-	-	-	21,750	-	-	-	-	-	21,750
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	-	-	-	-	-
11190	Unit Months Available	3,698	-	12	-	-	14,812	540	-	-	-	-	19,062
11210	Number of Unit Months Leased	3,674	-	3	-	-	14,660	458	-	-	-	-	18,795
11270	Excess Cash	2,455,591	-	-	-	-	-	-	-	-	-	-	2,455,591
11620	Building Purchases	979,045	-	-	-	-	-	-	-	-	-	-	979,045

Housing Authority of the City of Lakeland, Florida

SCHEDULE OF ACTUAL CAPITAL FUND PROGRAM COSTS AND ADVANCES

Year ended December 31, 2017

PROGRAM NUMBER	FL14P011 501-13	FL14P011 501-14	FL14P011 501-15	FL14P011 501-16	FL14P011 501-17	FL14R011 502-09	FL14R011 504-09	FL14R011 502-10	FL14R011 502-11	Total
BUDGET AMOUNT	$ 251,538	$ 341,004	$ 345,575	$ 358,393	$ 608,069	$ 282,108	$ 149,804	$ 441,385	$ 380,321	$ 3,158,197
ADVANCES										
Cash receipts - prior years	$ 244,155	$ 297,817	$ 87,308	$ -	$ -	$ -	$ -	$ -	$ -	$ 629,280
Cash receipts - current year	7,383	41,869	205,763	-	-	282,108	149,804	278,687	-	965,614
Cumulative as of December 31, 2017	251,538	339,686	293,071	-	-	282,108	149,804	278,687	-	1,594,894
COSTS										
Prior years	244,154	297,817	147,705	51,501	-	-	-	-	-	741,177
Current year	7,384	43,187	157,645	120,367	-	282,108	149,804	441,385	303,809	1,505,689
Cumulative as of December 31, 2017	251,538	341,004	305,350	171,868	-	282,108	149,804	441,385	303,809	2,246,866
RECEIVABLES DUE FROM HUD	$ -	$ 1,318	$ 12,279	$ 171,868	$ -	$ -	$ -	$ 162,698	$ 303,809	$ 651,972
SOFT COSTS										
Prior years	$ 140,360	$ 193,460	$ 102,975	$ 23,202	$ -	$ -	$ -	$ -	$ -	$ 459,997
Current year	1,431	1,369	63,615	28,318	-	282,108	149,804	-	-	526,645
Cumulative as of December 31, 2017	141,791	194,829	166,590	51,520	-	282,108	149,804	-	-	986,642
HARD COSTS										
Prior years	103,794	104,357	44,730	28,299	-	-	-	-	-	281,180
Current year	5,953	41,818	94,030	92,049	-	-	-	441,385	303,809	979,044
Cumulative as of December 31, 2017	109,747	146,175	138,760	120,348	-	-	-	441,385	303,809	1,260,224
CUMULATIVE HARD AND SOFT COSTS	$ 251,538	$ 341,004	$ 305,350	$ 171,868	$ -	$ 282,108	$ 149,804	$ 441,385	$ 303,809	$ 2,246,866

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

FL14R011502-12	$ 70,661
FL14R011501-13	208,904
FL14R011502-13	62,529
FL14R011501-14	185,710
FL14R011501-15	187,612
FL14R011501-16	193,574
	$ 908,990

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

SCHEDULE OF ACTUAL HOPE VI PROGRAM COSTS AND ADVANCES

Year ended December 31, 2017

PROGRAM NUMBER	**FL14URD 011R199**
BUDGET AMOUNT	$ 21,842,801
ADVANCES	
Cash receipts - prior years	$ 19,908,767
Cash receipts - current year	1,934,034
Cumulative as of December 31, 2017	21,842,801
COSTS	
Prior years	19,908,767
Current year	1,934,034
Cumulative as of December 31, 2017	21,842,801
RECEIVABLES DUE FROM HUD	$ -
SOFT COSTS	
Prior years	$ 16,930,271
Current year	-
Cumulative as of December 31, 2017	16,930,271
HARD COSTS	
Prior years	64,923
Current year	1,934,034
Cumulative as of December 31, 2017	1,998,957
OTHER COSTS LOANED TO RELATED ENTITIES	
Prior years	2,913,573
Current year	-
Cumulative as of December 31, 2017	2,913,573
CUMULATIVE HARD AND SOFT COSTS	$ 21,842,801

See independent auditor's report.

Housing Authority of the City of Lakeland, Florida

SCHEDULE OF ACTUAL FAMILY SELF-SUFFICIENCY PROGRAM COSTS AND ADVANCES

Year ended December 31, 2017

PROGRAM NUMBER	FL011FSH 127A016	ROSS 171038	Total
BUDGET AMOUNT	$ 105,738	$ 219,185	$ 324,923
ADVANCES			
Cash receipts - prior years	$ -	$ -	$ -
Cash receipts - current year	105,738	56,998	162,736
Cumulative as of December 31, 2017	105,738	56,998	162,736
COSTS			
Prior years	-	-	-
Current year	105,738	76,735	182,473
Cumulative as of December 31, 2017	105,738	76,735	182,473
RECEIVABLES DUE FROM HUD	$ -	$ 19,737	$ 19,737

See independent auditor's report.

SINGLE AUDIT SECTION

Housing Authority of the City of Lakeland, Florida

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number		Federal Expenditures
Direct from the U.S. Department of Housing and Urban Development:			
Public and Indian Housing	14.850		$ 1,286,188
Resident Opportunity and Supportive Services	14.870		76,735
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers Program	14.871	$ 9,507,077	
Mainstream Vouchers Program	14.879	293,537	
Subtotal Housing Voucher Cluster			9,800,614
Family Self-Sufficiency Program	14.896		92,284
HOPE VI Cluster			
Revitalization of Severely Distressed Public Housing	14.866		1,934,034
Public Housing Capital Fund Program	14.872		1,505,689
			14,695,544
Pass through from the State of Florida:			
YouthBuild Program	17.274		476,506
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 15,172,050

NOTE A - BASIS OF PRESENTATION

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

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program ("HCV"), CFDA Number 14.871, to be an expenditure for the purposes of this schedule. Therefore, the amount in this schedule represents the total amount received directly from HUD and not the total expenditures paid by the Authority.

NOTE B - INDIRECT COST RATE

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

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

Board of Commissioners
Housing Authority of the City of Lakeland, Florida
Lakeland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Lakeland, Florida (the "Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

September 28, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

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

Board of Commissioners
Housing Authority of the City of Lakeland, Florida
Lakeland, Florida

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Lakeland, Florida'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 December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 Each Major Federal Program

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

Report on Internal Control Over Compliance

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

September 28, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Housing Authority of the City of Lakeland, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
Material weaknesses identified? **No**
Significant deficiencies identified? **None Reported**

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

Federal Awards

Internal control over major programs:
Material weaknesses identified? **No**
Significant deficiencies identified? **None Reported**

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

- HOPE VI Cluster - **Unmodified**
- Public Housing Capital Fund Program - **Unmodified**
- Housing Voucher Cluster - **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **None**

The programs tested as major programs are as follows:

- HOPE VI Cluster
  - Revitalization of Severely Distressed Public Housing - CFDA No. 14.866
- Public Housing Capital Fund Program - CFDA No. 14.872
- Housing Voucher Cluster
  - Section 8 Housing Choice Vouchers Program - CFDA No. 14.871
  - Mainstream Vouchers Program - CFDA No. 14.879

The threshold for distinguishing types A and B programs was **$750,000**

Did the auditee qualify as a low-risk auditee? **No**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

D. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None